

Viewpoint

THE MAGAZINE FOR CHELSEA INVESTORS

ISSUE 33 MARCH 2013

LANDS OF OPPORTUNITY

Diversify your portfolio
with **global funds**

American opportunities
– exploring North and South

Supermarket **Re-registration**
is here ...now it's even easier
to move to **FundStore**



CHELSEA
Investment Intelligence™

Welcome to Viewpoint. It's a big world out there.

Welcome to our spring edition of Viewpoint. It's packed full of ideas for those of you keen to utilise your ISA allowance before the 5th April and those of you who are already looking ahead to the new tax year. Please read the covering letter carefully as it provides information on how to access the key features for both Chelsea FundStore and the underlying funds.



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

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



4 **ISA Update** Offers a brief reminder of the important ISA **deadlines** for this year.



5 **Market View** Chelsea Managing Director Darius McDermott takes a topical look at the investment world.

*Experienced investor
...just looking for some guidance?*

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

6 To make it as easy as possible to invest in a **Junior ISA** our research team has produced three Junior EasyISA portfolios to help you maximise returns.

11 An introduction to the **Chelsea research tables** which are the heart of our business.

IMPORTANT NOTICE Past performance is not a reliable guide to future returns. Market and exchange rate movements may cause the value of investments to go down as well as up. Yields will fluctuate and so income from investments is variable and not guaranteed. You may not get back the amount originally invested. Tax treatment depends of your individual circumstances and may be subject to change in the future. 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 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 Plan Manager for the FundStore (formerly the Chelsea Portfolio), the Chelsea EasyISA and the Chelsea Junior EasyISA. Unless stated otherwise all performance figures have been sourced from FE Analytics, bid to bid, net income reinvested on 01/01/2013 and are believed to be correct.

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



12-17 The Chelsea Core Selection - a list of funds, chosen from the Chelsea Selection, that we think should be at the heart of investors' portfolios.

20-21 The Chelsea Selection - the hundred or so funds that we have identified as worthy of consideration for investors. These funds might be particularly interesting to more experienced investors who are building their own ISA and non-ISA portfolios.

18-19 Core Selection Spotlight is a regular in-depth look at two of the funds that feature in the Chelsea Core Selection. This issue covers **Threadneedle European Select** and **Schroder UK Alpha Plus**.

22-23 The **RedZone** details poor-performing funds across various sectors and the **DropZone** highlights the ten worst-performing funds versus their peer group.

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

24-27 On the cover: We ask managers from **AXA** and **Fidelity** to discuss the economies of North and South America and get a perspective on global diversification from **Fundsmith** and **First State**.



33 Free switching - get rid of poor-performing funds and save money



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

28-29 Chelsea's Harry Driscoll discusses some current tax-efficient **VCT** investments.



35 Looks at how you could benefit from the new 'supermarket-to-supermarket' **transfer rules** that came into effect at the start of 2013.

30-31 Outlines the benefits of using our **FundStore** to invest, monitor and manage your portfolio.



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

36-46 This section is our **FundStore**, which contains all the **application forms** you need to make your investment. There's a separate form for re-registration, as well as forms for any type of investment you want to make - EasyISAs, Junior ISAs, a DIY portfolio or non-ISA investments. **If you're in doubt about which form to use, call us on 020 7384 7300.**

ISA UPDATE

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

Make the most of your **ISA allowance**



Your ISA allowances are as follows:

2012/13 TAX YEAR

You can invest up to **£11,280** into your Investment ISA.

2013/14 TAX YEAR

The ISA limit will be increased in line with inflation and will rise to **£11,520** for the 2013/14 tax year.

If you're investing monthly, you can increase your contribution up to **£960 per month** by simply sending us a written instruction or telephoning 020 7384 7300.

TAX BENEFITS OF INVESTMENT ISAS:

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

Don't forget...

MARKET-LEADING DISCOUNTS

Every fund in the Viewpoint is available at 0% initial charge within your ISA, saving you up to £620 on an investment of £11,280.

THE CHELSEA JUNIOR ISA

Our Junior ISA is an excellent way for family and friends to build up tax-efficient savings to help with the cost of university, provide a deposit for a house or simply give children a great start in life. See page 6 for more details or go to our website www.chelseafs.co.uk/JuniorISA where you can download our new Junior ISA guide. A Junior ISA application form can be found on page 41.

Keep up-to-date

Do you want to receive our regular newsletters via email? Please enter your e-mail address in the relevant section on the home page of our website or telephone us and we'll do it for you.

PAPER-BASED APPLICATIONS

5th APRIL 2013 - MIDDAY

TELEPHONE (WITH DEBIT CARD)

5th APRIL 2013 - 10PM

ONLINE (WITH DEBIT CARD)

5th APRIL 2013 - 11.30PM

UNIT TRUST TO ISA SWITCHES

1ST APRIL 2013

JUNIOR ISA

5th APRIL 2013 - MIDDAY



SAM HOLDER
Operations Director,
Chelsea

Three easy ways to buy your ISA:



Call us on
020 7384 7300



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



Send us a **form**
EasyISA - go to page 37
DIY ISA - go to page 39
Junior ISA - go to page 41

DARIUS MCDERMOTT'S

Market View

I think many in the UK will look back on 2012 with some affection. The country came together to celebrate the Queen's Jubilee, albeit getting rather soaked in the process, but then again that just rekindles the British spirit. An Englishman won the Tour de France. Then we did really quite a good job at hosting the Olympics and it wasn't just the athletes who did us proud, but the organisers and volunteers too. However, it is investors who will have had most to celebrate in 2012 because, whilst most of the country is probably still unaware, last year produced some strong returns for those who held equities.

LOOKING BACK

An initial rally on the back of LTRO was fairly short lived and in March markets returned to worrying about Europe. Markets declined globally, but most noticeably in Europe, which fell sharply. At this point, Draghi stepped in to save the day and, with his comforting words, markets heaved a sigh of relief and started to climb steadily, leaving investors in virtually all markets sitting on some impressive gains for the year. In fact, barring a few laggards (notably Brazil, Japan and Russia), double digit returns were seen across most markets. Europe provided strong gains, with the Euro Stoxx 50 up over 15% in 2012, but had you invested in India you would have seen returns of over 20%.

So, all in all, 2012 wasn't as bleak as anticipated. Greece remained in the euro, Obama retained his job and China, France and Japan all had leadership changes. The US even managed to find a last minute, albeit temporary, solution to the fiscal cliff.

TOMORROW'S WORLD

Commentators remain divided, although the optimists now outnumber the doom and gloom merchants. Global growth is slowly recovering, although the debt hangover will continue to dampen many economies. There remain on the horizon a number of stumbling blocks. Firstly, the debt ceiling remains an issue in the US. The US has recovered fairly strongly over the last year, with consumer confidence returning, an up-tick in lending, recovery in the housing market, re-shoring of businesses and cheaper energy prices (see page 24). Whilst a last-minute detour was taken around the fiscal cliff, the US still needs to address its deficit, which, given the political stalemate, seems unlikely to be easily resolved. Furthermore, it will soon have to negotiate an increase in the debt ceiling and this could cause market jitters. However, the US seems to be recovering quite well, so any wobble may provide a good entry point for those investors who haven't yet participated in its recovery.

Draghi has largely stabilised the European government debt market for the time being. However, European growth is likely to remain muted at best. General elections are due shortly in Italy and in September in Germany, so markets are likely to be hesitant with this uncertainty. Merkel will be unwilling to make contentious decisions prior to the election, so I suspect that negotiations on banking union are likely to be protracted. The periphery are still struggling under the weight of their deficit-reduction programmes and consequent high unemployment. However, there has been a shift towards more accommodative policies and this, along with a soft landing in China, should start to pull Europe slowly to economic recovery.

In the UK, we will welcome a new governor to the Bank of England this year. He certainly has his work cut out, as growth is likely to remain pretty anaemic for quite some time, whilst the government continues to repair its balance sheet. However, as we saw last year, UK stocks can still outperform.

Emerging markets may perform well this year. Much of the nervousness surrounding the potential for a 'hard landing' in China has dissipated. Investors have largely been avoiding emerging markets in their flight to safety so, if confidence returns, we could see some strong gains here. Japan has started to outperform in recent weeks; with over 430 companies trading at a discount to book value it is surely ripe for a revaluation.



We are seeing investors, who have for so long hidden in more cautious assets, such as bonds, return to equities. Indeed, the Merrill Lynch Global Research 2013 Market Outlook maintains that equities should be the best-performing asset class this year. We remain cautious on bonds and do not expect the strong gains we have seen from them in previous years. Some value remains in BBB, but those invested in corporate bonds should not expect to gain much more than the yield and, should there be a strong return to risk assets, those invested in gilts may well see a capital loss.

I would like to reiterate the need for diversification. It's important to mitigate risk via global diversification, not only because different stock markets will outperform or underperform at various times, but also because currencies will do the same. Sterling is likely to remain weak for quite some time, so it is crucial to gain access to other currencies, which may well outperform, compounding returns. ■

“Despite the UK's double-dip recession in 2012, the FTSE All-Share rose by 12.3%, which goes to prove what we often state here; that there is frequently a dislocation between GDP growth and stock-market growth.”

DARIUS MCDERMOTT
Managing Director, Chelsea



THE CHELSEA Junior EasyISA

The Junior ISA is a version of the long-standing and popular ISA but aimed at parents, guardians and grandparents who wish to save for a child's future. There are subtle differences, one being the annual contribution limit, which is being increased from £3,600 to £3,720 for the 2013/14 tax year. However, the ISA advantages of no capital gains tax and no further liability to income tax are the same.

WHY SHOULD YOU USE THE JUNIOR ISA ALLOWANCE?

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

UNSURE WHERE TO INVEST?

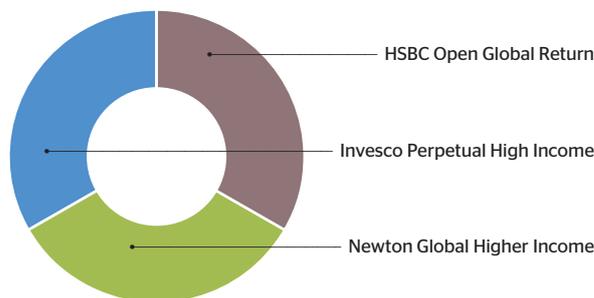
To make it as easy as possible to invest in a Junior ISA, our research team has produced three Junior EasyISA portfolios to help you maximise returns over the long term.

Please note: the portfolios are each split equally between three funds.

Cautious Portfolio

AVERAGE CHELSEA RISK RATING	● 4.3
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.33% 0%

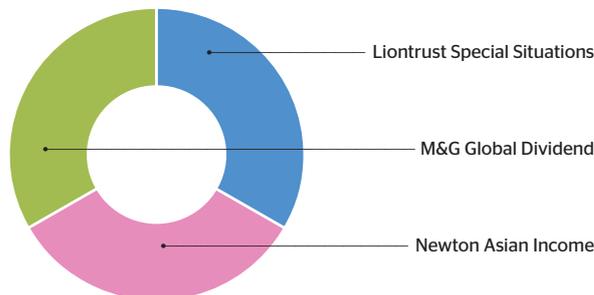
The cautious portfolio is designed to provide steady capital growth through well-diversified investment in a broad range of asset classes and a variety of regions. As a result, the portfolio aims to reduce volatility but still holds over 70% in equities.



Balanced Portfolio

AVERAGE CHELSEA RISK RATING	● 6.5
AVERAGE ANNUAL MANAGEMENT CHARGE	1.58%
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.83% 0%

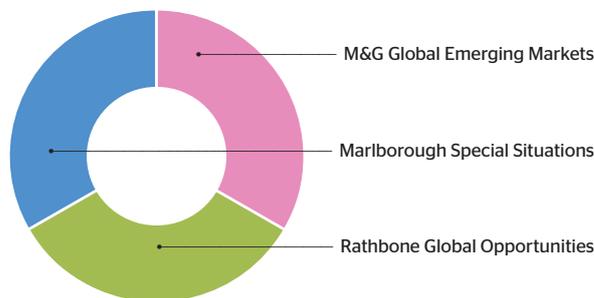
Those investors prepared to take a moderate level of risk and aiming to generate a return on capital through a mix of growth and income should opt for the balanced portfolio. The portfolio primarily invests in developed Asia and UK equity markets, although it is exposed to other regions such as the US,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



Aggressive Portfolio

AVERAGE CHELSEA RISK RATING	● 8.3
AVERAGE ANNUAL MANAGEMENT CHARGE	1.5%
INITIAL CHARGE AFTER CHELSEA DISCOUNT	1.50% 0%

The portfolio aims to maximise capital growth by investing in a mix of UK, emerging market and global equities. Consequently, investors should be willing to accept a higher degree of risk and volatility due to the nature of the underlying investments in these regions, particularly in emerging markets.



HOW DO I INVEST?

An application form can be found on page 41. Please take a look at the KIIDs online before you invest (see covering letter for details). You will also find further information on our website at www.chelseafunds.co.uk/JuniorISA, where you can download our new Junior ISA guide.

Please note that children with Child Trust Funds cannot currently have a Junior ISA. However, Chelsea is working with its peers in the industry to urge the government to allow CTFs to be merged into Junior ISAs.

All funds are chosen from the Chelsea Selection.

INVESTING MADE EASY, WITH 0% INITIAL CHARGE:

the Chelsea **EasyISA**

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

That's why we've selected funds for the Chelsea EasyISA and put them together within five different portfolios. These funds are chosen from the Chelsea Selection by our research team (for more information on our research process see page 11). All you have to do is choose one of the five options, based upon your own requirements and attitude to risk.

Your ISA investment will then be spread equally across the corresponding six funds, within the Chelsea FundStore (for more details see pages 30 and 31).

And remember, the EasyISA is also available for ISA transfers.

WHAT TO DO NEXT

Once you have selected your preferred EasyISA option, please view the appropriate KIIDs (see covering letter for details) and then simply fill in the EasyISA application form on pages 37 & 38, ticking one box only to select either Cautious, Balanced, Aggressive, Income or Global Income. Then send the application back to us in the pre-paid envelope enclosed.

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

HOW MUCH YOU CAN INVEST

The 2012/13 Investment ISA allowance is £11,280, increasing to £11,520 for the 2013/14 tax year.

