

# viewpoint

the magazine for Chelsea investors

issue 9 • July 2004



**Chelsea Financial  
Services is  
'Online Investment  
IFA of the Year'**

**AXA Distribution Bond  
25 years  
of success**

# welcome



Dr John M Holder  
Chairman

Welcome to our Summer 2004 Viewpoint. I hope that you are all enjoying the sunshine and the Summer sporting season. Whilst the temptation is to leave investing until the weather cools, I think this edition of Viewpoint will tempt you out of your deckchairs to take a quick look at your investments.

Having started discount broking over 20 years ago, Chelsea Financial Services also found itself pioneering online capabilities for its clients via its website. We were the first company to offer online access to a choice of 3 different fund supermarkets and much work has gone into providing an interesting and easy to use website for our clients. I was therefore delighted to have this hard work recognised with the award 'Online Investment IFA of the Year 2004' (see page 39).

We continue our series of fund manager interviews, with Legal and General's Japan fund manager discussing this fascinating market (page 34) and George Luckraft from Framlington, talking about equity income (page 32). Our managing director analyses the performance of the markets in Market View (page 3).

All the usual fund guidance is here, with the Chelsea Easy ISA (pages 4 and 5) for those of you who prefer us to make those difficult fund selections for you; the Chelsea Leaders are featured on pages 13-20 and the Premier League and Relegation Zone can be found on pages 42-44. However, we also thought it would be useful to provide you with more information about how these funds are selected (see opposite). On pages 6 and 7 we expand on this by answering your questions on the Chelsea Easy ISA and our fund supermarket, the Chelsea Portfolio. Do take a look at these pages as they will clarify the information and facilities that we provide.

The AXA Distribution Bond celebrates its 25th anniversary and our bond manager takes a look at this successful product on page 28. He has also written an interesting article clarifying the situation with regard to MVRs on pages 26 and 27. If you hold a With Profits Bond, then do read this before making any decisions with regard to your investment. Furthermore, a short piece on Guaranteed Income or Growth Bonds can be found on page 33, along with details of Chelsea LifeSearch, our low cost life assurance service.

Our ISA manager looks at some of your investments in Funds Focus (page 31), providing you with valuable guidance on whether to retain your holdings. Whilst you are taking a look at your portfolio you may wish to make managing it simpler with Re-registration (page 10).

Other interesting investment opportunities are highlighted on page 41, with an article on VCTs, and on pages 36 and 37 we take a look at the new Child Trust Funds – if you have children or grandchildren then this information is invaluable. We introduce you to funds and companies less familiar on page 35 with the iimia Accelerated Fund and on page 38 with Top Performers, not available within the Chelsea Portfolio.

For those of you who wish to receive a full investment advisory service, don't forget that we have a sister company Chelsea Investments. They highlight some of their services on page 40.

I hope that you find this edition of Viewpoint useful and informative.

With best wishes

Dr John M Holder Chairman, Chelsea Financial Services

**Freephone Brochure Line:**  
**0800 071 3333**  
**Main Office: 020 7384 7300**

#### Important Notice

Past performance is not necessarily a guide to the future. The value of investments and the income from them can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. ISAs, PEPs, Unit Trusts and Bonds should be regarded as medium to long-term investments. Tax assumptions are subject to statutory change and the value of any tax relief will depend on your individual circumstances.

Chelsea Financial Services offers a direct offer/execution-only service. If you require individual investment guidance you should seek expert advice. Whilst we may draw attention to certain investment products we cannot know which of them, if any, is best for your particular circumstances and must leave that judgement to you. Nor can we accept liability to clients who purchase two ISAs in one fiscal year, or mix MINI and MAXI ISAs, or otherwise do not comply with ISA rules.

Discounts are subject to receipt of commission and may be subject to change if commission levels are altered.

Chelsea Financial Services is authorised and regulated by the Financial Services Authority.

Cofunds is the ISA/PEP Plan Manager for the Chelsea Portfolio.

# contents

Market View	3
Chelsea Easy ISA	4
Your Questions Answered	6
The Chelsea Portfolio	8
Re-registration	10
The Chelsea Leaders	13
Chelsea Portfolio ISA Application Form	21
ISA/PEP Transfer Application Form	23
Withering Profits Bonds?	26
AXA Distribution Bond	28
Funds Focus	31
Equity Income Explained	32
Chelsea LifeSearch/Guaranteed income & growth bonds	33
Rising Sun or just another flash in Japan?	34
iimia Accelerated Fund	35
The Child Trust Fund	36
Top Performers not available within the Chelsea Portfolio	38
Online Investment IFA of the year 2004	39
Chelsea Investments	40
The 5th Element,	
VCTs - an undiscovered investment	40
The Premier League	42
The Relegation Zone	44
Key Features	45

# market view



**Darius McDermott**  
Managing Director

As I sat poised at my keyboard ready to assess the last 4 months of market and economic movement, I re-read my last Market View. The general note of optimism, whilst well founded, has not produced the anticipated rise in markets. In fact the FTSE 100 has been languishing within the 4300-4600 range so far this year. Despite an improved economic picture, with company earnings surprises on the upside, markets still seem unwilling to record substantial gains. Any rally seems shortlived, with optimistic buyers being matched by those who prefer to take profits.

## Where is that elusive Bull?

The question is: Why are markets nervous and are their fears justified? Immediately after the last Viewpoint, markets rallied. Optimism had definitely returned and the FTSE 100 moved above 4500, and seemed happy to continue its steady rise. However, on 11 March, the Madrid bombings took place. This devastating attack, whilst costing the lives of many, also served as a harsh reminder that the threat of terrorism remained. The FTSE 100 has not since recovered its momentum. Furthermore, there has been continued unrest in Iraq and the cost of attempting to maintain peace there has escalated.

The market has further been hampered by the rise in the price of oil. On 26 May it reached \$42/barrel. As the oil price showed no imminent signs of decline, the market recognised that the implications for companies worldwide of a prolonged hike in the oil price could be extremely damaging. The addition of consumer unrest over rapidly rising petrol costs compounded market concerns.

Against this backdrop of geo-political uncertainty, discussions about the slowdown in China were taking place. It still remains to be seen whether a soft landing can be achieved. If not, a hard landing will impact globally. As the marginal buyer of commodities, a slowing of China's growth will necessarily halt, or even reverse, the strength we have seen in this sector.

UK interest rates were raised to 4.5% at the beginning of June. House prices and consumption have continued their rise despite previous interest rate increases. The concern now is that interest rates may have to rise more swiftly than previously anticipated in order to check inflation. Interest rate rises have a negative effect on stock markets and may now be having a negative impact on the housing market.

## How do you make money in a stagnant market?

Despite these negative factors impacting on markets generally, some sectors have outperformed. Japan has risen over 8% year to date (for more information see page 34), and Legg Mason Japan Equity has translated that into growth of 49% this year.

On 1 May, the 10 accession countries joined the European Union, mainly from Eastern Europe which, as an investment sector, has performed well both prior to and subsequent to the EU's expansion. Jupiter Emerging European Opportunities has made gains of 13.5% this year.

Although the UK markets have not outperformed, the FTSE 100 increasing just 1.7% year to date, talented stockpickers have managed to make money in this sideways moving market. Derek Stuart has achieved 8.4% growth with his Artemis UK Special Situations fund. Furthermore, the seasoned stockpicker Nigel Thomas has grown his Framlington UK Select Opportunities fund by 9.2% since January.

In a rapidly rising market it is quite easy to make money. Any fund manager can pick stocks and come up smelling of roses. The current scenario, however, calls for genuinely talented stockpickers and leaves those less talented managers with a slightly less fragrant bouquet! We have already seen several managers depart the industry and I believe more are yet to go. Meanwhile, we are here to seek out those managers that can outperform for you, whatever the economic climate throws at them\*.

**\* to find out more about how we select funds, take a look at pages 6 and 7.**

## Your Guide to our Fund Selection

**The Premier League** – the top performers are selected within each sector, irrespective of whether they are available on our fund supermarket, the Chelsea Portfolio. We research the funds and meet managers to question them on their investment process. We analyse the company and the strength of the team. Where funds do not have a strong track record, we are familiar with the managers and are confident that they can outperform in the future.

**Chelsea Leaders** – these are the 38 funds that you see listed on pages 13-20. They have been selected from the Premier League, as the leading funds in each sector, but these funds are all available on our fund supermarket, the Chelsea Portfolio.

**Chelsea Easy ISA** – these portfolios are put together by our research team, using the Chelsea Leaders.

**Relegation Zone** – this is based solely on past performance. Three consecutive years of 3rd or 4th quartile performance will place a fund within the Relegation Zone.



# The Chelsea Easy ISA

## Investing made easy...

The Chelsea Easy ISA takes the pain out of investment decision-making. When it comes to selecting funds for your ISA, the range is vast and the task of selecting just a few for your portfolio can be daunting. So we have selected the funds for you and put them together within four different portfolios. All you have to do is choose one of the four options based upon your own requirements and attitude to risk: Cautious; Balanced; Aggressive or Income.

Once you have selected your preferred Easy ISA option, simply fill in the ISA application on page 21, ticking one box only to select either Cautious, Balanced, Aggressive or Income, and send the application back to us in the pre-paid envelope enclosed.

If you would like guidance on how to monitor your Easy ISA, please turn to page 6.

Please note that the minimum monthly investment in the Chelsea Easy ISA is £200. For lump sum investments the minimum is £3,000, enabling you to choose either the mini or the maxi ISA, whichever best suits your requirements.

For those of you who wish to make your own investment choices, turn to page 9 for guidance on constructing your portfolio and select your funds from those detailed on pages 13–20.

### Please Note

As with all the investments in this Viewpoint, the Chelsea Easy ISA is only a suggestion of funds which we believe may suit your investment requirements. Returns cannot be guaranteed, and your attention is drawn to the Important Notice on page 2.

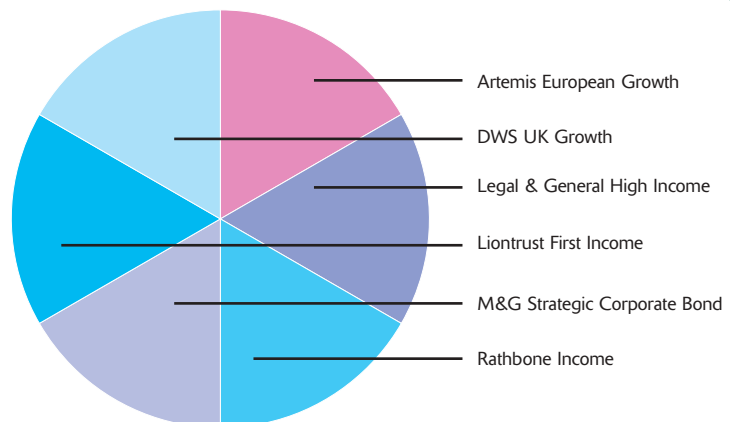
### The Chelsea Easy ISA is also available for PEP and ISA transfers.

If you would like to know more about the funds we have chosen, details are provided on pages 13–20. Please note that the minimum is £3,000 lump sum or £200 per month into any Easy ISA.

## Cautious Growth

(Average Chelsea Risk Rating 3.16)\*  
Application form on page 21

Cautious Growth is for those who feel uncomfortable with a higher level of risk. This aims to provide a steady level of growth with limited volatility. Approximately one third of the portfolio is in corporate bonds, which lowers the exposure to equities and thus stock market volatility. Almost three-quarters of your investment will be in the UK, thereby reducing any fluctuations in foreign markets and there is a bias towards large-cap stocks, which tend to be steadier performers.



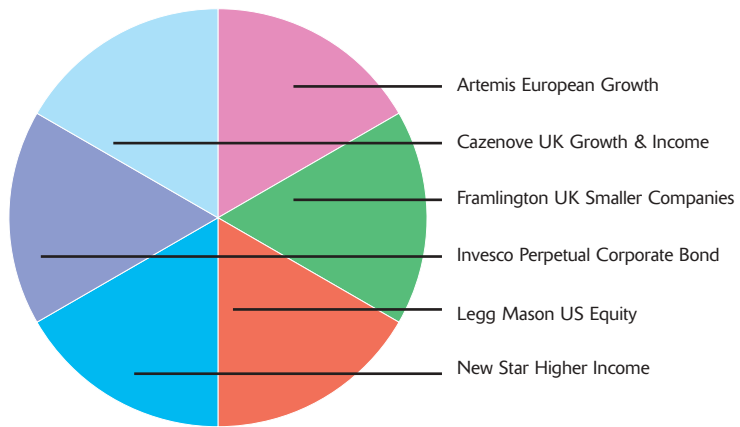
Average Initial Charge after discount: 0.21%  
Average Annual Management Charge: 1.38%

**Note:** \* The Chelsea Risk Rating denotes a fund's risk profile, where 1 is the least risky and 10 has the highest risk.

## Balanced Growth

(Average Chelsea Risk Rating 4.83)\*  
Application form on page 21

This offers you a medium level of risk. It gives broader exposure to developed foreign markets to provide diversification outside the UK and has a slightly more aggressive UK stance, with exposure to smaller companies. This is balanced with lower risk corporate bond and equity income holdings. With almost 60% in the UK, foreign exposure is limited to approximately 19% in the US and 20% in Europe.

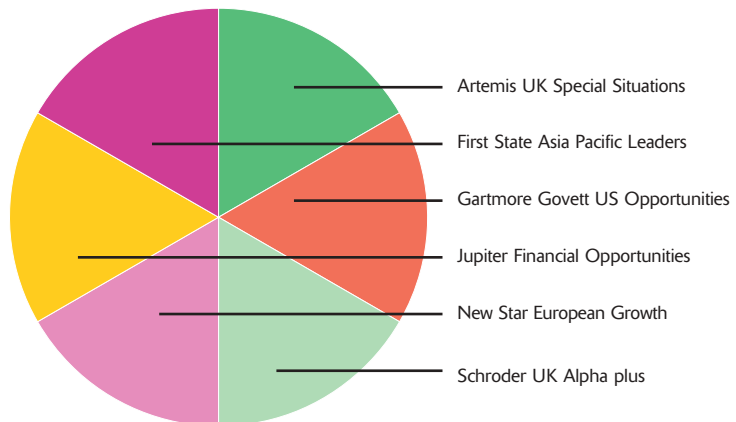


Average Initial Charge after discount: 0.21%  
Average Annual Management Charge: 1.42%

## Aggressive Growth

(Average Chelsea Risk Rating 6.33)\*  
Application form on page 21

If you have a sufficiently long time horizon and feel comfortable with a certain amount of risk you may wish to choose Aggressive Growth. This encompasses a greater degree of volatility with the prospect of higher long-term growth. It offers a broad based portfolio, with global exposure enabling you to take advantage of any upturn in markets worldwide. It combines large, medium and small-cap companies.

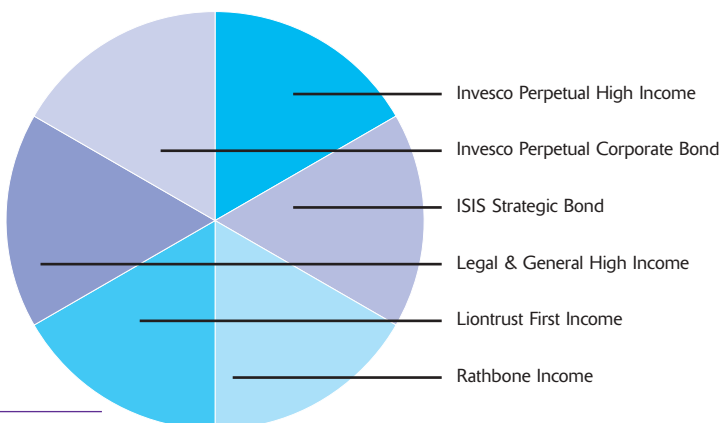


Average Initial Charge after discount: 0.35%  
Average Annual Management Charge: 1.50%

## Income

(Average Chelsea Risk Rating 2.58)\*  
Application form on page 21

If your priority is income, the Chelsea Easy ISA Income option could suit your requirements. A combination of corporate bond and equity income funds provides a regular income with an element of capital appreciation. This should enable you to maintain the real value of both your capital and income. The average yield for this portfolio is 4.62%†.



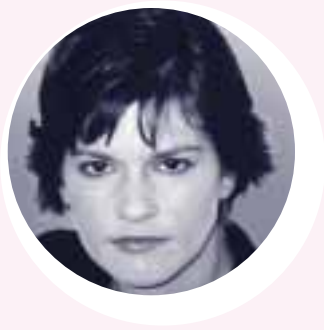
### Yield†

Invesco Perpetual Corporate Bond	4.75% (paid end Jan, end Jul)
Invesco Perpetual High Income	3.34% (paid end Mar, end Sep)
ISIS Strategic Bond	5.44% (paid end of every month)
Legal & General High Income	6.49% (paid 01/02, 22/04, 05/08, 05/11)
Liontrust First Income	4.10% (paid end Feb, end Aug)
Rathbone Income	3.62% (paid mid Jun, mid Dec)

Average Initial Charge after discount: 0.21%  
Average Annual Management Charge: 1.21%

†Source: Financial Times 17 June 2004

**Note:** \* The Chelsea Risk Rating denotes a fund's risk profile, where 1 is the least risky and 10 has the highest risk. Returns cannot be guaranteed – please read the Important Notice on Page 2.



**Juliet Schooling**  
Head of Research

# your questions answered

## – A guide to the Chelsea Easy ISAs and the Chelsea Portfolio

---

So you're thinking of buying an Easy ISA? After all, it is the simplest way to select your funds. Or perhaps you've just purchased funds from the Chelsea Leaders selection? Either way, we have done all the hard research work for you and you can sit back and watch your investments grow. Well yes... and no. I know that there are some questions that many of you would like answered, so I will try to expand on how to manage your portfolio once you've done the easy bit and made your initial investment.

### How do you select funds for the Chelsea Leaders and the Easy ISA?

Our research department takes into account a range of different factors: we meet and question the fund managers; examine the Standard & Poor's and Forsyth-OBSR ratings and past performance of the fund and assess the fund provider. We also look at the risk attached to the way in which the fund is run. **In selecting funds for the Chelsea Leaders we try to select the best and most consistent funds in the sector.** The Easy ISA funds are selected from those included in the Chelsea Leaders to build a diverse portfolio of the best funds available. We are constantly meeting new managers and expanding our research to select the finest funds for our clients.

### What do the risk ratings mean?

The Chelsea Leaders are rated 1 to 10, with 10 representing the greatest risk. Whilst a fund rated 1 is relatively low risk, it should be noted that there is still risk attached to it. In assessing the risk rating of a fund, we look at its volatility relative to its peers, the volatility of the sector and how aggressively the fund is managed.

### Do you manage the portfolios?

**No.** We select the original funds but, as execution-only brokers, we are not authorised to manage them on an ongoing basis. If you feel that any alterations are required, you must make the switches yourself.

### How do I switch?

**It is very easy** – you can either write to us or switch online. If you send us a letter, you must quote the name of the funds you wish to switch from and to and your account number. For anything less than 100% of a fund, please state the number of units you would like sold rather than a monetary amount.

### How much does it cost to switch?

All switches are available at a cost of just 0.25%, except where the fund has no upfront charge, when there is no cost involved.

### Do I need to have access to the internet to take out an Easy ISA or to use the Chelsea Portfolio fund supermarket?

**No.** Whilst there are many useful tools available via the internet, all transactions can be paper based.

### How do I gain access to my account online?

From the home page of our website, click on the flashing banner "the Chelsea Portfolio, in association with Cofunds". You then need to click on "New User Registration" and follow the instructions there. We then activate your account, which you can use within 48 hours. Subsequent to that, you simply click on that flashing banner and then go through the log-in procedure.

### What online facilities do you offer?

You can make an initial purchase either of an ISA or a unit trust/OEIC. Once you have registered online, you can switch between funds, top up your investments and most importantly view a valuation of your holdings. You also have access to various investment tools, fund commentary and the latest fund manager moves, which allows you to fully monitor your portfolio online.

### How often and why are the funds altered in either the Easy ISA selection or the Chelsea Leaders?

Funds are altered as little as possible, although we are constantly striving to find the best funds available for you. Changes may take place for a variety of reasons such as a fund manager moving or a new fund becoming available, which we believe to be preferable. **If a fund is removed from the Easy ISA it is not necessarily an indication that you should switch (particularly if it remains on our Premier League or as a buy in our Fund Review).**

---

### How do I know if a fund manager has left and whether to switch funds?

Regular updates via our e-newsletter will detail any major fund manager moves. To subscribe to this service simply go to our home page and enter your email address or phone us with the details. However, for those of you who prefer the paper-based approach, simply keep an eye on the Fund Review included with your bi-annual statements and the Funds Focus page in our Viewpoint magazine.

### How often should I monitor my portfolio?

It is important to remember to monitor your portfolio, preferably on at least an annual basis. It is possible that occasionally some switching may be required, either due to a fund manager move or to rebalance your holdings to maintain the equilibrium of your fund split and therefore the risk profile of your portfolio. Otherwise, when a volatile fund performs well and you retain that holding, the overall risk aspect of the portfolio increases. This can be effected quite simply via a switch within the Chelsea Portfolio.

### How do I know the value of my investments?

There are four ways in which this is possible. **The Chelsea Portfolio in association with Cofunds will send you a valuation statement twice a year, in June and December.** You can also obtain a valuation online whenever you require one. You can telephone us with your details and we can give you a valuation over the phone during office hours. Finally, you can always look at the listings in the newspaper (Financial Times is the best). Each of your underlying funds will be listed under the name of the fund provider e.g. the price of Invesco Perpetual High Income units can be found under Invesco Fund Managers Ltd.

### How is the income paid on the income portfolio?

Firstly, you need to have invested in the funds from the first of the month to qualify for income payments. Thereafter, income will be paid as and when your underlying funds pay their income. Details of when the income is paid can be found on page 9.

### Do I have to take income from the Income Easy ISA?

No. If you do not require income, simply do not complete the income payment section on the application form and

income will be re-invested in your Income Easy ISA. If at a later date you require income, you simply need to send us an instruction and the details of the bank account into which the income should be paid.

### How do I add to my holdings?

A top up can be effected online or simply by sending us a cheque along with your instructions and your account number.

### How do I select additional funds for my portfolio?

Guidance is available on page 9. However, one of the ways to reduce the volatility of your portfolio, apart from selecting funds with a lower risk rating, is to diversify your holdings. The greater the spread of funds, the more you reduce your risk. Furthermore, balance is important, the greater the spread of sectors the less your portfolio will be subject to swings in market sentiment. Even if you have a strong personal preference for a particular sector it is not a good idea to plough all your money into it. It is preferable to give a greater weighting to your preferred sector, whilst maintaining a reduced weighting in other areas.





# the Chelsea Portfolio

## our fund supermarket

Almost a third of our clients are enjoying the benefits of our fund supermarket, the Chelsea Portfolio, in association with Cofunds. However, for those of you who are unsure of the advantages: it simplifies investment, enabling you to manage your holdings cheaply, efficiently and conveniently under one umbrella. For further information, take a look at page 10.

We would like to take this opportunity to update you on changes within the Chelsea Portfolio.

### Manager Moves

David Mitchinson, manager of the highly successful **Framlington Japan** fund, resigned in May. Though he will manage the fund until the end of July, a suitable replacement has yet to be found.

The Framlington Japan fund has had great success under Mitchinson, who took the helm in February 2002. According to Standard & Poor's, it has returned 124.3% over just 1 year and is 1st/55 in its sector. Over 2 years, it has returned 64.8% and is 1st/53 funds.

The fund was on our Premier League – our 'buy' list. However, it has been removed until a suitable replacement has been found and we have had an opportunity to interview them.

Ezra Sun, manager of the **Newton Oriental fund**, resigned at the end of April. He will be joining an unspecified 'boutique' house in the future.

Sun joined Newton in 1995 and has been managing the Oriental fund since then, with great success. In the last year alone, the fund returned 38.6% and over 5 years it has returned 79.4%, earning the fund a 'AA' Standard & Poor's rating and an 'AAA' Forsyth-OSBR rating. Sun will undoubtedly be missed by Newton.

Sun will not be leaving until the Summer, when Jeff Monroe, the alternative manager and Newton's CIO will take the helm. Until then, he will be working alongside Sun. Monroe has 12 years' experience in Asian equities and the fund will continue to benefit from Newton's strong analyst resource. We anticipate that a new appointment to the team will be made in due course.

In light of this news, we will at present, be putting the fund on 'hold' until we have at least had the chance to meet the new manager. We will also be eagerly awaiting news of Sun's future plans.

Neil Pegrum, manager of the highly successful **Insight UK Dynamic Fund**, left to join Cazenove at the beginning of April (see page 31). This fund is viewed as a switch and in addition is due to be closed in the near future.

### PLEASE REMEMBER

**We are more than happy to accept applications for any fund management company.**

**Please telephone 0800 071 3333 for literature.**

### New Funds... *These funds are now available on Cofunds*

Allianz Dresdner UK High Alpha A Fund  
AXA UK Corporate Bond Fund  
Baring Directional Global Bond  
Brittanic Balanced Growth Fund  
DWS Corporate Bond Fund  
Franklin US Equity A Fund  
Templeton Global Emerging Markets A Fund  
Templeton Growth A Fund  
Insight Investment Asia Pacific Portfolio  
Insight Investment Europe Portfolio  
Insight Investment Global Fixed Interest Portfolio  
Insight Investment Japan Portfolio

Insight Investment UK Equity Income Portfolio  
Insight Investment UK Fixed Interest Portfolio  
Insight Investment UK Portfolio  
Insight Investment US Portfolio  
ISIS Multi-Manager Cautious Fund  
ISIS Multi-Manager Distribution Fund  
Legg Mason US Smaller Companies Fund  
Lincoln Corporate Bond Trust  
Lincoln Far East Trust  
New Star Pacific Equity Fund  
Old Mutual US Select Equity Fund  
UBS Global Emerging Markets Equity Fund

### Important Points...

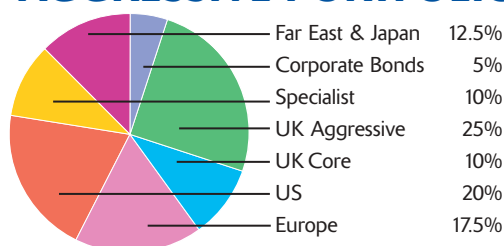
- **Please send all correspondence to us.** We will pass it onto Cofunds on the same day we receive it. Sending anything directly to Cofunds may cause delays.
- When switching or selling, please specify a **number of units or a percentage** to be sold rather than a monetary amount because daily price fluctuations and forward pricing make it impossible to calculate an exact cash value.
- Please remember that if you are re-registering to Cofunds any funds into which you are currently contributing monthly, **you must fill in a new direct debit form** so that the contributions continue to be debited. The instruction will take a month to become active so please also send a cheque for the first month's payment.
- At present, it is not possible to contribute monthly to funds outside an ISA. This is expected to be available in 2005.
- If you are switching within Cofunds and are currently receiving income, please indicate clearly on the switch instruction that you wish to continue to receive income otherwise it will be re-invested.
- All cheques should be made payable to **Cofunds Limited** not Chelsea Financial Services or the individual fund managers.
- Any income generated within Cofunds can be re-invested into the same fund for free. Be aware that some fund managers outside Cofunds will charge **up to 5%** for re-investment.
- If you have a Cofunds ISA from a previous tax year, there is no need to fill in an application form for the current tax year's ISA – a letter with a cheque attached will be sufficient. However, if you are changing between Maxi and Mini ISAs, the completion of a form is required.
- There is no minimum cash amount for re-registration. However, there is a £1,000 minimum for ISA/PEP cash transfers that can be out of the market for up to 4 weeks.

# Building your own Portfolio

The following portfolio suggestions are intended as a guide to help you select the funds that most suit your investment purposes. We suggest that you select your funds from those detailed on pages 13–20.

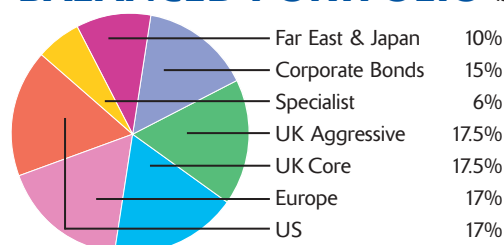
An average risk rating is given for each portfolio. The number of funds you are able to select is dictated by the amount you have to invest or already have invested if you are effecting a transfer. You select the funds in which you wish to invest from the sectors indicated on the corresponding pie charts. Each fund is given a **Chelsea Risk Rating** and the average risk rating of all your funds selected should match that given for each portfolio. However, these are intended as a general guide and your personal preference for one sector or another may well cause you to alter the weighting of sectors.

## AGGRESSIVE PORTFOLIO (average Chelsea Risk Rating 7–8)\*



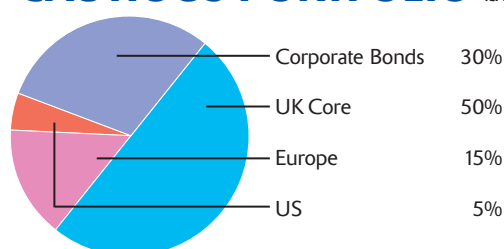
This is designed for someone able to accept a higher degree of risk, who understands the volatility of markets. It aims to achieve long-term capital growth through a broad based portfolio investing in more volatile sectors that have the capacity for excess returns. It encompasses the sectors shown in the pie chart, which tend to have a bias towards smaller and medium-sized companies, for instance the UK Aggressive and Specialist sectors. You can select any of the funds in each sector.

## BALANCED PORTFOLIO (average Chelsea Risk Rating 4–6)\*



This portfolio aims to achieve capital growth with a moderate level of risk. Investing predominantly in equities, it incorporates some of the more aggressive sectors but, unless you hold a large portfolio, the highest risk rated funds in these sectors should be avoided. Some of the lower risk sectors, such as corporate bonds, are included to reduce the overall risk rating of the portfolio.

## CAUTIOUS PORTFOLIO (average Chelsea Risk Rating 3–4)\*



For the more risk-averse investor, this portfolio's objective is to produce gradual growth with as little volatility as possible. With investment in both equities and bonds, there is a greater emphasis on the UK. Your average risk rating should be achieved by selecting funds in the sectors opposite which have a low Chelsea Risk Rating.