IT'S NOT CALLED EASYISA FOR NOTHING:

1. Select the EasyISA which best suits you (and read the KIID* for each relevant fund) (*see covering letter for details.)
2. Tick the relevant box on the EasyISA application form (page 37-38) and decide how much you want to invest
3. Complete the form and return with payment to us. Easy!

You can also invest online at www.chelseafs.co.uk/EasyISA



“The performance of each of our EasyISA portfolios is outlined on page 9.”

JULIET SCHOOLING LATTER
Research Director, Chelsea

PORTFOLIO CHANGES

Global Income: Newton Global Higher Income replaces Invesco Perpetual Global Equity Income, following a recent change of fund manager.

Either	Chelsea Growth EasyISA	£	£
Or	Global Growth EasyISA	£	£
Or	Aggressive Growth EasyISA	£	£
Or	Income EasyISA (please complete the payment section overleaf)	£	£
Or	Chelsea Income EasyISA (please complete the payment section overleaf)	£	£

Select one of the EasyISA options here.

THE CHELSEA RISK RATING

Least risky



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

We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest.

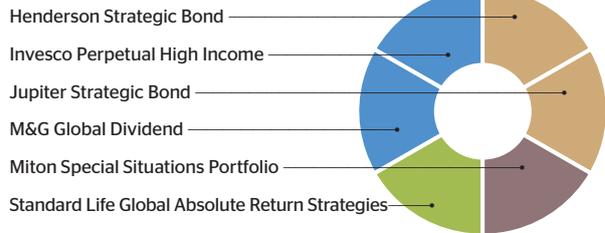
Most risky



Cautious Growth EasyISA

Cautious Growth is for the more risk-averse investor who is looking for steady growth with lower volatility. The portfolio has approximately one third invested in predominantly large-cap, dividend-producing equities, which tend to be less volatile. Approximately one third will be invested in fixed interest, which tends to be less volatile than equities. The final third of the portfolio will be invested in multi-asset and absolute return funds that invest in a wide range of assets and aim to produce steady, uncorrelated returns.

AVERAGE CHELSEA RISK RATING	●■■■■ 3.75
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.33% 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%
BENCHMARK:	1/3 STRATEGIC BOND (SECTOR AVERAGE) 2/3 MIXED INVESTMENT 20-60% (SECTOR AVERAGE)



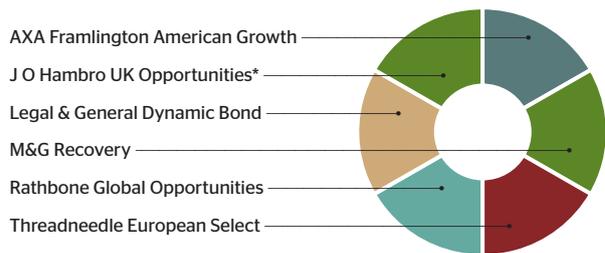
PERFORMANCE OVER 1 YEAR	9.26%
PERFORMANCE OVER 3 YEARS	17.67%
PERFORMANCE OVER 5 YEARS	9.92%

Source: FE Analytics data as of 01/01/2013, compiled by Chelsea.

Balanced Growth EasyISA

Balanced Growth offers a medium level of risk and is for investors looking to benefit from global equity markets, with some defensiveness offered through one sixth of the portfolio being invested in fixed interest. The portfolio has the majority of its assets invested in equities based in developed markets, with a mixture of defensive companies and more dynamic mid and small-cap companies. The fixed interest portion is invested in a strategic bond fund which has the ability to invest across the credit quality spectrum.

AVERAGE CHELSEA RISK RATING	■■■■● 5.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.42% 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%*
BENCHMARK:	1/3 UK ALL COMPANIES (SECTOR AVERAGE) 1/3 GLOBAL (SECTOR AVERAGE) 1/3 MIXED INVESTMENT 20-60% (SECTOR AVERAGE)



PERFORMANCE OVER 1 YEAR	10.57%
PERFORMANCE OVER 3 YEARS	19.86%
PERFORMANCE OVER 5 YEARS	11.18%

Source: FE Analytics data as of 01/01/2013, compiled by Chelsea.
*A performance fee may be applied, see page 12 for details.

Aggressive Growth EasyISA

Aggressive Growth is for the investor looking for pure capital growth, who is comfortable with a higher degree of risk and willing to invest a portion in Asian and emerging market equities. The portfolio is an unconstrained global equity portfolio, with exposure to large, mid and small-cap companies. It has the potential to produce greater returns through investing in faster-growing regions and more dynamic companies, but with a greater degree of risk and volatility.

AVERAGE CHELSEA RISK RATING	■■■■● 7.42
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.46% 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.50%
BENCHMARK:	MSCI WORLD INDEX



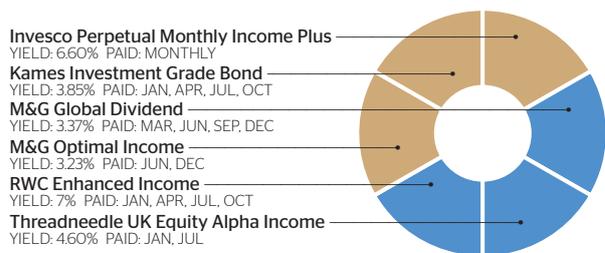
PERFORMANCE OVER 1 YEAR	15.62%
PERFORMANCE OVER 3 YEARS	27.73%
PERFORMANCE OVER 5 YEARS	15.63%

Source: FE Analytics data as of 01/01/2013, compiled by Chelsea.

Income EasyISA

Income is for investors looking to generate reasonable income with moderate prospects for capital growth. The portfolio is invested in fixed interest, across the credit quality spectrum, and defensive, dividend-paying companies, based largely in developed markets. The combination of equities and fixed interest aims to maintain, and even moderately grow, capital over the long term, whilst paying dividends throughout the year.

AVERAGE CHELSEA RISK RATING	●■■■■ 3.25
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.38% 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.38%
BENCHMARK:	1/2 STRATEGIC BOND (SECTOR AVERAGE) 1/2 UK EQUITY INCOME (SECTOR AVERAGE)



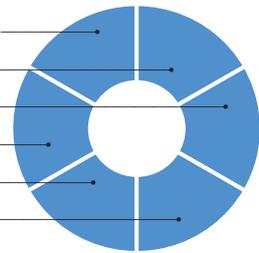
PERFORMANCE OVER 1 YEAR	15.69%
PERFORMANCE OVER 3 YEARS	27.56%
PERFORMANCE OVER 5 YEARS	33.88%
AVERAGE YIELD FOR THE PORTFOLIO	4.54%

Source: FE Analytics data as of 01/01/2013, compiled by Chelsea.

Global Income EasyISA

Global Income offers investors a medium to high level of risk within a globally-diversified portfolio and the funds are selected for their potential to grow their yields over time. Over 20% of the portfolio is invested in equities in each of the following regions: US, Europe and Asia, with a slightly lower weighting in UK equities.

- BlackRock Continental European Income**
YIELD: 3.90% PAID: SEP, DEC, MAR, JUN
- Fidelity Enhanced Income**
YIELD: 7.12% PAID: NOV, FEB, MAY, AUG
- JPM Emerging Markets Income**
YIELD: 3.46% PAID: FEB, JUL
- Legg Mason US Equity Income**
YIELD: 2.50% PAID: NOV, FEB, MAY, AUG
- Newton Global Higher Income**
YIELD: 4.20% PAID: NOV, FEB, MAY, AUG
- Schroder Asian Income**
YIELD: 4.00% PAID: OCT, APR

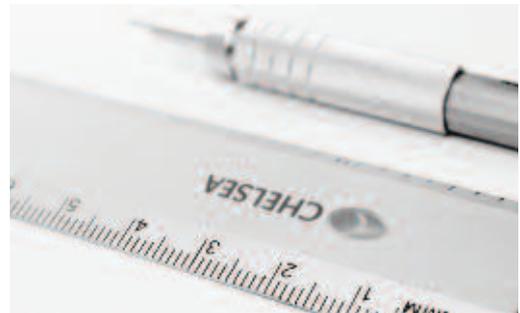


AVERAGE CHELSEA RISK RATING	● 6.75
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.21% 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.5%

PERFORMANCE OVER 1 YEAR	N/A
PERFORMANCE OVER 3 YEARS	N/A
PERFORMANCE OVER 5 YEARS	N/A
AVERAGE YIELD FOR THE PORTFOLIO	4.20%

Source: FE Analytics data as of 01/01/2013, compiled by Chelsea.

EasyISA performance



Cautious Growth EasyISA

Our Cautious Growth EasyISA is intended for risk-averse investors who value capital protection and reduced volatility over capital growth. In 2008, when the portfolio was overweight equities, it underperformed. In particular, the Artemis European Growth fund was the main contributor to the relative underperformance over five years. The fund was switched out of the portfolio, which has made up ground since. The portfolio is now more defensively positioned.

	5 YEAR	3 YEAR	1 YEAR
FUND	9.92%	17.67%	9.26%
BENCHMARK	17.65%	18.40%	9.95%
RELATIVE	-7.73%	-0.73%	-0.69%

Balanced Growth EasyISA

The Balanced Growth EasyISA portfolio performance has been in line with its benchmark over one year and slightly up over three and five years. The L&G Dynamic Bond fund and M&G Recovery fund have performed well, offsetting the relative long-term underperformance of European funds to maintain the portfolio's overall outperformance.

	5 YEAR	3 YEAR	1 YEAR
FUND	11.18%	19.86%	10.57%
BENCHMARK	8.85%	18.11%	10.62%
RELATIVE	2.33%	1.75%	-0.05%

Aggressive Growth EasyISA

Our Aggressive Growth EasyISA is a predominantly equity-only portfolio for investors seeking capital growth. The portfolio has continued to outperform the MSCI World Index over 1, 3 and 5 years, demonstrating its consistent outperformance. We are particularly pleased by the performance over the last 12 months, especially the Europe, Asia and emerging markets fund choices.

	5 YEAR	3 YEAR	1 YEAR
FUND	15.63%	27.73%	15.62%
BENCHMARK	15.40%	21.48%	10.74%
RELATIVE	0.22%	6.25%	4.88%

Income EasyISA

The most popular EasyISA with Chelsea's clients, the Income portfolio has consistently outperformed its benchmark, while offering above-average yield for income. The portfolio continues to perform exceptionally well, resulting in performance far exceeding that of the benchmark over five years.

	5 YEAR	3 YEAR	1 YEAR
FUND	33.88%	27.56%	15.69%
BENCHMARK	18.39%	25.61%	13.64%
RELATIVE	15.48%	1.96%	2.05%

Note: Performance figures compiled by Chelsea using FE Analytics data as of 01/01/2013; includes historical fund changes made to the EasyISA portfolios.

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

Your EasyISA application form is on page 37.

WELCOME TO THE GUIDE TO BUILDING YOUR OWN PORTFOLIO:

the DIYportfolio

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

PEOPLE OFTEN ASK US, "HOW SHOULD MY PORTFOLIO LOOK?"

The truth is that it's really quite subjective - everyone has a different attitude to risk and preferences for one sector/region or another. But for those of you who would like a rough guide to a sensible split, we have provided the portfolios below.

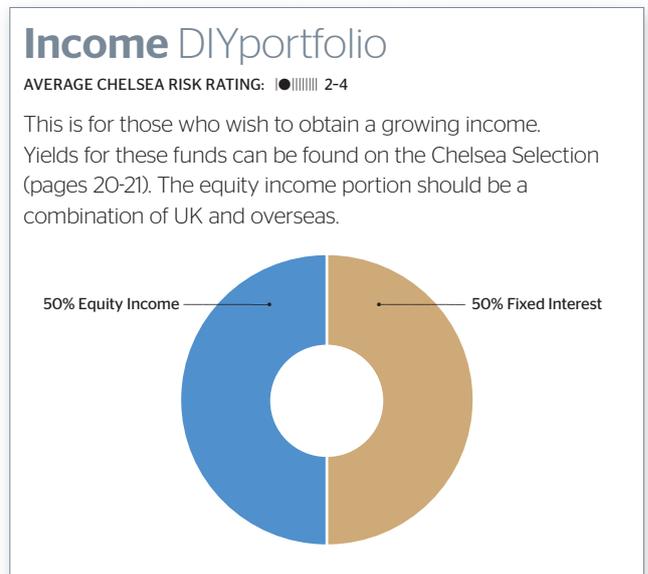
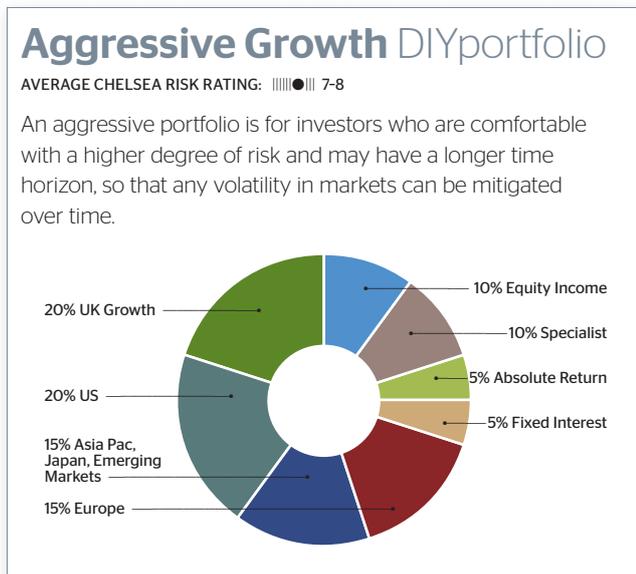
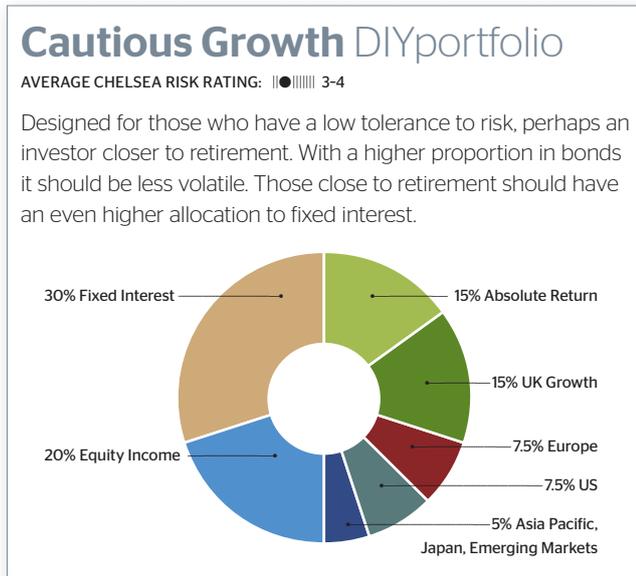
The idea is that you determine your own attitude to risk. If you are comfortable with short-term losses and happy to invest for a long period of time, then you might think of yourself as 'Aggressive'. However, if swings in valuation worry you and perhaps you are closer to retirement, you might prefer to take a 'Cautious' stance.