## INCOME PORTFOLIO (average Chelsea Risk Rating 2–4)\*

Income Funds	Yield†	Dividend paid‡
Invesco Perpetual High Income	3.34%	(end Mar, end Sep)
Jupiter Income	3.04%	(end Feb, end Aug)
Liontrust First Income	4.10%	(end Feb, end Aug)
New Star Higher Income	4.16%	(end Apr, end Oct)
Rathbone Income	3.62%	(mid Jun, mid Dec)
Corporate Bond Funds	Yield†	Dividend paid‡
Aegon Extra Income	5.68%	(end Mar, Jun, Sep & Dec)
Invesco Perpetual Corporate Bond	4.75%	(end Jan, end Jun)
ISIS Strategic Bond	5.44%	(end of every month)
Legal & General High Income	6.49%	(1 Feb, 22 Apr, 5 Aug, 5 Nov)
M&G Strategic Corporate Bond	4.40%	(end Apr, Jul, Oct & Jan)

This portfolio is designed for those investors seeking a regular income with a degree of capital growth. The capital growth element is intended to counteract the effects of inflation and thus maintain the real value of capital and income. To achieve a moderate income with some growth a combination of equities and bonds should be used. Corporate bonds provide a higher level of income, with the growth provided by lower yielding equity income funds. Your portfolio should be constructed using the income funds listed opposite (further details of which are given on pages 15 and 19). The combination of equity and bond funds will depend upon your individual circumstances with regard to how much income you require. It should be noted that there is some risk associated with this portfolio, albeit low. Therefore, it is not suitable for those who have zero tolerance to risk.

†Source: Financial Times 17 June 2004 \*Estimated distribution yield ‡Source: Cofunds Limited

**Note:** \*The Chelsea Risk Rating denotes a fund's risk profile, where 1 is the least risky and 10 has the highest risk.

# Re-registration:

## Take control of your investments

### What is it?

Re-registration is the process of consolidating all your ISAs, PEPs and unit trusts under one umbrella. The funds will be administered by the Chelsea Portfolio, in association with Cofunds, **but your funds will be managed in exactly the same way by each fund manager.** There are no charges from us, or from Cofunds, for re-registration.

### How do I re-register?

Please fill in the re-registration form, with details of all your holdings purchased outside Cofunds, and return it to us. We will then send you completed forms, which you merely need to sign and date. In most circumstances, the process will take a maximum of 6 weeks.

### What are the advantages?

- **Large fund selection:** access to more than 750 funds from over 50 different providers.
- **Less paperwork:** you will receive one statement, every six months, detailing all your investments and transactions during that period.

- **Fantastic discounts:** we are able to offer at least the same discount as if you were investing via ourselves with a single provider and, in some cases, the discount is greater. Furthermore, monthly savings attract the same discounts as lump sum purchases.
- **Cash facility:** our fund supermarket offers a temporary cash holding facility, which allows you to switch in and out of cash without losing your ISA/PEP status.
- **Online access:** you are now able to switch, buy, top-up and view a valuation online. **Just go to [www.chelseafs.co.uk](http://www.chelseafs.co.uk) to register.**
- **Telephone valuations:** these are available, during office hours, from our dedicated staff on 020 7384 7300. Please have your Cofunds client reference number to hand.
- **Cheap switching charges:** all fund switches will be charged a maximum of 0.25%. Switches into funds with no initial charge will be free (including the Cash Reserve).
- **Income reinvested for free:** all income and dividends can be either paid out or reinvested for free.
- **Fund Review:** we are now providing fund commentary on the top 300 most popular funds within The Chelsea Portfolio. If you hold any of these funds, the commentary and our generic rating (Buy/Hold/Switch) will be enclosed with your statement.
- **Independence:** unlike its closest rival, our fund supermarket is independent, with five major shareholders – Gartmore, Jupiter, M&G, Threadneedle and IFDS.
- **No added costs from Cofunds:** for its services or for re-registration and no double charging.
- **Annual ISA allowance:** can be invested across many different funds and fund providers in the same tax year.





# Re-registration Form

**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/PEP and/or Unit Trust/OEIC investments that were purchased outside Cofunds and return to Chelsea Financial Services. We can then print the necessary transfer forms and send them to you for your review & signature.

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

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

\* If at current address less than two years, please supply previous address and time there. 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 form.

## ISA/PEP investments – Please complete in block capital letters

Fund Manager	Fund Name	Account Number/ Plan Reference	PEP, Maxi or Mini ISA	Unit Type ACC/INC	Tick if current tax year	Tick if Saving monthly
Sample Fund Managers Limited	Sample High Income Fund	12345	PEP	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"/>

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

Fund Manager	Fund Name	Account Number/ Plan Reference	Account designation (if applicable)	No of Units	Unit Type ACC/INC
Sample Fund Managers Limited	Sample UK Growth Fund	56789		ALL	ACC

**Please photocopy this form if you require additional space.**

Issued by Chelsea Financial Services, which is authorised and regulated by the Financial Services Authority. Registered Office: St James' Hall, Moore Park Road, London SW6 2JS. Registered in England No 1728085. CFSFLF 08.03

# Fund Managers available for re-registration

Please note that ALL fund groups can re-register direct fund holdings (i.e. outside an ISA/PEP) but the groups below additionally offer ISA/PEP re-registration.

Aberdeen	Legal & General Unit Trust Managers*
AEGON	Legg Mason Investors
Allianz Dresdner	Lincoln Unit Trust Managers Ltd
Artemis	Liontrust Investment Funds Limited
AXA Fund Managers Ltd	Martin Currie
Barclays Global Investors (BGI Managers)	Merrill Lynch
Baring	MFS International (UK) Ltd
Britannic	Morley Investment Funds
Cazenove	Neptune Investment Management Ltd
Credit Suisse	New Star Investment Funds Ltd
DWS Investments	Newton
F&C Unit Management Ltd	Norwich Union
Fidelity*	Old Mutual
First State Investments	Rathbone
Framlington	Rensburg
Gartmore	Royal London Unit Trust Managers Ltd
Insight Investment	Sarasin
Invesco Perpetual	Schroder
Investec	SG Asset Management
JP Morgan Fleming (not New Europe)	SVM Asset Management
Jupiter	Threadneedle
Lazard Fund Managers Ltd	UBS

The following fund managers currently do not offer ISA/PEP re-registration. However, they are available to transfer<sup>#</sup>, which involves a sale and buy back – see the form on pages 23, 24 and 25.

Close Fund Management	ISIS
Franklin Templeton	Lloyd George Management (Europe) Ltd
Henderson	M&G
HSBC	Standard Life Investments

\* Please contact Chelsea Financial Services for details.  
# Mostly with no initial charge.

## VALID AS AT 7 JUNE 2004

Please return your completed application form in the enclosed envelope addressed to:  
**Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS.**

### Checklist for completion of your forms

#### Have you?

- Completed your personal details including address, daytime telephone number, postcode and any existing Cofunds account number?
- Completed your date of birth?
- Completed your National Insurance number?
- Completed the investments you wish to re-register in full including **full account number, unit type and any account designation?**
- Included details, using the form on page 11, of any investments not registered to Chelsea Financial Services so that you can take full advantage of our services?
- **Signed and dated ALL application forms?**
- Got any problems or questions? If so, please call us on **020 7384 7300**

# The Chelsea Leaders



## UK Aggressive funds

### Artemis UK Smaller Companies

John Dodd, one of the founders of Artemis, has managed this fund since launch in April 1998. The investment process is very much team based and has achieved exceptional performance, utilising top down and bottom up factors in stock selection.

Standard and Poor's Fund rating	–
Micropal rating	⊙⊙⊙⊙
Forsyth-OBSR Fund rating	AAA
Standard initial charge	5.00%
Lump sum Chelsea discount	4.50%
Initial charge after discount	Creation + 0.25%
Annual management charge	1.50%
Chelsea Risk rating <sup>†</sup>	8

### Artemis UK Special Situations

Derek Stuart, another founder of Artemis, manages this fund with the flexibility to invest within the UK stock market without size or sector restrictions. Stuart looks for companies where there has been a change of management, companies currently unpopular with the market or those in recovery.

Standard and Poor's Fund rating	–
Micropal rating	⊙⊙⊙⊙⊙
Forsyth-OBSR Fund rating	AAA
Standard initial charge	5.25%
Lump sum Chelsea discount	4.75%
Initial charge after discount	Creation + 0.25%
Annual management charge	1.50%
Chelsea Risk rating <sup>†</sup>	7

### Fidelity Special Situations

Anthony Bolton has achieved consistent, long-term outperformance with this stockpicking fund. He searches for undervalued stocks, particularly those that are unfashionable, have attractive assets or are in recovery, and the fund has a bias towards mid and small-caps.

Standard and Poor's Fund rating	AAA
Micropal rating	⊙⊙⊙⊙⊙
Forsyth-OBSR Fund rating	AAA
Standard initial charge	3.50%
Lump sum Chelsea discount	3.00%
Initial charge after discount	Creation + 0.35%
Annual management charge	1.50%
Chelsea Risk rating <sup>†</sup>	6

### Framlington UK Select Opportunities

Nigel Thomas took over in September 2002, having previously managed ABN AMRO UK Select Opportunities with great success. Thomas employs a stockpicking approach, actively managing his circa 80 stocks, with a small/mid cap bias. Select Opportunities focuses on companies with new management, those implementing new technologies/products etc.

Standard and Poor's Fund rating	–
Micropal rating	–
Forsyth-OBSR Fund rating	AAA
Standard initial charge	5.00%
Lump sum Chelsea discount	4.25%
Initial charge after discount	Creation + 0.50%
Annual management charge	1.50%
Chelsea Risk rating <sup>†</sup>	8

### Framlington UK Smaller Companies

This fund is highly diversified, with its 100-stock portfolio spread across sectors and cap size (invested from mid and small-cap down to AIM and fledgling companies). Roger Whiteoak, formerly of Rathbone UK Smaller Companies, is able to draw upon the considerable expertise of Framlington's strong UK team.

Standard and Poor's Fund rating	–
Micropal rating	⊙⊙⊙⊙
Forsyth-OBSR Fund rating	AA
Standard initial charge	5.25%
Lump sum Chelsea discount	4.50%
Initial charge after discount	Creation + 0.50%
Annual management charge	1.50%
Chelsea Risk rating <sup>†</sup>	8

### Gartmore UK Focus

This fund is aggressively managed with a concentrated portfolio of approximately 30 stocks utilising both Gartmore and fund manager Ashley Willing's best ideas. The fund is ranked in the top quartile\* within its sector over the last 2 years.

Standard and Poor's Fund rating	A
Micropal rating	⊙⊙⊙⊙⊙
Forsyth-OBSR Fund rating	AA
Standard initial charge	5.00%
Lump sum Chelsea discount	4.75%
Initial charge after discount	Creation + 0.25%
Annual management charge	1.25% – 2.00%
Chelsea Risk rating <sup>†</sup>	8

*All discounts quoted are to the nearest 0.05%*

**Notes:** We always strive to reduce your costs to a minimum. Units bought with No Initial Charge are described as being bought at the 'Creation Price'. You can see from our table of funds that we have secured this 'Creation Price' on many of the funds and these are highlighted in the tables. These special discounts are only available until 30 November 2004.

<sup>†</sup> The Chelsea Risk Rating denotes a fund's risk profile, where 1 is the least risky and 10 has the highest risk.

\* Money Management, June 2004.

Standard & Poor's and Micropal ratings taken from Money Management, June 2004.

Fund charges are taken from Cofunds Consolidation Service Key Features Schedule, April 2004.

These discounts apply to new ISA purchases only, although the majority of ISA/PEP transfers will also attract the same discounts. Please telephone 020 7384 7300 for further details.

Forsyth-OBSR ratings taken from website, 19 May 2004.



# The Chelsea Leaders

## UK Aggressive funds *(Continued)*

### Old Mutual UK Select Mid-Cap

This fund invests in mid-cap stocks and is managed by Ashton Bradbury, who previously ran their smaller companies fund. He employs a pragmatic approach and his portfolio construction is informed by his evaluation of economic and market cycles. The selection of his 50-odd stocks is aided by a strong UK team.

Standard and Poor's Fund rating	AA
Micropal rating	-
Forsyth-OBSR Fund rating	AA
Standard initial charge	4.00%
Lump sum Chelsea discount	4.00%
Initial charge after discount	Creation
Annual management charge	1.5%
Chelsea Risk rating <sup>†</sup>	7

### Schroder UK Alpha Plus

This concentrated fund (20-40 stocks) is managed on a top-down thematic basis. Thus manager, Richard Buxton, analyses macroeconomic themes and combines this with rigorous stock selection. He tends to invest with a 2-3 year view, with a large and mid-cap bias.

Standard and Poor's Fund rating	AA
Micropal rating	-
Forsyth-OBSR Fund rating	AA
Standard initial charge	5.25%
Lump sum Chelsea discount	5.00%
Initial charge after discount	Creation
Annual management charge	1.50%
Chelsea Risk rating <sup>†</sup>	7

*All discounts quoted are to the nearest 0.05%*

## UK Core funds

### Cazenove UK Growth and Income

Tim Russell manages this fund along the same lines as his previous, highly successful, HSBC fund. He follows a top down approach which analyses the business cycle. The fund contains approximately 100 holdings and concentrates stock selection on the FTSE 350.

Standard and Poor's Fund rating	AAA
Micropal rating	-
Forsyth-OBSR Fund rating	AAA
Standard initial charge	3.50%
Lump sum Chelsea discount	3.50%
Initial charge after discount	Creation
Annual management charge	1.50%
Chelsea Risk rating <sup>†</sup>	4

### DWS UK Growth

Charles Curtis has managed this fund (formerly Deutsche UK Growth) since launch in 1995, with the aid of a strong team and, more recently, utilising the best ideas of their UK model portfolio committee. The focus is on stock picking with stringent portfolio controls at both stock and sector level to reduce risk.

Standard and Poor's Fund rating	AA
Micropal rating	★★★★
Forsyth-OBSR Fund rating	AA
Standard initial charge	4.25%
Lump sum Chelsea discount	4.00%
Initial charge after discount	Creation + 0.25%
Annual management charge	1.50%
Chelsea Risk rating <sup>†</sup>	4

*All discounts quoted are to the nearest 0.05%*

**Notes:** We always strive to reduce your costs to a minimum. Units bought with No Initial Charge are described as being bought at the 'Creation Price'. You can see from our table of funds that we have secured this 'Creation Price' on many of the funds and these are highlighted in the tables. These special discounts are only available until 30 November 2004.

<sup>†</sup> The Chelsea Risk Rating denotes a fund's risk profile, where 1 is the least risky and 10 has the highest risk.

\* Money Management, June 2004.

Standard & Poor's and Micropal ratings taken from Money Management, June 2004.

Fund charges are taken from Cofunds Consolidation Service Key Features Schedule, April 2004.

These discounts apply to new ISA purchases only, although the majority of ISA/PEP transfers will also attract the same discounts. Please telephone 020 7384 7300 for further details.

Forsyth-OBSR ratings taken from website, 19 May 2004.

# The Chelsea Leaders



## UK Core funds (Continued)

### Invesco Perpetual High Income

Neil Woodford's investment style combines a top down view of the economy with industry and company analysis. A large number of holdings helps to mitigate any risk associated with the aggressive sector weightings.

Standard and Poor's Fund rating	AAA
Micropal rating	⊙⊙⊙⊙
Forsyth-OBSR Fund rating	AAA
Standard initial charge	5.00%
Lump sum Chelsea discount	5.00%
Initial charge after discount	Creation
Annual management charge	1.25% (1.5% from Oct 2004)
Chelsea Risk rating <sup>†</sup>	4

### Jupiter Income

Anthony Nutt employs a bottom up stockpicking approach, via a diversified portfolio of approximately 120 holdings. Some bonds may be held when Nutt perceives them to add value. He invests without strong stock/sector constraints, thus his portfolio may differ considerably from the benchmark and may have a mid/small cap bias.

Standard and Poor's Fund rating	AAA
Micropal rating	⊙⊙⊙⊙
Forsyth-OBSR Fund rating	AAA
Standard initial charge	5.00%
Lump sum Chelsea discount	4.50%
Initial charge after discount	Creation + 0.25%
Annual management charge	1.50%
Chelsea Risk rating <sup>†</sup>	3.5

### Liontrust First Income

Fund manager Jeremy Lang employs a market-responsive approach, with two distinct investment styles. He alternates between these two processes as conditions dictate, with obvious success as this fund has consistently outperformed.

Standard and Poor's Fund rating	–
Micropal rating	⊙⊙⊙⊙⊙
Forsyth-OBSR Fund rating	AAA
Standard initial charge	5.00%
Lump sum Chelsea discount	4.25%
Initial charge after discount	Creation + 0.50%
Annual management charge	1.50%
Chelsea Risk rating <sup>†</sup>	4

### New Star Higher Income

Fund manager Toby Thompson takes a disciplined approach in selecting stocks, with the criteria of a 20% yield premium to the FTSE All-Share and a decline in the yield to market level triggers a sale. Thompson previously managed Newton Higher Income with considerable success.

Standard and Poor's Fund rating	AA
Micropal rating	–
Forsyth-OBSR Fund rating	AA
Standard initial charge	5.25%
Lump sum Chelsea discount	4.75%
Initial charge after discount	Creation + 0.50%
Annual management charge	1.50%
Chelsea Risk rating <sup>†</sup>	4

### Rathbone Income

Carl Stick's investment process is based firstly on the identification of correct sectors, industries and businesses and secondly, locating specific companies. There is a clear focus on businesses that offer both value and dividend yield. A buy and hold strategy is followed, with the focus on small and mid-cap stocks.

Standard and Poor's Fund rating	AA
Micropal rating	⊙⊙⊙⊙⊙
Forsyth-OBSR Fund rating	AA
Standard initial charge	5.50%
Lump sum Chelsea discount	5.00%
Initial charge after discount	Creation + 0.25%
Annual management charge	1.50%
Chelsea Risk rating <sup>†</sup>	3.5

All discounts quoted are to the nearest 0.05%

**Notes:** We always strive to reduce your costs to a minimum. Units bought with No Initial Charge are described as being bought at the 'Creation Price'. You can see from our table of funds that we have secured this 'Creation Price' on many of the funds and these are highlighted in the tables. These special discounts are only available until 30 November 2004.

<sup>†</sup> The Chelsea Risk Rating denotes a fund's risk profile, where 1 is the least risky and 10 has the highest risk.

\* Money Management, June 2004.

Standard & Poor's and Micropal ratings taken from Money Management, June 2004.

Fund charges are taken from Cofunds Consolidation Service Key Features Schedule, April 2004.

These discounts apply to new ISA purchases only, although the majority of ISA/PEP transfers will also attract the same discounts. Please telephone 020 7384 7300 for further details.

Forsyth-OBSR ratings taken from website, 19 May 2004.



# The Chelsea Leaders

## European funds

### Artemis European Growth

Fund manager Philip Wolstencroft does not visit companies and prefers rigorous technical analysis. He concentrates on identifying attractive sectors and then screens the companies within them, with the highest ranking making it into his 50-strong portfolio.

Standard and Poor's Fund rating	–
Micropal rating	☆☆☆☆
Forsyth-OBSR Fund rating	AA
Standard initial charge	5.25%
Lump sum Chelsea discount	4.75%
Initial charge after discount	Creation + 0.25%
Annual management charge	1.50%
Chelsea Risk rating†	5

### Gartmore European Selected Opportunities

Fund manager Roger Guy is highly respected and, along with his strong team, has previously produced consistent outperformance with this fund. At least 50% of the fund is invested in blue chip stocks, with the remainder in shorter term sector or mid-cap stock bets.

Standard and Poor's Fund rating	AAA
Micropal rating	☆☆☆☆
Forsyth-OBSR Fund rating	AAA
Standard initial charge	5.00%
Lump sum Chelsea discount	4.75%
Initial charge after discount	Creation + 0.25%
Annual management charge	1.50%
Chelsea Risk rating†	6

### Henderson European Capital Growth

Henderson has a strong European team, with John Botham as fund manager for the past 8 years. Much importance is placed on macroeconomic factors and adapting to market conditions, with the focus on large-cap stocks.

Standard and Poor's Fund rating	AA
Micropal rating	☆☆☆
Forsyth-OBSR Fund rating	AA
Standard initial charge	5.00%
Lump sum Chelsea discount	4.50%
Initial charge after discount	Creation + 0.50%
Annual management charge	1.50%
Chelsea Risk rating†	5.5

### Jupiter European

Alex Darwall took over this fund on Richard Pease's departure and has maintained his excellent performance. With approximately 35 stocks, this concentrated portfolio tends to diverge from the index with regard to both sector and country weightings. Furthermore, there tends to be a bias towards mid-cap stocks.

Standard and Poor's Fund rating	AA
Micropal rating	☆☆☆☆
Forsyth-OBSR Fund rating	AA
Standard initial charge	5.00%
Lump sum Chelsea discount	4.50%
Initial charge after discount	Creation + 0.25%
Annual management charge	1.50%
Chelsea Risk rating†	6.5

### New Star European Growth

Fund manager Richard Pease achieved considerable success managing Jupiter European Growth for almost 11 years and achieving top decile performance. He tends to have a bias towards mid and small-caps and geographic weightings diverge from the benchmark, so the fund can experience short-term volatility.

Standard and Poor's Fund rating	AA
Micropal rating	–
Forsyth-OBSR Fund rating	AA
Standard initial charge	5.25%
Lump sum Chelsea discount	4.75%
Initial charge after discount	Creation + 0.50%
Annual management charge	1.50%
Chelsea Risk rating†	6.5

All discounts quoted are to the nearest 0.05%

**Notes:** We always strive to reduce your costs to a minimum. Units bought with No Initial Charge are described as being bought at the 'Creation Price'. You can see from our table of funds that we have secured this 'Creation Price' on many of the funds and these are highlighted in the tables. These special discounts are only available until 30 November 2004.

† The Chelsea Risk Rating denotes a fund's risk profile, where 1 is the least risky and 10 has the highest risk.

\* Money Management, June 2004.

Standard & Poor's and Micropal ratings taken from Money Management, June 2004.

Fund charges are taken from Cofunds Consolidation Service Key Features Schedule, April 2004.

These discounts apply to new ISA purchases only, although the majority of ISA/PEP transfers will also attract the same discounts. Please telephone 020 7384 7300 for further details.

Forsyth-OBSR ratings taken from website, 19 May 2004.

# The Chelsea Leaders



## Far East and Japan funds

### First State Asia Pacific Leaders

Angus Tulloch, who has over 20 years Asian investment experience, and his extensive and experienced team aim to find reasonably valued growth stocks throughout the Far East, excluding Japan. Their relatively concentrated portfolio (approximately 45 stocks) invests in large and mid-cap companies.

Standard and Poor's Fund rating	AAA
Micropal rating	–
Forsyth-OBSR Fund rating	AAA
Standard initial charge	4.00%
Lump sum Chelsea discount	3.50%
Initial charge after discount	Creation + 0.35%
Annual management charge	1.50%
Chelsea Risk rating†	7.5

### JPMF Japan

This fund is run from Tokyo by a large team, who implement over 2,000 company visits per year. It is managed quite aggressively and high quality undervalued companies in growth sectors are targeted, with a key area of focus being restructuring stories.

Standard and Poor's Fund rating	A
Micropal rating	☉☉☉
Forsyth-OBSR Fund rating	AA
Standard initial charge	5.50%
Lump sum Chelsea discount	5.25%
Initial charge after discount	Creation
Annual management charge	1.50%
Chelsea Risk rating†	10

### Legal & General Japanese Trust

This fund manages to combine active management with strong risk control. A diversified portfolio and a large number of holdings 80-170 (with a large cap bias) help to mitigate risk. The team analyses the Japanese economy to identify themes and combines this with rigorous company analysis.

Standard and Poor's Fund rating	AA
Micropal rating	☉☉☉☉
Forsyth-OBSR Fund rating	A
Standard initial charge	0.00%
Lump sum Chelsea discount	0.00%
Initial charge after discount	Creation
Annual management charge	1.50%
Chelsea Risk rating†	9

### Legg Mason Japan Equity

Fund manager Hideo Schiozumi has over 31 years of experience in the Japanese market. This fund focuses on the smaller companies sector, looking for stocks that will benefit from the changes in Japan. The portfolio is concentrated in approximately 35 stocks, 80% of which are long-term holdings.

Standard and Poor's Fund rating	AA
Micropal rating	☉☉☉☉☉
Forsyth-OBSR Fund rating	AA
Standard initial charge	4.25%
Lump sum Chelsea discount	4.25%
Initial charge after discount	Creation
Annual management charge	1.50%
Chelsea Risk rating†	10

### Lincoln Far East

A screening process is utilised to discover which countries offer greater value and aims to establish those companies across all markets which will outperform. Stocks are generally purchased with a long-term view and the turnover on the fund is one of the lowest in its sector. Holdings are primarily mid to large cap in this team-managed fund.

Standard and Poor's Fund rating	–
Micropal rating	☉☉☉☉☉
Forsyth-OBSR Fund rating	–
Standard initial charge	5.25%
Lump sum Chelsea discount	5.00%
Initial charge after discount	Creation + 0.25%
Annual management charge	1.50%
Chelsea Risk rating†	7.5

*All discounts quoted are to the nearest 0.05%*

**Notes:** We always strive to reduce your costs to a minimum. Units bought with No Initial Charge are described as being bought at the 'Creation Price'. You can see from our table of funds that we have secured this 'Creation Price' on many of the funds and these are highlighted in the tables. These special discounts are only available until 30 November 2004.

† The Chelsea Risk Rating denotes a fund's risk profile, where 1 is the least risky and 10 has the highest risk.

\* Money Management, June 2004.

Standard & Poor's and Micropal ratings taken from Money Management, June 2004.

Fund charges are taken from Cofunds Consolidation Service Key Features Schedule, April 2004.

These discounts apply to new ISA purchases only, although the majority of ISA/PEP transfers will also attract the same discounts. Please telephone 020 7384 7300 for further details.

Forsyth-OBSR ratings taken from website, 19 May 2004.



# The Chelsea Leaders

## Specialist funds

### First State Global Emerging Markets Leaders

This fund presents an interesting addition for a larger portfolio, but should only represent a small percentage. It offers exposure to larger-cap stocks within emerging markets (Far East, Latin America, Europe (ex UK), Middle East and Africa).

Standard and Poor's Fund rating	AAA
Micropal rating	-
Forsyth-OBSR Fund rating	AAA
Standard initial charge	4.00%
Lump sum Chelsea discount	3.50%
Initial charge after discount	Creation + 0.35%
Annual management charge	1.50%
Chelsea Risk rating†	10

### Framlington Health

This fund is managed by a highly experienced team. With an ageing population, companies providing product innovation and new technologies that reduce the cost of healthcare will become increasingly important.

Standard and Poor's Fund rating	-
Micropal rating	⊙⊙⊙⊙
Forsyth-OBSR Fund rating	AAA
Standard initial charge	5.50%
Lump sum Chelsea discount	4.75%
Initial charge after discount	Creation + 0.50%
Annual management charge	1.50%
Chelsea Risk rating†	10

### JPMF Natural Resources

Managed by their specialist resources team, this fund provides exposure to commodities via various mining and energy stocks. The portfolio's split is approximately 30% energy, 30% gold and precious metals and 30% base metals. It offers a way of participating in emerging market growth and is therefore a volatile area of investment.

Standard and Poor's Fund rating	-
Micropal rating	-
Forsyth-OBSR Fund rating	A
Standard initial charge	5.50%
Lump sum Chelsea discount	5.00%
Initial charge after discount	Creation + 0.50%
Annual management charge	1.50%
Chelsea Risk rating†	10

### Jupiter Emerging European Opportunities

This fund invests in Central and Eastern Europe, with approximately 40% in Russia. The economic growth in this region far outpaces that of Western Europe. However, it should be noted that there are greater risks associated with investment in this area.

Standard and Poor's Fund rating	-
Micropal rating	-
Forsyth-OBSR Fund rating	AA
Standard initial charge	5.50%
Lump sum Chelsea discount	5.00%
Initial charge after discount	Creation + 0.25%
Annual management charge	1.50%
Chelsea Risk rating†	10

### Jupiter Financial Opportunities

The fund not only invests in retail banks but may also include property companies, insurance companies, asset managers as well as others in specialist financial fields. It is a concentrated portfolio and the manager identifies clear themes, whether geographically or at sector level, and searches for the best companies that can capitalise on those themes.

Standard and Poor's Fund rating	AAA
Micropal rating	⊙⊙⊙⊙⊙
Forsyth-OBSR Fund rating	AAA
Standard initial charge	5.25%
Lump sum Chelsea discount	4.75%
Initial charge after discount	Creation + 0.25%
Annual management charge	1.50%
Chelsea Risk rating†	6

### SocGen Technology

Fund manager Alan Torry has been managing technology funds for nineteen years with considerable success. Although the technology sector is volatile and has experienced a well-publicised downturn, the long-term fundamentals remain positive.

Standard and Poor's Fund rating	-
Micropal rating	⊙⊙⊙⊙⊙
Forsyth-OBSR Fund rating	AA
Standard initial charge	5.25%
Lump sum Chelsea discount	5.00%
Initial charge after discount	Creation
Annual management charge	1.75%
Chelsea Risk rating†	10

All discounts quoted are to the nearest 0.05%

**Notes:** We always strive to reduce your costs to a minimum. Units bought with No Initial Charge are described as being bought at the 'Creation Price'. You can see from our table of funds that we have secured this 'Creation Price' on many of the funds and these are highlighted in the tables. These special discounts are only available until 30 November 2004.

† The Chelsea Risk Rating denotes a fund's risk profile, where 1 is the least risky and 10 has the highest risk.

\* Money Management, June 2004.

Standard & Poor's and Micropal ratings taken from Money Management, June 2004.

Fund charges are taken from Cofunds Consolidation Service Key Features Schedule, April 2004.

These discounts apply to new ISA purchases only, although the majority of ISA/PEP transfers will also attract the same discounts. Please telephone 020 7384 7300 for further details.

Forsyth-OBSR ratings taken from website, 19 May 2004.

# The Chelsea Leaders



## Corporate Bond Funds

### Aegon Extra Income

This bond fund is largely investment grade, with up to 10% in high yield corporate bonds. Some gilts may also comprise the 60-80 holdings. Whilst David Roberts is lead manager, Aegon implements a team approach and has a large global fixed income resource. Emphasis is placed on asset allocation, duration and stock selection.

Standard and Poor's Fund rating	–
Micropal rating	⊙⊙⊙⊙
Forsyth-OBSR Fund rating	AA
Standard initial charge	4.50%
Lump sum Chelsea discount	4.25%
Initial charge after discount	Creation + 0.25%
Annual management charge	1.00%
Chelsea Risk rating <sup>†</sup>	1

### Invesco Perpetual Corporate Bond

This jointly managed fund is actively run, with the emphasis on analysing market themes and approximately 140 holdings helps to mitigate risk. It consists predominantly of investment grade bonds, however it can invest in high yield bonds (currently approximately 10%).

Standard and Poor's Fund rating	AA/S3
Micropal rating	⊙⊙⊙⊙⊙
Forsyth-OBSR Fund rating	AAA
Standard initial charge	5.00%
Lump sum Chelsea discount	5.00%
Initial charge after discount	Creation
Annual management charge	1.00%
Chelsea Risk rating <sup>†</sup>	1

### ISIS Strategic Bond

This flexible bond fund can invest across investment grade and high yield corporate bonds, wherever manager James Foster finds best value. He also invests into Euro and Dollar denominated bonds, as well as Sterling. His approximately 120 holdings also reflect his views on interest rates and the economy.

Standard and Poor's Fund rating	–
Micropal rating	⊙⊙⊙
Forsyth-OBSR Fund rating	A
Standard initial charge	5.00%
Lump sum Chelsea discount	4.50%
Initial charge after discount	Creation + 0.50%
Annual management charge	1.00%
Chelsea Risk rating <sup>†</sup>	1.5

### Legal & General High Income

This is a pure high yield corporate bond fund and it invests globally, with approximately 50% currently invested in the US. It benefits from a strong fixed interest team, which formulate both the top down strategic allocation of assets and bottom-up stock selection.

Standard and Poor's Fund rating	AA/S4
Micropal rating	⊙⊙⊙⊙
Forsyth-OBSR Fund rating	A
Standard initial charge	0.00%
Lump sum Chelsea discount	0.00%
Initial charge after discount	Creation
Annual management charge	1.00%
Chelsea Risk rating <sup>†</sup>	2

### M&G Strategic Corporate Bond

Richard Woolnough (formerly manager of the highly successful Old Mutual Corporate Bond) manages this newly launched 'focus' bond fund. Although this is predominantly an investment grade bond fund (80%+), its approximately 60 holdings can be positioned to take strong sector/stock views.

Standard and Poor's Fund rating	AA/S3
Micropal rating	–
Forsyth-OBSR Fund rating	AA
Standard initial charge	3.00%
Lump sum Chelsea discount	3.00%
Initial charge after discount	0.00%
Annual management charge	1.25%
Chelsea Risk rating <sup>†</sup>	1

All discounts quoted are to the nearest 0.05%

**Notes:** We always strive to reduce your costs to a minimum. Units bought with No Initial Charge are described as being bought at the 'Creation Price'. You can see from our table of funds that we have secured this 'Creation Price' on many of the funds and these are highlighted in the tables. These special discounts are only available until 30 November 2004.

<sup>†</sup> The Chelsea Risk Rating denotes a fund's risk profile, where 1 is the least risky and 10 has the highest risk.

\* Money Management, June 2004.

Standard & Poor's and Micropal ratings taken from Money Management, June 2004.

Fund charges are taken from Cofunds Consolidation Service Key Features Schedule, April 2004.

These discounts apply to new ISA purchases only, although the majority of ISA/PEP transfers will also attract the same discounts. Please telephone 020 7384 7300 for further details.

Forsyth-OBSR ratings taken from website, 19 May 2004.



# The Chelsea Leaders

## US funds

### Gartmore Govett US Opportunities

Gil Knight has 32 years of investment experience. Knight and his 7-strong team of analysts manage this fund from Baltimore. It contains 40–60 holdings, with a small and mid-cap bias and he has achieved top decile performance\* over the last 3 years.

Standard and Poor's Fund rating	AA
Micropal rating	☆☆☆☆
Forsyth-OBSR Fund rating	AA
Standard initial charge	5.00%
Lump sum Chelsea discount	4.75%
Initial charge after discount	Creation + 0.25%
Annual management charge	1.50%
Chelsea Risk rating†	7

### Investec American

This fund is managed from the US by Thornburg Investment Management. A relatively concentrated portfolio of around 45 stocks comprises mainly large-cap stocks, split between growth and value. An initial quantitative screen results in approximately 150 stocks, which are scrutinised by the 7-strong team.

Standard and Poor's Fund rating	AA
Micropal rating	–
Forsyth-OBSR Fund rating	AA
Standard initial charge	4.50%
Lump sum Chelsea discount	4.00%
Initial charge after discount	Creation + 0.50%
Annual management charge	1.50%
Chelsea Risk rating†	7

### Legg Mason US Equity

This fund is managed in the US by a highly experienced and successful team. They focus on identifying long-term, undervalued large-cap stocks and the portfolio is concentrated, with approximately 35 holdings.

Standard and Poor's Fund rating	AAA
Micropal rating	–
Forsyth-OBSR Fund rating	AAA
Standard initial charge	4.25%
Lump sum Chelsea discount	4.25%
Initial charge after discount	Creation
Annual management charge	1.50%
Chelsea Risk rating†	7

*All discounts quoted are to the nearest 0.05%*

**Notes:** We always strive to reduce your costs to a minimum. Units bought with No Initial Charge are described as being bought at the 'Creation Price'. You can see from our table of funds that we have secured this 'Creation Price' on many of the funds and these are highlighted in the tables. These special discounts are only available until 30 November 2004.

† The Chelsea Risk Rating denotes a fund's risk profile, where 1 is the least risky and 10 has the highest risk.

\* Money Management, June 2004.

Standard & Poor's and Micropal ratings taken from Money Management, June 2004.

Fund charges are taken from Cofunds Consolidation Service Key Features Schedule, April 2004.

These discounts apply to new ISA purchases only, although the majority of ISA/PEP transfers will also attract the same discounts. Please telephone 020 7384 7300 for further details.

Forsyth-OBSR ratings taken from website, 19 May 2004.



# ISA Application Form - 2004/2005

Cofunds IFA Authorisation Code	<b>77</b>
Intermediary Client/Deal Ref.	<b>VP9</b>

% Initial Commission waived	<b>100%</b>
-----------------------------	-------------

## Personal Details - Please complete this section in full

This application form is for lump sum and/or regular investments in the Cofunds ISA. Please ensure you have read the accompanying Terms & Conditions and Key Features document (see pages 48-55) before completing this application form and that you are sure whether you want to invest in a Maxi or Mini ISA. Please complete using black ink and BLOCK CAPITALS and return to: **Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS.**

Mr/Mrs/Ms/Miss/Other
Surname
Full First Name(s)
Current Permanent Residential Address
Postcode
If at current address for less than 2 years, please supply previous address and time there.
Postcode

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

Time at Current Permanent Residential Address  yrs  mths

Male  Female

Daytime Tel No. (inc STD)

Do you have a National Insurance number? (tick one box)

Yes  No

If you have a temporary National Insurance number, please tick 'No'. If 'Yes', you must enter it here (see note (a) overleaf)

National Insurance Number

Date of Birth

D D M M Y Y Y Y

Existing Cofunds Client Reference

## ISA Stocks and Shares Selection - Please tick the relevant box (see note (b) overleaf)

**Either** Maxi ISA  I apply to subscribe to the Cofunds ISA as a Maxi ISA for the current tax year **2004/2005** and for each subsequent tax year until further notice. I understand there is no obligation to invest with Cofunds for future tax years, however, should I wish to make investments in the following and future tax years, I may do so without completing an application form.

**Or** Mini ISA  I apply to subscribe to the Cofunds ISA as a Mini Stocks and Shares ISA for the current tax year **2004/2005** and for each subsequent tax year until further notice. I understand there is no obligation to invest with Cofunds for future tax years, however, should I wish to make investments in the following and future tax years, I may do so without completing an application form.

## Cofunds ISA - Investment Selection (see note (c) overleaf)

I wish to invest in the Chelsea Easy ISA (please tick one of the portfolios below). See pages 4 & 5 for details. Minimum Portfolio investment lump sum £3,000; Minimum regular savings £200 per month.

		Lump Sum	Monthly
<b>Either</b> <input type="checkbox"/>	Cautious Growth Easy ISA	£	£
<b>Or</b> <input type="checkbox"/>	Balanced Growth Easy ISA	£	£
<b>Or</b> <input type="checkbox"/>	Aggressive Growth Easy ISA	£	£
<b>Or</b> <input type="checkbox"/>	Income Easy ISA (please complete income payment overleaf)	£	£

Or select your own funds and complete this section below:

Fund Management Company	Fund Name	Type of Unit Share (Acc/Inc)	Lump Sum*	Monthly**
			£	£
			£	£
			£	£
			£	£
			£	£
			£	£
			£	£

### Your cheque

I enclose my cheque made payable to Cofunds Limited for the amount specified and/or my completed Direct Debit instruction, if applicable. Please note: Cheques must be drawn on your own, on a joint account or can be drawn by your spouse. Building Society Cheques must be made payable to Cofunds Limited, and must identify your name (Re: A.B. Smith). We do not accept cheques from business accounts or other third parties.

### For monthly payments

For monthly savers 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 25th day of the following month.

Cash Reserve†	£	£
<b>Total Investment Amount</b>	<b>£</b>	<b>£</b>

\* Lump Sum - Minimum investment of £1,000 to a maximum of £7,000 (£3,000 if you have ticked the Mini ISA box). This can be split across funds with a minimum of £1,000 per fund.  
 \*\* Monthly Savings - Minimum investment of £50 per month, per fund.  
 † Monies may be held for short periods in the Cash Reserve. Such holdings are deemed 'destined for investment'.

## Investment by Direct Debit for Monthly Savers

Instruction to your Bank or Building Society to pay Direct Debits

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

Name and full postal address of your Bank or Building Society

To the Manager	Bank or Building Society
Address	
Postcode	



Name of Account Holder	
Bank/Building Society Account Number	Branch Sort Code
<input type="text"/>	<input type="text"/>
Reference Number (office use only)	
<input type="text"/>	
Originator's Identification No. (office use only)	
<input type="text"/>	
Signature	
Date	

### Instruction to your Bank or Building Society

Please pay Cofunds Limited Direct Debits from the account detailed on this instruction subject to the safeguards assured by The Direct Debit Guarantee. I understand that this instruction may remain with Cofunds Limited and, if so, will be passed on electronically to my Bank/Building Society. Banks and Building Societies may not accept Direct Debit instructions for some types of account.

Please refer to the Key Features for the Direct Debit Guarantee





# ISA/PEP Transfer Application Form

Please ensure you have also completed the Transfer Instruction Form on page 23.

Cofunds IFA Authorisation Code	<b>77</b>
Intermediary Client/Deal Ref.	<b>VP9</b>

% Initial Commission waived	<b>100%</b>
-----------------------------	-------------

## Personal Details – Please complete this section in full

Please ensure you have read the accompanying Terms & Conditions and Key Features document (see pages 48-55) before completing this application form. Please complete using black ink and BLOCK CAPITALS and return to: **Chelsea Financial Services PLC, St. James' Hall, Moore Park Road, London SW6 2JS.**

Mr/Mrs/Ms/Miss/Other
Surname
Full First Name(s)
Current Permanent Residential Address
Postcode
If at current address for less than 2 years, please supply previous address and time there.
Postcode

Time at Current Permanent Residential Address  yrs  mths

Male  Female

Daytime Tel No. (inc STD)

Do you have a National Insurance number? (tick one box)

Yes  No

If you have a temporary National Insurance number, please tick 'No'. If yes, you must enter it here (see note (a) overleaf)

National Insurance Number

Date of Birth   
D D M M Y Y Y Y

Existing Cofunds Client Reference

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

## Cofunds Transfer Investment Choice (see note (b) overleaf)

I wish to transfer the proceeds of my existing PEPs and/or ISAs into the Chelsea Easy ISA/PEP (please tick one of the portfolios below). Minimum Transfer of £3,000. See pages 4 & 5 for details.

These instructions apply to my: ISA transfer  PEP transfer  ISA & PEP transfers

		Transfer %
<b>Either</b>	Cautious Growth Easy ISA	<input type="text"/>
<b>Or</b>	Balanced Growth Easy ISA	<input type="text"/>
<b>Or</b>	Aggressive Growth Easy ISA	<input type="text"/>
<b>Or</b>	Income Easy ISA (please complete income payment below)	<input type="text"/>

Or select your own funds and complete this section below: (Minimum Transfer of £1,000 per fund)

Fund Management Company	Fund Name	Type of Unit/Share (Acc/Inc)	Tick if taking income	Transfer %
Cash Reserve†	N/A	N/A		

† Monies may be held for short periods in the Cash Reserve. Such holdings will be deemed 'destined for investment.'

**Total 100%**

## Income Payments (see note (c) overleaf)

This section should be completed only if income units/shares are indicated in your fund selection and wish the income to be paid to you. If this section is not completed, any income generated from your investment will automatically be reinvested.

I wish to have income paid to my Bank/Building Society account (please complete details below)

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

Bank/Building Society Account Number

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------

Branch Sort Code

<input type="text"/>	<input type="text"/>	-	<input type="text"/>	<input type="text"/>	-	<input type="text"/>	<input type="text"/>
----------------------	----------------------	---	----------------------	----------------------	---	----------------------	----------------------

Reference Number (If applicable)

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------

# ISA/PEP Transfer Application Form Continued

## Declaration and Authorisation

### I declare that:

- All investment proceeds are my own.
- I am aged 18 years or over.
- If applying for a Maxi ISA, I have not subscribed and will not subscribe to any other ISA other than a "TESSA-only" ISA in the same tax year that I subscribe to this Cofunds Maxi ISA and continue to subscribe in subsequent tax years.
- If applying for a Mini Stocks and Shares ISA, I have not subscribed and will not subscribe to a Maxi ISA or to another Stocks and Shares Mini ISA in the same tax year that I subscribe to this Mini ISA and if I am making monthly savings for each subsequent tax year for which I subscribe for a Cofunds ISA.
- I am resident and ordinarily resident in the United Kingdom for tax purposes, or, if not so resident, perform duties which, by virtue of Section 132(4) (a) of the Income and Corporation Taxes Act 1988 (Crown employees serving overseas), are treated as being performed in the United Kingdom, or I am married to a person who performs such duties. I will inform Cofunds Limited if I cease to be so resident and ordinarily resident or to perform such duties, or be married to a person who performs such duties.

### I authorise Cofunds Limited to:

- Hold my cash subscription, ISA/PEP Plan 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/PEP Plan investments to the Inland Revenue, and on my written request, to transfer, or pay to me, as the case may be, ISA/PEP Plan investments.

### I confirm that:

- I have read and understood the Cofunds Consolidation Service Terms & Conditions and Key Features document and agree to be bound by the Terms & Conditions.
- My signed application form (provided that my application is accepted by Cofunds), together with the Cofunds Consolidation Service Terms & Conditions, constitute 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 (Experian) for the purposes of verifying my identity. To do so, Experian 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. I declare that the information contained in this application form is correct to the best of my knowledge and belief.

Signature

Date

### Data Protection

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 will not sell on your details to any other third party, but we will disclose information concerning your investment to your intermediary.

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

If you wish to retain the right to attend and vote at unitholder or shareholder meetings, please tick this box.

If you wish to retain the right to receive report and accounts, please tick this box.

## Notes on how to complete the Application Form

**(a) Personal details** – If you do not know your National Insurance number you can obtain details from your P60, notice of coding, employer or local tax office. If you are retired you can find your number on the front cover of your pension book. If you have never been assigned a National Insurance number you should tick the 'No' box. If you tick the 'Yes' box but do not provide your number, we will require further information before we will be able to consider accepting your application.

**(b) Investment selection** – Decide which Portfolio or fund(s) you wish to invest in and the amount(s) you wish to invest.

If a fund offers a choice of income and accumulation units or shares, then if no option is chosen you will automatically be given accumulation units.

**The Portfolios/funds included in this application form have been chosen by Chelsea Financial Services PLC, your Nominated Intermediary. They represent a selection of funds available in a Cofunds ISA. Cofunds cannot advise you on which funds to choose or whether the funds selected by Chelsea Financial Services PLC are appropriate for you.**

Nominated Intermediary Details

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

**(c) Income payments** – Please note that banks and building societies may not accept Direct Credits for some types of account.

**(d) Maxi or Mini ISAs** – You may not transfer Maxi ISAs to Mini ISAs and vice versa in the current tax year.

Cofunds does not offer a TESSA-only ISA, a Mini Cash ISA or a Mini Insurance ISA, nor do we offer the cash or insurance components of a Maxi ISA.

**(e) Transfers** – Cofunds reserves the right to reject partial transfers.

Issued and approved by Cofunds Limited which is authorised and regulated by the Financial Services Authority.

Registered Office: First Floor, 1 Minster Court, Mincing Lane, London EC3R 7AA. Registered in England and Wales No. 3965289.

## Completed Application Forms Check List

**Completed Application Forms should be returned to:  
Chelsea Financial Services PLC,  
St. James' Hall, Moore Park Road, London SW6 2JS.**

Please ensure you have:

Completed your National Insurance number.

Completed your date of birth.  
(This will be necessary to validate your Plan)

Completed the investment selection section.

Completed your Bank/Building Society details if you have chosen to receive income payments.

Signed the declaration.

Completed the Transfer Instruction Form on page 23.



# Transfer Instruction Form

**Consolidation Service Cash Transfer Instruction Form** - Please complete all fields

Name of ISA/PEP Manager (from whom you wish to transfer)

---

ISA/PEP Manager Address

---

Postcode

I hereby instruct my current ISA/PEP Manager to liquidate the assets within my ISA/PEP as detailed below with immediate effect, and forward the proceeds to Cofunds, my new Plan Manager at: **Cofunds Limited, PO Box 6284, Chelmsford CM1 1ZG.**

PEP, Maxi or Mini ISA	Fund Name	A/C or Plan Nos.	Please tick if current tax year

Please complete your personal details below and ensure you have signed and dated the instruction.

Mr/Mrs/Ms/Miss/Other	Residential Postcode
First Name	Surname
<b>Signature</b>	<b>Date</b>

**Consolidation Service Cash Transfer Instruction Form** - Please complete all fields

Name of ISA/PEP Manager (from whom you wish to transfer)

---

ISA/PEP Manager Address

---

Postcode

I hereby instruct my current ISA/PEP Manager to liquidate the assets within my ISA/PEP as detailed below with immediate effect, and forward the proceeds to Cofunds, my new Plan Manager at: **Cofunds Limited, PO Box 6284, Chelmsford CM1 1ZG.**

PEP, Maxi or Mini ISA	Fund Name	A/C or Plan Nos.	Please tick if current tax year

Please complete your personal details below and ensure you have signed and dated the instruction.

Mr/Mrs/Ms/Miss/Other	Residential Postcode
First Name	Surname
<b>Signature</b>	<b>Date</b>

**Consolidation Service Cash Transfer Instruction Form** - Please complete all fields

Name of ISA/PEP Manager (from whom you wish to transfer)

---

ISA/PEP Manager Address

---

Postcode

I hereby instruct my current ISA/PEP Manager to liquidate the assets within my ISA/PEP as detailed below with immediate effect, and forward the proceeds to Cofunds, my new Plan Manager at: **Cofunds Limited, PO Box 6284, Chelmsford CM1 1ZG.**

PEP, Maxi or Mini ISA	Fund Name	A/C or Plan Nos.	Please tick if current tax year

Please complete your personal details below and ensure you have signed and dated the instruction.

Mr/Mrs/Ms/Miss/Other	Residential Postcode
First Name	Surname
<b>Signature</b>	<b>Date</b>

# Withering Profits Bonds?

## Should I stay or should I go?

Since we last discussed With Profits Bonds, there has been an upturn in stock markets. However, many With Profits Bond policyholders will feel that the increases have not been reflected in the value of their investment, indeed some will say that the penalty imposed for them to get their money out is at the same high level as it was a year ago. There are several reasons for this, among them:

- Insurance companies are trying to replenish reserves decimated by three years of negative returns from stock markets whilst paying out what could be considered over-optimistic bonuses, hence no bonuses are being paid presently.  
For example, if in 2001 you received an annual bonus of 4% from your With Profits bond and the With Profits fund had lost 9% during that time, then the company's reserves took a hit of 13%.
- With Profits funds have lower holdings in equities than they did five years ago. This means that they are not benefiting as much from any growth in the markets as they would have done previously. But why are the funds holding fewer equities? The reason is that many insurance companies are finding it hard simply to stand still in terms of performance. Due to the falling value of funds' underlying investments, the smoothing system has been stretched to breaking point. Reserves are depleted so the companies do not have the buffer zone whereby they can take a gamble on the markets and go overweight in shares. Instead, funds are forced to hold a higher weighting of bonds than they would prefer, in order to cover their liabilities. This increases the stability of the fund but limits future returns.
- The regulator has imposed new restrictions on insurance companies, requiring them to have higher solvency margins. This practice of enforcing life offices to make provision for future liabilities has led to companies such as Standard Life having to dramatically reduce the equity exposure of its £30bn With Profits fund earlier this year to meet the FSA's tough new reporting requirements.

### What's a Market Value Reduction (MVR)?

It is an exit penalty levied by the life office. The MVR acts as a correcting mechanism to give the individual policy its "true value". Without them, some policyholders would be able to leave with more than their fair share and thereby deprive other policyholders.

### When will they disappear?

Each company needs to be assessed on an individual basis. Obviously those funds that are closed to new business are unlikely to remove, or even reduce, the MVR in the immediate future. However, those life offices with greater financial strength such as Prudential, Legal & General, Liverpool Victoria and Norwich Union have reduced MVR levels on their With Profits policies in the past few months.

### What should I do with my With Profits Bond?

Investors should check the equity content of their With Profits fund. If it is low then the long-term returns are unlikely to be high. On the opposite page is a table illustrating the current asset mixes of various With Profits funds. It shows that Liverpool Victoria has over 60% of its fund in equities due to the group's high solvency margin, whilst Scottish Provident's closed fund has a meagre 24% in shares, a dramatic turnaround from the fund that investors would have been buying four or five years ago.



**Table 1: “The Haves & Have-Nots”**

Life Office	Equities (%)	Commercial Property (%)	Fixed Interest (%)	Other (cash) (%)
AMP NPI (closed 06/03)	15	5	75	5
AXA (closed 05/02)	41	16	41	2
Britannic Assurance (closed 03/03)	42	7	39	12
Clerical Medical	38	18	34	10
Friends Provident	33	13	53	1
Legal & General	51	18	31	0
Liverpool Victoria	62	14	19	5
MGM Assurance	43	11	38	8
Norwich Union (NU Life & Pensions)	51	15	31	3
Prudential	48	17	31	4
Royal & Sun Alliance (closed 08/01)	26	13	59	2
Scottish Equitable	18	1	79	2
Scottish Mutual (closed 12/02)	30	9	58	3
Scottish Provident (closed 11/99)	23	12	33	32
Scottish Widows	37	11	42	10
Standard Life	37	15	38	10

Source: Data from companies and Money Management Magazine

If you decide that you do not wish to remain invested in a With Profits bond, there are two possible ways to gain access to your money with no charge. Firstly, some With Profits bonds have clauses in their contracts which allow investors to encash the bond on a certain date with no exit penalty. This is known as an **MVR Free Date**. Secondly, nearly all With Profits providers allow investors to take a certain percentage of their original investment (usually not the current fund value) **as a regular withdrawal from their bond without an MVR applying**. This is normally between 5% and 10% per annum. Whilst not ideal, it enables investors to access some of their money penalty free and invest it elsewhere,

such as in a stakeholder pension or an ISA. However, be warned that if you leave a With Profits fund to invest directly into equities, then you are taking a greater risk with your capital.

Also, consider your tax position before encashment as higher rate taxpayers may be liable to pay the marginal rate of tax.

Below is a table of major With Profits bond providers and details of any MVR free clauses. This information has come from the product providers, so we presume it to be correct. However, this cannot be guaranteed. **Check with each life office personally to confirm the details of your own policy.**

**Table 2:**

Life Office	Exit Penalties	MVR Free Dates	Penalty Free Annual Withdrawal
AMP NPI	Up to 30%	Series 5-7 on the 10th Anniversary	Up to 10% of current fund value
AXA	Up to 26%	None	Up to 7.5% of initial investment
Britannic Assurance	Up to 25%	Series 1-3 on the 5th Anniversary Series 4-7 on the 10th Anniversary	Up to 7.5% of initial investment
Clerical Medical	Up to 22%	For policies taken out before end of 2000-10th Anniversary	Up to 7.5% of initial investment
Friends Provident	Up to 18%	None	Up to 7.5% of initial investment
Legal & General	Up to 22%	For bonds between 1989-1993 10th Anniversary	Regular withdrawals equivalent to or less than the interim bonus rate applicable at time of withdrawal
Liverpool Victoria	Up to 29%	For WP Investment Bond (to 07/03/01) 10th Anniversary or chosen later date	WP Investment Bond up to 7.5% of initial investment. All other bonds up to 5% or natural bonus rate (WP Income Bond)
MGM Assurance	Up to 22%	For bonds between 1993-1995 5th Anniversary For bonds between 2001-2002 10th Anniversary	Up to 7.5% of initial investment
Norwich Union	The average MVR across all products is 6%	From 2000, MVR free date on 10th Anniversary and every subsequent 5th Anniversary	Up to 5% of initial investment
Prudential	Up to 20%	None	£25,000 can be taken MVR free as a one-off withdrawal every 12 months (after policy has been in force for 5 years)
Royal & Sun Alliance	Up to 26%	On the 10th Anniversary	Up to 7.5% of initial investment
Scottish Equitable	Up to 24%	For the Performance Bond (Version 7) 10th Anniversary	Up to 7.5% of initial investment
Scottish Mutual	Up to 27%	For the Select WP Bond (up to 1998) 10th Anniversary For the WP Investment Bond (1998-2001) 10th Anniversary	Up to 7.5% of initial investment
Scottish Provident	Up to 20%	None	Up to 7.5% of initial investment
Scottish Widows	Up to 20%	For policies taken out before 2000 10th Anniversary	Up to 7.5% of initial investment. From 07/2002 5%
Standard Life	Up to 23%	None	The lower of the originally selected withdrawal amount or prevailing bonus rate (currently 2.5%)

**CFS cannot enter into discussion of specific contracts; this article does not constitute personal investment advice. If you are in doubt, please contact a financial adviser.**

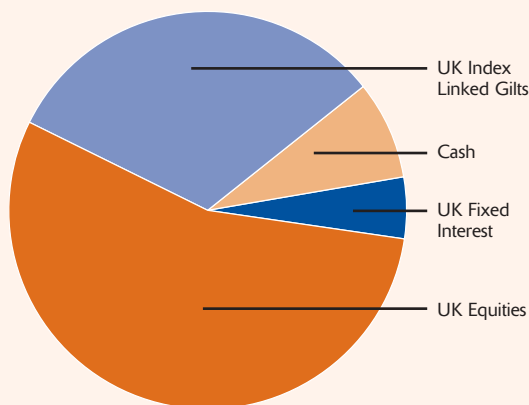


**Matthew Woodbridge**  
Bond Manager

**AXA**

# Distribution Bond

AXA Sun Life launched the first distribution fund in 1979 and this original fund celebrates its 25th anniversary in July this year. The fund has provided investors with steady returns over the past quarter of a century, whether they were looking for income, growth or a mixture of both, during such testing times as inflation reaching 21.9% in 1980, the stock market crash of 1987 and the technology bubble of 1999. The fund reacts to the macroeconomic picture but not by making drastic changes to the portfolio. Over the past quarter of a century, the asset allocation has been similar to the current mix illustrated in the pie chart below:



Source: AXA, 1 June 2004

As we can see, over half of the fund is invested in UK blue chip shares, so whilst robust, this is not an investment for those who require absolute security for their original capital. In addition, the level of income can go down as well as up and you could get back less than you invested. However, for those investors prepared to accept a medium level of risk for potential returns in excess of those from a building society, the AXA Distribution Bond offers a diversified portfolio in one investment.

As with many distribution funds, it invests in fixed interest securities but what distinguishes it from its competitors is a heavy weighting in **Index Linked Gilts (ILGs)** with no exposure to commercial property. This blend of asset classes has produced a successful long-term track record, endorsed by the fact that no other provider has won as many awards from Standard & Poor's for the performance of its distribution funds.

Currently, the fund is positioned to take advantage of a recovery in the markets with its exposure to equities and Index Linked Gilts (ILGs). This asset class is often overlooked, especially in times of low inflation. ILGs provide a steady return above inflation and preserve the capital value in real terms. The fund is weighted 55/45 in favour of equities and uses the exposure to fixed interest stocks (notably ILGs) as a counterbalance to reduce risk as ILGs are negatively correlated to equities. This is because when shares perform well, gilts generally don't do as well and when shares underperform, usually gilts provide a shelter. This philosophy is borne out by the performance of the fund which is ranked **1st in its sector over the past 10 years**. If you had invested £10,000 ten years ago and reinvested the 'distributions', your investment would now be worth £18,667. Alternatively, if you had taken the twice yearly 'distributions', you would have received £5,347 worth of 'income' and the original investment would have grown to £11,993.

The current net yield of the £3.1 billion fund (as at the last distribution) is 4.5% (this is equivalent to 5.62% gross for a basic rate taxpayer) and the distributions are paid out twice yearly on 17 May and 17 November.

The AXA Distribution Bond has no initial charge or bid/offer spread. Instead, there is a charge of 2.35% p.a. for the first three years and then an ongoing annual management charge of 1%. Please note that an investment in the AXA Distribution Bond is for a minimum of five years, otherwise discontinuance charges will be incurred. Please note that if you invest in the bond through Chelsea Financial Services, we will boost your investment by 4.75%. Please see the table below for the total allocation rates available.

Your Investment	AXA Allocation Rate	Chelsea Financial Enhancement	Total Allocation Rate
£5,000-£14,999	100.00%	4.75%	104.75%
£15,000-£24,999	101.00%	4.75%	105.75%
£25,000-£49,999	102.00%	4.75%	106.75%
£50,000-£149,999	102.50%	4.75%	107.25%
£150,000-£249,999	102.75%	4.75%	107.50%
£250,000+	103.00%	4.75%	107.75%

The minimum investment for the AXA Distribution Bond is £5,000 and we anticipate our terms will be available only until 31 October 2004. Please read carefully the Key Features contained in this publication before investing and if you wish to proceed, please complete the application form and return it with a cheque made payable to 'AXA SunLife' together with the necessary money laundering documents. If you have any questions about this investment, please call us on **020 7384 7300**.



# AXA Distribution Bond

## Tiered Allocation Application form

### AXA USE ONLY

CAS NUMBER:	522257
OUTLET CODE:	U37891
INVESTMENT BOND:	IB0002

Please complete in black ink and use BLOCK CAPITALS

### Section 1 – About the investor(s)

In whose name will the Bond be issued? (maximum of two investors). Where there are two investors the Bond will be issued on joint lives with the death benefit payable on the second death.