Portfolios can sometimes simply be the result of random purchases made over many years. However, there is a huge benefit to taking some time to analyse your portfolio to prevent sector and

country biases creeping in. We suggest that you may wish to look at your portfolio on an annual basis and rebalance it where it has moved out of line with your goals.

Here we provide some model portfolios as a guide. Obviously they can be altered to reflect your own preferences. It is important to have diversification to reduce risk, but spreading your assets across too many funds means that those which perform strongly will have little impact on overall performance. The number of funds held within these portfolios will vary depending upon the amount invested. As a rough guide, we would expect to have approximately 10 funds in a portfolio of over £30,000 and 15-20 in one of over £100,000.

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



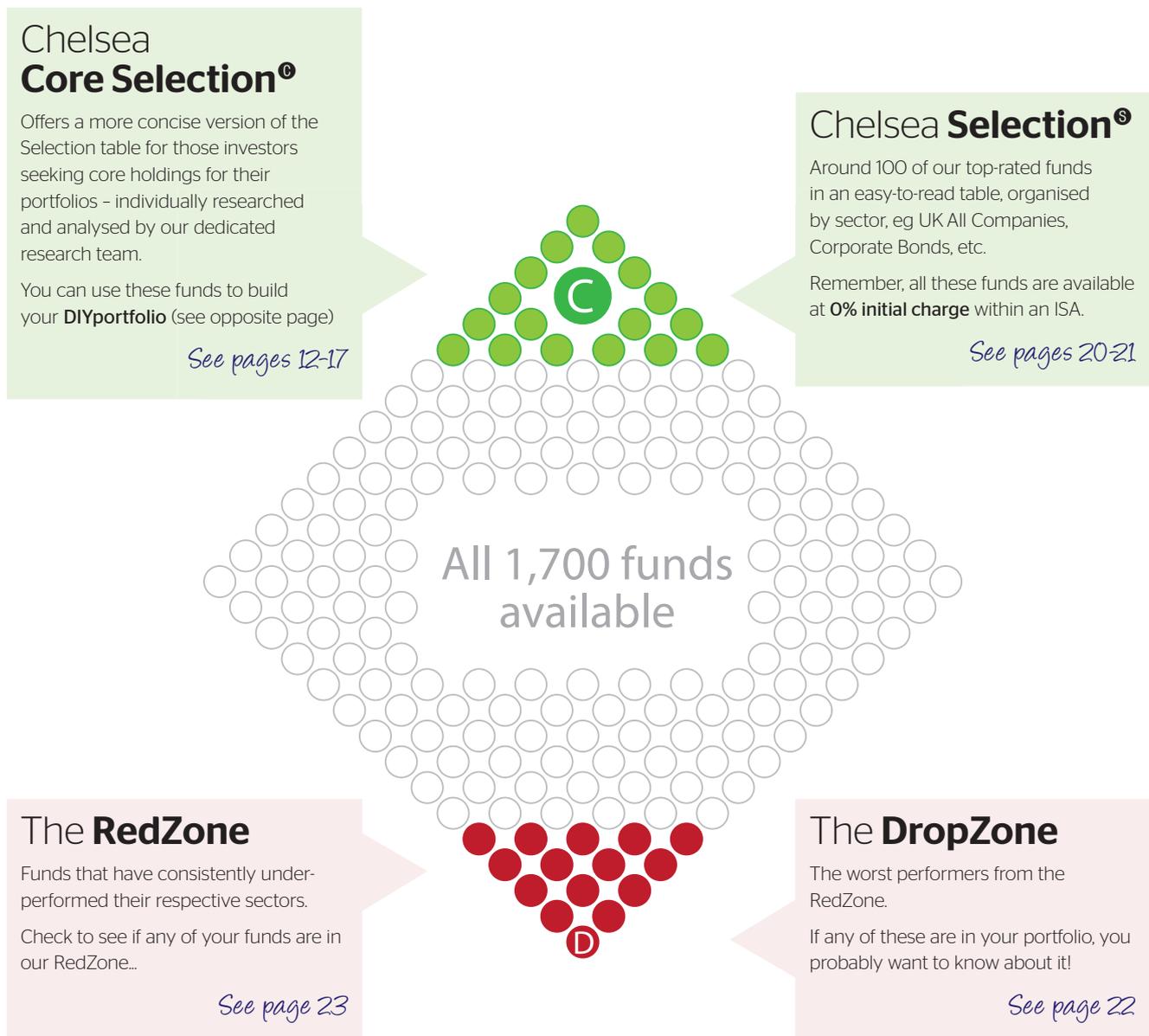
Please note: these portfolios do not take into account cash weightings.

AN INTRODUCTION TO

Chelsea **research tables**

There are approximately 3,000 funds in the entire UK market - with more than 1,700 available via the Chelsea FundStore. We shortlist those we think are worth considering as part of a diversified portfolio.

We've organised our research into four simple tables:



Chelsea's research process

You can look at the funds within our Selection tables with the knowledge that we have met and interviewed every fund manager. We conduct regular analysis of fund performance in every sector, which flags the funds we wish to investigate further. We then interview managers, grilling them on their investment process.

Once a manager achieves a place within the Chelsea Selection we obtain regular updates. We understand that managers may have periods of underperformance but, as long as we are confident that they can get their fund back on track, it remains on our tables.

the Chelsea Core Selection[®]

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

UK GROWTH

ARTEMIS UK SPECIAL SITUATIONS

This fund targets long-term capital appreciation through investment in UK equities. Derek Stuart and Ruth Keatch seek companies in special situations, such as those requiring funding, in recovery or stocks that are currently unloved by the market. The fund tends to have a small to mid-cap bias, though the managers are not constrained on this basis. Focus is on stocks in which the managers have the most conviction and this will lead to a relatively concentrated portfolio.

CHELSEA RISK RATING	● 6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	GOLD
YIELD	1.30%
UNIT TYPE	ACC

AXA FRAMLINGTON UK SELECT OPPORTUNITIES

This fund aims to provide long-term capital growth through a diversified portfolio of UK equities. Nigel Thomas has the freedom to invest across the whole cap spectrum, though the fund will tend to have a small and mid-cap bias. A bottom-up approach is used to identify stocks capable of producing above-average returns and a single holding will not account for more than 3% of the portfolio. In general, around 30% of the fund will be invested in stocks listed on the FTSE 100.

CHELSEA RISK RATING	● 6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	GOLD
YIELD	1.11%
UNIT TYPE	ACC or INC

JO HAMBRO UK OPPORTUNITIES

This fund aims to produce an absolute return. The investment approach is a blend of top-down analysis and bottom-up stock selection to create a concentrated portfolio. John Wood may invest up to 10% of the fund overseas, should he identify suitable opportunities. He also has a strong sell discipline and will seek to top-slice holdings when they account for 5% of the fund. Any outperformance of its benchmark (FTSE All-Share Total Return Index) is subject to a 15% performance fee.

CHELSEA RISK RATING	● 5.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	3.04%
UNIT TYPE	ACC or INC

LIONTRUST SPECIAL SITUATIONS

This UK multi-cap fund is a 'best ideas' portfolio which encompasses any stocks regardless of size or sector. Overall, the managers try to find companies that benefit from significant economic advantages using rigorous bottom-up analysis. Furthermore, they believe that they can find companies that are experiencing rising earnings and profits, regardless of the UK economic environment. The fund is concentrated with typically around 35-45 stocks.

CHELSEA RISK RATING	● 6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.75%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	0.69%
UNIT TYPE	INC

M&G RECOVERY

The aim of this fund is to produce capital appreciation over the long term. Investment is into UK equities across the cap spectrum, with Tom Dobell taking a contrarian stance and focusing on companies that have lost favour with the market. Tom is supported by an assistant manager and a team of sector specialists, who actively work with companies to aid their recovery. There is generally a small to mid-cap bias, though at least 40% of the fund will usually be in the FTSE 100.

CHELSEA RISK RATING	● 5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	GOLD
YIELD	1.11%
UNIT TYPE	ACC or INC

MARLBOROUGH SPECIAL SITUATIONS

Since 1998 the manager, Giles Hargreave, has built up a reputation as an astute and pragmatic stock-picker. The fund is currently well diversified with around 200 holdings, with 87% in small-cap and 13% mid-cap exposure, to ensure fund liquidity. Giles' investment style is very research driven and consequently he meets a huge number of company management teams. He focuses on company fundamentals to identify both growth and value stocks. Macroeconomic themes are of secondary importance but his preferred sectors are tech and oil.

CHELSEA RISK RATING	● 8
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	-
YIELD	0.32%
UNIT TYPE	ACC

SCHRODER UK ALPHA PLUS SPOTLIGHT

This is a highly concentrated portfolio, typically with just 20-40 holdings. Investment will mainly be in large-cap UK equities, though up to 20% of the fund can be in gilts and/or cash. Richard Buxton has a contrarian investment approach and seeks to identify stocks capable of rising at least 10-20% in the next three years. He is prepared to wait for long-term ideas to come to fruition.

CHELSEA RISK RATING	● 7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	3.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	GOLD
YIELD	0.79%
UNIT TYPE	ACC or INC

Least risky

1 ● |||||

THE CHELSEA RISK RATING

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

We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest.

Most risky

||||| ● 10

All Core Selection funds are available at 0% initial charge within an ISA. For performance statistics please refer to pages 20-21.

All data sourced from FE Analytics, 21/01/2013

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

EQUITY INCOME

ARTEMIS INCOME

This fund invests largely within the FTSE 350 and targets rising income, coupled with long-term capital growth. Adrian Frost and Adrian Gosden are relatively unconstrained in their approach and often focus on a company's cashflow as a method of evaluating stocks. They regularly utilise their capacity to invest up to 20% overseas, where opportunities arise. Income is paid in January and July.

CHELSEA RISK RATING	● 4
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	GOLD
YIELD	4.30%
UNIT TYPE	ACC or INC

INVESCO PERPETUAL HIGH INCOME

Neil Woodford's team pair a global macroeconomic view with in-depth research of sectors and stocks. However, the fund places a greater emphasis on total return than pure income. Neil has the ability to invest up to 20% overseas if he identifies suitable opportunities and often invests in the US. A top-down investment approach is used, which can lead to large sector weightings. Dividends are paid in March and September.

CHELSEA RISK RATING	● 4
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	GOLD
YIELD	3.64%
UNIT TYPE	ACC or INC

M&G GLOBAL DIVIDEND

Managed by Stuart Rhodes, this fund invests in a concentrated portfolio of around 50 global income stocks. He employs a bottom-up stock-picking approach, combined with strong quantitative screening, which is driven by the fundamental analysis of individual companies and earnings upgrades. Stuart looks for companies with strong capital discipline and potential to increase dividends. Income is paid in March, June, September and December.

CHELSEA RISK RATING	● 6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	SILVER
MSTAR OBSR FUND RATING	SILVER
YIELD	3.28%
UNIT TYPE	ACC or INC

NEWTON ASIAN INCOME

This fund invests in companies with strong, sustainable fundamentals. Jason Pidcock, supported by a strong team of global sector analysts, identifies global investment themes and translates these into appropriate sector and stock selection using a bottom-up process. New holdings must have a prospective yield greater than the index at purchase, and will be sold if the yield falls below a 15% discount. The portfolio has a low turnover and will typically comprise 40-50 stocks. Income is paid in March, June, September and December.

CHELSEA RISK RATING	● 7.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	SILVER
YIELD	4.45%
UNIT TYPE	INC

RATHBONE INCOME

Carl Stick aims to invest in UK companies identified as capable of providing a sustainable income and preservation of capital. As such, emphasis will be on FTSE 350 listed stocks, but there may also be some small-cap exposure. The manager is relatively unconstrained in his stock selection, though no single holding can account for more than 3% of the fund. Income is paid in January and July.

CHELSEA RISK RATING	● 4.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.50% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	3.99%
UNIT TYPE	ACC or INC

RWC ENHANCED INCOME

Managers Nick Purves, Ian Lance and John Teahan deploy a flexible value-driven style, carefully selecting a concentrated portfolio of around 30 stocks, with low turnover. Their stock selection process encompasses three key criteria; low starting valuation, strong cash generation and how management uses that cash. They will hold some overseas stocks and do hold high cash weightings when they think valuations are high. The strategy uses call options to boost yield.

CHELSEA RISK RATING	● 4
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	7.00%
UNIT TYPE	ACC or INC

THREADNEEDLE UK EQUITY ALPHA INCOME

Experienced manager Leigh Harrison begins his investment process by assessing the macroeconomic environment in order to identify sectors that are likely to outperform in the prevailing market conditions. The key theme, however, is one of buying quality stocks that have a strong dividend culture, trading at attractive valuations. The resultant portfolio is made up of 25-35 quality, generally large-cap stocks that exhibit good earnings growth, sustainable cashflow and rising dividends. Income is paid in January and July.

CHELSEA RISK RATING	● 4.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	3.75% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	4.60%
UNIT TYPE	ACC or INC

S&P and MSTAR OBSR have changed their ratings gradings. S&P Capital IQ now rate funds either Platinum, Gold, Silver or Bronze, and MSTAR OBSR rate funds either Gold, Silver or Bronze.

All Core Selection funds are available at 0% initial charge within an ISA. For performance statistics please refer to pages 20-21.

All data sourced from FE Analytics, 21/01/2013

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

EUROPE

BLACKROCK CONTINENTAL EUROPEAN

This multi-cap fund is managed by Vincent Devlin, via a team-based process. He has a flexible investment approach, but there is a preference for companies with medium to long-term earnings power that is greater than the market. Position sizes will not exceed a 5% active overweight compared with the index. There are country restrictions of 15% exposure to non-benchmark countries and 5% to non-benchmark non-EU countries. The fund typically holds between 35-65 stocks.