	Investor 1	Investor 2
1. Your title and last name (such as Mr, Mrs, Dr)	<input type="text"/>	<input type="text"/>
All your first names	<input type="text"/>	<input type="text"/>
Your sex	Male <input type="checkbox"/> Female <input type="checkbox"/>	Male <input type="checkbox"/> Female <input type="checkbox"/>
2. Your date of birth (dd/mm/yyyy)	<input type="text"/>	<input type="text"/>
3. Your full address, including postcode (We will use Investor 1's address when we write to you.)	<input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>
Postcode	<input type="text"/>	<input type="text"/>

### Section 2 – About the investment

How much do you want to invest? £  Please make your cheque payable to 'AXA Sun Life'.

For building society cheques and bankers drafts, please make sure the name of the account holder and account number is clearly shown. All cheques must be drawn from your own personal account.

We will set up the Bond with 100 policies. This will be invested in the Distribution Fund.

### Section 3 – Investing for 'income' or growth

I want to invest for capital growth, with all 'income' distributions reinvested in my Bond Yes  No

If No, please go to section 5

I want to receive an income equal to the full distribution which is paid every six months in May and November

#### Regular withdrawals

I want to receive an 'income' of £  (min £50) each year or  % each year of my original investment, to be paid in equal amounts:

paid once a month  once every 5 months  once every 6 months  once a year

I would like the first payment to be made in  date (mm/yyyy)

If you pay higher rate income tax, or are close to having to pay it, and you want to withdraw more than 5% a year of the initial investment, please ask your financial adviser for advice about your tax situation.

Regular withdrawals of up to 7.5% of the value of the Bond can be taken each year without incurring an early cash-in charge. We will normally pay withdrawals on the same day of the month that the Bond begins.

## Section 4 – Authority for payment

Please pay all regular withdrawals and distributions under the Bond when they become due by direct credit transfer to my bank or building society account as shown below. Please continue to do this until I change this instruction. Payments made to you by Direct Credit Transfer will normally be credited to your account within three to five working days.

Name of bank/building society											
Address											
								Postcode			
Bank or building society acc. no.						Bank sort code					
Name of account holder											
Now go to <b>Section 5</b> .											

## Section 5 – Signature(s)

I apply to AXA for a Bond as set out in this application to be issued on AXA's standard policy terms and conditions. I understand that AXA and I are free to choose the law that applies to this contract. AXA propose to choose the law of England and Wales, and by entering this contract, I agree that the law of England and Wales applies.

### Data Protection Act Information

I understand that AXA Sun Life plc is a member of the AXA Group. To set up and administer my policy you will hold and use information about me supplied by me. You may send it in confidence for processing to other companies in the AXA Group (or companies acting on your instructions) including those located outside the European Economic Area. By signing this form I consent to such use of my personal data.

AXA Sun Life plc may use some of my information and share it with other AXA Group companies and other carefully selected organisations within the European Economic Area to send me details of products and services. I may be contacted by post, telephone or email. If I tick this box, I would prefer you not to do this.

	Investor 1	Investor 2
Signature of investor	<div style="border: 1px solid black; height: 40px;"></div>	<div style="border: 1px solid black; height: 40px;"></div>
Date (dd/mm/yyyy)	<div style="border: 1px solid black; width: 100px; height: 15px;"></div>	<div style="border: 1px solid black; width: 100px; height: 15px;"></div>

You can ask for a copy of the terms and conditions of the Bond and a copy of the filled-in application form.

The Bond begins on the date we accept both the investment and the application. Once we accept the application, we will use the investment to buy units in the Distribution Fund.

**Please return this application form with cheque back to:  
Chelsea Financial Services, St James' Hall, Moore Park Road, London, SW6 2JS.**

## Section 6 – Adviser information

Must be completed by the financial adviser:

1. Business name and address of the adviser's company

<b>Chelsea Financial Services PLC (Distribution Bond)</b> <b>St James' Hall, Moore Park Road, London, SW6 2JS</b>	<b>CAS NUMBER: 52257</b> <b>OUTLET CODE: U37891</b>
--	--

2. Telephone number	<div style="border: 1px solid black; padding: 2px;">0 2 0 7 3 8 4 7 3 0 0</div>
3. FSA number	<div style="border: 1px solid black; padding: 2px;">1 1 4 4 9 3</div>
4. Agent No. (if known)	<div style="border: 1px solid black; padding: 2px;">5 2 2 2 5 7</div>



AXA is a worldwide insurance group. In the UK, one of the AXA companies is AXA Sun Life plc, the provider of this policy. AXA Sun Life plc is a company limited by shares. Authorised and regulated by the Financial Services Authority. Registered in England, number 3291349. Registered office: 107 Cheapside, London, EC2V 6DU. A member of the AXA Sun Life Marketing Group which markets life insurance, pension and investment products. The telephone number of AXA is 0117 989 9000. As part of our commitment to quality service, telephone calls may be recorded. The address for written communications is AXA, PO Box 1810, Bristol BS99 5SN.



# The Chelsea Funds Focus

## Fidelity Managed International

The Managed International fund's performance has been disappointing. Whilst it has improved over the last year (the fund is currently ranked 59/141\* in the Equity Global sector), it is ranked 4th quartile over 2, 3 and 5 years. Fidelity identify two reasons for this underperformance. Firstly, the fund has a growth mandate and growth stocks underperformed against value stocks in 2001 and 2002. In addition, stock selection with the US portion of the fund was poor and, with 60% exposure to the US, this was detrimental.

This underperformance resulted in Fidelity passing the management of the fund onto Brenda Reed in November 2003. Reed has over 20 years' industry experience and also manages Fidelity's Global Focus fund. The fund was previously run on an asset allocation basis where it was divided into portions according to regional weightings and these portions were then managed by individual managers. Reed will assume control of the whole fund and will run it on a pure stock picking basis. She is fundamentally restructuring the portfolio, and intends to reduce the number of stocks from a massive 450 to 100-150. With such recent changes having taken place we believe that this fund should be a hold.

**Chelsea View: Hold**

*\*Source: Money Management, June 2004*

## Insight UK Dynamic

Insight Investment Management, a subsidiary of HBOS (the giant retail banking group), was launched in October 2002. Insight were set to become a big player in the UK market place and went out to hire some top fund managers, most notably poaching Neil Pegrum from M&G. Pegrum made his name at M&G where he worked for 16 years running its British Opportunities fund with great success. In January 2003 Insight launched the UK Dynamic fund for Pegrum to run as an aggressive stock picking fund. He achieved roaring success and the fund was ranked 2nd of 315 UK All Companies units trusts over the year to March 2004 returning 94.37%\*.

However, in a shock move, Pegrum left Insight in April 2004 and is set to join Cazenove shortly. Pegrum's departure after 14 months came as surprise and is a huge disappointment for investors in the fund. Management of the fund has temporarily passed over to Pegrum's deputy, Andrew Cawker, and the group were planning to seek a 'big name' replacement. This replacement was not forthcoming and Insight have now announced that the fund is to be closed to new investment.

**Chelsea View: Immediate Switch**

*\*Source: Citywire, 22 April 2004*

## Marlborough Special Situations

Marlborough fund managers were established in 1986. Giles Hargreave has been managing their Special Situations fund since July 1998 and it is ranked 1st in the Smaller Companies UK sector over 1, 2 and 3 years and 2nd over 5 years\*. Hargreave's success is attributable to his aggressive style and ability to react quickly to market conditions. The majority of his 128 stocks fall into three categories: smaller companies, new issues and companies going through difficult times but with good recovery prospects. The portfolio is mainly UK based and has no particular restrictions although he tends to avoid companies with market capitalisations of over £200 million. He may also invest in unquoted companies and overseas stocks if a good investment opportunity is spotted.

Unfortunately, Marlborough are unlikely to join a fund supermarket in the near future and so are currently unavailable through the Chelsea Portfolio. However, we are able to offer market leading discounts of 4.00% on all ISA investments and ISA/PEP transfers (leaving a net initial charge of 1%) and 3.00% discount for all purchases of £2,000 or more outside of an ISA/PEP wrapper.

**Chelsea View: Buy**

*\*Source: Money Management, June 2004*

## Schroder Tokyo

A key management move has been made by Denis Clough who left the Schroder Tokyo Fund in May to take a 'sabbatical'. Management has passed to Andrew Rose, Schroder's Tokyo based head of Japanese equities. Clough was one of the most respected Japanese equity specialists in the UK and had run the fund since 1985. His departure is therefore a blow for investors.

His replacement, Rose, is an experienced manager with a proven track record in Japanese equities. He has 23 years' investment experience all gained at Schroders, having joined the company in 1981. Rose has been based in Tokyo for 9 of these 23 years and this, combined with his degree in Japanese and politics, means he has a considerable knowledge and understanding of the market. He is not expected to make substantial changes to the portfolio and will continue to receive strong support from Schroder's large and experienced Japanese equities team.

**Chelsea View: Hold**



**Interview with George Luckraft**  
Manager: Framlington UK Equity Income Fund

# Equity Income Explained

Dividends are a powerful contributor to the overall returns from equities. Even investors seeking to grow their capital should consider equity income investing, which combines the best of both worlds through capital growth and yield. Whilst this has always been the case, the changing economic environment means dividends are becoming even more important in achieving strong returns. Lessons learnt from the bursting of the technology bubble in 2000 mean that many investors have reduced their expectations of making fast money through racy growth companies. Below we look at UK Equity Income Funds, which although seen as a less sexy sector, may be well suited to many investors.

## What is an Equity Income Fund?

The definition from the IMA states that: A UK equity income fund is one which invests at least 80% of its assets in UK equities and which aims to achieve a yield on the underlying portfolio in excess of 110% of the FTSE All Share yield (net of tax).

## Why should I choose an Equity Income Fund?

This sector may be most suited to investors who desire an income from their investments but also seek to gain some capital appreciation. The types of companies that offer regular dividends tend to be larger, more established companies, which generate substantial and steady cash flow, a proportion of which is distributed to investors. Investing through an ISA still has the benefit of not having to pay additional income tax or having to declare the income on a tax return. For those investors seeking capital growth, the ISA wrapper still means any gains are free of CGT and again don't have to be declared on a tax return.

## How important are dividends to overall returns?

The relative contribution by dividends toward the total return of equities will be larger going forward. Many commentators believe that world stock markets will trade in a sideways manner, coming after one of the most protracted bear markets in recent history. Some believe that as much as half the expected 7-10% of total returns could come from dividends in the coming years. Under such a scenario if you are looking simply for capital growth, the effect of reinvesting dividends potentially adds a compounding 50% to your total return. A recent study by Barclays Capital Equity stated, "The value of £100 invested in equities at the end of 1899 was worth £161 in real terms at the end of 2002, assuming no reinvestment of dividends. With income reinvested, this figure would be £17,356."\*

## What is the dividend?

When you buy a share in a company directly, you become a shareholder in that company and you become a part owner. This means you are entitled to a share in the company's profits, with the share of the profit paid being the dividend. The size of the dividend depends on the profits being made by the company and their policy about profit distribution. Not all shares qualify for a dividend. For example, ex-dividend shares don't pay dividends. Not all companies will pay a dividend, preferring to use any profits made to re-invest back into the company. Such instances may be smaller companies

for example, where they wish to use any profits to invest in new product lines or machinery. When you buy a unit trust any dividend is paid directly to the fund.

## When a yield is quoted, how is it calculated?

The yield is the annual income from an investment calculated as a percentage of its market price. For shares, the yield is worked out by dividing the annual dividends by the purchase price. For bonds, it is the coupon rate divided by the market price.

## So what is the outlook for the UK?

Fears of a hard landing in China, along with continuing bad news from Iraq and expectations of imminent interest rate rises in the US are causing concern. The UK economy remains in good shape, with low unemployment and inflation. Even with rising interest rates, the UK consumer continues to spend and this should help support company profits and provide support to stock markets. This should also allow companies to maintain or grow the dividend they pay to shareholders.

## What is the objective of the Framlington Equity Income Fund?

The aim is to invest in companies that are capable of delivering growing income and capital. Typically I will invest in 60-70 companies, which includes some of the UK's top household names. Some of these companies are held because they offer the potential to provide a good dividend whilst others will exhibit the potential to deliver capital growth.

## How do you select companies to invest in?

My basic view is that when you buy a share you are in effect lending money to the management of the firm. In essence that's my first criteria; if I don't trust the management I won't invest in them. Stock picking is key if you want to outperform. I don't follow the herd, because if you do it ends up becoming a closet tracker. Thus I put a huge emphasis on meeting the management of companies first hand. I'm fortunate to work with a team of managers who are also researching companies in the UK and we work in an environment whereby we share ideas freely, which is great for backing up ideas I may have and getting new ones too.

\* Barclays Capital Equity – Gilt Study for 2004.

# Chelsea LifeSearch

## Save money on life assurance



Chelsea LifeSearch can save you money on your life assurance. If you are getting married, thinking of starting a family or moving house the chances are you require some form of life assurance, perhaps some mortgage protection, critical illness cover or unemployment insurance. The question is, what type and for how much? Here at Chelsea Financial Services we have teamed up with LifeSearch, who will not only find you the best price available, they also pride themselves on their high levels of service and expertise.

LifeSearch is more than just another life assurance broker. They'll search the entire market for you to ensure they find the most suitable policy for your needs at the best price available. Everyone's individual circumstances are different, so finding the policy that is exactly right for you and which provides the benefits you need is very important. Whenever you call LifeSearch, you will always speak to a qualified life assurance specialist, who will discuss your needs in detail before recommending the policy or policies that are right for you. It pays to speak to the experts!

**The cost of life assurance has fallen dramatically over the past few years**, so now is a great time to replace existing policies for which you may be paying too much. Alternatively, you could increase the level of life cover at no extra cost. Please consult the table to see how much you could save.

**In addition, we are offering a cashback to the equivalent of one month's premiums with every purchase payable upon receipt of the commission(\*)**

\* The cashback is conditional upon the policy being held for a minimum of 48 months.

**Table for £100,000 of life cover**

Abbey National Life	£15.67
M&S	£15.25
Eagle Star Direct	£14.66
Nationwide Life	£12.10
Virgin	£11.20
<b>Lifesearch</b>	<b>£10.10</b>

N.B. Prices based on a monthly cost with a leading insurer for 25 year level term life cover for a non-smoking man aged 35 next birthday in normal health. Figures correct as at June 2004.

To obtain your personal tailor-made quotation, call the Chelsea LifeSearch team on

**FREEPHONE  
0800 197 8910**

to speak to a qualified and totally independent expert in protection policies.



Visit the Chelsea LifeSearch page on our website at [www.chelseafs.co.uk](http://www.chelseafs.co.uk).

## Fix a great rate of income or growth

With the recent rise in interest rates, investors are looking to fix an attractive rate of income or growth for the shorter term (1- 3 years). If you are a taxpayer, before looking at current rates being offered by the numerous high street banks or building societies, it may be prudent to take a look at a **Guaranteed Income or Growth Bond** for a number of reasons:

- High street banks usually quote gross rates in their advertising, whereas Guaranteed Bonds quote them net of savings rate tax, so always look for the equivalent gross rate to make a fair comparison, as often the rate is the same or better, especially on larger amounts. How do you gross up a guaranteed bond rate to compare it with a Building Society fixed rate? For basic rate taxpayers, divide the net rate by 0.8, e.g. 4% net ÷ 0.8 = 5% gross. For higher rate tax payers, multiply the net rate by 0.8, then divide by 0.6, e.g. 4% x 0.8 = 3.2 ÷ 0.6 = 5.33% gross.
- Peace of mind. The level of protection offered to investors by the Financial Services Compensation Scheme for life bonds follows different rules to deposits. For deposits, compensation is limited to 100% of the first £2,000 and 90% of the next £33,000 with a £31,700 limit, whereas compensation for life bonds is 100% of the first £2,000 and 90% of the remainder with no limit. For example, an investment of £100,000 would qualify for compensation of £90,200 as a life bond but only £31,700 as a deposit.
- As money in these bonds is already subject to tax, you only incur a potential income tax liability if you are a higher rate taxpayer and even then these bonds offer a valuable **tax deferral feature** called 'the extension option'. If you don't take income from the bond and at maturity the whole proceeds are reinvested into another bond with the same provider, any **tax due can be deferred** until the new bond matures. As this can continue over a series of extensions, it provides the option to cash in the bond when you are in a more convenient tax position.

**We have managed to secure a market leading rate of 5.01% p.a. net of basic rate tax for three years with Pinnacle Insurance. This is equivalent to 6.26% gross for basic rate taxpayers and 6.68% for higher rate taxpayers. The minimum investment is £20,000. We also have some excellent rates on 18 month bonds. Please telephone us on 0800 071 3333 for more details.**



**Andrew Nagele**  
Manager of Legal & General Japanese Trust

# Rising Sun or just another flash in Japan?

Andrew Nagele, manager of Legal & General Japanese Trust, examines what is currently happening in Japan and consequently the outlook for the Japanese market.

## Can Japan withstand slower growth in China, higher oil prices and higher interest rates in the United States?

Yes, Japan now has sufficient domestic momentum to withstand these external shocks. First quarter nominal GDP grew for the fourth consecutive quarter (+3.2%), driven primarily by domestic demand. Earnings forecasts to March 2005 at +10% are extremely conservative. We anticipate upward earnings revisions as interim results approach this Autumn and domestic demand growth continues. Japan is far less reliant today than in the past on its export sector for profit generation. In the earnings season to March 2005, the contribution to recurring profit growth from export sectors, such as autos and electrical machinery, halved from over 66% the previous year to 33%. The export contribution to profit is expected to fall even further in this current fiscal year.

## So why isn't the Japanese stock market rising?

Many global macro investors, particularly absolute return investors, have regarded Japan as a geared play on both global and Chinese growth. Recent signs that OECD and

other leading indicators are peaking, coupled with fears of interest rates rising in the US and China, have prompted an overall reduction in risk exposure to Japanese equities and the Yen. In particular the fear has been that the belt-tightening in China will result in a hard landing, which would inevitably affect Japan.

However, we believe that China will have a soft landing, where GDP growth decelerates from an unsustainable +10% over this last year to a more sustainable 8% over the coming 18 months. If China does manage to temper growth, then this would be the best-case scenario for Japan over the medium term.

Furthermore, the consensus view suggests that Japan's recovery is being driven primarily by exports, and as a result of decelerating global growth from the second half of 2004, the economy will slow sharply in 2005. In our opinion, this view is misplaced.

Although there may still be some additional profit taking by such investors in the near term, a number of factors now indicate that selling has probably peaked for now, and assuming a continued improvement in Japanese fundamentals, buying is likely to resume eventually.

## What are the next catalysts for the market?

Nominal GDP growth will continue through this year and next, driven mainly by firm domestic demand. Nominal consumption will likely surprise on the upside supported by:

- improved labour market conditions (job offers are rising and the employment rate has fallen back from 5.5% to 4.7%);
- stabilisation in income growth (summer bonus growth should be strong given record high corporate profits);
- a positive wealth effect as deflation, interest rates and asset prices continue to bottom out; and
- a decline in the savings rate.

Importantly, the bottoming out of interest rates and the emergence of inflation expectations have already begun to drive an improvement in land prices and the housing market.

Another catalyst for the market to resume an uptrend will be upward earnings revisions. We believe that companies'



profit forecasts are too conservative given their expected revenue growth picking up from +2% last year to +2.6% to March 2005. Due to substantial restructuring over the past several years, and with more margin improvement to come, Japanese corporate profits are highly sensitive to changes in top-line sales growth. Corporate managers are significantly underestimating the degree of operating leverage. Moreover, valuations for the equity market remain attractive at a fiscal year 2004 price/earnings multiple of 18x conservative consensus profit forecasts.

A final catalyst is potential buying from foreigners and domestic individual investors. Many global investors are still underweight in Japan, especially since Japan's weighting within global indices has risen this year. Indeed, Goldman Sachs' recent survey of East-coast US investors showed over 75% planned to increase their Japan exposure.

In addition, many individual investors who have recently liquidated positions bought on credit have returned as net buyers over the past four weeks. With confidence levels improving in Japan, there is significant potential demand for equities in Japan's household sector. For example, at the end of last year of the ¥1400 trillion invested by Japanese households, Japanese equities represented just 8% of total assets, compared with the 56% held in bank accounts.



# iimia Accelerated Fund

---

**If you are looking for exposure to investment trusts, but would like to reduce the risk involved by investing via a unit trust/OEIC in a range of different investment trusts, then this could be the fund for you. iimia Accelerated is managed by Nick Greenwood, who has 24 years of experience within the industry and an excellent performance track record of managing fund of investment trusts.**

An investment trust is a company that invests in the shares of other companies. As a company it is able to borrow to invest, this 'gearing' means that it will have a greater volatility than a unit trust/OEIC i.e. when markets rally they will outperform to a greater extent and in times of market decline they will underperform. Thus investment trusts have a larger degree of risk attached to them than unit trusts/OEICs. Furthermore, the shares in investment trusts trade according to supply and demand rather than the value of their underlying assets. Hence, an unpopular investment trust may trade at a considerable discount to the value of the shares which it holds.

Nick Greenwood attempts to purchase investment trusts which will benefit both from an increase in their underlying assets, as well as a re-rating of their share price

(i.e. a reduction in the discount at which they are trading). His portfolio is diversified globally and holds around 50 stocks. Launched in April 2003, iimia Accelerated has achieved growth of 44%\* over the last year.

**We are pleased to offer a direct OEIC investment at a discount of 3% (initial charge 5%). To invest, please telephone our unit trust dealers on 020 7384 7302. The ISA can be purchased at a discount of 4% and an application form can be obtained from our brochure line on 0800 071 3333.**

*\*Source: Money Management, June 2004*

# The Child Trust Fund

For over four years, Chelsea Financial Services has campaigned for the need for financial education to be included in the National Curriculum.

With the worrying increase in personal debt across the UK (an average of just under £7,000 per household) and the ever depleting state pension, it is imperative, now more than ever, to promote the discipline of saving from a young age.

The current savings gap stands at approximately £66 billion in this country and many youngsters are likely to find themselves ill-prepared financially to cater for university fees or even a deposit on their first house.

In a bid to encourage saving, the government introduced The Child Trust Fund in the April 2003 Budget. It is a scheme whereby the government starts a savings plan for every child born after 1 September 2002 and encourages parents to make regular contributions until the child is 18 and the lump sum becomes accessible.

The CTF will be accompanied by financial education that will encourage the young person to understand the benefits of savings and investment and to use these assets to realise opportunities for their future or to reinvest and provide security in the medium or long-term. In addition, Inheritance Tax can be deferred on any contributions made to the CTF by friends or family – further encouragement to invest for the child's future.

## What is the CTF?

It is a savings and investment account for children. The government will make payments to children via the account to build-up a savings pot for when they reach the age of 18. It will be available from April 2005.

## Who is eligible?

Every child born on or after 1 September 2002 will be eligible to receive a lump sum from the government if Child Benefit has been awarded for them and they are resident in the UK.

## How much will they receive?

All eligible children will receive £250. The payment will take the form of a voucher that will be sent to the Child Benefit Claimant. This voucher will be used to open a Child Trust Fund.

If a household is receiving Child Tax Credit with a household income below the Child Tax Credit income limit, (currently £13,480) the child will receive an additional payment of £250.

The government has also promised that it will make a second and final payment into all CTFs when children reach the age of seven. The amount of that sum has yet to be announced.

## Will the CTF affect any other family benefits receivable?

The CTF will NOT be taken into account when calculating any other family benefits.

## Can additional contributions be made to the fund? If so, by whom?

Yes. Additional contributions can be made up to £1,200 per year and each contribution must be a minimum of £10.

**Anyone can make contributions to the fund whether they be parents, grandparents, other family members or friends.**

## Why should I make additional monthly contributions?

Housing and education are becoming increasingly expensive. In 2003 the average student left university with a debt of £12,069\*, which is a dramatic increase from £1,095 in 1992. The average house price in London is £250,000, hence a large deposit would be needed to secure a 90% mortgage. You can see from our basic table overleaf that an additional £100 per month over an 18-year period could lead to a total in excess of £35,000.





## Where will the money be invested?

If you choose to invest in a Stakeholder CTF, the money must be held in an equity based savings account and cannot be invested in investment trusts, unit trusts with dual pricing, life assurance contracts or any form of with-profits investment including endowment policies. Neither can it be held in deposit accounts or investment bonds where the underlying investment is one of the above.

All these forms of investment **are** acceptable under the non-stakeholder version of CTF.

In essence, the non-stakeholder version will operate in a similar way to ISAs and PEPs.

Investment Type	Stakeholder CTF	Non-Stakeholder
OEICs	Y	Y
Unit Trusts	N	Y
Investment Trusts	N	Y
Life Assurance	N	Y
With-Profits	N	Y
Endowments	N	Y
Bonds	N	Y
Deposit Accounts/Cash	N	Y

## Should I choose equities or cash?

It is entirely up to you. Cash is obviously the safer investment, but there is potentially a much better upside associated with equities. Remember that this is a long-term investment for your child and that equities benefit from a long-term investment strategy. Also, if you invest on a monthly basis you will benefit from pound/cost averaging, ensuring you get a better spread of unit prices over the years on your child's behalf.

## Will there be any tax payable on the CTF?

No. Proceeds from CTFs are free of both income and capital gains tax.

## How can I keep track of the CTF account?

A statement will be sent each year following the child's birthday, which will indicate how much has been paid into the fund so far and its current value. This will enable you to track any payments made and keep up to date on the performance of the fund.

## What can I do if the performance is poor?

It will be possible to transfer a CTF account at any time to another CTF provider and there will be no restriction on the number of transfers that can be made again, just like PEP and ISA accounts.

## Who will offer CTFs?

The government expects a wide range of providers to offer CTFs including banks, brokers, building societies, investment managers and insurers.

## Charges?

Charges on Stakeholder CTFs will be capped at 1.5%. Non Stakeholder charges will vary.

## What do I have to do now?

Nothing at the moment. In time, a voucher will be sent to the Child Benefit Claimant once the scheme is ready.

## What will I need to do when I receive the voucher?

The voucher should be used to open a CTF account for the child with the provider of your choice. More detailed information will be included with the voucher about what to do and how to do it.

If a CTF account is not opened within 12 months of the issue of the voucher, the Inland Revenue will automatically open a stakeholder CTF account for the child.

## Do I need to 'top up' the plan?

The table below shows the difference topping up a CTF can make. Even an extra £50 invested a month can make a huge difference over the long-term. Topping up is necessary if your main goal is to save for a larger sum for the child in the future such as a deposit for a house, higher education fees or a car.

At the end of year	£50 per month		£100 per month	
	Investment to date	What you might get back at 7%	Investment to date	What you might get back at 7%
1	£600.00	£619.00	£1,200.00	£1,230.00
3	£1,800.00	£1,970.00	£3,600.00	£3,940.00
5	£3,000.00	£3,480.00	£6,000.00	£6,970.00
10	£6,000.00	£8,130.00	£12,000.00	£16,200.00
15	£9,000.00	£14,300.00	£18,000.00	£28,600.00
18	£10,800.00	£19,000.00	£21,600.00	£38,000.00

*This table is a basic illustration only. It takes into account a fund with a 0% initial charge and 1% annual management charge. Charges and returns may vary. In addition this table does not take into account the effects of inflation.*

\* Source: Fidelity.

# Top performers

## not available within the Chelsea Portfolio

---

Whilst we believe fund supermarkets are the way forward, there are some boutique fund managers that are not available within the Chelsea Portfolio whom you may find interesting.

### Marlborough

Marlborough Fund Managers Limited was established in 1986 and launched its first unit trust during the following year. Marlborough's top performing funds include: UK Equity Income; UK Equity Growth and Special Situations.

The Special Situations fund is ranked 1/61\* in the Smaller Companies UK sector and has grown 96.9%\* over the last year. It invests in approximately 80 holdings. The fund manager, Giles Hargreave, aims to provide investors with capital growth by following an actively managed and speculative policy investing in smaller companies, new issues and companies going through a difficult period but with good recovery prospects.

*We are able to offer a 4.00% discount (leaving a net charge of 1.00%) on all ISAs and ISA/PEP transfers and a 3.00% discount for all purchases of £2,000 or more outside of an ISA.*

---

### GAM

GAM was formed in 1983 in order to provide investors with access to as broad an array of investment talent as possible. Since then, GAM has grown steadily and now has offices spanning the globe. On 17 December 1999, UBS AG acquired all of the share capital of GAM. The North America Growth, International Growth and UK Diversified funds have all outperformed.

The UK Diversified fund is one of the more popular funds and is ranked in the top quartile over 1, 2, 3, 5 and 10 years in the Equity United Kingdom sector. Over the last year, the fund is ranked 14/280\* and has grown 43.3%\*.

*Unfortunately, GAM do not provide an ISA wrapper so if you wish to place the fund within an ISA, it will have to be through a self-select provider such as Reyker Securities. Purchases of £2,000 or more outside of the ISA will attract a 2.00% discount.*

---

### CF Odey

Odey Asset Management was established in 1991 and manages over \$1.5bn, including five hedge funds, segregated pension accounts and a number of retail funds.

The jewel in the crown is the Continental European Fund. The investment objective is to achieve long term capital appreciation through investing primarily in quoted securities issued by companies in Continental Europe.

Although the fund is ranked 84/89\* over 1 year, it is ranked 1st\* over 3 years and 3rd\* over 5 years. Odey have also recently launched a Japan fund.

*We are happy to offer a 3.00% discount on all ISAs and ISA/PEP transfers and a 2.00% discount on all purchases of £2,000 or more outside the tax wrapper. The initial charge on this fund is 4.00%.*

### JO Hambro

JO Hambro Capital Management was launched in 1993 and today is owned by its management. The investment professionals who have joined the group all came from successful careers in major investment firms.

Initially in November 2001, the UK Growth and Continental European funds were launched. These have outperformed and in fact, the UK Growth fund is now closed. A Japan fund was recently launched and an equity income fund will be launched when Clive Beagles joins in the Autumn. All the fund managers are significant shareholders in the business, with bonuses based purely upon performance. Fund sizes are limited to ensure continued outperformance.

*JOHCM do not provide an ISA wrapper so if you wish to invest into the fund within an ISA, you will need to use a self-select ISA company such as Reyker Securities where a 2.00% discount will apply. However, we are able to apply a 4.00% discount on all purchases outside an ISA.*

---

### Unicorn

Unicorn Asset Management is an independent, privately owned fund management company. It was formed in March 2000 and further enhanced in 2001 with the introduction of 3 further mutual funds.