CHELSEA RISK RATING	● 7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	SILVER
YIELD	0.49%
UNIT TYPE	ACC or INC

JUPITER EUROPEAN

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

CHELSEA RISK RATING	● 7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	GOLD
YIELD	0.40%
UNIT TYPE	INC

NEPTUNE EUROPEAN OPPORTUNITIES

Managed by Rob Burnett, this fund provides an unconstrained and actively-managed European equity portfolio. The fund is reasonably concentrated, with around 50 stocks. It invests across the market-cap spectrum, with no pre-determined style bias. Neptune's investment process of forming positive views on global industry sectors and then using bottom-up stock-picking can result in large sector bets.

CHELSEA RISK RATING	● 8
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.75%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	1.07%
UNIT TYPE	ACC or INC

SCHRODER EUROPEAN ALPHA PLUS

This fund is managed by Leon Howard-Spink who invests in European equities across the market-cap range, but with a focus on mid caps. He generates many of his own ideas but is able to cross-reference his ideas with the group's 18 European analysts. As the bottom-up investment process is not benchmark driven, the portfolio will often differ from the index at both the sector and the country level. The portfolio will typically comprise around 50-70 stocks, with a mid to long-term investment horizon.

CHELSEA RISK RATING	● 7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	3.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	0.59%
UNIT TYPE	ACC or INC

THREADNEEDLE EUROPEAN SELECT SPOTLIGHT

Manager David Dudding focuses on buying companies with a competitive advantage, high quality defensible earnings and consistent growth rates. His approach is growth orientated, but other factors such as brand loyalty or pricing power are also key. Consequently, he favours certain sectors and may choose not to invest in some sectors altogether. The fund is fairly concentrated and currently has 46 holdings, of which around 80% are in large-caps.

CHELSEA RISK RATING	● 7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	3.75% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	-
YIELD	0.50%
UNIT TYPE	ACC

US

AXA FRAMLINGTON AMERICAN GROWTH

Manager Steve Kelly runs this fund within a stock-picking framework. He has a strong growth bias, focusing on companies that are able to exhibit genuine, organic growth through the strength of their brand. He also prioritises good management in his investment decisions, as he looks to find companies whose management deliver their stated goals. The fund has a mid-cap bias and typically holds 65-75 stocks. Valuations are a key part of selling stocks.

CHELSEA RISK RATING	● 7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	-
UNIT TYPE	ACC

Least risky

1 ● |||||

THE CHELSEA RISK RATING

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

We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest.

Most risky

||||| ● 10

All Core Selection funds are available at 0% initial charge within an ISA. For performance statistics please refer to pages 20-21.

All data sourced from FE Analytics, 21/01/2013

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

ASIA PACIFIC, JAPAN AND EMERGING MARKETS

FIRST STATE ASIA PACIFIC LEADERS

Experienced managers Angus Tulloch (based in Edinburgh) and Alistair Thompson (based in Singapore) take a stock-driven approach, with a top-down overlay, where the economic environment is closely examined and company meetings are key. They source their investment ideas from the regional analysts and focus on fundamental analysis, seeking a concentrated portfolio of around 60 large/mid-cap undervalued stocks, with above-average growth and a mid to long-term investment horizon.

CHELSEA RISK RATING	● 7.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	GOLD
YIELD	0.84%
UNIT TYPE	ACC

JUPITER JAPAN INCOME

This fund will invest in Japanese equities to produce long-term capital growth, allied with an income yielding 30% higher than the Topix index. Simon Somerville frequently travels to Japan and places emphasis on in-depth assessment and understanding of the stocks in which he invests. Whilst Simon aims to invest in companies participating in the growing dividend culture, the yield attained by this fund will not be comparable to UK equity income funds.

CHELSEA RISK RATING	● 9.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	SILVER
YIELD	2.60%
UNIT TYPE	ACC or INC

M&G GLOBAL EMERGING MARKETS

Matthew Vaight seeks to deliver capital growth by identifying quality stocks he deems undervalued. He invests in any emerging market region or in companies whose business is conducted primarily in these regions and avoids stocks affected by political risk. As a result, the fund tends to be more defensive. Between 50 and 70 stocks are selected through strict bottom-up analysis, reflecting the manager's core beliefs that value creation, and not economic growth, will deliver returns over the long term.

CHELSEA RISK RATING	● 10
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	SILVER
MSTAR OBSR FUND RATING	-
YIELD	0.53%
UNIT TYPE	ACC or INC

SCHRODER ASIAN ALPHA PLUS

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

CHELSEA RISK RATING	● 8
INITIAL CHARGE AFTER CHELSEA DISCOUNT	3.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	0.25%
UNIT TYPE	ACC

MISCELLANEOUS

ARTEMIS STRATEGIC ASSETS

Manager William Littlewood uses a macroeconomic view to influence his investment decisions. He aims to achieve long-term growth by investing in a range of assets, including UK equity, international equity, fixed interest, currency, commodities and cash. The fund aims to outperform equities when markets are favourable, and preserve capital when markets are poor. The fund is predominantly invested in equities, but William also uses derivatives in order to exploit both rising and falling markets. He often takes advantage of shorting individual securities or currencies that he believes are overpriced.

CHELSEA RISK RATING	● 6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	-
YIELD	0.60%
UNIT TYPE	ACC

J P MORGAN NATURAL RESOURCES

This fund seeks to provide long-term capital growth through investment in global equities based in commodity sectors such as energy, gold and other precious metals. The fund's neutral position will be 30% invested in energy, 30% gold & precious metals, 30% base metals and 10% in other resource/commodity-related areas. The fund looks to diversify stock-related risk by holding over 200 companies, though no more than 50% of the fund may be invested in any single sector. Neil Gregson replaced Ian Henderson as lead manager on 31/01/2012. Gregson has been co-manager of this fund since September 2010.

CHELSEA RISK RATING	● 10
INITIAL CHARGE AFTER CHELSEA DISCOUNT	3.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	-
UNIT TYPE	ACC

MITON SPECIAL SITUATIONS PORTFOLIO

The goal of this fund is to provide investors with long-term positive returns through investment in an array of asset classes, including global equities, bonds, cash and collective investment schemes. Martin Gray and James Sullivan seek to stabilise the fund by investing around 30% in more defensive asset classes. There are no formal sector or stock constraints placed upon the managers. This fund tends to underperform strongly rising markets but does well in tougher markets.

CHELSEA RISK RATING	● 4
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	-
UNIT TYPE	ACC

NOTES We always strive to reduce your costs to a minimum. Units bought with no initial charge are described as being bought at creation/NAV. You can see from our table of funds that we have secured creation/NAV on all of the funds highlighted in the tables, when purchased via an ISA.

All Core Selection funds are available at 0% initial charge within an ISA. For performance statistics please refer to pages 20-21.

All data sourced from FE Analytics, 21/01/2013

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

Your **Investment Funds application form** is on page 45

GLOBAL

RATHBONE GLOBAL OPPORTUNITIES

This is a high conviction, global portfolio of approximately 50 stocks that are selected from the bottom up. Manager James Thomson aims to find undiscovered growth stories, where innovative businesses consistently beat expectations, outclass their competitors and serve a rapidly growing market. The fund is unconstrained in terms of company size, sector and geographic location. The fund has a mid and small-cap bias, and is predominantly invested in developed markets.

CHELSEA RISK RATING	● 7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.50% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	-
UNIT TYPE	ACC

FIXED INTEREST

HENDERSON STRATEGIC BOND

Co-managers Jenna Barnard and John Pattullo take an active approach with this fund by exploiting a wide and flexible mandate in which they can invest in government bonds, corporate bonds, high yield bonds and other fixed income sectors. With the aid of a well-resourced team of credit analysts and UCITS III sophistication, they invest globally, although 80% must be hedged back to sterling. They typically hold between 120-150 positions. Income is paid in March, June, September and December.

CHELSEA RISK RATING	● 2
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	SILVER
YIELD	5.60%
UNIT TYPE	INC

INVESCO PERPETUAL MONTHLY INCOME PLUS

At least 80% (managed by Paul Causer and Paul Read) is invested in bonds and up to a maximum of 20% (managed by Neil Woodford) is invested in UK equities. There is a focus on income generation, together with security of capital. Using a bottom-up approach, fixed interest investments are normally focused on high yield bonds, but there is flexibility to move up the credit scale. The equity portfolio is constructed similarly to Neil's High Income fund.

CHELSEA RISK RATING	● 2.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	GOLD
YIELD	6.06%
UNIT TYPE	ACC or INC

JUPITER STRATEGIC BOND

This fund has a flexible mandate which allows manager Ariel Bezalel to invest in a global portfolio of bonds of any credit quality. Ariel uses this freedom, combined with bottom-up and top-down analysis, to find the most attractive parts of the global fixed interest universe. Companies with robust business models and reliable earnings streams are preferred. Income is paid in April, July, October and January.

CHELSEA RISK RATING	● 1.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	-
YIELD	5.50%
UNIT TYPE	ACC or INC

KAMES INVESTMENT GRADE BOND

This fund, managed by Euan McNeil and Stephen Snowden, invests primarily in investment grade bonds. As a global investment grade bond fund, it may hold non-sterling issues as long as they are hedged back into sterling. They also use a combination of top-down strategy with bottom-up stock-picking to build this portfolio, which typically holds between 40-120 positions. The level of cash is limited to a maximum of 20%. Income is paid in January, April, July and October.

CHELSEA RISK RATING	● 1
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.50% 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	3.40%
UNIT TYPE	ACC or INC

L&G DYNAMIC BOND

This fund has been managed by Richard Hodges since inception and is an unconstrained global strategic bond fund aiming to generate an attractive return within a closely controlled risk framework. The manager allocates actively between investment grade corporate bonds, high yield, gilts and cash and uses derivatives extensively to manage the fund's positions and risk profile. Supported by a strong fixed income team, he combines top-down analysis and bottom-up research. Income is paid in March, June, September and December.

CHELSEA RISK RATING	● 1.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	3.00% 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	SILVER
YIELD	4.80%
UNIT TYPE	ACC or INC

M&G OPTIMAL INCOME

Manager Richard Woolnough provides a diversified fixed interest portfolio, moving between gilts, investment grade bonds and high yield bonds depending on where value is identified. Richard may also implement his strategy through derivatives and equities. He primarily adopts a top-down approach and draws on M&G's specialist teams for stock selection ideas. There is no limit on credit or global exposure, provided that at least 80% is hedged back into sterling. Income is paid in June and December.

CHELSEA RISK RATING	● 1.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	SILVER
YIELD	3.12%
UNIT TYPE	ACC or INC

Least risky

1 ●|||||

THE CHELSEA RISK RATING

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

We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest.

Most risky

|||||● 10

All Core Selection funds are available at 0% initial charge within an ISA. For performance statistics please refer to pages 20-21.

All data sourced from FE Analytics, 21/01/2013

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

ABSOLUTE RETURN

NEWTON REAL RETURN

This absolute return fund aims to provide investors with growth of 2.5% above LIBOR on a rolling five-year basis. To achieve this, manager Iain Stewart invests in equities, bonds, commodities, property and derivatives, though no more than 20% of the fund may be invested in a single sector. The fund typically has around 100 holdings and income is paid in March and October.

CHELSEA RISK RATING	● 5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	BRONZE
YIELD	3.12%
UNIT TYPE	INC

STANDARD LIFE GLOBAL ABSOLUTE RETURN STRATEGIES

This multi-asset, multi-strategy fund invests in a wide remit of global asset classes in order to produce consistent positive returns during all market conditions. The fund aims to achieve LIBOR + 5% by investing about 70% of the portfolio in internal Standard Life equity and bond funds. The remainder is invested using 'relative value strategies' in equities, fixed income securities, currencies and cash positions.

CHELSEA RISK RATING	● 5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	BRONZE
YIELD	0.94%
UNIT TYPE	ACC

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

All Core Selection funds are available at 0% initial charge within an ISA. For performance statistics please refer to pages 20-21.

All data sourced from FE Analytics, 21/01/2013

Free Marks & Spencer vouchers when you **recommend a friend**

Our reputation relies on the quality of our service – and we're very grateful that most new clients are referred to us by existing, happy clients.

WHAT SOME OF OUR CLIENTS SAY...

“ May I take this opportunity to thank you for your ongoing efficiency and speed in dealing with transactions over the years. My brother also has always been very happy with your service. It contrasts sharply with that of other companies, particularly utilities and also other brokers. ”

MR JAMES BRACK
Worcestershire

“ I have investments with 6 fund managers and was worried that I would leave my investments in a mess upon my death. Now they are consolidated with Chelsea, the death certificate need only be sent to one place and the investments can be moved into the beneficiaries' names at no charge. I also know that Chelsea will help reduce the solicitor fees with one simple valuation and less paperwork. ”

MR DAN BENNETT
London

“ Thank you for the excellent service. I had a problem printing a valuation, your staff were very helpful and arranged for the IT department to contact me. They called straightaway and resolved the problem. Service like that is rare and worthy of thanks. ”

MR PHIL MORRIS
Gloucestershire

Use the **Recommend a Friend form** on the back cover



Core Selection Spotlight

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

Spotlight on Threadneedle European Select



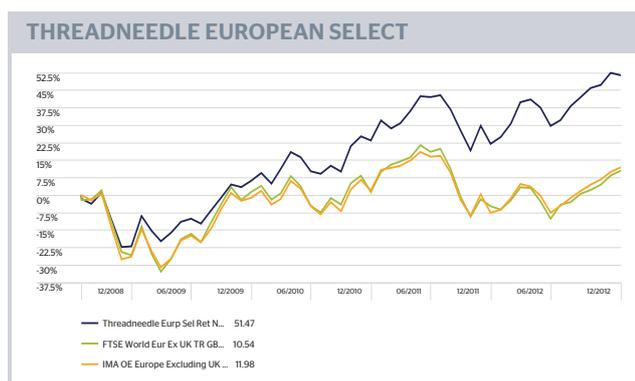
DAVID DUDDING
Portfolio manager,
Threadneedle
European Select

I joined Threadneedle in 1999 as an analyst, having previously worked for John Swire and Sons in Hong Kong and for Investors Chronicle as a Financial Journalist. I have managed the Threadneedle European Select fund since July 2008.

The European Select fund is a multi-cap fund investing in a relatively concentrated portfolio of typically between 45-65 stocks. I am supported by the 24-strong European team, who operate within a wider team of more than 130 investment professionals.

A top-down input is complemented by a rigorous bottom-up analytical process, boosted by over 1,500 company meetings per year, which give us the ability to understand and assess poorly-researched companies. Our style is based on the search for high-quality stocks which have pricing power and therefore high and sustainable long-term returns, as these are often mispriced by the market. In this regard, Porter's Five Forces is used as a metric to assess the quality of business models and competitive advantage; a wide variety of other analytical and valuation tools are also used. We look for companies that can demonstrate one or more of the following; pricing power, barriers to entry, buyer power, no threat of substitution and a degree of competitive rivalry.

Although this fund is little influenced by macroeconomic factors, the fund's current positioning is heavily influenced by one important macroeconomic driver – the relative economic performance of Europe compared with the rest of the world.



Source: Morningstar, January 2013.
Data since July 2008 (start of David Dudding's tenure)

WHY HAS THE EUROPEAN MARKET DONE SO WELL?

We are often asked, given the European economy has been so bad, why the European market performed so well in 2012. This is a good question, but there are good reasons.

First, valuations had become so depressed after the financial crisis, the only way was up. Second, money is very cheap, with bond markets rallying to leave yields at extremely low levels – this means the cost of borrowing for strong companies is very low and gives them a competitive advantage. And third, there is a proliferation of multinational corporations in Europe with strong franchises outside the EU.

So while we build our portfolios from the bottom up, it is under the umbrella of a world in which the best-performing European enterprises will be those that can operate in economies that are growing at, say, 5-8% rather than economies that are stagnating. The challenge for us, then, is finding the great European companies that can exploit their opportunities in emerging markets profitably for investors.

NESTLE'S COFFEE BUSINESS IS A GREAT EXAMPLE

Coffee is one of Nestle's most important business lines. Its growth opportunity in China is exciting, despite already being the market leader with a c. 65% share of the coffee market there. A tea-drinking nation, Chinese consumers only drink, on average, three cups of coffee per year. This compares with around 20 in Shanghai, 99 in Taiwan, 160 in Hong Kong, 400 in the US and around 600 in France. As China continues to westernise, its younger generation will likely adopt the western habit of coffee drinking. So even though Nestle will face stiff competition for its 65% market share, it could still double the size of its coffee business every five years for several decades to come.

We like to think of this fund as a 'get rich slowly' fund. We focus on consistency of returns and have a bias towards companies with strong balance sheets. This is a deliberate strategy to benefit from the prevailing financial conditions in Europe. Large and strong companies are finding it easier to raise cash from banks and bond markets. Start-ups and weaker companies are finding it much, much harder to raise capital in Europe, at a time when banks are de-leveraging and remain reluctant to lend. That gives the biggest and strongest companies a huge advantage, though, at a macroeconomic level, we also acknowledge that it could stifle innovation.

QUALITY IS NOT OVERVALUED

We are also regularly asked if the quality companies we talk about are overvalued. The answer is categorically no. We are not concerned about the valuations of the companies in which we invest – if we were, we wouldn't invest in them. Relative to the cost of debt, European equities are still undervalued, and we believe the best companies deserve to be re-rated. And although earnings expectations may be falling at the market level, this is not a concern for us – half of the fund's top ten stocks are growing their earnings at a high-single-digit rate, way ahead of the market. Overall, while we remain pessimistic about the outlook for the European economy, we remain optimistic about the fund's outlook. We are confident that our stock selection bias – towards large, well-capitalised multi-national corporations with significant emerging market exposure – should continue to add value for investors over the long term. ■

Your Investment Funds application form is on page 45



Spotlight on Schroder UK Alpha Plus



RICHARD BUXTON
Fund manager,
Schroder UK Alpha Plus

My investment career spans over 26 years, of which 21 have been focused exclusively on UK equities. I joined Schroders in 2001 and have been Head of UK Equities since 2003. I previously worked at Baring Asset Management, where I was a UK equity manager, and Brown Shipley Asset Management, where I was a fixed income and equity investment manager.

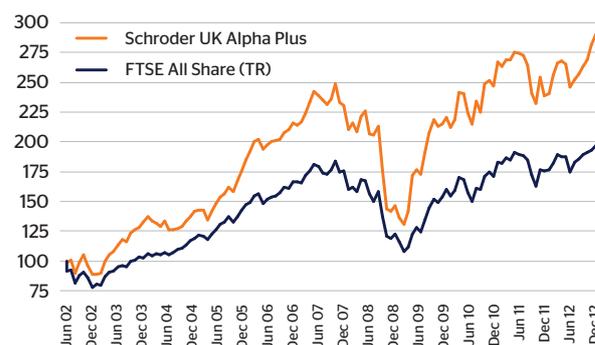
At the launch of the Schroder UK Alpha Plus fund in 2002, my conviction that the market was going to go sideways for ten to

fifteen years called for a new approach: rather than a hugely diversified fund built around an index, a fund built upon ideas of the highest conviction in a concentrated portfolio of between 20 to 40 holdings (with no constraints to an index). This number would allow enough conviction behind each stock position to make a difference, but also a degree of diversification to give some protection against volatility. The fund was only permitted to invest in larger-capitalised stocks, as there is no shortage of opportunities to find money-making ideas in larger companies, and it has also meant that the fund has been scalable as it has grown in size. It should be borne in mind that funds which invest in a smaller number of stocks and solely in one country can carry more risk than funds spread across a larger number of companies and geographies.

I am supported by a team of 14 UK analysts and fund managers. Fundamental research is at the heart of our investment process; it is our job to look beyond short-term newsflow, which tends to drive market sentiment, and instead focus on a realistic assessment of a company's long-term prospects. The importance of a company's management team is not to be underestimated, as it can be the difference between a respectable business and an outstanding business. Of course you have got to believe in the business model, the franchise and balance sheet, but trust in the management is absolutely vital.

We always meet management before investing, and engage with them throughout to ensure that all company decisions are in the best interests of shareholders. Misy is a great example. The IT services

SCHRODER UK ALPHA PLUS (SINCE LAUNCH*)



Source: Morningstar, bid to bid with net income reinvested to 31 December 2012.
* Launch date: 05 July 2002.

provider had an installed base of customers, but its product development and execution had been lacking. So a completely new management team went into a business that was performing poorly and, five years on, the strategic decisions taken by the company have created tremendous value for shareholders.

I look to invest in those few companies that I believe are going to win in a tough corporate environment. That might mean identifying a secular trend; Burberry has improved its operational performance substantially in recent years, aided by an underlying growth dynamic of increased demand for luxury brands in China and the Middle East. It could be identifying a cyclical but secular trend, such as the one that has supported mining companies for most of the last decade. Or on the UK high street, where Next continues to execute extremely well and deliver profit and dividend increases in spite of the squeeze on consumer incomes. New opportunities might come from a market overreaction to perceived economic influences. Debenhams and Taylor Wimpey are two investments from 2010 where we felt the balance sheets were in better shape than was discounted in their share prices, and where, unlike the market, we felt that they would be able to grow profits despite very tough times in terms of revenue, which has been the case.

OUTLOOK

We know there are lots of negatives in the macroeconomic environment and many headwinds to growth, but this is widely known and is reflected in prices. Economic growth and equity markets do not correlate. Growth could be subdued, but a lessening of extreme fears could see equities rerated nevertheless. The fund flow statistics and negative sentiment towards equities suggest that the 'pain trade' for most investors is for the equity market to surprise commentators on the upside over the coming years because people don't have enough equity exposure. 2012 saw frequent references to the 'death of equity' as an asset class - surely a stimulus to the contrarian instinct? I believe we might say we have already passed the low point for UK equities - below 3,500 on the FTSE 100 index twice in the last 12 years - and are in the foothills of a new bull market. ■



the Chelsea Selection

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

All these funds are available at 0% initial charge within an ISA – saving you up to 5.5% or £620 within your 2012/13 ISA allowance.†

	Chelsea Risk Rating	1 YEAR % Growth	1 YEAR Rank	3 YEAR % Growth	3 YEAR Rank	5 YEAR % Growth	5 YEAR Rank	10 YEAR % Growth	10 YEAR Rank	Yield %	Fund Size (m)
UK ALL COMPANIES											
Artemis UK Special Situations	6	18.40	68	29.49	63	16.88	62	183.37	21	1.30	996.6
AXA Framlington UK Select Opportunities	6	10.59	189	39.98	28	32.10	26	238.64	5	1.11	3338.3
BlackRock UK Special Situations	7	18.20	72	45.81	19	37.89	18	209.86	13	1.31	1600.2
Cazenove UK Opportunities	6	33.30	8	62.18	6	67.31	6	229.23	9	1.50	826.7
Franklin UK Mid Cap	6	27.06	18	58.27	10	67.06	7	402.42	1	0.80	643.0
JOHCM UK Opportunities	5.5	10.97	179	31.06	59	25.18	36	-	-	3.04	10000.0
Legal & General UK Alpha	8	6.18	242	23.32	122	47.87	9	-	-	-	156.7
Liontrust Special Situations	6	22.36	41	79.15	3	87.43	1	-	-	0.69	714.6
M&G Recovery	5	8.72	225	18.68	182	21.16	46	203.10	16	1.11	7525.6
Marlborough UK Leading Companies	7	18.69	65	49.92	15	38.28	17	219.02	11	0.94	80.6
Schroder UK Alpha Plus	7	22.59	39	33.84	47	27.74	33	208.23	15	0.80	3252.3
Stan Life Inv UK Equity Unconstrained	8	44.14	1	58.77	9	86.41	2	-	-	0.87	510.7
SECTOR AVERAGE AND NUMBER IN SECTOR	-	14.96	253	24.91	237	10.14	218	119.5	156	-	-
UK EQUITY INCOME											
Artemis Income	4	14.03	47	27.50	42	18.88	19	170.09	4	4.30	4664.0
Evenlode Income	4	11.96	57	36.70	10	-	-	-	-	3.61	19.3
Fidelity Enhanced Income	4	9.00	80	26.13	46	-	-	-	-	7.31	105.0
Invesco Perpetual High Income	4	7.67	89	30.20	29	15.20	22	195.11	1	3.69	11889.2
Marlborough Multi Cap Income	7	23.95	7	-	-	-	-	-	-	4.18	206.0
Rathbone Income	4.5	14.94	42	36.23	11	10.19	40	134.83	18 / 55	4.04	484.0
RWC Enhanced Income*	4	10.18	49 / 65	-	-	-	-	-	-	-	109.3
Threadneedle UK Equity Alpha Income	4.5	18.28	18	38.27	6	20.17	17	-	-	4.60	334.1
Troy Trojan Income	4	9.88	73	33.54	17	34.60	3	-	-	4.22	931.0
SECTOR AVERAGE AND NUMBER IN SECTOR	-	13.61	97	26.07	88	10.33	74	112.47	55	-	-
UK SMALLER COMPANIES											
Cazenove UK Smaller Companies	8	36.67	3	84.12	1	82.03	1	332.68	5	0.30	290.6
Fidelity UK Smaller Companies	8	41.63	1	82.93	2	-	-	-	-	0.31	79.0
Investec UK Smaller Companies	8	24.33	27	71.06	7	78.17	2	424.09	2	-	463.4
Marlborough Special Situations	8	21.10	40	68.66	8	57.09	7	508.94	1	0.32	501.5
Marlborough UK Micro Cap Growth	9	23.24	32	76.57	4	74.97	4	-	-	-	115.2
SECTOR AVERAGE AND NUMBER IN SECTOR	-	22.08	53	45.48	52	28.85	46	201.58	34	-	-
CORPORATE BOND											
Invesco Perp Corporate Bond	1	19.45	2	25.70	49	41.50	6	83.74	2	4.39	5830.4
Kames Investment Grade Bond	1	15.89	10	29.26	25	37.87	13	-	-	3.40	497.3
Kames Sterling Corporate Bond	1	14.73	22	30.81	16	28.42	41	60.05	12	3.74	474.8
M&G Strategic Corporate Bond	1.5	11.40	59	30.07	21	64.53	1	-	-	3.15	5870.9
SECTOR AVERAGE AND NUMBER IN SECTOR	-	12.82	77	26.03	71	29.45	66	51.50	44	-	-
HIGH YIELD											
Kames High Yield Bond	2.5	17.34	16	38.00	3	53.59	2	130.51	4	5.08	1402.3
SECTOR AVERAGE AND NUMBER IN SECTOR	-	19.08	22	29.57	19	42.08	18	107.63	16	-	-
STRATEGIC BOND											
Artemis Strategic Bond	2	15.63	25	25.97	27	32.10	17	-	-	4.50	554.1
Fidelity Strategic Bond	1.5	11.85	42	28.49	18	52.55	3	-	-	2.76	1296.0
Henderson Strategic Bond	2	17.73	14	20.40	42	37.57	10	-	-	5.60	1090.0
Invesco Perpetual Monthly Income Plus	2.5	20.21	7	30.48	10	42.27	4	159.38	1	6.07	3537.6
Jupiter Strategic Bond	1.5	16.09	24	34.89	3	-	-	-	-	5.50	1356.6
Legal & General Dynamic Bond	1.5	14.42	33	19.88	43	67.70	1	-	-	4.80	1605.2
M&G Optimal Income	1.5	12.91	38	29.26	13	64.06	2	-	-	2.97	10745.3
SECTOR AVERAGE AND NUMBER IN SECTOR	-	13.67	61	25.04	52	29.84	42	68.32	22	-	-
ABSOLUTE RETURN											
BlackRock European Absolute Alpha	5	5.19	24	15.44	7	-	-	-	-	-	37.9
Newton Real Return	5	2.98	32	11.70	12	27.92	2	163.20	1	3.14	6854.5
Standard Life Global Absolute Return Strategies	5	6.91	7	19.92	4	-	-	-	-	0.94	13968.5
SECTOR AVERAGE AND NUMBER IN SECTOR	-	3.09	52	5.91	32	14.02	10	-	1	-	-
EUROPE EXCLUDING UK											
BlackRock Continental European	7	23.26	12	19.54	13	25.87	4	215.95	5	0.51	392.9
BlackRock Continental European Income	6.5	18.18	51	-	-	-	-	-	-	4.10	59.5
BlackRock European Dynamic	8	26.44	4	32.49	3	45.15	1	318.98	1	0.49	1339.7
Henderson European Growth	7	16.14	70	19.36	14	16.14	7	211.32	6	-	858.6
IM Argonaut European Alpha	8	11.00	89	13.79	21	10.25	14	-	-	1.54	205.7
Jupiter European	7	23.16	13	35.47	2	42.54	2	249.71	3	0.40	1775.3
Jupiter European Special Situations	7	17.00	66	13.57	22	11.06	9	226.66	4	0.80	629.5
Liontrust European Growth	7.5	11.47	87	20.26	12	12.53	8	-	-	1.79	54.7
Neptune European Opportunities	8	11.10	88	5.85	45	1.39	27	267.54	2	1.10	802.5
Schroder European Alpha Plus	7	21.15	29	17.99	16	10.51	12	-	-	0.61	805.5
Threadneedle European Select	7	21.13	30	38.02	1	26.36	3	185.57	7	0.50	1522.3
SECTOR AVERAGE AND NUMBER IN SECTOR	-	19.11	90	8.73	85	-2.67	72	133.9	53	-	-

Looking for ideas?
The Chelsea Selection might be helpful for experienced investors building their own ISA and non-ISA portfolios.