Their flagship fund is the Free Spirit fund. This fund aims to provide steady capital growth by investing in a portfolio of UK listed companies. The fund manager, Peter Webb, aims to remain fully invested at all times but whenever this is not desirable sums will be placed temporarily on deposit. The fund is fairly aggressive with the top ten holdings comprising almost 35% of the total portfolio. The fund was launched in December 2001. It is currently ranked 2/280\* in the Equity United Kingdom sector having returned 59.3%\* over the last year, which outperforms the sector average growth by 21.0%\*. Peter Webb also manages the highly successful UK Smaller Companies fund.

*Chelsea Financial Services is able to offer a 5% discount off the initial charge of 5.5% for all ISAs and ISA/PEP transfers and a 4.00% discount for all purchases of £2,500 or more outside of an ISA.*

\* Source: Money Management, June 2004

# Online Investment IFA of the year 2004

Friday 21 May 2004 was an historic day for Chelsea Financial Services. We won our first industry award – Online Investment IFA of the year 2004\*. This shows that not only has the website come on leaps and bounds over the last few years, but also that the company as a whole has evolved. We are placing a lot of emphasis on our online capabilities as we believe this is an efficient way of getting large amounts of up-to-date information to you. That said, we will always be available on the end of the phone to answer any queries and we are more than happy to accept postal applications.

As we're sure you will appreciate, the ability to view your portfolio online was the first major step. Subsequently, e-buying, switching and top-ups have all added to the site's functionality. Our constant input, along with the effort put in by our secure site hosts, Investment Sciences Limited, has made the website a valuable tool, of which we are all proud.

## Benefits of using The Chelsea Portfolio online:

- Full online valuations 24 hours a day, 7 days a week.
- Ability to buy ISAs and unit trusts
- Ability to top-up ISAs and unit trusts
- Full e-switching between over 700 funds
- A regular e-Viewpoint giving the latest news via e-mail (please subscribe via the website)
- Transaction confirmations sent via email and post
- Transfer of existing PEPs/ISAs to the supermarket (not fully electronic)
- Full or partial withdrawals (not fully electronic)
- Quicker: No need to rely on the postal system

## Fund Review

You should have just received your Chelsea Portfolio statements with the additional bonus of commentary on your holdings. We have now put the full research document on the secure part of our website – just click on 'Fund Commentary' after you have logged in. This gives information on approximately 300 funds, including buy, hold or switch assessments, the Chelsea risk rating and additional third party research ratings.

## Latest Investments

Please bear in mind that the latest offerings from Chelsea Financial Services are posted on the website. This includes all current ISA and unit trust discounts in addition to up-to-date allocation rates on life bonds. Also available are the very latest in VCTs coupled with our excellent fund analysis tool, in association with Trustnet. If you would like further information, please go to our homepage or call us on **020 7384 7300**.



\* Awarded by the publication *Financial Adviser*.



# Chelsea Investments

## The Advisory Arm of The Chelsea Group

### 020 7384 7323

Do you feel that you need independent financial advice? If so, please call us. If you do not live locally, or you prefer to be advised over the telephone, fax or email, then you will be sent a questionnaire to complete and return. On receipt, one of our advisers will call you to discuss your queries. You will know the estimated cost of advice before you decide to proceed.

Our advisers cover many topics, such as banking, life assurance and pensions, saving for children and adults! Mortgage loans and the vehicles required to repay them often crop up. Chelsea Investments are totally Independent and charge either fees or commission, as preferred. Call us – we'll be happy to help.

#### Inheritance Tax Planning

Why pay tax twice? Some simple measures can protect your hard earned cash for the next generation. The first step is to make a will. There are many types of Trust available, sometimes as simple as completing one more form when applying for an investment. We are now working in conjunction with Chancery Law, a company specialising in the more complicated Trust arrangements.

**There are some plans on the market specifically designed with this in mind. If tax planning is of interest, please call us on 020 7384 7323 and we will send you the details.**

#### The Chelsea Investments SIPP

We have set up the Chelsea Investments SIPP (Self Invested Personal Pension) in response to the many queries we have received for simple pension planning. Many of our clients are fed up with having a number of plans with different providers. With this plan, all of your investments are under one consolidated roof. That means one pension statement. So much easier to understand – and it makes filling in your tax return that much simpler!

With extremely low charges and a huge choice of discounted funds, the Chelsea Investments SIPP avoids the restrictions often imposed by other schemes.

- Instant online valuations
- Online fund switching
- Prompt turnaround on administration
- Low charges
- Hundreds of funds from great fund managers

Please call us if you would like further information. Let's keep it simple!

**Chelsea Investments Limited**  
**020 7384 7323 or [ann@chelseafs.co.uk](mailto:ann@chelseafs.co.uk)**

#### Are you paying too much for financial advice? Then read on...

Has your adviser taken the initial commission and run? The Chelsea Advisory clients tend to review their financial situation on an annual basis with our help.

We are offering this financial review service until the end of August **for a flat fee of just £100\***.

Call us for the fund transfer forms if you want to take advantage of this deal!!!

(Quote A31)

\* Please do not confuse this with the Chelsea Check-Up which offers a free fund review of your investments, including performance figures, but does not offer individual financial advice.

# The 5th Element

## VCTs – an undiscovered investment

Venture Capital Trusts (VCTs) have been described as one of the best kept secrets in the fund management industry. In comparison to the 9 million investors who hold ISAs or PEPs, only 30,000 individuals have bought a VCT, principally due to a lack of awareness of the product. VCTs are not new investments. Started in 1995 with government backing, they were designed to encourage individuals to invest in small unquoted trading companies in the UK which would otherwise find it difficult to attract funds. By buying shares in a VCT, you can often invest in companies before flotation and potentially at more attractive valuations.

Due to their tax efficient structure, VCTs have been described as “Super ISAs”; you receive all the benefits of an ISA, such as no liability to Capital Gains Tax upon disposal of the shares and no income tax on dividends as well as, over the next two years, **40% income tax relief**, which as the table below illustrates makes the effective cost of a £10,000 investment just £6,000.

	Unit Trust/OEIC (No VCT tax relief)	VCT investment
Initial investment	£10,000	£10,000
40% income tax relief	–	(£4,000)
CGT deferral	–	–
Effective cost of investment	£10,000	£6,000

Here is a summary of the benefits of investing in a VCT (maximum subscription per tax year is £200,000):

- 1) Income Tax relief at 40%
- 2) Exemption from tax on dividends
- 3) Exemption from Capital Gains Tax on profits made from selling of VCT shares

If you pay tax under PAYE and want the relief straight away, you can telephone your local tax office to request the immediate adjustment of your tax code. If you're self employed, you will need to make the adjustment on your tax return.

### What different types of VCT are there?

3 main types of VCT – generalist, AIM and specialist. Aim stocks are listed and therefore have some liquidity, whereas specialist and generalist VCTs usually invest in very small companies that are either unquoted or listed on the OFEX market.

### Aren't they high risk investments?

Investing in a small British firm rather than an established blue chip company is naturally higher risk but must be assessed in conjunction with the tax benefits on offer. For every £1 subscribed, you will be given a tax rebate of 40p making the effective cost of the investment as low as 60p. In addition, you are gaining access to specialist fund management for a relatively small minimum subscription.

Initial investments range from £1,000 to £5,000, so they are by no means the preserve of the rich.

There is low correlation between private equity and more familiar quoted stocks, so an investment into a VCT would aid diversification within a traditional investment portfolio. Investing in a mature AIM portfolio can mean exposure to up to 80 companies across many different sectors and at different stages of maturity.

Furthermore, over the long term, private equity has rewarded investors with consistently higher returns than quoted equities. From 1993 to 2002 UK private equity (net of costs) delivered annualised returns of 16.2% compared with 6.8% from the FTSE All share index\*. Entrepreneurial management and shorter lines of communication allow smaller companies to be nimbler in their chosen markets – and often gain market share from their larger rivals.

### A word of warning

It would be unwise to purchase a VCT purely for the upfront tax relief and try to sell after the **minimum three year holding period**. VCTs are long-term investments. It usually takes three years to invest the money and build a portfolio in qualifying investments, which are in small companies and don't lend themselves to short term horizons. VCTs should be considered 7-10 year investments, preferably longer. In addition, liquidity of these investments is poor, with the secondary market for shares of VCT companies notoriously illiquid. However, some providers offer share buy-back schemes with a commitment to ensure the price paid is no less than 10% discount to the Net Asset Value (NAV).

**Chelsea Financial Services offers discounts on all VCT purchases, usually in the form of extra shares to reduce the initial charge. If you wish to receive information on current offers, please consult the VCT page on our website ([www.chelseafs.co.uk](http://www.chelseafs.co.uk)) or telephone us on 020 7384 7300.**

\*Source: ISIS Asset Management



# The Chelsea Premier League

	Direct Lump Sum ISA discount	Chelsea Portfolio Lump Sum ISA discount	Lump Sum Unit Trust Discount <sup>1</sup>	Fund size*	1 YEAR		2 YEAR		3 YEAR		5 YEAR		10 YEAR	
					% Growth	Position	% Growth	Position	% Growth	Position	% Growth	Position	% Growth	Position
<b>EQUITY UNITED KINGDOM</b>														
Artemis UK Growth	4.5	4.5	3.5	294	44.3	12	12.8	13	3	18	61.3	5	-	-
Artemis UK Special Situations	4.75	4.75	3.75	374	40.4	19	16.9	7	23.9	3	-	-	-	-
AXA UK Opportunities	4.5	4.5	3.5	45	29.1	42	4.8	25	-1.3	25	-	-	-	-
Cazenove UK Growth and Income	3	3.5	2	572	18.5	134	-	-	-	-	-	-	-	-
DWS UK Growth	4	4	3	186	15	191	-8.8	153	-17.4	107	-9.1	53	-	-
DWS UK Opportunities	4	4	3	36	41.2	18	-	-	-	-	-	-	-	-
Fidelity Special Situations	3	3	2	3523	38.7	24	12.4	14	22.5	5	91.7	3	271.3	3
Framlington UK Select Opportunities	4.5	4.5	3.5	242	41.6	16	-	-	-	-	-	-	-	-
Gartmore UK Focus	4.75	4.75	3.75	253	26	55	1.8	35	16.1	9	-	-	-	-
ISIS UK Prime	4.5	4.5	3.5	94	25.5	59	0.2	39	-2.4	29	-	-	-	-
Legal and General UK Index	0.25CB	0	0.5	2677	22.8	82	-3.7	64	-13.4	66	-13	66	85.6	46
Newton Income	3.5	3.5	2.5	965	18.3	141	-3.6	61	-11.7	54	-5.4	44	137.5	16
Old Mutual UK Select Mid Cap	4	4	2.5	145	37.4	28	21.4	4	-	-	-	-	-	-
Rathbone Special Situations	5.25	5.25	4.25	83	53.4	5	27.2	3	38.7	1	155.9	1	227.5	5
Schroder UK Mid 250	5	5.25	3.5	813	40	20	14.3	11	25	2	-	-	-	-
Schroder UK Alpha Plus	5	5.25	3.5	446	24.6	63	-	-	-	-	-	-	-	-
Standard Life UK Opportunities	3	3	2	31	50.2	8	-	-	-	-	-	-	-	-
Unicorn Free Spirit	5	-	4	13	59.3	2	54.3	1	-	-	-	-	-	-
Sector average and number in sector				211	21	280	-5.9	256	-15.5	230	-12.1	199	83.4	138

<b>EQUITY UNITED KINGDOM INCOME</b>														
Artemis Income	4.75	4.75	3.75	568	23.8	19	2	10	1.5	18	-	-	-	-
DWS Equity Income Plus	4	4	3	39	28.9	8	-	-	-	-	-	-	-	-
Framlington Equity Income	4.5	4.5	3.5	238	37.2	3	8.5	4	-2.3	23	-4.9	38	97.8	30
INVECO Perpetual High Income	5	5	3.75	2929	26.4	12	-0.8	17	12	6	25.4	8	211.7	5
ISIS Stewardship Income	4.5	4.5	3.5	120	26.6	11	11.4	3	15.6	3	30.9	5	98.7	29
Jupiter Income	4.5	4.5	3.5	1780	19.7	29	-1.5	20	2.8	16	12.8	13	261.4	1
Liontrust First Income	4.25	4.25	3.25	781	29.6	7	2.3	8	22.4	1	46.1	2	233.8	2
Marlborough UK Equity Income	4	-	3	12	38.8	2	19.2	2	19.4	2	-	-	-	-
New Star Higher Income	4.75	4.75	3.75	388	17.7	41	-4.5	29	-	-	-	-	-	-
Newton Higher Income	3.5	3.5	2.5	1521	24.6	17	0.9	12	11	8	21.6	9	200.4	7
Rathbone Income	5.25	5.25	4.25	269	21.7	22	2.2	9	15.1	4	54	1	220.2	4
Sector average and number in sector				319	19.7	75	-4.2	70	-4.5	64	1.2	62	119.9	52

<b>SMALLER COMPANIES UNITED KINGDOM</b>														
Artemis UK Smaller Companies	4.5	4.5	3.5	424	46.6	24	22.6	7	19.8	9	274.7	1	-	-
First State British Smaller Companies	3.5	3.5	2.5	37	67.3	4	34	2	27.9	6	55.6	12	-	-
Framlington UK Smaller Companies	4.5	4.5	3.5	51	60.9	5	25.5	5	22.2	8	-	-	-	-
Marlborough Special Situations	4	-	3	44	96.9	1	59	1	54.2	1	253.5	2	-	-
Merrill Lynch UK Smaller Companies	5	5	4	73	55.6	11	11.3	18	9	15	88.4	5	148.4	10
UBS UK Smaller Companies	4	4	3	30	76	2	-	-	-	-	-	-	-	-
Sector average and number in sector				92	45.8	61	6.5	57	-4.2	55	36.9	51	109.5	37

<b>FIXED INCOME GBP – CORPORATE</b>														
Aegon Extra Income	4.25	4.25	3.25	116	2.1	17	9.7	16	18.8	8	29.2	7	-	-
Invesco Perpetual Corporate Bond	5	5	4	769	3.1	10	15.5	2	24.3	1	36.6	1	-	-
Legal and General Fixed Interest	0.25CB	0	0.5	1177	3	11	12.5	8	21.7	3	31.4	4	110.3	5
M&G Strategic Bond	3	3	2	36	-	-	-	-	-	-	-	-	-	-
Royal London Income	3	3	2	103	0.4	32	11	9	19.3	6	29.5	5	-	-
Sector average and number in sector				264	0.4	80	7.7	71	14	67	23	54	108.3	11

<b>FIXED INCOME GBP HIGH YIELD</b>														
Invesco Perpetual Monthly Income Plus	5	5	4	509	19	1	27	1	21.5	5	37.7	1	-	-
ISIS Strategic Bond	4.5	4.5	3.5	1071	7.1	17	19.7	6	31	3	-	-	-	-
Legal and General High Income	0.25CB	0	0.5	382	14.7	3	25.2	3	32.3	1	-	-	-	-
Threadneedle High Yield Bond	3.5	3.5	2.5	251	16.3	2	25.5	2	19.9	6	-	-	-	-
Sector average and number in sector				125	10.5	19	17.6	15	18.5	12	23	3	87.3	1

<b>EQUITY EUROPE EX UK</b>														
Artemis European	4.75	4.75	3.75	203	31	1	16.5	1	18.7	2	-	-	-	-
Fidelity European	3	3	2	2337	23.3	5	11	2	14.5	3	75.1	1	264.7	1
Gartmore European Select Opps	4.75	4.75	3.75	1449	13.6	69	-8.5	41	-18.9	21	4.1	10	203	3
Henderson European Capital Growth A	4	4.5	3	413	16.1	45	-9.6	46	-21.9	32	-0.8	16	125.3	12
ISIS European Prime	4.5	4.5	3.5	36	15.6	51	-2.8	13	-	-	-	-	-	-
JOHCM Continental European	N/A	N/A	4	156	23.1	6	1.9	8	-	-	-	-	-	-
Jupiter European	4.5	4.5	3.5	835	22.4	8	3.5	4	-5.2	4	21	4	236.5	2
Jupiter European Special Situations	4.75	4.75	3.75	131	21.3	14	-2.1	12	-7.7	7	72.5	-	-	-
New Star European Growth	4.75	4.75	3.75	252	24.6	3	4	3	-	-	-	-	-	-
Sector average and number in sector				203	16.7	89	-8.1	84	-21	77	-7.5	70	96.9	58

	Direct Lump Sum ISA discount	Chelsea Portfolio Lump Sum ISA discount	Lump Sum Unit Trust Discount <sup>†</sup>	Fund size <sup>*</sup>	1 YEAR		2 YEAR		3 YEAR		5 YEAR		10 YEAR	
					% Growth	Position	% Growth	Position	% Growth	Position	% Growth	Position	% Growth	Position
<b>EQUITY JAPAN</b>														
JP Morgan Fleming Japan A	5.5	5.5	4.5	159	43.4	23	-5.5	39	-27.5	36	17.2	4	6.6	3
Legal and General Japanese	0.25CB	0	0.5	80	50.4	12	13.3	6	-14.9	9	16.7	5	-7.4	10
Legg Mason Japan Equity	4.25	4.25	3.25	30	124.5	2	75.2	1	42.2	1	89.5	1	-	-
Neptune Japan Opportunities	4.5	4.5	3.5	5	65.3	3	-	-	-	-	-	-	-	-
Odey Japan	3	-	2	43	-	-	-	-	-	-	-	-	-	-
<b>Sector average and number in sector</b>				<b>82</b>	<b>44.1</b>	<b>55</b>	<b>2.1</b>	<b>53</b>	<b>-21.2</b>	<b>52</b>	<b>-7.8</b>	<b>48</b>	<b>-28.9</b>	<b>41</b>
<b>EQUITY NORTH AMERICA</b>														
GAM North American	N/A	N/A	2	165	11.3	2	-4.2	1	4.8	1	52	1	192.6	4
<b>Sector average and number in sector</b>				<b>136</b>	<b>3.5</b>	<b>61</b>	<b>-19.9</b>	<b>59</b>	<b>-33.6</b>	<b>54</b>	<b>-26.4</b>	<b>53</b>	<b>99.6</b>	<b>48</b>
<b>EQUITY USA</b>														
Gartmore US Opportunities	4.75	4.75	3.75	178	5.7	11	-13.8	3	-24	2	28.2	1	-	-
Investec American	4	4	3	164	5	12	-	-	-	-	-	-	-	-
Legg Mason US Equity	4.25	4.25	3.25	146	11.1	2	-	-	-	-	-	-	-	-
UBS US Equity	4	4	3	14	6.8	8	-	-	-	-	-	-	-	-
<b>Sector average and number in sector</b>				<b>69</b>	<b>6.7</b>	<b>16</b>	<b>-17.5</b>	<b>12</b>	<b>-32.9</b>	<b>12</b>	<b>-24.7</b>	<b>9</b>	<b>76.8</b>	<b>7</b>
<b>EQUITY ASIA PACIFIC EX JAPAN</b>														
Aberdeen Far East Emerging Economies	4	4	3	467	41.2	4	12.9	2	34.4	1	57.2	4	33.1	5
First State Asia Pacific Leaders	3.5	3.5	2.5	71	-	-	-	-	-	-	-	-	-	-
Lincoln Far East	5	5	4	139	28.6	39	11	3	30.7	3	41.8	6	-15.2	23
<b>Sector average and number in sector</b>				<b>115</b>	<b>32.1</b>	<b>50</b>	<b>-3.1</b>	<b>50</b>	<b>6.3</b>	<b>47</b>	<b>14.4</b>	<b>46</b>	<b>-1.4</b>	<b>33</b>
<b>ASSET ALLOCATION UK DEFENSIVE</b>														
Gartmore Cautious Managed	3.25	3.25	2	87	12	7	-	-	-	-	-	-	-	-
Investec Cautious Managed	4	4	3	181	12.5	5	8.2	1	11.3	1	17.4	1	133.6	1
<b>Sector average and number in sector</b>				<b>73</b>	<b>8.7</b>	<b>28</b>	<b>0.1</b>	<b>20</b>	<b>-1.7</b>	<b>17</b>	<b>2.3</b>	<b>17</b>	<b>101.4</b>	<b>4</b>
<b>ASSET ALLOCATION GLOBAL FLEXIBLE</b>														
M&G Managed Growth	3	3	2	467	32.3	3	4.5	5	-10	11	5.7	6	-	-
New Star Performance Portfolio	4.5	4.5	3.5	81	30.8	5	6.8	2	2.1	2	36	1	-	-
<b>Sector average and number in sector</b>				<b>96</b>	<b>20.5</b>	<b>51</b>	<b>-4.4</b>	<b>46</b>	<b>-14.2</b>	<b>42</b>	<b>-5.3</b>	<b>33</b>	<b>53.8</b>	<b>16</b>
<b>MISCELLANEOUS**</b>														
First State Global Emerging Market Leaders	3.5	3.5	2.5	12	-	-	-	-	-	-	-	-	-	-
First State Greater China Growth	3.5	3.5	2.5	14	-	-	-	-	-	-	-	-	-	-
Framlington Biotechnology	4.5	4.5	3.5	33	44	-	10.6	-	-	-	-	-	-	-
Framlington Health	4.75	4.75	3.75	449	34.6	-	0.8	-	-15.4	-	130.9	-	335.8	-
Gartmore China Opportunities	4.75	4.75	3.75	81	61.5	-	24.5	-	18.5	-	39.3	-	51.7	-
JPMF Natural Resources	5	5	4	116	67	-	45.7	-	75.5	-	127.1	-	80.8	-
Jupiter Emerging European Opportunities	5	5	4	77	42.4	-	-	-	-	-	-	-	-	-
Jupiter Financial Opportunities	4.75	4.75	3.75	352	27.3	-	19.2	-	21.9	-	110.8	-	-	-
Merrill Lynch Gold and General	5	5	4	395	18.4	-	11.2	-	116.2	-	145.7	-	85.3	-
SocGen Technology	5	5	4	94	19	-	-15.5	-	-42.9	-	-32.3	-	-	-
Threadneedle Latin American Growth	3.25	3.25	2.25	555	21.1	-	-6.8	-	3	-	46.4	-	-	-

\*Fund sizes (£m) are collected one month in arrears

\*\* Position in sector omitted due to insufficient sector size

# Discounts on transfers are the same for ISAs unless otherwise stated

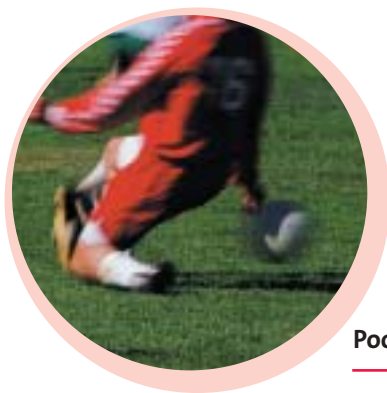
CB Cashback (not available via The Chelsea Portfolio/Cofunds)

^ Discounts applicable to investments of £2,000 and above

Source: Money Management, June 2004

Whilst every effort has been made to ensure the accuracy of this information, including discounts, Chelsea Financial Services take no responsibility for any errors, omissions or inaccuracies contained therein. Past performance is not a guide to the future.

Please read the Important Notice on page 2.



# The Chelsea Relegation Zone: is it time to switch?

Poor performing funds in sectors in which our clients may have invested in in recent years.

	3 year % growth	3 year position
<b>Equity United Kingdom</b>		
Abbey National N&P UK Growth	-26.3	212
Abbey National UK Growth	-25.8	205
Aberdeen UK Growth	-27.1	217
Aberdeen UK Opportunities	-27.7	220
AEGON UK Equity	-25.3	201
AXA UK Growth	-24.6	194
Britannic Balanced Growth	-23.8	189
Britannic UK General	-22.9	180
Canlife General	-29.5	225
Canlife Growth	-28.1	223
Cazenove Managed UK Equity	-23.6	185
DWS UK Blue Chip	-27	216
First State British Opps	-34.9	227
INVESCO Perpetual UK Equity	-28.9	224
L&G Equity	-17.7	112
L&G Growth	-23.4	183
L&G Trustee (ex Barclays)	-22.6	175
L&G UK Stockmarket	-21.6	162
Legg Mason UK Equity	-22.9	179
Legg Mason UK Opportunities	-60.7	230
Liverpool Victoria Growth	-20.6	150
M&G Strategic Growth	-27.4	218
M&G UK Growth	-25.4	203
Manek Growth	-52.2	229
Prudential UK Growth	-25.3	202
Royal London UK Growth	-26.4	213
Scottish Amicable Equity	-21.7	164
Scottish Amicable Equity Strategy	-24.3	193
Scottish Mutual UK Equity	-25	199
Singer & Friedlander UK Growth	-23.1	181
Smith & Williamson UK Growth	-30.3	226
Standard Life UK Equity Growth	-18.7	130
<b>Average and Number in Sector</b>	<b>-15.5</b>	<b>230</b>
<b>3 year Best</b>	<b>38.7</b>	

	3 year % growth	3 year position
<b>Equity United Kingdom Income</b>		
Halifax UK Equity Income	-9.6	47
ISIS UK Equity Income	-16.6	59
JPMF Premier Equity Income	-16.2	58
SocGen UK Income	-12.7	54
Solus UK Equity Income	-16.6	60
Threadneedle UK Equity Income	-8	37
<b>Average and Number in Sector</b>	<b>-4.5</b>	<b>64</b>
<b>3 year Best</b>	<b>22.4</b>	

	3 year % growth	3 year position
<b>Smaller Companies UK</b>		
Abbey National Smaller Companies	-29.1	49
Aberdeen UK Emerging Companies	-11.8	38
Allianz Dresdner UK Smaller Companies	-34.3	51
Britannic Smaller Companies	-17.2	43
Cazenove UK Smaller Companies	-36.3	45
HSBC Smaller Companies	-8.7	33
New Star UK Smaller Companies	-59.2	55
Prudential Small Companies	-12.3	39
Smith & Williamson Smaller Securities	-44.2	53
Scottish Amicable UK Smaller Companies	-11.1	37
Scottish Mutual UK Smaller Companies Equity	-31.2	50
<b>Average and Number in Sector</b>	<b>-4.2</b>	<b>55</b>
<b>3 year Best</b>	<b>54.2</b>	

	3 year % growth	3 year position
<b>Fixed Income GBP-Corporate</b>		
Investec Sterling Bond	11.7	50
ISIS High Income Bond	9.3	60
JPMF UK Bond	15.5	24
JPMF UK High Income Corporate Bond	8.9	61
L&G Monthly Income (ex Barclays)	16.8	15
Smith & Williamson Fixed Interest	-1.8	67
Woolwich Corporate Bond	15	29
<b>Average and Number in Sector</b>	<b>14</b>	<b>67</b>
<b>3 year Best</b>	<b>24.3</b>	

	3 year % growth	3 year position
<b>Fixed Income Sterling Based</b>		
Cazenove International Bond	1.8	22
First State Global Bond	0.7	26
Gartmore International Fixed Interest	3.4	20
M&G International Sovereign Bond	6.9	13
Merrill Lynch Global Bond	2.2	21
<b>Average and Number in Sector</b>	<b>6.7</b>	<b>28</b>
<b>3 year Best</b>	<b>17.7</b>	

	3 year % growth	3 year position
<b>Asset Allocation UK Dynamic</b>		
CF James Brearley High Income	-17.4	30
Smith & Williamson Income	-20.2	31
Threadneedle Managed Income	-8.4	27
<b>Average and Number in Sector</b>	<b>-1.6</b>	<b>32</b>
<b>3 year Best</b>	<b>20.3</b>	

	3 year % growth	3 year position
<b>Equity Global</b>		
Abbey National International	-28.7	73
Aberdeen World Equity	-29.1	76
AEGON Worldwide Tactical	-42.8	116
Allianz Dresdner Global Equity	-35.8	105
Artemis Global Growth	-48.3	117
Bank of Scotland World Growth	31.6	89
Britannic Global Growth	-33	93
CF International	-33.4	96
Fidelity Managed International	-34.7	102
Henderson International	-34.4	101
Insight Global Equity	-31.6	90
ISIS Global Growth	-36.2	106
New Star Global Equity	-33.6	98
Old Mutual Worldwide Select Equity	-36.5	108
Royal London International Growth	-35.6	104
Sackville Growth Portfolio	-29.6	80
Scottish Life Worldwide	-37.5	111
<b>Average and Number in Sector</b>	<b>-23.9</b>	<b>117</b>
<b>3 year Best</b>	<b>14.6</b>	

	3 year % growth	3 year position
<b>Equity Global Emerging Markets</b>		
Henderson Emerging Markets	0	14
ISIS Emerging Markets	-0.7	16
<b>Average and Number in Sector</b>	<b>11.4</b>	<b>16</b>
<b>3 year Best</b>	<b>27.3</b>	

	3 year % growth	3 year position
<b>Equity Europe Excl UK</b>		
Baillie Gifford European	-31.3	72
Baring European Growth	-30	71
Canlife European	-34.2	77
CIS European Growth	-28.1	64
Henderson European	-28	63
INVESCO Perpetual European Growth	-33.5	76
Investec European	-31.7	74
L&G European	-27.7	61
Merrill Lynch Continental Europe	-29.4	69
<b>Average and Number in Sector</b>	<b>-21</b>	<b>77</b>
<b>3 year Best</b>	<b>22.5</b>	

	3 year % growth	3 year position
<b>Equity Europe</b>		
L&G European (ex A&L)	-27.2	13
<b>Average and Number in Sector</b>	<b>-19.6</b>	<b>14</b>
<b>3 year Best</b>	<b>3.2</b>	

	3 year % growth	3 year position
<b>Equity Asia Pacific excl Japan</b>		
Fidelity South East Asia	-8.4	46
Insight Asia Pacific Equity	-5.2	42
Scottish Mutual Far Eastern	-7.2	44
SITM Pacific Basin	3.9	27
<b>Average and Number in Sector</b>	<b>6.3</b>	<b>47</b>
<b>3 year Best</b>	<b>34.4</b>	

	3 year % growth	3 year position
<b>Japan</b>		
Canlife Japanese Growth	-35.2	50
HSBC Japan Growth	-37.3	52
Insight Japan Equity	-32.7	47
Lincoln Japan	-33.2	48
Prudential Japanese	-30.7	43
Scottish Amicable Japanese	-30.8	44
Scottish Mutual Japanese	-29.9	42
<b>Average and Number in Sector</b>	<b>-21.2</b>	<b>52</b>
<b>3 year Best</b>	<b>42.2</b>	

	3 year % growth	3 year position
<b>Equity North America</b>		
AXA American Growth	-36.9	35
HSBC American Growth	-36.3	30
ISIS North American	-42	50
Royal London North American Growth	-45.7	54
Scottish Life American	-43.3	52
Scottish Widows American Growth	-39.6	45
Scottish Widows American Select Growth	-39.6	46
<b>Average and Number in Sector</b>	<b>-33.6</b>	<b>54</b>
<b>3 year Best</b>	<b>4.8</b>	

All cumulative statistics % change, sell to sell, net income reinvested, three years to 1 May 2004.