	Chelsea Risk Rating	1 YEAR % Growth	Rank	3 YEAR % Growth	Rank	5 YEAR % Growth	Rank	10 YEAR % Growth	Rank	Yield %	Fund Size (m)
NORTH AMERICA											
AXA Framlington American Growth	7	5.98	39	32.73	7	31.51	6	98.99	8	-	656.7
Jupiter North American Income	6.5	8.49	14	29.63	12	39.06	3	123.32	3	1.70	399.2
Legg Mason US Equity Income	6.5	5.64	42	-	-	-	-	-	-	2.50	391
Threadneedle American Select	7	7.62	24	25.95	26	25.34	12	101.31	6	-	1715.0
SECTOR AVERAGE AND NUMBER IN SECTOR	-	6.32	67	22.74	61	19.11	50	68.4	40	-	-
JAPAN											
JOHCM Japan*	10	10.70	4 / 61	15.08	10 / 59	24.15	4 / 49	-	-	-	211.3
Jupiter Japan Income	9.5	2.09	26	9.93	11	8.05	14	-	-	2.60	468.8
SECTOR AVERAGE AND NUMBER IN SECTOR	-	3.37	41	8.77	39	3.19	34	43.73	-	-	-
ASIA PACIFIC EXCLUDING JAPAN											
Aberdeen Asia Pacific	7.5	18.65	15	32.86	9	50.24	7	383.65	2	1.10	2400.0
Fidelity Emerging Asia	10	12.59	43	-	-	-	-	-	-	-	70
First State Asia Pacific Leaders	7.5	18.45	19	38.08	6	55.99	6	-	-	0.85	6642.0
Invesco Perpetual Asian	8	16.08	30	22.76	20	34.02	10	302.77	8	0.74	569.7
JOHCM Asia ex Japan Small and Mid Cap*	9.5	21.25	10	-	-	-	-	-	-	-	5.2
Newton Asian Income	7.5	21.46	6	57.98	1	76.95	1	-	-	4.51	2876.4
Newton Oriental	8	10.06	48	17.66	28	23.20	19	294.09	11	0.38	623.6
Schroder Asian Alpha Plus	8	22.41	5	45.04	3	62.89	4	-	-	0.25	392.2
Schroder Asian Income	7.5	23.19	4	44.09	4	65.68	3	269.47	18	4.17	279.6
SECTOR AVERAGE AND NUMBER IN SECTOR	-	15.90	50	19.77	45	21.15	41	279.81	30	-	-
EMERGING MARKETS **											
Aberdeen Emerging Markets	9.5	18.98	4 / 44	38.12	4 / 34	70.02	3 / 23	568.42	1 / 16	0.50	3700.0
Aberdeen Global Emerging Markets Smaller Companies*	10	27.73	1 / 63	59.06	1 / 45	99.92	1 / 34	-	-	-	2672.6
Baring ASEAN Frontiers*	10	16.82	42 / 187	48.65	1 / 150	-	-	-	-	-	486.9
Fidelity India Focus*	10	19.68	23 / 187	4.96	82 / 150	-19.07	81 / 104	-	-	-	2433.0
Fidelity Latin America*	10	6.04	114 / 187	5.01	81 / 150	32.94	14 / 104	-	-	-	2203.0
Fidelity Emerging Europe Middle East and Africa	10	18.41	14 / 105	25.25	8 / 80	-	-	-	-	0.21	94.0
First State Global Emerging Markets Leaders	9	17.97	5 / 44	42.19	2 / 34	72.88	1 / 23	-	-	0.52	3476.0
Henderson China Opportunities	10	4.31	14 / 14	-2.05	7 / 11	-8.70	7 / 8	406.28	1 / 3	0.76	463.5
JPM Emerging Markets Income	9.5	-	-	-	-	-	-	-	-	3.55	30.4
JPM New Europe	10	22.30	7 / 105	8.60	38 / 80	-15.85	45 / 58	338.91	5 / 24	0.77	184.4
M&G Global Emerging Markets	10	15.99	8 / 44	17.04	10 / 34	-	-	-	-	0.54	758.4
Neptune Russia & Greater Russia	10	4.19	69 / 105	0.27	59 / 80	-14.85	42 / 58	-	-	0.32	360.4
GLOBAL **											
Fundsmith Equity	6	11.96	66 / 191	-	-	-	-	-	-	0.71	839.0
JOHCM Global Select*	7	10.82	114 / 239	30.32	9 / 207	-	-	-	-	-	77.31
M&G Global Basics	7.5	1.00	184 / 191	13.05	108 / 164	12.14	49 / 141	271.76	3 / 86	0.28	5045.7
M&G Global Dividend	6	11.07	92 / 191	29.98	8 / 164	-	-	-	-	3.32	4105.6
Newton Global Higher Income	6	10.19	12 / 19	28.03	3 / 14	25.17	1 / 10	-	-	4.32	3142.6
Old Mutual Global Strategic Bond	2	5.21	31 / 51	20.18	14 / 40	69.71	5 / 32	93.36	5 / 23	2.30	827.9
Rathbone Global Opportunities	7	9.52	119 / 191	32.16	3 / 164	10.52	54 / 141	222.05	5 / 86	-	190.2
MISCELLANEOUS **											
Artemis Strategic Assets	6	10.24	63 / 122	18.82	27 / 99	-	-	-	-	0.60	803.7
AXA Framlington Global Technology	10	3.74	7 / 7	29.29	5 / 7	53.76	3 / 6	221.33	2 / 5	-	198.3
BlackRock Gold & General	10	-11.57	97 / 105	2.37	53 / 80	17.76	15 / 58	256.37	8 / 24	-	2562.9
CF Eclistica Agriculture	10	4.72	64 / 105	9.27	35 / 80	-13.44	40 / 58	-	-	-	110.5
GLG Technology Equity	10	9.50	3 / 7	34.70	3 / 7	48.95	4 / 6	123.49	4 / 5	-	149.0
HSBC Open Global Return	3	7.17	118 / 187	15.04	92 / 150	18.76	32 / 96	-	-	0.45	166.8
Investec Global Gold	10	-12.89	99 / 105	4.96	45 / 80	21.87	10 / 58	-	-	-	180.9
JPM Natural Resources	10	-12.68	98 / 105	-9.53	68 / 80	-15.21	43 / 58	388.78	4 / 24	-	1671.7
Jupiter Financial Opportunities	8	18.09	15 / 105	-12.82	71 / 80	4.66	29 / 58	175.85	10 / 24	-	454.4
Legal & General UK Property Trust	3.5	1.57	25 / 41	14.42	25 / 36	-1.35	15 / 32	-	-	2.60	724.9
Mitton Special Situations Portfolio	4	-0.63	121 / 122	9.54	83 / 99	23.36	5 / 69	176.9	5 / 35	-	840.2
Schroder Global Property Securities	7.5	21.24	8 / 41	34.75	6 / 36	23.84	7 / 32	-	-	0.65	717.5

Note: some funds have been moved to our new global sector.

† Please note that the initial charge for investment outside of the ISA wrapper is generally creation/NAV + 1%, plus an annual management charge is applicable on all funds.

Ⓢ = Funds featured in The Chelsea Core Selection - see pages 12-17.

* These funds are domiciled offshore and therefore sit within a different sector. Please note different regulations may apply to funds with offshore status.

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

Whilst every effort has been made to ensure the accuracy of this information, including discounts, Chelsea Financial Services take no responsibility for any errors, omissions or inaccuracies contained therein. Please read the Important Notice on page 2. Past performance is not a guide to future returns. Source: FE Analytics, 01/01/2013. Compiled by Chelsea.

The RedZone names and shames the worst-performing funds over three years. The DropZone brings funds to your attention which have underperformed their sector averages by the largest amount over the period and which we believe should be dropped like a hot stone from investment portfolios.

Don't forget, Chelsea clients can switch out of these under-performing funds for free. See page 33 for details.



The RedZone

I feel obliged to tell you that I wrote this report on 21st January. A day otherwise known as Blue Monday and the day of the year when, apparently, most of us feel at our lowest ebb, thanks to an expensive Christmas, failed New Year resolutions, and a general drop in motivation, due to the continued winter darkness. In other words, I was a bit grumpy.

FUND FACTS OR FUND FICTION?

My mood had not been improved by the number of days, emails and phone calls required simply to get up-to-date, accurate information on funds which are marketed to the public. While the majority of fund companies take some pride in their marketing and customer service, wanting to make sure that the information they give investors is correct, there are some that fail miserably. Fund factsheets were sometimes three to six months out-of-date, some had the wrong fund manager, wrong assets under management and goodness knows what else.

This is simply not good enough and the problem needs to be addressed. Lacking motivation on the third Monday of the year is one thing, but the marketing and customer service teams of some companies seem to have been missing it for some time. I found data from Scottish Widows the most disappointing, although the lady I spoke to was at least embarrassed by the mistakes and promised to take action.

NatWest and Santander Asset Management really leave their customers out in the cold when it comes to even the basic information. I have yet to find fund factsheets on their websites. It all goes to show the importance of independent and thorough fund research before making an investment decision.

They are not the only departments to let us down. A number of fund managers seem to lack motivation to turn around the performance of their funds.

GLOOMY OUTLOOK

There are 102 funds in the latest RedZone, with combined assets of £21.61bn. Scottish Widows is once again joint-top offender with UBS. Both companies have six consistently underperforming funds. In terms of the number of badly-performing assets, Scottish Widows is also the worst offender, with £2.79bn in the RedZone, mainly due to the poor performance of the Halifax Corporate Bond fund, which holds a huge £2.18bn of investors' assets. They were closely followed by BlackRock, with £2.41bn across three funds, one of which is UK Dynamic. An update on this particular fund can be found on page 34 of this Viewpoint.

“ There seems to be no need for a referendum on whether to stay in, or get out of, the DropZone funds. Investors seem to have already started voting with their feet. ”

SAM SLATOR
Head Of Communications, Chelsea

GLIMMER OF LIGHT

One glimmer of light in the darkness is that Scottish Widows' huge investment restructuring programme is continuing, with the majority of their previously underperforming RedZone funds having had either a change of investment strategy, change of manager, or both. Let's hope that these changes have the desired effect and that they extend the programme to their fixed income mandates soon.

I was also sad to see Neptune US Opportunities appear in the RedZone for the first time. This fund is ex-Core Selection and the manager is very well known to Chelsea. The last three years have been difficult, but I'm pleased to report that the last six months or so has seen performance start to turn around. We continue to rate this fund a 'hold' not a 'sell'.

From a sector point of view, funds grouped within 'Mixed Investment 20-60% Share' are disappointing the most, with 13 funds in the RedZone. This is followed by UK All Companies (11) and Europe ex UK (9). The order is reversed in terms of assets though, with Europe ex UK representing £3.33bn of badly-performing funds.

THE DROPZONE

The one bit of good news I can share with you, which lifted my mood slightly, is that there seems to be no need for a referendum on whether to stay in, or get out of, the DropZone funds. Investors seem to have already started voting with their feet and the ten funds languishing at the bottom of the tables have just £376.6m remaining invested between them.

Roll on the summer, the next Viewpoint, and hopefully a brighter RedZone report. ■

DropZone^D

THE WORST OF THE WORST FROM THE RedZone.