\* Source: Standard & Poor's Micropal/Money Management, June 2004.

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. Past performance is not a guide to the future.

Please read the Important Notice on page 2.



# Key Features of the Distribution Bond

This document outlines the most important things you should know about the Distribution Bond. You can find more information in the enclosed brochure. If you have any doubts about the suitability of this product please contact your financial adviser.

## Its aims

- To increase the value of your investment over the medium to long term.
- To link the lump sum you put into your Bond to the investment markets.
- To provide an 'income' if you chose to make regular withdrawals.
- To provide a way of spreading your investment and reducing risk by pooling your investments with those investors with similar objectives.

## Your commitment

You invest a lump sum in the Bond.

## Risk factors

Many things could happen to lower the value of your investment.

- Investment growth may be lower than we have assumed in the illustration.
- The Bond's charges may be higher than we have assumed.
- The tax treatment of the funds may change.
- The tax treatment of Distribution Bonds may change.
- The value of the investments in the fund and the distributions declared can fall as well as rise and are not guaranteed.
- If you take regular withdrawals, you need to be aware that the value of your investment may fall below its original value, especially at times when investment growth is low or when the level of withdrawals is higher than the growth of your investment.
- If you return the 'Your right to change your mind' form and the value of the investment falls before we receive it, we will take an amount equal to the fall in value.
- If you cash in some or all of your Bond, there is no guarantee you will get back what you have put in, particularly in the first few years. You may get back less than the amount invested.
- If you cash in all or part of your Bond during the first five years, an early cash-in charge will apply.
- By their nature, low risk funds are likely to achieve lower growth rates. In some circumstances this could mean that the growth of your investment does not cover the charges. If this happens, the value of your Distribution Bond would fall.
- In exceptional circumstances we reserve the right to defer instructions to cash in your Distribution Bond investment for up to a month.
- The cash-in value of your Bond may in some circumstances be affected by the value of other investments leaving the fund.

## Questions and answers

### What is a Distribution Bond?

- Our Distribution Bond is a marketing name for our Investment Bond where your investment is in the Distribution Fund. It is a life insurance plan designed to provide growth on a lump sum investment.
- You can keep the Bond for as long as you live.
- It can provide a regular 'income' if you want.
- You can have a joint plan with someone else.
- If you have a joint plan, the investment will continue until it is cashed in or the last life insured has died.

### How can I take an 'income'?

- You can take an 'income' from the Distribution Fund by means of its twice yearly distributions in May and November.
- Alternatively, you can take an 'income' by making regular withdrawals from your Bond.
- You can currently withdraw up to 5% a year of the initial amount of each investment for up to the first 20 years free of income tax and capital gains tax at the time you make the withdrawal.
- The 'income' you receive from your Bond and any other withdrawals you make are considered as withdrawals of your capital and are subject to special income tax rules for calculating and assessing the amount of any income tax liability that may arise on a chargeable gain.

### Where will my money be invested?

- Your money will be invested in our Distribution Fund.
- As the value of the units increases, so does the value of the Bond. The value of units can also fall and is not guaranteed.
- AXA offers other funds. If you would like more information about them, please contact your financial adviser.

### Can I switch between funds?

- You can normally switch money between funds to make the most of your returns at any time.
- We offer a With Profits Fund, however this may not be available to your Bond.
- All switches you make are currently free of any switch charge.
- If in the future you do switch into one of our With Profits Funds, bear in mind that their charges will take account of the expenses we incur running those funds. Although these charges may vary in the future, we currently expect them to be greater than those charged on unit-linked funds.
- Switches into or out of any unit-linked fund may be delayed by us for up to one month in exceptional circumstances, for example when dealings on a Stock Exchange are suspended.
- Switches from the Property Fund (or any fund investing in property) may be deferred by us for up to six months in exceptional circumstances. This is to enable property to be sold if necessary.

### Can I make extra investments?

- You can increase your investment at any time. There is currently a minimum increase of £2,000.

### Can I take money out?

- The Bond is designed to be a medium to long-term investment but you can cash in all or part of it, at any time, or start to make regular withdrawals. Please note that in some cases early cash-in charges may apply.
- The amount you will receive if you cash in your Bond will depend on the value at that time.

### Can I choose to reinvest my distributions?

Yes, just tick the appropriate box on the application form. The illustration in Example 1 shows you how much you could expect to get back for an investment of £20,000 on a tiered allocation basis.

### What if I chose to take distributions from the Distribution Fund?

If you choose to take the Fund's distributions, this will affect the underlying value of your Bond. The illustration in Example 2 gives you an indication of how the underlying value of the Bond could be affected, for an investment of £20,000 on a tiered allocation basis.

## Distribution Bond Specimen Illustration

### Example 1: If you reinvest your distributions

Your investment	
Amount paid in	£20,000
Amount used to buy units	£21,150

#### Regular withdrawals

- We have assumed that no regular withdrawals are taken from the Bond.
- These figures in this illustration assume that the half yearly distributions from this fund are reinvested on each distribution date to buy more units.
- The illustration assumes the tiered allocation charging structure applies and that full commission has been paid to your financial adviser.

#### Life insurance

This Bond includes life insurance that covers one person. It will be paid if that person dies. We will pay 100% of the fund's value plus an extra 1%.

#### What you might get back

There is no fixed date when this plan should end. You can continue to invest in it for as long as you want to. We have worked out this illustration based on what you might get back after 10 years.

	Lower	Medium	Higher
Assuming a growth rate each year of	4.0%	6.0%	8.0%
Your plan could be worth after 10 years	£27,100	£32,800	£36,600

- These figures are only examples and are not guaranteed – they are not minimum or maximum amounts. You could get back more or less than this. What you will get back depends on how your investments grow.
- All insurance companies use the same rate of growth for their illustrations but their charges vary.
- Do not forget that inflation would reduce what you could buy in the future with the amounts shown.

#### What are the charges?

- The charges cover the cost of advice, expenses, profit, any charges if you cash in and other adjustments.
- We invest 100% of your payment plus an extra 5.75%.
- We make a yearly charge assuming that your Bond will remain in force for a number of years and so we can afford to invest more than 100% of your payment. If you cash in your Bond within the first 60 months you will not have paid enough of these charges and so we will reduce the cash-in value.

#### Charges we take as a percentage of your fund value each year

These charges are taken over the course of each year. They depend on the number of months that have gone by since the date of your payment. We reserve the right to vary these charges.

Time invested for	Yearly charge
Up to 35 months	2.00%
More than 35 months	1%

#### Charges we take if you cash in your investment

There are charges if you cash in your Bond within the first 60 months. These charges are a percentage of the fund value cashed in. They are based on the number of months from the date of your payment to the date you cash in.

Number of months after payment invested	Charge
Up to 11	0.00%
12 to 23	8.00%
24 to 35	6.00%
36 to 47	3.00%
48 to 59	1.00%
60 or more	0.00%

#### How will charges and expenses affect my investment?

- This section shows what you might get back when you cash in your investment.
- To work out the last two columns of this table we have assumed that investments will grow at 6.00% each year.

**Warning.** If you cash in during the early years the value you receive could be less than you have paid in.

## The early years

At end of year at 6.00% growth	Total paid in to date (£)	Effect of deductions to date (£)	What you might get back (£)
1	20,000	1,000	19,000
2	20,000	2,100	17,900
3	20,000	3,200	16,800
4	20,000	4,300	15,700
5	20,000	5,400	14,600

## The later years

At end of year at 6.00% growth	Total paid in to date (£)	Effect of deductions to date (£)	What you might get back (£)
10	20,000	1,000	19,000

#### What are the deductions for?

- The table shows that over a ten year term the effect of the total deductions could add up to £2,920. Putting it another way, if the growth were to be 6.00% which is in no way guaranteed, this would have the effect of reducing it to 5.1% a year.
- The effect of the charges will be greater if you cash in your Bond before ten years. Charges will reduce investment growth from 6.00% to the rates in the table below:

If you cash in after...			
3 years	5 years	10 years	
6.0%	5.2%	5.1%	

#### How much will the advice cost?

- The cost of your advice will be paid for out of the deductions and the amount will depend on how much you put into your plan and its value in the future.
- We will pay your financial adviser for arranging this Bond. We will advise you of the amount in the details we will send you shortly after you have taken out the Bond.

## Distribution Bond Specimen Illustration

### Example 2: If you take your distributions as 'income'

Your investment	
Amount paid in	£20,000
Amount used to buy units	£21,150

#### Regular withdrawals

- We have assumed that you are taking full 'income' distributions. The distributions have been estimated to be 4.5% based on the Fund's yield on 17 May 2004.
- The 'income' distributions will be paid in two instalments on 17 May and 17 November. However, for the purpose of this illustration, we have assumed that the next distribution will happen straight away.
- The illustration assumes the tiered allocation charging structure applies and that full commission has been paid to your financial adviser.

#### Life insurance

This Bond includes life insurance that covers one person. It will be paid if that person dies. We will pay 100% of the fund's value plus an extra 1%.

#### What you might get back

There is no fixed date when this plan should end. You can continue to invest in it for as long as you want to. We have worked out this illustration based on what you might get back after 10 years.

	Lower	Medium	Higher
Assuming a growth rate each year of	4.0%	6.0%	8.0%
Your plan could be worth after 10 years	£16,700	£21,200	£26,700

- These figures are only examples and are not guaranteed – they are not minimum or maximum amounts. You could get back more or less than this. What you will get back depends on how your investments grow.
- All insurance companies use the same rate of growth for their illustrations but their charges vary.
- Do not forget that inflation would reduce what you could buy in the future with the amounts shown.

#### What are the charges?

- The charges cover the cost of advice, expenses, profit, any charges if you cash in and other adjustments.
- We invest 100% of your payment plus an extra 5.75%.
- We make a yearly charge assuming that your Bond will remain in force for a number of years and so we can afford to invest more than 100% of your payment. If you cash in your Bond within the first 60 months you will not have paid enough of these charges and so we will reduce the cash-in value.

## Charges we take as a percentage of your fund value each year

These charges are taken over the course of each year. They depend on the number of months that have gone by since the date of your payment. We reserve the right to vary these charges.

Time invested for	Yearly charge
Up to 24 months	2.35%
More than 24 months	1%

## Charges we take if you cash in your investment

There are charges if you cash in your Bond within the first 60 months. These charges are a percentage of the fund value cashed in. They are based on the number of months from the date of your payment to the date you cash in.

Number of months after payment invested	Charge
Up to 11	3.00%
12 to 23	3.00%
24 to 35	5.00%
36 to 47	3.00%
48 to 59	1.00%
60 or more	0.00%

## How will charges and expenses affect my investment?

- This section shows what you might get back when you cash in your investment.
- To work out the last two columns of this table we have assumed that investments will grow at 6.00% each year.

**Warning.** If you cash in during the early years the value you receive could be less than you have paid in.

### The early years

At end of year at 6.00% growth	Total paid in to date (£)	Deductions (£)	Effect of deductions to date (£)	What you might get back (£)
1	20,000	800	800	19,200
2	20,000	1,600	1,600	18,400
3	20,000	2,700	2,700	17,300
4	20,000	3,600	3,600	16,400
5	20,000	4,500	4,500	15,500

### The later years

At end of year at 6.00% growth	Total paid in to date (£)	Deductions (£)	Effect of deductions to date (£)	What you might get back (£)
10	20,000	6,000	6,000	14,000

## What are the deductions for?

- The table shows that over a ten year term the effect of the total deductions could add up to £2,150. Putting it another way, if the growth were to be 6.00% which is in no way guaranteed, this would have the effect of reducing it to 5.2% a year.
- The effect of the charges will be greater if you cash in your Bond before ten years. Charges will reduce investment growth from 6.00% to the rates in the table below:

If you cash in after...		
3 years	5 years	10 years
4.8%	5.4%	5.2%

## How much will the advice cost?

- The cost of your advice will be paid for out of the deductions and the amount will depend on how much you put into your plan and its value in the future.
- We will pay your financial adviser for arranging this Bond. We will advise you of the amount in the details we will send you shortly after you have taken out the Bond.

## What happens to the Bond if I die?

- If you die when your Bond is in force, we will pay 100% of your Bond's value.
- Under current law, setting your Bond up under an appropriate trust will normally make sure that any lump-sum benefits we pay if you die will be free of inheritance tax. However, you will not be able to benefit from the Bond yourself and the amount you have invested will be a 'gift' for inheritance tax purposes.

## Can I change my mind?

- You may change your mind about the Bond. When your Bond starts you will receive a 'Your right to change your mind' form. This gives you the right to cancel the Bond within 30 days of receipt of the 'Your right to change your mind' form.
- If the value of your investment falls before we receive the 'Your right to change your mind' form, we will take an amount equal to the fall in value from it.
- You also have the right to cancel any extra investments you make to your Bond.

## Further Information

### How to invest

You simply write a cheque made payable to 'AXA Sun Life' for the amount you decide to invest and fill in one simple form.

### Cashing in your Bond in the future

You can cash in your Bond at any time by writing to us and sending your plan documents back. Please contact your financial adviser first to discuss your options.

### Tax

The funds have to pay tax on income from investments and capital gains and we take this tax from the funds.

You can withdraw up to 5% a year of the initial amount of each investment. You won't have to pay any income tax or capital gains tax at the time you withdraw this amount. You can take your 5% a year 'tax-free' entitlement for the first 20 years of each investment. If you pay higher rate tax, you must pay tax at the difference between the higher rate and the savings rate (currently 20%) on any withdrawal over your 5% entitlement arising on or after 6 April 2004 (or the difference between the higher rate and the basic rate on any withdrawal over your 5% entitlement before that date).

Any gain you make from cashing in your Bond will be free from the starting rate and savings rate of income tax (from 6 April 2004) and capital gains tax (prior to that date any gain will be free from the starting rate and basic rate of income tax and capital gains tax). If you pay higher rate tax, you must pay tax at the difference between the higher rate and the savings rate (currently 20%) on gains arising on or after 6 April 2004 (or the difference between the higher rate and the basic rate on gains before that date).

Any age related allowances you may be allowed could be affected if you withdraw more than your 5% 'tax free' entitlement or if you make a gain when you cash in your Bond. You will find further details in the Investment Bond Guide. The value of the Bond's tax benefits depends on your circumstances.

## Enquiries and Complaints

If you would like further information then please contact us at AXA Administration Centre, PO Box 1810, Bristol BS99 5SN. Telephone number: 0845 300 0479.

If you are not satisfied with any aspect of the service that you have received from us, then we have a written complaints handling procedure, a copy of which is available on request. Making a complaint will not prejudice your right to take legal proceedings. Complaints we cannot settle may be referred to the Financial Ombudsman Service at South Quay Plaza, 185 Marsh Wall, London, E14 9SR, telephone: 0845 080 1800, e-mail: enquiries@financial-ombudsman.org.uk, website: www.financial-ombudsman.org.uk.

## Law

AXA and you have a free choice about the law that can apply to a contract. AXA proposes to choose the law of England and Wales, and, by entering this contract, you agree that the law of England and Wales applies.

## Compensation

Your plan is covered by the Financial Services Compensation Scheme. This means that if we become insolvent you would be covered for at least 90% of the value of your plan.

Further information is available to you in a leaflet that we will send to you on request. You can also obtain information from the Financial Services Authority and the Financial Services Compensation Scheme.

AXA is a worldwide insurance group. In the UK, one of the AXA companies is AXA Sun Life plc, the provider of your policy. AXA Sun Life plc is a company limited by shares. Authorised and regulated by the Financial Services Authority. Registered in England, number 3291349. Registered office: 107 Cheapside, London, EC2V 6DU. A member of the AXA Sun Life Marketing Group which markets life insurance, pension and investment products. The telephone number of AXA is 01 17 989 9000. As part of our commitment to quality service, telephone calls may be recorded. The address for written communications is AXA, PO Box 1810, Bristol BS99 5SN.

# Key Features of the Cofunds ISA and Cash Transfer Service

## ITS AIMS

- To offer you easy access to the country's leading Fund Managers through one access point.
- To offer you the opportunity to spread your investment risk by providing a diversified choice of investment funds with varying aims and risk profiles.
- To provide you with a shelter where any gain on your investment and income arising from it can be paid free of UK Capital Gains Tax and Income Tax.
- For the specific aims of each Fund please refer to the Fund Key Features Schedule.

## YOUR INVESTMENT

### New Investments in an ISA

The Cofunds ISA offers both Maxi and Mini stocks and shares ISAs only.

The minimum lump sum contribution to the Cofunds ISA is £1,000 per fund. If you want to make regular contributions, the minimum monthly contribution payment is £50 per fund by direct debit only.

You can invest up to £7,000 in the Cofunds Maxi ISA, or £3,000 in the Cofunds Mini ISA.

### Investing through an ISA Transfer

You can transfer your previous and current tax year ISA investment to Cofunds - however, Cofunds offers an equity stocks and shares component only. If you have invested in a cash or insurance component in either a Maxi or Mini ISA, we are unable to accept your transfer.

While there is no limit to the amount that can be transferred from your existing ISA(s), the minimum transfer amount is £1,000.

When you transfer your ISA(s), your investment will be sold and the cash proceeds transferred to Cofunds.

### Investing through a PEP Transfer

Although you can no longer make new investments into your PEP, it is still possible to transfer your existing PEP(s) to Cofunds, and still benefit from the same tax advantages as an ISA.

While there is no limit to the amount that can be transferred from your existing PEP(s), the minimum transfer amount is £1,000.

When you transfer your existing PEP(s), your investment will be sold and the cash proceeds transferred to Cofunds.

You can transfer both General and Single Company PEPs to Cofunds.

**Please note for the above products, there are no minimum investment periods - you have access to your investment at all times. However, you may be subject to exit charges on some funds. Please see the Fund Key Features Schedule. We reserve the right to refuse partial transfers.**

## RISK FACTORS

ISAs and PEPs should be regarded as a medium to long-term investment. Most of the fund charges are taken in the early years of investment. Therefore, if you withdraw during this time you may get back less than you invested.

Past performance is not necessarily a guide to future performance.

As the investment aims of the funds differ, the specific risks for each fund are set out in the Fund Key Features Schedule.

As with any investment of this type, the value of your investment may fall as well as rise, and any income arising may fluctuate.

Levels of taxation and tax relief are subject to change. The value of any tax relief will depend on your own circumstances. The favourable tax treatment for ISAs and PEPs may not be maintained in the future.

You should be aware that the 10% tax credit reclaimable during 2003/2004 on dividend distributions ceased from 6th April 2004. However, income tax deducted at source at 20% from interest on bond investments remains reclaimable in full.

If you are transferring an existing ISA or PEP, any income or growth on your investment may be reduced if there is a market rise during the period in which your transfer is being administered. Please refer to the section 'Can I change my mind' for the effects of cancellation on your investment.

Charges on the underlying funds may be increased by the Fund Managers in the future.

If you pay by regular monthly contributions and cease making payments for three consecutive months, Cofunds reserve the right to encash your investment and pay the value to you if this is less than £1,000. This means you could lose your annual ISA allowance for that tax year if you invested in a Maxi ISA, or part of your allowance if you invested in a Mini ISA.

If you pay by regular monthly contributions and payments are not maintained you may not achieve the target benefit your intermediary has projected.

Money held in the Cash Reserve will not normally be expected to achieve the potential rate of return of equity investments.

## YOUR QUESTIONS ANSWERED

### What is an ISA?

An Individual Savings Account (ISA) provides a tax-efficient 'wrapper' for a range of investments, including unit trusts and OEICs. Any income you receive or capital growth is free from Income Tax and Capital Gains Tax. You don't have to declare your ISA on your tax returns.

### What types of ISAs are there?

If you decide to invest, you need to consider what type of ISA is most appropriate.

There are three types of ISAs - Mini, Maxi and "TESSA-only".

Both Mini and Maxi ISAs allow you to invest in the same wide choice of assets, but in different ways. The right choice for you will depend on how much you want to save or invest in the different components.

To help you make your decision, it is important that you understand the different components and how they link together.

There are three separate components that can be held within an ISA:

- Stocks and shares (sometimes referred to as equities) which includes unit trusts, open-ended investment companies (OEICs), investment trusts, shares, corporate bonds and gilts.
- Cash which includes building society and bank deposits, National Savings and Money Market Funds.
- Insurance where certain types of life assurance policies can be held within an ISA.

### A Maxi ISA

A Maxi ISA allows you to invest in one or more of the three components with one ISA Manager. If you take out a Maxi ISA then you cannot take out another ISA in the same tax year (except for a "TESSA-only" ISA).

### A Mini ISA

Alternatively, you could opt for up to three Mini ISAs, (one of each type). This route would allow you to invest in all components and with a different manager for each component.

So you can have either up to three Mini ISAs in a tax year or one Maxi which may include one or more components.

Cofunds offer both Maxi and Mini stocks and shares ISAs only. Cofunds does not offer a cash or insurance ISA component or a "TESSA-only" ISA.

## What is a CAT Standard?

CAT standard is a voluntary code for ISAs set out by the government and stands for Charges, Access and Terms. The CAT standard does not guarantee the performance or offer a seal of approval from the government or mean the investment is right for you. We believe that selecting funds that best suit your needs can be a complex process. It emphasises the need for financial advice and the fund charges make provision for remunerating financial advisers. For this reason, Cofunds does not offer a CAT standard ISA product.

## How much can I invest?

For the tax year 2004/2005 and for the following tax year, your maximum contribution limit for each tax year is £7,000. Thereafter, the maximum limit reduces to £5,000 (although the Chancellor may amend this).

Within a Maxi ISA, you can invest up to the full amount of £7,000 in the stocks and shares component. Alternatively, if your Maxi ISA Manager offers all three components, then you can invest up to £3,000 into the cash component, up to £1,000 into the insurance component, with the balance available for investment in stocks and shares.

If you opt for the Mini ISA route, these limits apply to each individual component. You cannot increase your allowance in one component by transferring any unused allowance from one of the other components.

REMEMBER: If you want to invest more than £3,000 in stocks and shares, a Maxi ISA is the only way for you to achieve this.

## Am I eligible to open a Cofunds ISA?

To invest in an ISA you must be aged 18 or over and be either resident and ordinarily resident in the UK for tax purposes, or a Crown employee serving overseas, or their spouse. You are not eligible to take out a Cofunds ISA if you have already taken out a Maxi ISA or a Mini stocks and shares ISA in the current tax year.

## Are PEP and ISA investments the same?

Although you cannot make any further investments into a PEP, you now have the same choice of funds available to you whether transferring an ISA or a PEP investment.

## Are there any restrictions to transferring my ISA?

You may not transfer Maxi ISAs to Mini ISAs and vice versa in the current tax year.

You cannot transfer between components of an ISA, for example from a cash to an equity ISA.

If you have invested in a Maxi ISA in the current tax year, your investment must be transferred in full.

## What is the Cash Reserve?

Cash Reserve allows you to shelter your investment within your ISA, either in times when markets are uncertain or you simply want to secure your ISA allowance for the tax year, while deciding which fund in which to invest. You may earn interest on your money while it is held in this way. However, any interest you receive is not intended to compete with rates for other cash deposit types of accounts.

This option is not a cash component of an ISA but provides a temporary shelter for your investment within a Stocks and Shares ISA component. Cash held in this way must be destined for investment in one or more of the funds offered by Cofunds. The Cash Reserve should not be seen as an investment in itself (please refer to the Terms and Conditions for full details).

## HOW WILL CHARGES AND EXPENSES AFFECT MY INVESTMENT?

Cofunds does not make a charge for its service. You will however pay charges on the funds in which you invest. Details of the charges applicable to the funds available can be found in the Fund Key Features Schedule.

The following tables illustrate the total effect of charges and expenses on a typical Cofunds new ISA investment, ISA or PEP Transfer into a unit trust or an OEIC.

Dealing costs are not included. Allowance for any tax relief available has been made in the calculation. The effect of charges are based on a lump sum investment of £5,000, and a monthly investment of £100 assuming a growth rate of 7.00% per year. These figures are laid down by the Financial Services Authority to demonstrate the effect of charges and expenses on an investment and are not guaranteed.

The figures do not take into account any additional discount you may receive on your investment.

### A typical unit trust (Income) fund

Unit trusts have a buying (offer) price and a selling (bid) price and the difference between these two prices is known as the spread. The buying price includes the manager's initial charge. For further details of the spread applied to an individual fund please contact your Intermediary.

Initial charge: 5.25%

Annual Management Charge: 1.50%

Other expenses: 0.16%

Gross Distribution Yield: 3.47%

Annual charges and expenses are deducted from capital.

Figures are based on income units (reinvested for monthly savings).

At end of year	Investment to date £		Effect of deductions to date £		What you might get back at 7.00% £	
	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver
1	5,000	1,200	343	72	5,000	1,170
3	5,000	3,600	564	290	5,560	3,710
5	5,000	6,000	835	626	6,170	6,530
10	5,000	12,000	1,800	2,100	8,030	15,000

The last line in the table shows that over 10 years the effect of the total charges and expenses could amount to £1,840 (lump sum investment) or £2,700 (monthly saver). Putting it another way, if the growth rate were to be 7.00% per year, which is in no way guaranteed, the total would have the effect of reducing the growth rate to 4.40% per year (lump sum investment) or 3.70% per year (monthly saver).

### A typical OEIC (Growth) fund

Shares in an OEIC fund have a single price, which means there is no bid/offer spread, merely a single price at which you buy and sell. The initial charge is deducted from the amount you invest and the remaining subscription invested at the single price.

Initial charge: 5.00%

Annual Management Charge: 1.38%

Other expenses: 0.13%

Annual charges and expenses are deducted from income.

Figures are based on accumulation shares.

At end of year	Investment to date £		Income to date £	Effect of deductions to date £		What you might get back at 7.00% £	
	Lump sum investment	Monthly saver		Lump sum investment	Monthly saver	Lump sum investment	Monthly saver
1	5,000	1,200	165	430	93	4,750	1,150
3	5,000	3,600	510	665	370	4,900	3,630
5	5,000	6,000	865	940	793	5,050	6,360
10	5,000	12,000	1,800	1,840	2,700	5,450	14,400

The last line in the table shows that over 10 years the effect of the total charges and expenses could amount to £1,800 (lump sum investment) or £2,100 (monthly saver). Putting it another way, if the growth rate were to be 7.00% per year, which is in no way guaranteed, the total would have the effect of reducing the growth rate to 4.80% per year (lump sum investment) or 4.30% per year (monthly saver).

## Dilution Levy

When you buy or sell shares in an OEIC, the fund price does not include dealing costs, unlike a unit trust where costs are included in the spread. Therefore, the fund manager may seek to cover these costs by applying a dilution levy to reduce the effect of dilution on the Fund value. This amount is paid to the Fund and if applied will be shown on your confirmation note.

## Stamp Duty Reserve Tax

You may also be charged an amount of Stamp Duty Reserve Tax (SDRT) Provision (currently 0.5%). This is a charge made by the Fund Manager to be made as a provision for SDRT for which the Fund may be liable (under the Stamp Duty and Stamp Duty Reserve Tax Regulations 1999). This is normally charged on withdrawals and certain transfers of investments. Any amount of SDRT Provision charged to you will be shown separately on your confirmation note.

## HOW MUCH WILL THE ADVICE COST?

Your adviser will give you details about the cost. The amount will depend on the size of your investment and, in the case of regular savings, the period for which you make them. It will be paid for out of the charges. In respect of this investment, Chelsea Financial Services Plc will not take any initial commission, however, is entitled to renewal commission at a maximum annual rate of 0.5% of the fund value (minimum of 0.25% on some funds). For example, if your fund is worth £4,000, they will receive £20 per annum if the rate is 0.5% and £10 per annum if the rate is 0.25%. If it is worth £7,000, they will receive £35 per annum or £17.50 per annum respectively. Commission is paid monthly. Cofunds cannot advise you about your investment or the appropriateness of Cofunds products to meet your needs, and if you have any doubt about the suitability of any investment for you, you must speak to your adviser.

## FURTHER INFORMATION

### Where can I find out which Fund Managers and funds are available?

Details of the participating Fund Managers and their funds can be found in the Fund Key Features Schedule, or by contacting your intermediary.

### What are the charges?

Cofunds does not make a charge for its service. The only charges you will pay are for transactions such as the fund initial charge. In addition, there will normally be a switching charge of 0.25%.

Details of the charges applicable to the funds offered via Cofunds can be found in the Fund Key Features Schedule.

### How do I invest in the Cofunds ISA?

Firstly, ensure that you have read the Key Features and Terms and Conditions documents which give full details of the various choices and investment options available to you.

When you have done so, and in conjunction with your intermediary, made your decision, simply complete the Cofunds ISA application form, and send it, together with your cheque, (made payable to Cofunds Limited) or completed Direct Debit Mandate, to:

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

Cheques must either be drawn on your own account, on a joint account or can be drawn by your spouse. Building Society cheques must be made payable to Cofunds Limited, your name must appear on the front of the cheque, or on the back of the cheque accompanied by the Building Society's official stamp and signature. For example, Cofunds Limited (Re: A.B. Smith). We do not accept cheques from business accounts or other third parties.

### How do I transfer my ISA or PEP to Cofunds?

Simply complete the enclosed ISA/PEP Transfer Application Form, and Transfer Authority. Cofunds will contact your existing ISA/PEP Manager and arrange for the transfer of your funds.

### When will my money be invested?

Your investment will be made when we accept your correctly completed application form and your cheque. It will be made as soon as reasonably practicable, and in any event, no later than the valuation point on the next business day. For regular contributions, the price will be calculated at the next valuation point following receipt of your monthly payment. Please note that valuation points vary between Fund Managers. A full listing can be found in the Financial Times in the names of the respective fund managers.

### Can I change my mind?

Under the Conduct of Business Rules in the FSA handbook, you have 14 days after you have invested to change your mind. If you wish to do so, you must complete and return the Cancellation Notice which will be sent to you.

However, you should be aware that if the value of your investments has fallen during the cancellation period, you won't get back the full amount of your original investment.