	% underperformance from sector average*
1 UBS UK Smaller Companies	44.13%
2 Close Special Situations	43.92%
3 IM HEXAM Global Emg Mkts	33.02%
4 Allianz Global Eco Trends	31.55%
5 PFS Downing Active Mgmt	26.93%
6 Invesco Perp Japanese Sm Co	26.82%
7 Barmac The Castleton Growth	26.42%
8 PFS Prodigy Asia Emg Mkts	24.74%
9 F&C High Income	23.94%
10 Aviva Inv Property Inv	23.86%

*Based on three-year cumulative performance



the RedZone funds

	3 year % growth	Quartile Position		3 year % growth	Quartile Position		3 year % growth	Quartile Position
ABSOLUTE RETURN			GLOBAL			PROPERTY		
BlackRock UK Absolute Alpha	-3.48	4	① Allianz Global Eco Trends	-16.19	4	① Aviva Inv Property Investment	-6.13	4
IFDS IM Octopus Alternative Strategies	-0.48	4	CF Canlife Global Equity	11.13	3	Aviva Inv Property Trust	7.40	4
Skandia Alternative Investments	-0.91	4	F&C Global Thematic Opportunities	9.36	4	SECTOR AVERAGE	17.73	
SECTOR AVERAGE	5.83		IM Matterley International Growth Portfolio	12.16	3	STERLING CORPORATE BOND		
ASIA PACIFIC EXCLUDING JAPAN			Jupiter Ecology	8.14	4	Halifax Corporate Bond	20.71	4
CF Canlife Asia Pacific	9.72	4	Santander Global Shares Portfolio	8.66	4	M&G Short Dated Corporate Bond	4.60	4
Jupiter Asian	15.22	3	Schroder Global Climate Change	1.73	4	Scot Wid HIFML Corporate Bond	20.72	4
Legg Mason Asia Pacific	7.56	4	UBS Global Optimal	8.05	4	SECTOR AVERAGE	26	
Marlborough Far East Growth	0.93	4	SECTOR AVERAGE	15.36		STERLING HIGH YIELD		
Royal London Far East	18.61	3	JAPAN			Investec Monthly High Income	23.94	4
Threadneedle Asia	11.88	4	AXA Rosenberg Japan	0.56	4	SECTOR AVERAGE	29.57	
SECTOR AVERAGE	19.77		Fidelity Japan	-1.84	4	STERLING STRATEGIC BOND		
CHINA/GREATER CHINA			Halifax Japanese	4.66	3	Cazenove Strategic Bond	16.36	4
Jupiter China	-11.46	4	Santander Premium Japan Equity	3.17	4	Investec Strategic Bond	13.21	4
SECTOR AVERAGE	2.41		Threadneedle Japan	-0.34	4	SECTOR AVERAGE	25.04	
EUROPE EXCLUDING UK			SECTOR AVERAGE	8.77		UK ALL COMPANIES RETAIL		
CIS European Growth	-3.95	4	JAPANESE SMALLER COMPANIES			Barclays UK Core	17.35	4
Halifax European	3.25	3	① Invesco Perp Japanese Smaller Companies	-8.05	4	BlackRock UK Dynamic*	8.41	4
Invesco Perp European Equity	-0.79	4	SECTOR AVERAGE	18.77		CF Canlife General	11.33	4
L&G European Index	2.74	4	MIXED INVESTMENT 0%35% SHARES			CF Canlife Growth	14.64	4
M&G European Index Tracker	3.32	3	CF 7IM AAP Moderately Cautious	11.87	4	EFA OPM UK Equity	7.99	4
Marlborough European	-0.14	4	SECTOR AVERAGE	15.47		L&G Equity	13.33	4
Morgan Stanley Euro Ex UK Equity Alpha	1.87	4	MIXED INVESTMENT 20% 60% SHARES			L&G Growth	3.19	4
Newton Continental European	0.38	4	Aviva Inv Diversified Strategy	4.52	4	L&G UK Active Opportunities	8.53	4
UBS European Equity	-1.41	4	① Barmac The Castleton Growth	-11.30	4	Reliance British Life	13.37	4
SECTOR AVERAGE	8.73		BlackRock Cautious Portfolio	12.15	4	Stan Life Inv UK Equity Growth	12.13	4
EUROPEAN SMALLER COS			CF 7IM AAP Balanced	11.96	4	UBS UK Opportunities	12.20	4
Invesco Perp European Smaller Companies	12.85	4	EFA New Horizon Growth	2.34	4	SECTOR AVERAGE	24.91	
SECTOR AVERAGE	26.55		F&C Blue	0.07	4	UK EQUITY & BOND INCOME		
FLEXIBLE INVESTMENT			Marlborough Cautious	8.72	4	① F&C High Income	-0.78	4
Santander International Shares Portfolio	10.87	3	Scot Wid HIFML Diversified Income	5.84	4	SECTOR AVERAGE	23.16	
Thames River Equity Managed	7.36	4	Scot Wid HIFML Diversified Return	6.55	4	UK EQUITY INCOME		
SECTOR AVERAGE	14.31		SWIP MultiManager Diversity	7.83	4	Santander Enhanced Income Portfolio	16.10	4
GLOBAL BONDS			TB Doherty Cautious Managed	12.35	4	Santander Equity Income Portfolio	18.71	4
IFDS IM Octopus Fixed Income	13.29	3	Thesis Optima Multi-Asset Strategy	3.84	4	SECTOR AVERAGE	26.08	
SECTOR AVERAGE	17.93		WAY MA Cautious Portfolio	10.16	4	UK GILT		
GLOBAL EMERGING MARKETS			SECTOR AVERAGE	15.12		AXA Sterling Gilt	21.62	4
Baillie Gifford Emerging Markets Growth	3.77	4	MIXED INVESTMENT 40% 85% SHARES			CF Canlife Gilt & Fixed Interest	20.90	4
Baring Emerging Markets	2.45	4	CF 7IM AAP Moderately Adventurous	10.27	4	City Financial Strategic Gilt	4.01	4
① IM HEXAM Global Emerging Markets	-20.33	4	CF 7IM Moderately Adventurous	12.03	4	SECTOR AVERAGE	23.45	
Neptune Emerging Markets	-2.10	4	SWIP Multi Manager Optimal Multi Asset	9.75	4	UK INDEX LINKED GILTS		
① PFS Prodigy Asia Emerging Markets	-12.05	4	TB Doherty Active Managed	10.00	4	Natwest Inflation Link UK Sovereign Bond	26.61	4
Templeton Global Emerging Markets	-9.89	4	TB Doherty Balanced Managed	8.54	4	SECTOR AVERAGE	28.54	
UBS Global Emerging Markets Equity	4.26	4	SECTOR AVERAGE	16.01		UK SMALLER COMPANIES		
SECTOR AVERAGE	12.69		NORTH AMERICA			① Close Special Situations	1.56	4
GLOBAL EQUITY INCOME			Barclays US Alpha	15.09	4	Jupiter UK Smaller Companies	42.28	3
Skandia Global Equity Income	12.37	4	CIS US Growth	16.14	4	① PFS Downing Active Management	18.55	4
SECTOR AVERAGE	22.81		F&C North American	19.14	3	① UBS UK Smaller Companies	1.35	4
			L&G North American	17.20	4	SECTOR AVERAGE	45.48	
			Legg Mason US Equity	10.08	4			
			Neptune US Opportunities	10.52	4			
			Scot Wid HIFML US Strategic	12.12	4			
			SECTOR AVERAGE	22.74				

* Please refer to the Funds Update on page 34.

Please read the Important Notice on page 2. This is a purely statistical chart, featuring funds which have been 3rd or 4th quartile for three discrete consecutive years. All cumulative statistics % change, bid to bid, net income reinvested, three years to 01/01/2013. Source: FE Analytics. Whilst every effort has been made to ensure the accuracy of this information, Chelsea Financial Services takes no responsibility for any errors, omissions or inaccuracies contained therein.

GO WEST

AMERICA, BOTH NORTH AND SOUTH, LOOKS PARTICULARLY INTERESTING AT THE MOMENT. WHILST BOTH REGIONS HAVE DIFFERENT DRIVERS, THEIR PROXIMITY TO EACH OTHER IS AIDING THEM.



STEVE KELLY
Senior portfolio manager,
AXA Framlington American
Growth

The US is heading towards energy independence, its housing market is recovering, consumer confidence has rebounded and the dollar is tipped to strengthen.

So, why do UK investors persist

in having little or no exposure to such an enormous economy? Steve Kelly talks to us about this re-emerging economy.

Headlines over the New Year were dominated by news of an agreement to avoid the Fiscal Cliff. While the tax increases will impact 77% of households, the clarity provided for both consumers and businesses, after a period of considerable uncertainty, is helpful. The spotlight in Washington will now shift to a debate around the debt ceiling and efforts to further reduce the budget deficit. While this will cause some uncertainty, America is fortunate in having some unique drivers that give it the opportunity to grow its way out of some of its economic challenges.

ENERGY REVOLUTION

The emergence of the shale oil and gas production is probably the strongest structural growth driver. The development of horizontal drilling and hydraulic fracturing continue to improve the productivity and profitability of many basins across the country. Oil production increases are set to leave the US energy independent by the end of the decade, which has dramatic implications for the trade deficit. The local economy is also benefiting; North Dakota is now the second largest oil-producing state in the country, with unemployment at just over 3%. The dramatic increases in natural gas production have led to a sharp fall in prices. Where, just six years ago, there was a need for the US to import gas, the talk today is of constructing liquefaction terminals to facilitate exports.

American-based companies are poised to

be major beneficiaries, with the likes of Dow, Shell and Chevron Phillips planning significant capital investment to capitalise on a new, lower energy price environment, which will give them a significant competitive advantage against their international peers. When all is taken into account the top-line numbers are startling, with Citigroup estimating that new production and associated activity may increase real GDP by 2% to 3.3% and lead to the creation of as many as 36 million net new jobs by 2020.

RE-INDUSTRIALISATION

The benefits of low-priced energy are also supporting the renaissance in American manufacturing. Over the last decade an estimated six million manufacturing jobs have been lost during a wave of outsourcing, primarily to China. Now China's competitive advantage is being eroded away by persistently high transport costs and wage inflation. With the advantages of a highly flexible workforce, whose wages are broadly stable, as well as cheaper energy prices, states such as Alabama and Tennessee are becoming some of the cheapest places to manufacture in the industrialised world. Companies like Ford and Caterpillar, who are also keen to take greater control of their supply chain, are actively 'reshoring' some of their activities.

The housing market is recovering and after four years of subdued construction activity, pent up demand is starting to percolate into the system. Helped by falling mortgage rates that are increasing housing affordability, house prices rose about 5% last year. Importantly, we are still in the early stages of this recovery; housing starts need to roughly double to reach 'normal' historical levels. Stifel Nicolaus estimate that such an increase in activity will drive the creation of 700,000 jobs/year for the next three years.

These economic tailwinds are helping to expand the quantity and quality of our investment universe. Current holdings that are already benefiting include Quanta Services, whose pipeline laying division is seeing record

AXA FRAMLINGTON AMERICAN GROWTH

- Steve Kelly has managed this strategy for 15 years.
- 65-75 holdings, with a mid-cap bias.
- A fundamental and unconstrained bottom-up investment approach.
- Focuses on companies which display strong revenue and earnings growth, which can lead to sector biases such as overweighting technology and underweighting financials.

order flow as operators attempt to move oil and gas out of remote basins. Similarly, the 'in shoring' trend helping American manufacturing is also boosting investment in Mexico. Asian auto companies, for example, are capitalising on cheap labour and Mexico's proximity to the world's biggest market. This is contributing to consistent double-digit increases in cross border trade. Kansas City Southern, a railroad operator with assets in Mexico and southern American states is a major beneficiary. ■

THE CHELSEA VIEW:

“The US is recovering faster than the rest of the developed world, with the added impetus of cheap energy. We think that AXA Framlington American Growth is particularly well placed to take advantage of this trend. Steve has considerable expertise in picking growth stocks, which should outperform in this environment.”

CHELSEA RISK RATING:	■■■■■ 7
STANDARD INITIAL CHARGE:	5.25%
ISA INITIAL CHARGE AFTER DISCOUNT:	0%
ANNUAL MANAGEMENT CHARGE:	1.5%

(West)



ALEX DUFFY
Co-portfolio manager,
Fidelity Latin America



ANGEL ORTIZ
Co-portfolio manager,
Fidelity Latin America

Casting our eyes south, Latin America is being positively impacted by the renaissance of its northern neighbour, and it continues to be one of the most dynamic emerging markets. Alex Duffy and Angel Ortiz explain why UK investors can no longer afford to ignore the investment potential of this exciting region.

It is Latin America's richness of natural resources that initially tends to capture investors' attention. Indeed, commodities are an important structural part of the investment thesis; materials and energy are the main export-led sectors, making up around 40% of the regional equity market. However, Latin America is more than just a commodity story.

IMPROVING DEMOGRAPHICS

Domestic consumption has picked up markedly over the past decade, as consumers benefit from rising GDP per capita, increasing employment and falling interest rates. This is further underpinned by the region's attractive demographic profile. For example, in Brazil, the number of dependants has decreased by nearly 50% from 90 per 100 workers to 48 per 100 workers, over the past 30 years. As a result of the increasing proportion of the population earning a disposable income, the Brazilian economy's reliance upon export revenues is diminishing and domestic consumption is increasing.

Accounting for roughly 40% of the whole region's population, it is understandable that Brazil is also the dominant stock market in the Latin America region. However, the region's second largest economy, Mexico, has been a more consistent performer in recent years.

Mexico is being supported by productivity gains in the manufacturing sector. Of course, much of Mexico's fortune does depend on its northerly neighbour, particularly now as it regains some of its US export market share in light of China's reduced competitiveness, given the latter's dramatic wage increases.

The shale gas revolution in the US has so far yielded mixed results for Mexico. Mexico pegs its gas price to Henry Hub, the US benchmark, which currently sits at extremely low levels, due to the glut of shale gas discoveries. Despite also having seemingly vast deposits of gas trapped in shale formations, the state monopoly PEMEX has been slow to respond to the opportunity, due to red tape. Accordingly, the country has struggled to meet gas demand at current deflated prices. However, the recently elected Mexican government has promised to significantly reform the country's oil and gas sector, which bodes well for the country's long-term growth in this area.

THERE'S MORE TO LATIN AMERICA THAN BRAZIL AND MEXICO

While the long-term economic potential of Brazil and Mexico is undoubted, the wider region also offers a wealth of attractive opportunities. Peripheral markets, such as Colombia and Peru, offer some compelling stock ideas. Like Brazil, these smaller markets have good structural features, such as favourable demographics and growing average incomes.

However, each country also has its unique mix of economic characteristics, the understanding of which is critical for investors. Liquidity and corporate governance are important points to consider prior to investing. Nevertheless, the advantage of these smaller markets is that they are under-researched, which improves the prospects of finding undervalued investment opportunities.

SOUND LONG-TERM PROSPECTS

Aside from the region's undoubted consumption potential, the long-term case for investing in Latin America is supported by at

FIDELITY LATIN AMERICA

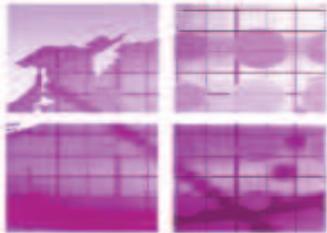
- Managed by Alex Duffy and Angel Ortiz since April 2009.
- 50-80 stocks diversified across the continent.
- The fund is currently overweight Mexico and Colombia, and underweight Peru, Chile and Brazil.
- Tends to have a large-cap bias, and the managers look for both value and growth opportunities.

least two other key factors. Firstly, a number of countries in the region are likely to continue benefiting from the ongoing structural rise in global commodity prices. In turn, higher commodity export revenues can help governments manage their finances better and to invest more in areas such as infrastructure and education. Secondly, and this is partly related to the first point, with regard to many key political, economic and social measures, the region as a whole is in far better shape today than it was just ten or even as little as five years ago. ■

THE CHELSEA VIEW:

“The recovery in the US and the improving economic environment in Latin America should result in some interesting investment opportunities over the medium term. The flexibility of the fund's mandate allows the managers, who possess considerable experience and expertise, to exploit such opportunities as they arise.”