**For PEP and ISA Transfers, if you exercise your right to cancel, you should be aware that the cancellation will apply to all of your investments being transferred. Investments will be sold and the proceeds returned to you and all future tax advantages will be lost.**

### Can I take an income from my investment?

Yes. A number of the funds available via Cofunds pay income either in the form of dividends or, in the case of fixed interest funds, interest. Cofunds will make income payments together with the appropriate tax claims direct into your nominated bank account using BACS (Bank Automated Clearance System). The Fund Manager cannot reclaim tax relating to a tax credit attaching to a foreign income dividend or any equalisation distributed as income.

Further details of this option can be found in the Terms and Conditions towards the end of this brochure.

### Can I reinvest any income from my investment?

If you choose to have any available income reinvested to boost capital value, we will buy accumulation units for you where they are available for your chosen fund. The net income is retained and reflected in the price of units. Where accumulation units are not available your income will be reinvested. The tax credit (if any) attached to the income allocation is reclaimed from the Inland Revenue and reinvested at the normal purchase costs of the fund to buy additional units. Interest earned in Cash Reserve will be automatically added to your account half yearly.

### How will tax affect my investment?

For investments held in an ISA and/or PEP, any income or capital growth you receive will be free of UK income and capital gains tax.

Money held in Cash Reserve within a PEP is free of UK income and capital gains tax. You may withdraw PEP interest up to a maximum of £180 in any tax year without incurring any income tax liability. However, if you exceed this amount, you will be liable to an amount of tax on all accrued interest on your investment. ISA interest is paid net of a 20% Inland Revenue flat rate charge, which is not reclaimable. Tax due on interest will be paid and reported to the Inland Revenue by Cofunds.

### What documentation will I receive?

You will receive confirmation notes which detail the funds in which you have invested, number of units bought, and details of commission and charges. We will maintain the records of your investments. Certificates will not be issued.

### How can I keep track of my investments?

There are a number of ways that you can do this:

- The latest buying and selling prices and estimated distribution yield for all the funds via Cofunds can be found in the Financial Times and other publications.
- Additionally, Cofunds will send a statement direct to you twice a year, in June and December, showing the value of your investments and all the transactions since the previous statement.
- You can request a valuation, via your intermediary, at any time.
- You can request us to provide you with the report and accounts and to attend and vote at unitholder or shareholder meetings for each fund in which you invest.

Availability of these facilities may be subject to a charge in order to cover our costs.

## Can I make cash withdrawals from my Cofunds investment?

Yes. You can make cash withdrawals at any time. If you do not fully encash your investment you must leave a minimum amount of £1,000 in any investment. Cofunds will pay the proceeds direct to your nominated account within 5 working days. We may deduct from any amount paid to you any outstanding fees, charges and expenses due from you.

### How easy is it to move between funds?

Very easy. Just discuss your requirements with your intermediary, complete the relevant form and we will arrange for your request to happen. After we have carried out your instructions, we will confirm that we have done so to you in writing. Switches between funds take several days to complete depending on the valuation point for your chosen fund, so you should be aware that your investment may be out of the market whilst the switch is taking place.

Please note that you do not have any right to either withdraw from or cancel the instruction once given.

You cannot switch between a Cofunds Maxi and Mini ISA.

### Can I close my ISA/PEP or transfer it to another ISA/PEP Manager?

If you wish to close your Cofunds ISA/PEP, you should write to us with your instructions.

In the case of an ISA/PEP transfer, we will require a completed transfer authority form from the new ISA/PEP Manager.

If you wish to transfer your ISA/PEP to another ISA Manager, then Cofunds will sell your investments and pay the proceeds across to your new ISA/PEP Manager.

Please note that Cofunds will not make payments to a third party account, except to another Manager.

### What if I want to complain?

If you wish to complain to Cofunds about the service provided, in the first instance you may wish to discuss the matter with your intermediary who will be able to assist you, then you should write to:

The Complaints Manager  
Cofunds Limited  
Dorset House  
Victoria Road  
Chelmsford  
Essex CM1 1FB

If you are dissatisfied with Cofunds handling of your complaint, you have the right to refer it to the Financial Ombudsman Service whose address is:-

Office of the Financial Ombudsman Service  
South Quay Plaza  
183 Marsh Wall  
London E14 9SR

You are also covered by the Financial Services Compensation Scheme. Contact details for the scheme are available from Cofunds.

### Who is the ISA/PEP Manager?

The Cofunds ISA, ISA Transfer and PEP Transfer is managed by Cofunds Limited (regulated by the Financial Services Authority in the conduct of investment business). PO Box 6284, Chelmsford, CM1 1ZG. Registered in England and Wales No 3965289.

### Registration

Units will be registered in the name of Cofunds Nominees Limited. For further details, please see section five of the Terms and Conditions.

### What if I need further information?

The information provided in the Key Features and Terms & Conditions is based on our understanding of current legislation.

If you wish to receive further information about the funds or copies of the scheme particulars, annual and half yearly reports, prospectuses, annual reports and accounts of any of the funds offered by Cofunds, we can arrange this for you when you open your Account (or upon your request in writing with one month's notice).

## TERMS AND CONDITIONS OF THE COFUNDS ISA/PEP

**It is important that you retain these Terms and Conditions, as your rights as an investor are governed by them.** If you would like more information, or have any questions, please call your intermediary who will be able to advise you.

### 1. Definitions

In these Terms the following words mean:

**We, us and our:** Cofunds Limited ("Cofunds").

**You and your:** An individual who has applied to open an Account.

**Administration Address:** PO Box 6284, Chelmsford CM1 1ZG.

**Application:** The application(s) completed by you or on your behalf to invest in the Account.

**Assets:** Investments, income, interest, cash deposits, cash balances and any other rights and entitlements from time to time held within your Account.

**Bank:** Bank of Scotland, having its Head Office at The Mound, Edinburgh EH1 1YZ or such other UK clearing bank as we may notify to you from time to time.

**Banking Day:** Any day on which the Bank is open for normal business other than a Saturday, a Sunday or a bank holiday in the United Kingdom.

**Business Day:** Any day when the London Stock Exchange is open for business. Our normal hours of opening are 9:00am to 5:00pm.

**Cash Reserve:** A client money account used solely for investment destined for eventual investment in one or more of the funds offered by Cofunds.

**Client Account:** A bank account held by us with the Bank under FSA Client Assets Regulations.

**Current Year Account:** A separate Account containing only Assets representing your Subscriptions made in the current Year.

**Fund:** An authorised unit trust or open-ended investment company (or sub-fund thereof) we specify as available for investment within your Account.

**FSA:** The Financial Services Authority, 25 North Colonnade, Canary Wharf, London E14 5HS.

**Income:** All payments received as income including any tax payments we reclaim for your Account.

**Intermediary:** An authorised person under Part IV of the Financial Services and Markets Act 2000.

**Investment:** Units or shares in a Fund or the Cash Reserve within your Account.

**ISA:** An Individual Savings Account managed under the ISA Regulations.

**ISA Manager:** The manager of your ISA Account. This is Cofunds Limited.

**Nominated Bank Account:** A UK bank or building society account of which you are a named holder and which you specify and we accept as the account to pay income and withdrawal proceeds to you.

**Nominated Intermediary:** An Intermediary nominated by you, who is authorised by you to give instructions on your behalf on all matters concerning your Account.

**Nominee:** Cofunds Nominees Limited, a wholly owned subsidiary of Cofunds for which we accept full responsibility.

**Ombudsman:** The Financial Ombudsman Service who may be contacted at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

**PEP:** A Personal Equity Plan managed under the PEP Regulations.

**PEP Manager:** The manager of your PEP account. This is Cofunds Limited.

**Registered Office:** Our registered office is 1st Floor, 1 Minster Court, Mincing Lane, London EC3R 7AA.

**Regulations:** The Individual Savings Account Regulations 1998, or the Personal Equity Plan Regulations 1989 and any other applicable regulations made from time to time by HM Treasury.

**Subscription:** A payment by cheque, Direct Debit Mandate or debit card in sterling, to be applied to

your Account either paid by you from your bank account or paid on your behalf by your Nominated Intermediary, or previous ISA/PEP Manager.

**Terms:** These Terms & Conditions, as from time to time amended, together with your application. The Terms & Conditions will take precedence if the two differ.

**Units:** Income or Accumulation units, or shares of any class, in a fund, including any fractions or decimals of units.

**Year:** A year beginning on 6 April and ending on the following 5 April. This is commonly known as the tax year.

## 2. Your ISA and PEP Manager

### 2.1 Our Role

We agree to act as ISA/PEP Manager for your Account. We do not review your portfolio and we do not give advice about your investment. We make all the necessary claims for tax relief relating to your Account and the Assets held in it. We hold any uninvested cash and your investments in our custody, and we maintain your personal data for the purpose of managing your Account in accordance with the requirements of Data Protection legislation.

### 2.2 Regulation

We are regulated by the FSA for investment business.

### 2.3 Client Account

We will deposit your money in our Client Account. We segregate all Client Account money from our own money and hold it under trust with the Bank. We do not pay interest on client monies but we reserve the right to do so in the future. Investments in the Cash Reserve may earn interest. If interest earned in any accrual period is under £10, no interest will be credited to your Cash Reserve investment. The interest, payable six monthly, is 2% below the published base rate of the Bank of Scotland. Any interest you receive will fluctuate with changes to this base rate.

We will hold ISA subscription monies received from you in our Client Account pending your investment instructions. Monies due to you, if any, in respect of dividends, tax reclaims or interest will be paid at regular intervals or reinvested according to your instructions. If, however, there has been no movement on your balance for a period of at least six years any payments on account of charges, interest or similar items, we will write to you and your Nominated Intermediary at your last known addresses informing you of our intention to no longer treat your balance as client money. You will have 28 days to make a claim for this money. Thereafter we will release the balance from our Client Account. We do however undertake to make good any valid claims that are subsequently received.

### 2.4 Special Circumstances

We have discretion to apply funds to an Account on a day other than a Business Day.

### 2.5 Regulations

We will notify you if all or part of your Account is no longer exempt from tax. We will sell any investments that are no longer exempt from tax at the published selling price and pay the proceeds to you within five Business Days together with any affected cash balances.

### 2.6 Aggregation

We do not segregate Assets by Subscription Year, but may segregate Assets in your Current Year Account from Assets representing previous years' Subscriptions if we need to do so.

### 2.7 Assignment and Delegation

We may assign to any appropriate Cofunds company all of our benefits and obligations under these Terms. You will be notified of any such assignment.

We may appoint any person (whether or not a Cofunds Group Company) to advise on or perform any of our functions or responsibilities under these Terms and may provide information about you and your Account to any such person. We will satisfy ourselves that any person to whom we delegate any functions or responsibilities under these Terms is competent to carry out those functions or responsibilities.

### 2.8 Address

Correspondence about our service should be sent to the Administration Address.

### 2.9 Client Classification

Cofunds classifies all clients as Private Customers for ISA/PEP investments.

## 3. Opening your Account

### 3.1 Your Nominated Intermediary

To use the Cofunds service, you are required to nominate an Intermediary to advise you. Cofunds cannot advise you about your investment or the appropriateness of Cofunds products to meet your needs. We are entitled to rely and act on any instruction which purports to have been given by your Nominated Intermediary by whatever means transmitted and whether or not in writing, and unless we have received written notice to the contrary in accordance with the following paragraph, whether or not the authority of any such person has been terminated. Your application form identifies your Intermediary who will be your Nominated Intermediary for your Account.

You may instruct us in writing to stop accepting instructions from your Nominated Intermediary, and appoint a new Nominated Intermediary in their place.

Your instruction will take effect upon receipt by us at our Administration Address. We will acknowledge receipt of your instruction and will inform both of the Intermediaries concerned.

You must at all times have a Nominated Intermediary. If you do not nominate a replacement Intermediary then Cofunds will continue to deal with your existing Intermediary until such time as you appoint one. In the event that your Intermediary ceases to be authorised, Cofunds can provide you with details of Cofunds Intermediaries but does not make any representation as to the suitability or appropriateness of any Intermediary or subsequent advice.

You permit us to give your Nominated Intermediary information about you, your Assets and your Account.

### 3.2 ISA Applications

In the case of an ISA, your Account is opened when we accept your correctly completed application and payment.

Your ISA application covers the current Year and each subsequent Year until we receive no Subscriptions for one full Year. We reserve the right to require a fresh application for each new tax Year.

A direct debit instruction authorises us to collect and invest regular Subscriptions for you unless and until you notify us to the contrary, either at the time of your application or otherwise.

We require a subscription when you open your account. If we do not receive a subscription payment or your bankers do not honour the subscription, we will close your Account.

### 3.3 ISA Transfers in

You may transfer your ISA to us in full, provided the transfer is in cash. We apply the cash when we receive it to buy Investments for your Account as you instruct.

We may, at our option, accept the transfer of Investments from your existing ISA or we may require that Investments are sold and the transfer is made in cash.

You will pay any administration charges that your old ISA Manager makes in relation to the transfer out from their ISA.

Any payments received from your old ISA Manager after your account has been opened, such as distributions and tax reclaims, will be added to your ISA Account in one of the following ways: split between funds quoted on your original transfer application, if the value per fund is above £5.00. If the value falls below this level then the full payment will be invested into the first fund quoted.

Where you have transferred your current year's ISA Subscriptions, you may reactivate your Account by restarting Subscriptions, although you must submit another application if we receive no Subscriptions for one full Year.

### 3.4 PEP Transfers in

In the case of a PEP, we will manage your Account upon receipt by us of the proceeds from your previous PEP Manager.

You may transfer to us all of a PEP that you have, provided the transfer is in cash. We apply the cash when we receive it to buy Investments for your Account as you instruct.

We may, at our option, accept the transfer of Investments from your existing PEP or we may require that Investments are sold and the transfer is made in cash.

You will pay any administration charges that your old PEP Manager makes in relation to the transfer out from their PEP.

Any payments received from your old PEP Manager after we have opened your account – such as distributions and tax reclaims will be added to your PEP Plan in one of the following ways: split between funds quoted on your original transfer application, if the value per fund is above £5.00. If the value falls below this level then the full payment will be invested into the first fund quoted.

### 3.5 Unit Allocation on Transfers (Equalisation)

If you are re-registering investments, we will request the old Plan/ISA manager to provide us with the correct Group 1 and Group 2 unit holdings for your investment and register your investment with Cofunds with the same unit split. In the event that the old manager cannot provide this information, we will register your investment in Group 1 units only and there will be no equalisation amount shown on your tax credit. None of this will affect the value of your units.

### 3.6 Tax status

You may not subscribe to your ISA Account while not resident and ordinarily resident in the UK for tax purposes unless you qualify as a Crown employee (a person holding public office or employment under the Crown and paid out of the public revenue of the UK or of Northern Ireland) or their spouse. You must inform us immediately if you stop being UK resident and ordinarily resident for tax purposes, or if as a non-resident you stop being a Crown employee.

### 3.7 Account type

For an Investment held under these terms, we designate your ISA Current Year Account as "Maxi" or "Mini" as you instruct, or in the case of transfers, PEP or ISA. In the case of a new ISA investment, if you do not advise us on your application form then we will open a Maxi Account for you. We do not offer a "Tessa-only" ISA, a Mini Cash ISA or a Mini Insurance ISA. Nor do we offer the cash or insurance components of a Maxi ISA. Our ISA does not seek to meet the Government's CAT standards.

### 3.8 Timing

For an ISA, your Account cannot open until we accept your correctly completed application and receive your first Subscription. Your investments will be purchased as soon as reasonably practicable and in any event, no later than the valuation point on the next Business Day. At our discretion we may open your Account on a day other than a Business Day.

In the case of an ISA or PEP transfer, the date of transfer is the date agreed between the Plan Managers.

These Terms will take effect when Cofunds accept your application, which is normally on the day of receipt. Cofunds have discretion to reject an application.

## 4. Investments

### 4.1 Choosing your Investments

Your Nominated Intermediary can help you choose the investments to buy for your Account and can advise you on changes you should make to the investments in your Account. Cofunds cannot advise you on the investments in your Account. The Cash Reserve provides a temporary shelter for your investment. Cash held in this way must be destined for investment in one or more of the funds offered by Cofunds.

### 4.2 Investment limits

The minimum amount of investment is £1,000 where you are investing in a lump sum. Where you are a regular investor the minimum amount of regular payments into any investment is £50 per month. The minimum lump sum top up is £500.

While there is no limit to the amount that can be transferred from your existing ISA/PEP(s), the minimum transfer amount is £1,000.

### 4.3 Buying your Investments

Your Investments will be purchased or sold as soon as reasonably practicable and in any event, no later than the valuation point on the next Business Day.

### 4.4 Switching

You may instruct us to sell Units/Shares and use the proceeds to buy Units/Shares in other Funds. This is known as Switching. We will require your instructions in writing unless deals are placed online by your Nominated Intermediary. This should detail the number of Units to be sold from each Fund and the proportion of the sales proceeds to be allocated to the Funds that you are buying. Cofunds will normally levy a charge for switching. Please see 'Fees, Charges & Expenses'.

### 4.5 Large deals

For 'large deals' in an Investment (within the meaning of the Collective Investment Schemes Sourcebook), the manager of the relevant Fund may decline to deal on the published prices and widen the spread or apply a dilution levy. In these circumstances we will apply the price given to us for the transaction by the Fund Manager.

## 5. Title and Registering Investments

### 5.1 Title and borrowing

All documents evidencing title to Assets in your Account are held by us or as we direct. We may not lend any part of your Account to a third party and we may not borrow against its security.

### 5.2 Beneficial ownership

You are and remain the beneficial owner of the Assets but must not use them as security for a loan although you may be able to use the Assets in your Account as a loan repayment method, subject to your lender's agreement. You may not dispose of or transfer an interest in any Asset held through us and may not create (or have outstanding) any charge or security on or over any Asset.

### 5.3 Our Nominee

We register Investments in the name of Cofunds Nominees Limited, whose address is our Registered Office.

Subject to Regulations, you authorise us to direct and instruct our Nominee to discharge our responsibilities under these Terms. We are responsible for the acts and omissions of our Nominee. Our Nominee is not itself an authorised person under the Financial Services and Markets Act 2000; it can only hold investments and does not carry on business in its own right.

### 5.4 Registration

We register your Investments in the same name as those of other Cofunds investors and do not identify individual Investments by separate certificates.

### 5.5 Default

Should we default on our obligations any shortfall in Investments registered in Cofunds name may be shared pro rata among all of our customers whose Investments are registered with our Nominee.

## 6. Income

### 6.1 Reinvestment

If you choose to have any available income reinvested in your account, we will buy accumulation units for you where they are available for your chosen fund. The net income is retained and reflected in the unit price. Where accumulation units are not available your income will be reinvested.

We use all Income to buy further Investments in the same Fund, unless you have already instructed us to pay Income directly to your Nominated Bank Account.

Interest earned on money held in Cash Reserve will be automatically added to your investment half-yearly.

## 7. Payments to you

### 7.1 Income payments

For payments of income arising from your Account, you may specify a single Nominated Bank Account in your application. If you ask us for Income payments, we pay you shortly after we receive the income.

You may instruct us at any time to stop using that account and, if we accept, specify another single account in its place. It takes seven Business Days after we receive your instructions to apply them to Income payments.

If you no longer have a holding in an investment at the time when we receive the Income arising

from it, we pay that Income to you.

## 7.2 Withdrawals and closing payments

We may deduct from any amount to be paid to you any outstanding fees, charges and expenses due from you. We retain such sums as we reasonably estimate we need to meet any tax liability for which we must account to the Inland Revenue for you under the Regulations. We hold any cash due pending payment outside your Account in a Client Account. We may delay paying any sale proceeds and cash balances until we know that all Subscriptions made by you have cleared and we have received all amounts which you owe to us. We may carry out security checks to confirm your identity before we make payment. We settle no later than five Business Days after the day we receive and accept your instructions. Cofunds will not make payments to a third party account except another ISA/PEP Manager.

## 7.3 Other payments

All payments other than Income payments shall be made to you or your Nominated Intermediary.

## 7.4 Good discharge

Payment to your Nominated Bank Account or to your Nominated Intermediary for the time being, at his direction, is in any case a good discharge of our liability.

## 8. Cancellation

You will be able to cancel your Account within 14 days of receiving a cancellation notice we send you once we have opened your account. If you wish to cancel, you must return the cancellation notice to us in accordance with the steps set out in it. Please note that the amount you will get back will be reduced by any market loss during the period up until cancellation. If you cancel your Account we will advise your Nominated Intermediary. If you cancel a Cash Reserve, any interest accrued will not be payable.

Please note for PEP and ISA transfers, if you exercise your right to cancel, you should be aware that the cancellation will apply to all of your investments being transferred. Investments will be sold and the proceeds returned to you and all future tax advantages will be lost.

## 9. Void Accounts

Your Account will be managed in accordance with the Regulations, which take precedence over these Terms. We will notify you if, by reason of any failure to satisfy the provisions of the Regulations, your Account has or will become no longer exempt from tax. If your Account is voided, we will sell the Investments and pay you the proceeds together with any cash balance held in your Account. We may deduct any additional expenses incurred in terminating the Account. Any interest accrued in the Cash Reserve will not be payable.

## 10. Documentation and voting

### 10.1 Confirmation notes

Confirmation notes will be sent to you and your Nominated Intermediary on the next Business Day following the completion of the investment transaction carried out at your instruction. This will include the essential details of the transaction. For regular savings we will send you an acknowledgement of receipt of your application. We do not send confirmation notes each time a payment is received.

### 10.2 Statements

At least once in every six months we send you and your Nominated Intermediary an account statement showing details of all Assets within your Account on the statement date and all transactions within it since the previous statement date including investment and interest income.

### 10.3 Records

You may inspect copies of confirmation notes, vouchers and entries on our books or electronic media relating to transactions on your Account. We keep these records for six years.

### 10.4 Voting rights

We do not exercise voting rights for any of your Investments unless you instruct us to vote on your behalf. If you have requested this, you will be notified of each voting event.

### 10.5 Reports, notices, meetings and voting

For any Investment held in your Account, we can arrange when you open your Account, (or at your request in writing after one month's notice) for you:

- to receive a copy of the annual report and accounts for each Fund in which you are invested, and
- to attend meetings of unit holders or shareholders, exercise voting rights and receive notices sent to holders

Your instruction should be given on your Application. Availability of these facilities may be made subject to a charge to cover our costs. The amount of the charge is available on request and will be indicated in the Application or notified to you if requested subsequently. The charge may be deducted from cash in your Account.

## 11. Withdrawals or closing your Account

### 11.1 Minimum amount

The minimum amount that you can hold in an investment is £1,000. We will require you to sell your entire holding in that Fund if the amount falls below £1,000 as a result of your instruction to sell an amount of the Fund.

### 11.2 Withdrawal instructions

Upon your instructions and in the time specified by you, Cofunds will sell any Investment held in your Account and you may at any time withdraw all or part of any sale proceeds and any cash balances held in your Account. This instruction must specify the number of Units to be sold from any Fund in your account. Before we pay, we require clear withdrawal instructions from you.

### 11.3 Closing your account

You may close your Account at any time by withdrawing all the Assets, or transferring all of your ISA/PEP to another ISA/PEP Manager.

Closing your Account does not affect any transactions initiated before the closure began. These Terms continue to apply until we complete all outstanding transactions and meet all liabilities. If you close your Cash Reserve without having invested in a fund(s), interest will not be payable on money withdrawn.

### 11.4 ISA Transfers out

Upon your instructions and in the time specified by you, Cofunds will transfer all or part of your ISA, with all your rights and obligations under it, to another ISA Manager who has agreed to accept the transfer. In the case of your current year Subscriptions, you may either transfer these as part of a transfer of the whole of your ISA to another ISA Manager or you may maintain them in your Cofunds ISA, for which purpose we may create a Current Year Account.

We may at our option require that the transfer is made in cash after selling relevant Investments and deducting any amounts due to us. If we subsequently receive any Income arising from Investments transferred out, we will remit it directly to you. These Terms continue to apply to (the part of) your ISA being transferred until the transfer is complete, all outstanding transactions settled and all liabilities met.

**Note:** In respect of this investment, **Chelsea Financial Services PLC** will not take any initial commission, however, is entitled to renewal commission at a maximum annual rate of 0.5% of the fund value (minimum of 0.25% on some funds). For example, if your fund is worth £4,000, they will receive £20 per annum if the rate is 0.5% and £10 per annum if the rate is 0.25%. If it was worth £7,000, they will receive £35 per annum or £17.50 per annum respectively. Commission is paid monthly.

## The Direct Debit Guarantee

- This guarantee is offered by all Banks and Building Societies that take part in the Direct Debit Scheme. The efficiency and security of the Scheme is monitored and protected by your own Bank or Building Society.
- If the amounts to be paid or the payment dates change, Cofunds Limited will notify you five working days in advance of your account being debited or as otherwise agreed.
- If an error is made by Cofunds Limited or your Bank or Building Society, you are guaranteed a full refund from your branch of the amount paid.
- You can cancel a Direct Debit at any time by writing to your Bank or Building Society. Please also send a copy of your letter to Cofunds Limited.

Please ensure you retain this guarantee.

Cofunds Limited, **February 2004**.

Cofunds Limited do not offer investment advice or make any recommendations regarding investments. Issued by Cofunds Limited who are regulated by the Financial Services Authority.

Registered Office: 1st Floor, 1 Minster Court, Mincing Lane, London EC3R 7AA.

Registered in England and Wales No. 3965289.

## 11.5 PEP Transfers out

You may at any time instruct us to transfer all or part of your PEP, with all your rights and obligations under it, to another PEP Manager who has agreed to accept the transfer.

We may at our option require that the transfer is made in cash after selling relevant Investments and deducting any amounts due to us. If we subsequently receive any Income arising from Investments transferred out, we will remit it directly to you. These Terms continue to apply to (the part of) your PEP being transferred until the transfer is complete, all outstanding transactions settled and all liabilities met.

## 12. If you die

If informed of your death, we close your Account but continue to hold all Assets under these Terms until your death is registered, and we complete all transactions and meet all liabilities. Cofunds will require sight of either the original or a sealed office copy of the Grant of Probate or Letters of Representation.

On receipt of the Grant of Probate or Letters of Representation we will sell your Investments and hold the cash in our Client Account until we receive instructions from your personal representatives.

We do not reinvest Income but hold it in our Client Account until we can pay it as your personal representatives direct. We are entitled to deduct any withdrawal fees.

The tax exemptions of the Account stop at your death.

## 13. Fees, Charges and Expenses

### 13.1 Our fees

We do not charge you any fees for the administration of your Account other than switching fees (see section below). We do however receive a fee from the Fund Managers for administration services provided to Fund Managers connected with your Investment. We may pay fees to portal providers and others in connection with your Account. If you require details of these fees, please write to us at our Administration Address.

### 13.2 Fund Manager

The manager of each Fund in your Account may receive an initial charge. An annual management charge and other fees, charges or expenses properly payable to him may be paid out of the property of that Fund.

### 13.3 Nominated Intermediary

Commissions payable to your Nominated Intermediary will be disclosed to you on the confirmation note sent to you after each transaction, other than regular Investments, where these will be shown on your statement.

### 13.4 Switch fees

We will allow you to switch Funds within your Account. You will normally pay an initial switching charge representing 0.25% of the amount of the value of the Units/Shares you buy. Commission on switches may be added if agreed with your Nominated Intermediary. The maximum switching charge and commission payable will not exceed the funds standard initial charge. No switching charge or commission is payable when switching into funds with no initial charge.

## 14. Complaints and compensation

### 14.1 Complaints

We operate a written complaints procedure in accordance with FSA rules. If you have any complaint about your Account, please write to the Complaints Manager, at our Administration Office. You also have a right to complain direct to the Financial Ombudsman Service.

### 14.2 Compensation claims

If you make a valid claim against us in respect of your Account and we cannot meet our liabilities in full, you may be entitled to redress from the Financial Services Compensation Scheme. Information about the scheme is available on request from us, the FSA and the Financial Services Compensation Scheme itself. Contact details for the FSA and the scheme are available from Cofunds.

## 15. Variation and amendment of terms

### 15.1 Funds offered by Cofunds

Cofunds reserve the right to add and remove funds from the service.

### 15.2 Changes to these terms

In addition to our power to make changes to these Terms, we may from time to time change these Terms where a change:

- does not materially prejudice you, or
- enables us to comply with a legal or regulatory requirement, including under ISA and PEP Regulations.

We will give you reasonable notice of any changes to these Terms.

We may terminate your Account provided we give you a minimum of three months notice. Upon termination, unless otherwise agreed at the time, we will realise all your Units and will pay the proceeds, together with any other Cash in your Account, to you at your Nominated Bank Account.

### 15.3 If we cease to be an Account Manager

Your Account will close if we stop acting as an Account Manager. We shall give you reasonable written notice if we decide to do this. At the end of that notice period the Account will close but in the meantime you may withdraw or transfer Assets.

## 16. Indemnity

You will indemnify us and our Nominee against any liability or loss which we or our Nominee may suffer or incur (including taxes for which you are primarily liable and any expenses reasonably and properly incurred) in the proper course of administering your Account, except to the extent arising from any negligence, willful default or fraud on the part of ourselves or our Nominee.

## 17. Notices

Except as otherwise provided, notices to Cofunds should be sent to us at our Administration Address. Notices to you will be sent to your last known address and may be copied to your Nominated Intermediary.

## 18. Information for the Manager

You must give us all information which we reasonably request to manage your Account and tell us promptly if you change your permanent residential address or wish to change your Nominated Bank Account or Nominated Intermediary.

Instructions should generally be in writing and signed by you unless we agree otherwise.

## 19. Governing law

These Terms & Conditions are governed by and is to be construed in accordance with English law. The information contained in these terms and the Application is based on our understanding of current legislation and Inland Revenue practice and could be affected by changes in legislation and practice.

the independent fundmarket

## AEGON FUND MANAGEMENT UK LTD<sup>R</sup>

AEGON House, 3 Lochside Avenue, Edinburgh Park, Edinburgh, EH12 9SA

### AEGON Extra Income A Fund

Share type: **Acc & Inc** Fund type: **OEIC**

**Investment Aims** – To achieve a high level of income by investing in a portfolio consisting mainly of UK fixed interest bonds and preference shares, with some investment also in government and other public securities, convertibles and other permitted investments.

Depository **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>4,5,6,7,12,#</b>	<b>4.50%</b>	<b>1.00%</b>	<b>0.11%</b>	<b>5.30%</b>	<b>4.30%</b>

## ARTEMIS FUND MANAGERS LIMITED<sup>R</sup>

Cassini House, 57 St. James's Street, London SW1A 1LD

### Artemis European Growth Fund

Unit type: **Acc** Fund type: **Unit Trust**

**Investment Aims** – To provide long term capital growth through investment principally in companies in Europe.

Trustee **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,8</b>	<b>5.25%</b>	<b>1.50%</b>	<b>0.18%</b>	<b>4.54%</b>	<b>3.50%</b>

### Artemis UK Smaller Companies Fund

Unit type: **Acc** Fund type: **Unit Trust**

**Investment Aims** – The objective of the Fund is to provide long term capital growth by investment in companies listed, quoted and/or traded in the UK and in companies which are headquartered or have a significant part of their activities in the UK which are quoted on a regulated market outside the UK. Investment will be made in companies which primarily comprise the bottom 10% of the UK stock market. The fund aims to provide investors with a total return in excess of that of the Hoare Govett Smaller Companies Index (excluding investment companies).

Trustee **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>3,8</b>	<b>5.00%</b>	<b>1.50%</b>	<b>0.21%</b>	<b>4.42%</b>	<b>3.60%</b>

### Artemis UK Special Situations Fund

Unit type: **Acc** Fund type: **Unit Trust**

**Investment Aims** – To provide investors with a total return in excess of that of the FTSE Actuaries All-Share Index.

Trustee **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>3,8</b>	<b>5.25%</b>	<b>1.50%</b>	<b>0.15%</b>	<b>4.44%</b>	<b>3.50%</b>

## CAZENOVE INVESTMENT FUND MANAGEMENT LIMITED<sup>R</sup>

12 Moorgate, London EC2R 6DA

### Cazenove UK Growth and Income B Fund

Share type: **Acc & Inc** Fund type: **OEIC**

**Investment Aims** – To achieve long term capital and income growth through investment primarily in the United Kingdom. Investments will be made predominantly in UK equities, fixed interest and other securities.

Depository **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>2</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,8</b>	<b>3.50%</b>	<b>1.50%</b>	<b>0.15%</b>	<b>4.80%</b>	<b>3.80%</b>

**Special Risk Factors** – For a definition of 'Special Risk Factors' please refer to the notes at the end of this schedule.

#### Annual Charges and Expenses

- The annual charges and expenses are taken from income.
- The annual charges and expenses are taken from capital.
- The annual charges and expenses are taken from a mix of income and capital.

#### Effects of Charges & Expenses

\*\* The Reduced Investment Yield is calculated on a lump sum investment over 10 years assuming an underlying annual growth rate of 7% for ISAs/PEPs and 6% for Unit Trusts/OEICs (for illustration purposes only) based on Accumulation units/shares (where available) or Income units/shares with income distributions reinvested, unless otherwise stated. Dealing costs are not included. The expense rate has been reduced by any tax relief where available.

The Reduced Investment Yields quoted reflect the standard initial charges and do not take account of any discounts or commission waivers that may be available.

## DWS INVESTMENTS<sup>R</sup>

One Appold Street, London EC2A 2UT

### DWS UK Growth A Fund

Share type: **Acc & Inc** Fund type: **OEIC**

**Investment Aims** – To achieve long-term capital appreciation through investment primarily in UK equities quoted on the London Stock Exchange. Generally the Fund will invest in transferable securities traded on the London Stock Exchange, with power to invest in recently issued transferable securities which are to be so traded. The Fund will only invest in the securities and derivatives markets of the United Kingdom.

Depository **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>8,9</b>	<b>4.25%</b>	<b>1.50%</b>	<b>0.06%</b>	<b>4.80%</b>	<b>3.60%</b>

## FIDELITY INVESTMENTS SERVICES LIMITED<sup>R</sup>

Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent, TN11 9DZ

### Fidelity Special Situations A Fund

Share type: **Acc** Fund type: **OEIC**

**Investment Aims** – Fidelity Special Situations Fund is managed with the aim of achieving long-term capital growth by investing in an actively managed portfolio primarily of UK equities. It is a true stockpicking fund. Sector weightings are mainly the result of stock selection and can vary significantly from the benchmark FTSE All-Share Index.

Depository **J.P. Morgan Trustee and Depository Company Limited**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>3,8</b>	<b>3.50%</b>	<b>1.50%</b>	<b>0.18%</b>	<b>4.90%</b>	<b>3.70%</b>

## FIRST STATE INVESTMENTS (UK) LIMITED<sup>R</sup>

23 St Andrew's Square, Edinburgh EH2 1BB

### First State Asia Pacific Leaders A Fund

Share type: **Acc** Fund type: **OEIC**

**Investment Aims** – The fund aims to achieve long-term capital growth. The fund invests in large and mid capitalisation equities in the Asia Pacific region (excluding Japan, including Australasia).

Trustee **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>1,2,3,8</b>	<b>4.00%</b>	<b>1.50%</b>	<b>0.22%</b>	<b>4.75%</b>	<b>3.77%</b>

### First State Global Emerging Markets Leaders A Fund

Share type: **Acc** Fund type: **OEIC**

**Investment Aims** – The fund aims to achieve long-term capital growth. The fund invests in large and mid capitalisation equities in emerging economies, including those companies listed on developed market exchanges whose activities predominantly take place in emerging market countries.

Depository **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>1,2,3,8</b>	<b>4.00%</b>	<b>1.50%</b>	<b>0.34%</b>	<b>4.62%</b>	<b>3.64%</b>

## FRAMLINGTON UNIT MANAGEMENT LIMITED<sup>R</sup>

155 Bishopsgate, London EC2M 3FT

### Framlington Health Fund

Unit type: **Acc & Inc** Fund type: **Unit Trust**

**Investment Aims** – To achieve capital growth through investment in healthcare and medical services and product companies worldwide. The policy of the Trust is to invest subject to ethical guidelines. Investment will be in producers of pharmaceuticals, bio-technology firms, medical device and instrument manufacturers, distributors of healthcare products, care providers and Managers and other healthcare services companies.

Trustee **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,3,8</b>	<b>5.50%</b>	<b>1.50%</b>	<b>0.14%</b>	<b>4.49%</b>	<b>3.52%</b>

**Health warning:** The Fund's investment in companies fulfilling current medical needs is regarded as adopting a positive ethical stance, although investors should be aware that pharmaceutical companies are required by law to test their products on animals before entering clinical trials.

**R** This company supports ISA/PEP fund re-registration.

the independent fundmarket

## Framlington UK Select Opportunities Fund

Unit type: **Acc & Inc** Fund type: **Unit Trust**

**Investment Aims** - To achieve capital growth by investing in companies, primarily of UK origin, where the Manager believes above average returns can be realised.

Trustee <b>The Royal Bank of Scotland plc</b>					
Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,3</b>	<b>5.00%</b>	<b>1.50%</b>	<b>0.17%</b>	<b>4.81%</b>	<b>3.86%</b>

## Framlington UK Smaller Companies Fund

Unit type: **Acc & Inc** Fund type: **Unit Trust**

**Investment Aims** - To provide capital growth by investing principally in quoted UK smaller companies.

Trustee <b>The Royal Bank of Scotland plc</b>					
Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>3,8</b>	<b>5.25%</b>	<b>1.50%</b>	<b>0.12%</b>	<b>4.55%</b>	<b>3.67%</b>

## GARTMORE FUND MANAGERS LIMITED<sup>R1</sup>

8 Fenchurch Place, London EC3M 4PH

## Gartmore European Selected Opportunities Ret A Fund

Unit type: **Acc** Fund type: **OEIC**

**Investment Aims** - The Fund is designed to achieve the highest possible capital growth from an actively managed portfolio of European investments. Income yield is of secondary importance and is likely to be minimal.

Depository <b>Citicorp Trustee Company Limited</b>					
Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>2</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,3,8</b>	<b>5.00%</b>	<b>1.50%</b>	<b>0.16%</b>	<b>4.60%</b>	<b>4.00%</b>

## Gartmore UK Focus Ret A Fund

Share type: **Acc** Fund type: **OEIC**

**Investment Aims** - To provide the highest possible capital return from a concentrated portfolio of companies domiciled, operating or generating revenue in the United Kingdom. Income yield is not a consideration.

Depository <b>The Royal Bank of Scotland plc</b>					
Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>3,8,11</b>	<b>5.00%</b>	<b>2.00%</b> <sup>♦</sup>	<b>0.17%</b>	<b>3.90%</b>	<b>3.00%</b>

## Gartmore US Opportunities Retail Fund

Unit type: **Acc** Fund type: **OEIC**

**Investment Aims** - To achieve long term capital growth from a portfolio primarily made up of the quoted shares of North American companies.

Depository <b>HSBC Bank plc</b>					
Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,8,11</b>	<b>5.00%</b>	<b>1.50%</b>	<b>0.14%</b>	<b>4.50%</b>	<b>3.70%</b>

## HENDERSON GLOBAL INVESTORS

4 Broadgate, London EC2M 2DA

## Henderson European Capital Growth A Fund

Share type: **Acc** Fund type: **OEIC**

**Investment Aims** - To provide capital growth by investing in European companies, excluding the United Kingdom. The Fund is not restricted in the size of companies in which it can invest.

Depository <b>J.P. Morgan Trustee and Depository Company Limited</b>					
Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,3,8</b>	<b>5.00%</b>	<b>1.50%</b>	<b>0.08%</b>	<b>4.78%</b>	<b>3.80%</b>

## INVESCO FUND MANAGERS LIMITED<sup>R1</sup>

30 Finsbury Square, London, EC2A 1AG

## INVESCO PERPETUAL Corporate Bond Fund

Unit type: **Acc & Inc** Fund type: **OEIC**

**Investment Aims** - The INVESCO PERPETUAL Corporate Bond Fund is invested to achieve a high level of overall return, with relative security of capital. It is invested mainly in fixed interest securities. It may also include other investments that the Manager considers appropriate. The fund will not invest in any instrument which gives rise to a stamp duty liability.

Depository <b>Citicorp Trustee Company Limited</b>					
Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 5% to** (UTs & OEICs)
<b>2,4,6,7</b>	<b>5.00%</b>	<b>1.00%</b>	<b>0.18%</b>	<b>4.20%</b>	<b>2.90%</b>

## INVESCO PERPETUAL High Income Fund

Unit type: **Acc & Inc** Fund type: **OEIC**

**Investment Aims** - The INVESCO PERPETUAL High Income Fund is invested to achieve high income from international securities. The fund is invested mainly in high yielding international securities (equities, convertibles and other fixed interest securities), although it may include other investments that the Manager considers appropriate. We believe that, within the policy of international investment, this objective of high income can at present be best achieved by investing in the UK.

Depository <b>Citicorp Trustee Company Limited</b>					
Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>2</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>1,2,4, 5,8,#</b>	<b>5.00%</b>	<b>1.25%</b>	<b>0.15%</b>	<b>4.90%</b>	<b>3.80%</b>

## INVESTEC ASSET MANAGEMENT<sup>R1</sup>

2 Gresham Street, London EC2V 7QP

## Investec American A Fund

Share type: **Acc** Fund type: **OEIC**

**Investment Aims** - The Fund aims to achieve long term capital growth primarily through investment in a portfolio of USA companies.

Depository <b>Citicorp Trustee Company Limited</b>					
Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,8</b>	<b>4.50%</b>	<b>1.50%</b>	<b>0.14%</b>	<b>4.66%</b>	<b>3.68%</b>

## ISIS INVESTMENT MANAGER PLC

100 Wood Street, London, EC2V 7AN

## ISIS Strategic Bond Fund

Share type: **Acc & Inc** Fund type: **OEIC**

**Investment Aims** - The fund aims to produce a high income by investing in corporate bonds and other fixed interest securities.

Depository <b>Citicorp Trustee Company Limited</b>					
Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>2</sup>	Additional Charges & Expenses <sup>2</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>1,4,5, 6,7,10, 12,#</b>	<b>5.00%</b>	<b>1.00%</b>	<b>0.16%</b>	<b>5.40%</b>	<b>4.50%</b>

## JPMORGAN FLEMING ASSET MANAGEMENT<sup>R1</sup>

16-22 Western Road, Romford, Essex RM1 3LB

## JPMF Japan A Fund

Share type: **Acc** Fund type: **OEIC**

**Investment Aims** - To provide capital growth over the long term by investing primarily in the shares of Japanese companies.

Depository <b>The Royal Bank of Scotland plc</b>					
Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,3,8</b>	<b>5.50%</b>	<b>1.50%</b>	<b>0.13%</b>	<b>4.60%</b>	<b>3.80%</b>

**Special Risk Factors** - For a definition of 'Special Risk Factors' please refer to the notes at the end of this schedule.

### Annual Charges and Expenses

- The annual charges and expenses are taken from income.
- The annual charges and expenses are taken from capital.
- The annual charges and expenses are taken from a mix of income and capital.

### Effects of Charges & Expenses

\*\* The Reduced Investment Yield is calculated on a lump sum investment over 10 years assuming an underlying annual growth rate of 7% for ISAs/PEPs and 6% for Unit Trusts/OEICs (for illustration purposes only) based on Accumulation units/shares (where available) or Income units/shares with income distributions reinvested, unless otherwise stated. Dealing costs are not included. The expense rate has been reduced by any tax relief where available.

The Reduced Investment Yields quoted reflect the standard initial charges and do not take account of any discounts or commission waivers that may be available.

♦ If the fund has not achieved top quartile performance, Gartmore will rebate 0.75% of the AMC. For full details, please see notes at the back of this document.

**R1** All Gartmore funds support ISA/PEP fund re-registration, however Gartmore Govett funds do not currently offer ISA/PEP fund re-registration.

**R** This company supports ISA/PEP fund re-registration.

① INVESCO PERPETUAL will not accept mixed transfers (i.e. a combination re-registration and cash transfers) on the same plan.

♦ The Reduced Investment Yield is calculated on a lump sum investment over 10 years assuming an underlying annual growth rate of 6% for ISAs/PEPs and 5% for Unit Trusts/OEICs (for illustration purposes only) based on Accumulation units/shares (where available) or Income units/shares with income distributions reinvested, unless otherwise stated. Dealing costs are not included. The expense rate has been reduced by any tax relief where available.

the independent fundmarket

## JPMF Natural Resources A Fund

Share type: **Acc** Fund type: **OEIC**

**Investment Aims** - To invest in a portfolio of shares in companies throughout the world engaged in the production and marketing of commodities. The Fund aims to provide capital growth over the long term.

Trustee **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,8</b>	<b>5.50%</b>	<b>1.50%</b>	<b>0.17%</b>	<b>4.70%</b>	<b>4.00%</b>

## JUPITER UNIT TRUST MANAGERS LIMITED<sup>R</sup>

PO Box 300, West Malling, Kent, ME19 4YY

### Jupiter Emerging European Opportunities Fund

Unit type: **Acc** Fund type: **Unit Trust**

**Investment Aims** - To achieve long-term capital growth through investment primarily in Central and Eastern Europe.

Trustee **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	Additional Charges & Expenses	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,3, 8,11</b>	<b>5.50%</b>	<b>1.50%</b>	<b>TBA</b>	<b>4.50%</b>	<b>3.41%</b>

### Jupiter European Fund

Unit type: **Inc** Fund type: **Unit Trust**

**Investment Aims** - To achieve long-term capital growth from investment in companies quoted on a European Stock Exchange.

Trustee **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	Additional Charges & Expenses	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,8</b>	<b>5.00%</b>	<b>1.50%</b>	<b>TBA</b>	<b>4.50%</b>	<b>3.80%</b>

### Jupiter Financial Opportunities Fund

Unit type: **Inc** Fund type: **Unit Trust**

**Investment Aims** - To achieve long-term capital growth principally through investment in equities of financial sector companies on an international basis.

Trustee **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	Additional Charges & Expenses	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,8,11</b>	<b>5.25%</b>	<b>1.50%</b> <sup>1</sup>	<b>0.28%</b> <sup>1</sup>	<b>4.50%</b>	<b>3.60%</b>

### Jupiter Income Trust

Unit type: **Inc** Fund type: **Unit Trust**

**Investment Aims** - To produce a high income, increasing at least in line with inflation, from a managed portfolio chiefly invested in UK equities and fixed interest stocks although with some overseas exposure.

Trustee **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	Additional Charges & Expenses	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>1,8,#</b>	<b>5.00%</b>	<b>1.50%</b> <sup>2</sup>	<b>0.24%</b> <sup>1</sup>	<b>4.50%</b>	<b>3.60%</b>

## LEGAL & GENERAL UNIT TRUST MANAGERS LIMITED<sup>RO</sup>

Bucklersbury House, 3 Queen Victoria Street, London EC4N 8TP

### Legal & General High Income Trust

Unit type: **Acc & Inc** Fund type: **Unit Trust**

**Investment Aims** - To invest in a variety of fixed interest securities, including overseas issues, in order to achieve a high income. Securities selected will normally be of an investment rating commensurate with the objective.

Trustee **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>4,6,7, 12,#</b>	<b>0.00%</b>	<b>1.00%</b>	<b>0.00%</b>	<b>5.90%</b>	<b>5.70%</b>

### Legal & General Japanese Trust

Unit type: **Acc & Inc** Fund type: **Unit Trust**

**Investment Aims** - To maximise capital growth by investing directly or indirectly into a portfolio of Japanese securities, which may be selected from all economic sectors. The manager will invest in a broadly based, actively managed portfolio, which reflects Japanese corporate activity. The emphasis will be on capital growth rather than income.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,6,8</b>	<b>0.00%</b>	<b>1.50%</b>	<b>0.08%</b>	<b>5.30%</b>	<b>4.30%</b>

## LEGG MASON INVESTMENTS PLC<sup>R</sup>

Block C, Western Avenue, Lynchwood, Peterborough PE2 6PA

### Legg Mason Japan Equity A Fund

Unit type: **Acc** Fund type: **OEIC**

**Investment Aims** - The objective of this Fund is to achieve capital growth through investment in securities of Japanese companies.

Trustee **HSBC Bank plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,3,8</b>	<b>4.25%</b>	<b>1.50%</b>	<b>0.33%</b>	<b>4.65%</b>	<b>3.67%</b>

### Legg Mason US Equity A Fund

Unit type: **Acc** Fund type: **OEIC**

**Investment Aims** - The objective of this Fund is to achieve capital growth, principally through investment in securities of US issuers.

Trustee **HSBC Bank plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,8</b>	<b>4.25%</b>	<b>1.50%</b>	<b>0.33%</b>	<b>4.52%</b>	<b>3.54%</b>

## LINCOLN UNIT TRUST MANAGERS LIMITED

Barnett Way, Barnwood, Gloucester, GL4 3RZ

### Lincoln Far East Trust

Unit type: **Inc** Fund type: **Unit Trust**

**Investment Aims** - Investment in Far East countries and Australasia, excluding Japan, with a view to obtaining capital growth.

Trustee **HSBC Bank plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>1,2,3,8</b>	<b>5.25%</b>	<b>1.25%</b>	<b>0.35%</b>	<b>5.10%</b>	<b>4.20%</b>

## LIONTRUST INVESTMENT FUNDS LIMITED<sup>R</sup>

PO Box 43288, London E14 9TJ

### Liontrust First Income Fund

Unit type: **Inc** Fund type: **Unit Trust**

**Investment Aims** - The investment objective of the Liontrust First Income Fund is to provide a high level of income, with capital values keeping pace with inflation.

Trustee **Deutsche Trustee Company Limited**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>2</sup>	Additional Charges & Expenses <sup>2</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>1,8,#</b>	<b>5.00%</b>	<b>1.50%</b>	<b>0.06%</b>	<b>4.55%</b> (income distributed) <b>4.65%</b> (income reinvested)	<b>3.57%</b> (income distributed) <b>3.67%</b> (income reinvested)

## M&G SECURITIES LIMITED

PO Box 6108, Basildon, SS15 5ZZ

### M&G Strategic Corporate Bond X Fund

Share type: **Acc & Inc** Fund type: **OEIC**

**Investment Aims** - The Fund aims to maximise total return (the combination of income and growth of capital) through investment predominately in investment grade corporate bonds, but may invest in other debt instruments, including higher yielding corporate bonds, government debt and convertible and preference stocks, as well as money market instruments and equities.

Trustee **JP Morgan Trustee and Depository Company Limited**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>4,5,6, 7,12</b>	<b>3.00%</b>	<b>1.25%</b>	<b>0.22%</b>	<b>5.00%</b>	<b>4.30%</b>

<sup>O</sup> Holdings in these funds are only available for re-registration where no initial commission was paid on the original investment.

<sup>R</sup> This company supports ISA/PEP fund re-registration.

<sup>TBA</sup> To be advised by the Fund Manager.

**Special Risk Factors** - For a definition of 'Special Risk Factors' please refer to the notes at the end of this schedule.

#### Annual Charges and Expenses

- The annual charges and expenses are taken from income.
- The annual charges and expenses are taken from capital.
- The annual charges and expenses are taken from a mix of income and capital.

#### Effects of Charges and Expenses

\*\* The Reduced Investment Yield is calculated on a lump sum investment over 10 years assuming an underlying annual growth rate of 7% for ISAs/PEPs and 6% for Unit Trusts/OEICs (for illustration purposes only) based on Accumulation units/shares (where available) or Income units/shares with income distributions reinvested, unless otherwise stated. Dealing costs are not included. The expense rate has been reduced by any tax relief where available.

The Reduced Investment Yields quoted reflect the standard initial charges and do not take account of any discounts or commission waivers that may be available.

the independent fundmarket

## NEW STAR INVESTMENT FUNDS LIMITED<sup>R</sup>

1 Knightsbridge Green, London, SW1X 7NE

### New Star European Growth Fund

Share type: **Acc** Fund type: **OEIC**

**Investment Aims** – To seek long term capital growth principally through investment in the securities of European companies.

Depository **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	Additional Charges & Expenses	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,8</b>	<b>5.25%</b>	<b>1.50%</b>	<b>0.60%</b> <sup>1</sup>	<b>4.20%</b>	<b>3.20%</b>

### New Star Higher Income Fund

Share type: **Inc** Fund type: **OEIC**

**Investment Aims** – To achieve increasing distributions with the potential of long term capital growth principally through investment in the securities of UK companies.

Depository **The Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	Additional Charges & Expenses	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>1,8,#</b>	<b>5.25%</b>	<b>1.50%</b>	<b>TBA</b>	<b>4.20%</b>	<b>3.20%</b>

## OLD MUTUAL FUND MANAGERS LIMITED<sup>R†</sup>

80 Cheapside, London EC2V 6LS

### Old Mutual UK Select Mid Cap Fund\*

Unit type: **Acc & Inc** Fund type: **Unit Trust**

**Investment Aims** – To provide capital growth from investing in a portfolio of medium sized UK companies which are typically members of the FTSE 250 Index.

Trustee **HSBC Bank plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>3,8,11</b>	<b>4.00%</b>	<b>1.50%</b>	<b>0.08%</b>	<b>5.10% (acc)</b>	<b>4.10% (acc) 4.80% (inc)</b>

## RATHBONE UNIT TRUST MANAGEMENT LIMITED<sup>R</sup>

159 New Bond Street, London W1S 2UD

### Rathbone Income Fund

Unit type: **Inc** Fund type: **Unit Trust**

**Investment Aims** – To achieve above average and maintainable income but without neglecting capital security and growth, through the purchase of UK ordinary shares with an above average yield. There is no restriction on the economic sectors or geographical areas in which the fund may invest. However investments will always be predominantly in the ordinary shares of UK companies.

Trustee **Bank of New York Trust & Depository Co. Limited**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>2</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>1,5,#</b>	<b>5.50%</b>	<b>1.50%</b>	<b>0.10%</b>	<b>4.40%</b>	<b>3.50%</b>

## SCHRODER INVESTMENTS LIMITED<sup>R</sup>

31 Gresham Street, London EC2V 7QA

### Schroder UK Alpha Plus Fund

Unit type: **Acc & Inc** Fund type: **Unit Trust**

**Investment Aims** – The fund's investment objective is to provide capital growth through investment in UK and other companies. In order to achieve the objective the Manager will invest in a focussed portfolio of securities.

Trustee **J.P. Morgan Trustee and Depository Company Limited**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>2</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>8,11</b>	<b>5.25%</b>	<b>1.50%</b>	<b>0.09%</b>	<b>5.10%</b>	<b>3.90%</b>

<sup>R</sup> This company supports ISA/PEP fund re-registration.

<sup>†</sup> Please note for all Old Mutual Funds the Reduced Investment Yield is for £1,000.

\* Please note the Inc Fund is no longer available for Wrapped Products.

**Special Risk Factors** – For a definition of 'Special Risk Factors' please refer to the notes at the end of this schedule.

#### Annual Charges and Expenses

- The annual charges and expenses are taken from income.
- The annual charges and expenses are taken from capital.
- The annual charges and expenses are taken from a mix of income and capital.

#### Effects of Charges & Expenses

\*\* The Reduced Investment Yield is calculated on a lump sum investment over 10 years assuming an underlying annual growth rate of 7% for ISAs/PEPs and 6% for Unit Trusts/OEICs (for illustration purposes only) based on Accumulation units/shares (where available) or Income units/shares with income distributions reinvested, unless otherwise stated. Dealing costs are not included. The expense rate has been reduced by any tax relief where available.

The Reduced Investment Yields quoted reflect the standard initial charges and do not take account of any discounts or commission waivers that may be available.

## SOCIETE GENERALE INVESTMENT FUNDS LIMITED<sup>R</sup>

100 Ludgate Hill, London EC4M 7NL

### SG Technology Retail Fund

Unit type: **Acc** Fund type: **OEIC**

**Investment Aims** – The objective of the Fund is to achieve capital growth through investing in an international portfolio of securities of companies involved in high technology industries.

Trustee **Bank of New York Trust & Depository Co Limited**

Special Risk Factors	Standard Initial Charge	Annual Management Charge <sup>1</sup>	Additional Charges & Expenses <sup>1</sup>	Effect of Charges & Expenses Reduced Investment Yield from 7% to** (ISA/PEP)	Effect of Charges & Expenses Reduced Investment Yield from 6% to** (UTs & OEICs)
<b>2,3,8,11</b>	<b>5.25%</b>	<b>1.75%</b>	<b>0.51%</b>	<b>4.20%</b>	<b>3.10%</b>

## Notes:

### Yields

The latest estimated yields and buying and selling prices can be found in the Financial Times or Daily Telegraph under the listings for the respective Fund Management groups. Yields may fluctuate.

### Special Risk Factors

- Part, or all, of the Manager's annual management charge may be charged to the capital, rather than the income of the fund, which could reduce the potential for capital growth.
- Funds holding non-sterling designated assets will be impacted by exchange rate fluctuations.
- Investments in certain funds, including emerging markets, smaller companies and technology stocks tend to be volatile and can suffer from partial or total illiquidity, which may lead to considerable price fluctuations and the inability to redeem your investment. In addition, investments in emerging markets are usually considered to carry a greater degree of risk relating to dealing, settlement and custody practices, than investments in established markets.
- Where a Fund has holdings in fixed interest securities these are likely to be impacted by changes in interest rates and/or inflationary expectations.
- Where an investment objective is to provide income, when income is paid out, there is a minimal potential for capital growth especially over the medium to long term.
- Any adverse changes to perceived or actual solvency of organisations in which the Fund invests may affect the Fund's capital and therefore, any income paid by the Fund. In particular, high yield bonds pose a greater risk of capital loss through default.
- For Funds comprising mainly of Bonds, the Gross Redemption Yield is normally quoted after all charges, but before tax has been deducted.
- Whilst equity investments carry potential for greater returns over the long term, the volatility on these returns can also be greater and the value of your capital is not guaranteed.
- The use of derivatives may increase volatility and can cause disproportionate price fluctuations.
- The capital value of income shares and zeros is at risk if the capital growth of the underlying portfolio is inadequate.
- These funds can invest across markets and/or sectors but hold a highly concentrated portfolio of stocks. Whilst increasing potential reward, the very concentrated nature of these funds and the lack of diversification can substantially increase risk.
- Where a Bond fund income/running yield is greater than redemption yield this may erode capital.
- Where the main objective of the fund is to provide an income, the level of income is not guaranteed.

- The Nasdaq-100<sup>®</sup>, Nasdaq-100 Index<sup>®</sup>, Nasdaq Composite<sup>®</sup> and Nasdaq<sup>®</sup> are trade or service marks of The Nasdaq Stock Market, Inc. (which with its affiliates are the Corporations) and are licensed for use by Framlington Group Limited. The product(s) have not been passed on by the Corporations as to their legality or suitability. The product(s) are not issued, endorsed, sold, or promoted by the Corporations. The Corporations make no warranties and bear no liability with respect to the product(s).
- At the end of each year the unit price of the relevant Focus fund over that previous year of investment will be compared against the price of the other authorised funds which compile the relevant Focus fund's Standard & Poor's Microcap peer group Sector. Comparisons with peers will be based on fund prices on an offer to offer basis with income reinvested or accumulated. If the relevant Focus fund does not perform within the top 25% for that month then Gartmore will make a rebate to the Focus fund. This rebate will reduce its management fee for that one month period to an effective annual management fee of 1.25%. Whether such rebate is made will be determined by a monthly calculation to compare on a continuing rolling year basis the investment return of the relevant Focus fund against its Standard & Poor's Microcap peer group Sector. Any rebate of the annual management fee will usually be effected on the fifth working day of each month with the consequential adjustment to the unit price of the relevant Focus fund.

### Key

- Acc = Accumulation units/shares
  - Inc = Income units/shares
- N.B. Where a Fund Manager is the operator of an Open Ended Investment Company (OEIC) it is important to note that although each sub-fund within the OEIC will be treated as being responsible for meeting its own liabilities, the Authorised Corporate Director may reallocate these in a manner which is fair to all the OEIC investors if any such sub-fund is unable to meet its liabilities. A shareholder will not, however, be liable for the debts of the OEIC after paying the purchase price of the shares.
- All Fund information has been provided by the respective Fund Managers.
- Please note that Cofunds only offer retail funds. The information supplied within this document is as accurate and current as we can make it, but we cannot guarantee that the status of any individual fund has not changed since this document was published on 6 June 2004.

**The funds included in this document have been chosen by Chelsea Financial Services PLC, your Nominated Intermediary. They represent a selection of funds available on the Cofunds platform. Cofunds cannot advise you on which funds to choose or whether the funds offered by Chelsea Financial Services PLC are appropriate for you.**



**CHELSEA FINANCIAL SERVICES**

ST JAMES' HALL, MOORE PARK ROAD, LONDON SW6 2JS

Registered in England No. 1728085

Brochure line: 0800 071 3333 Main Office: 020 7384 7300