CHELSEA RISK RATING:	■■■■■● 10
STANDARD INITIAL CHARGE:	5.25%
ISA INITIAL CHARGE AFTER DISCOUNT:	0%
ANNUAL MANAGEMENT CHARGE:	1.5%



GAINING FROM GLOBALISATION

INVESTORS ARE INCREASINGLY SEEKING DIVERSIFICATION VIA GLOBAL FUNDS. THIS NOT ONLY ALLOWS MANAGERS TO SELECT STOCKS FROM A WIDER POOL, BUT ALSO HELPS TO IRON OUT CURRENCY FLUCTUATIONS, WHICH CAN HAVE CONSIDERABLE IMPACT.



TERRY SMITH
Fund manager,
Fundsmith Equity

Here Terry Smith talks to us about Fundsmith, which he founded in 2010 to operate a single fund: Fundsmith Equity. Terry made his name 20 years ago with the publication of his myth-busting book 'Accounting for

Growth'. It got him fired from his job at UBS, but established his reputation as one of the shrewdest minds in the City. Shortly after, he joined Collins Stewart, becoming CEO and leading a management buy-out. Terry is also credited with being one of the few commentators who predicted the extent of the Credit Crunch.

Fundsmith is owned and controlled by its partners. The investment process of the Fundsmith Equity fund will be the only equity fund strategy that we employ and it is the main vehicle for my own investments. We aim to achieve the highest return over the long term, adjusted for risk.

The fund is managed using the following simple strategy:

ONLY BUY GOOD COMPANIES

You might have thought that fund managers try to buy good companies but, in my experience, that isn't always the case. However, the companies we seek make good profit margins and returns on the capital they employ and generate plenty of cash every year, because they are long-established market leaders with leading brands, patents, installed bases of software and equipment to which they sell spares and servicing, and have powerful sales and distribution networks. They sell our everyday luxuries and necessities. You are generating profits for our companies every time you use toiletries or cosmetics, brush your teeth, clean your bathroom and kitchen, have a cup of coffee or a bottle of water, when you ride on an elevator or escalator, when the doctor gives you an injection or you have a blood test, and when you receive your paycheck. For instance, we like Domino's Pizza, the master franchise company in the US. Like all franchisers, Domino's can grow using other people's money - the franchisees'. As a

delivery-only concept it does not need high street premises. Stryker is another good example; it's a leading manufacturer of medical devices and equipment for replacement knees and hips, spinal and cranial surgery and trauma and number one in operating theatre equipment. It is highly cash generative and has a conservative balance sheet.

Our companies are resilient. On average they were founded over 100 years ago. They have survived two world wars and the Great Depression so they will probably survive the current downturn.

We only hold 20-30 companies in our portfolio. You don't need any more than that to achieve the benefits of portfolio diversification, and the more companies you own, the less you know about each one, and that can't be a good thing.

BUY THEM WHEN THEY ARE CHEAP

We try not to overpay for the shares we buy based upon their cash flows and yields. Again, this might sound like something every fund manager does, but it isn't. Why? We are not buying shares in the hope that they will rise and we will then be able to sell them to someone else at a higher price. We intend to hold them indefinitely and collect the dividends they pay and pass those on to our investors.

THEN DO AS LITTLE AS POSSIBLE

Once we have assembled our portfolio of cheap shares in good companies, we try to do as little as possible. In particular we try not to deal, as that adds to the costs for investors. The average UK mutual fund manager turns over their portfolio about 80% p.a. and incurs costs of another 1.5% p.a. for investors over and above the management charges and expenses of the fund. They mistakenly believe their job is about activity and there is a broking industry which encourages them to deal. This is a big drag on performance for investors. In contrast, at Fundsmith we sometimes go through many months without making any outright sales or purchases of shares.

The final piece of the jigsaw is that our charging structure is also simple - we charge a 1.5% annual management fee. There are no upfront charges, redemption charges, performance fees or other hidden costs. ■

FUNDSMITH EQUITY

- Managed by Terry Smith since launch in November 2010.
- Concentrated portfolio of c. 27 stocks.
- Invests globally in developed markets, currently with 60% in the US, 27% in the UK and 13% in Europe.
- Long-term approach with a very low turnover.
- Invests in good quality, larger companies, with strong margins and little leverage.

THE CHELSEA VIEW:

"This is managed by the renowned investor, Terry Smith. We like his low-risk, long-term global approach and the portfolio concentration, which lets him focus on his best ideas. Terry's long-term track record is evident, as is his passion for investing."

CHELSEA RISK RATING:	■■■■●■■ 6
ISA INITIAL CHARGE:	0%
ANNUAL MANAGEMENT CHARGE:	1.5%





PETER MEANY
Fund manager, First State
Global Listed Infrastructure

Infrastructure is an interesting and expanding area of investment at the moment. With developed nations having underinvested for many years and emerging economies expanding, there

are considerable opportunities for infrastructure companies. First State Global Listed Infrastructure aims to provide investors with a mix of strong capital growth and inflation-protected income through a globally diversified, actively-managed portfolio of infrastructure securities. Peter Meany is Head of Global Listed Infrastructure at First State Investments and has more than 15 years' experience as a specialist infrastructure portfolio manager and analyst. He talks to us here about the sector and some of the stocks in which he is invested.

I established the Global Listed Infrastructure strategy, along with senior portfolio manager Andrew Greenup, in 2007. Since then we have built a high quality team of investment specialists and a strong investment track record. We use a combination of fundamental analysis, value ranking and quality ranking which provides a repeatable framework, enabling us to identify opportunities in the market for our clients.

Infrastructure describes the physical assets that provide essential services to society. Around the world, billions of people rely on infrastructure to live and do business. From the airports we travel through, the toll roads we drive on, to the water we drink - infrastructure assets are the backbone of any economy.

WHAT MAKES INFRASTRUCTURE CURRENTLY SO EXCITING?

Infrastructure assets tend to exhibit a number of attractive investment characteristics, such as predictable ways of generating cashflows and growth that has a low level of sensitivity to the economic cycle.

In addition to these defensive fundamentals, several long-term structural drivers are currently generating growth within specific infrastructure-related sectors. For example, mobile tower companies' contracted revenue streams are growing in line with increased customer demand for data and video services as smartphones and tablets grow in popularity and sophistication.

Energy storage companies are benefiting from the increased need to move energy around the world. Small scale and out-dated oil refineries are being replaced by import terminals, while LNG (liquefied natural gas) terminals are linking markets to new sources of gas.

Toll roads are benefiting from a number of structural growth drivers, namely urban population and household growth, increased levels of motor vehicle ownership and underinvestment in public alternatives. Whilst European toll roads face challenges in the short term, they currently offer deep value for long-term investors.

WHAT SORT OF COMPANIES ARE INTERESTING?

The Dutch energy storage company Vopak and the American mobile tower company Crown Castle are two examples of companies currently held within the fund which are benefiting from structural growth trends.

Vopak has been a beneficiary of the global imbalance in energy markets, the move to cleaner fuels and the opening of emerging markets. Storage capacity additions, contracted price increases and cost efficiencies from its global network have delivered to the fund 13% compound growth

FIRST STATE GLOBAL LISTED INFRASTRUCTURE

- Managed by Peter Meany since launch in 2007.
- Invests globally in companies involved in infrastructure, such as utilities (e.g. water and electricity), highways and railways, airports services, marine ports and services, and oil and gas storage and transportation.
- Approximately 40 stocks, with a current split: US 35%; France 15%; UK 12%; Australia 11%; Japan 8%; Italy 4%; Switzerland 3%; Spain 3%; Netherlands 2% and Germany 2%.
- Currently yields 2.8%, paid in April and October.
- Silver rated by MSTAR OBSR and Gold rated by Standard & Poor's.

in earnings per share over the last five years.

Crown Castle operates wireless towers across the US and Australia. Its revenue is generated by long-term leases on over 22,000 sites. The sustainable growth of its business model, and the strong free cashflow which it generates, make this stock an attractive investment. ■

THE CHELSEA VIEW:

“Infrastructure is particularly exciting at the moment and Peter has considerable experience in this area of investment. This fund offers investors a relatively defensive and inflation-protected exposure to global equities.”

CHLSEA RISK RATING:	■■■■●■■ 6
STANDARD INITIAL CHARGE:	4%
ISA INITIAL CHARGE AFTER DISCOUNT:	0%
ANNUAL MANAGEMENT CHARGE:	1.5%





VCTs: Helping you plan for your future

WITH THE RISING BURDEN OF TAXATION AND THE INCREASINGLY RESTRICTIVE RULES GOVERNING PENSION CONTRIBUTIONS, WE ARE ALL LOOKING FOR TAX-EFFICIENT WAYS TO SAVE FOR THE FUTURE. FOR SOPHISTICATED AND WEALTHY INVESTORS WHO WANT TO REDUCE THEIR CURRENT YEAR TAX BILL AND RECEIVE TAX-FREE DIVIDENDS IN THEIR RETIREMENT, VENTURE CAPITAL TRUSTS COULD BE THE ANSWER.

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

TAX BENEFITS OF VENTURE CAPITAL TRUSTS

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

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

investors the opportunity to invest into mature portfolios, which may have the potential for dividends from the outset.

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



“ We think the investment characteristics and tax benefits of VCTs lend themselves to long-term investors, as well as people looking for a tax-efficient way to plan for their retirements. ”

HARRY DRISCOLL
Senior Research Analyst, Chelsea

Take the example of **ProVen Growth and Income VCT**. This VCT is ranked 2nd out of all VCTs, with a track record longer than two years or more, having returned 152.4p per 100p invested in tax-free dividends since launch in 2001 (source: ProVen Growth and Income prospectus January 2013). This is equivalent to average annual dividends of over 13.5p per share. It is worth noting that, as dividends are paid once portfolio companies are sold, dividend payments on all VCTs can vary dramatically from year to year. ProVen Growth and Income VCT raised significant funds in the 2007-08 period and these investments are now coming to maturity, so we are hopeful there will be disposals in 2013. The ProVen Growth and Income Top-up is now open. Please contact us on 020 7384 7300 to request a brochure.

Other Generalist VCTs that are offering Ordinary Share top-ups to existing portfolios and worth close consideration are:

Mobeus Linked Offer: Mobeus have shot up the league tables in recent years and have won several industry awards (see feature opposite). The three Mobeus VCTs that are open for subscription have each provided positive annual returns for investors in excess of 8% per annum, taking into account the relevant initial tax reliefs (source: Mobeus Linked Offer prospectus December 2012).

British Smaller Companies VCTs Linked Offer: Two thirds of your subscription will be invested in BSC1, which is the top-performing VCT over three years*, paying an annual dividend of over 5p per share (future dividend payments not guaranteed).

Albion VCTs: This offer gives investors the choice to invest across six of Albion's VCTs, with a view to paying a monthly dividend of 5.7% p.a.†

Please check our website for details of the VCT discounts which help to reduce the cost of investing, (www.chelseafs.co.uk/vcts) or call our office on **020 7384 7300** for more details. ■

*Source: Citywire, 18 September 2012.

† Based on the Albion VCTs net asset values, current dividend targets as at 30 June 2012 and an equal investment across the six VCTs.

CURRENT VCT OFFERS

NAME OF VCT	TYPE OF VCT	MINIMUM INVESTMENT	AMOUNT RAISING	TOTAL DISCOUNT
Albion Top-up Offers 2012/13	Generalist	£6,000	£15m	0%
British Smaller Companies 1&2	Generalist	£5,000	£15m	3%
Downing Planned Exit VCT 2	Planned Exit	£5,000	£25m	3.5% ¹
Foresight Top-up Offers	Generalist	£4,000	£10m	2.5%
Hargreave Hale AIM VCT 1&2	AIM	£5,000	£20m	1%
Maven VCTs Top-up Offers	Generalist	£5,000	£5.5m	2.5% ²
Mobeus Linked Offer	Generalist	£5,000	£21m	1%
Octopus AIM VCTs 1&2	AIM	£3,000	£20m	2.5%
Octopus Apollo VCT	Generalist	£3,000	£20m	2.5%
Octopus Titan VCTs 1-5 Linked Offer	Generalist	£5,000	£30m	2.5%
ProVen Growth and Income VCT (Existing Client)	Generalist	£5,000	£15m	5% ³
ProVen Growth and Income VCT (New Client)	Generalist	£5,000	£15m	4% ⁴
Puma VCT 9	Planned Exit	£5,000	£30m	1%

Source: Chelsea Financial Services

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

¹ Includes early bird offer of 1% for applications received before 28/2/13.

² Includes early bird offer of 1.5% for applications received before 28/2/13.

³ Includes 2% enhancement for applications received before 1/3/13.

⁴ Includes 1% enhancement for applications received before 1/3/13.

Focus on Mobeus Equity Partners

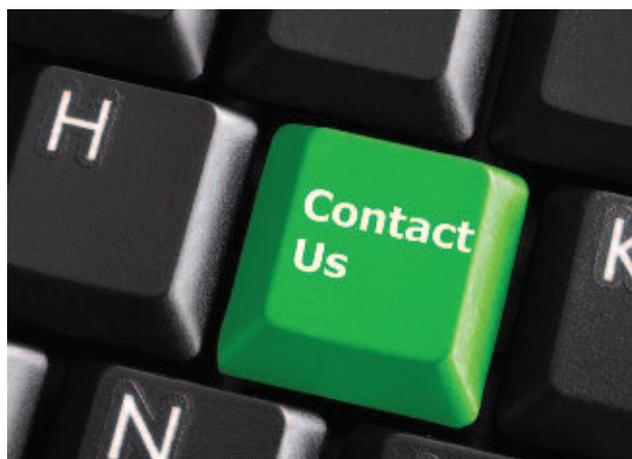
Formerly known as Matrix until their management buy-out in June 2012, Mobeus are one of the most successful VCT managers of recent times. Also in 2012, they became the first VCT manager to win both the major industry awards in the same year: “2012 Investor Allstars Awards – VCT of the Year” and “2012 British Private Equity Awards – VCT Manager of the Year”.

Mobeus has one of the largest and most experienced investment teams in the industry, whose sole focus is on VCT investments. As of October 2012 they had over £150m of assets under management. The four founding partners have worked together for over fourteen years and all of the investment managers have over ten years of industry experience. Also, since 2004, the management team and the boards of directors have invested £900,000 of their own money, on the same terms as ordinary shareholders.

While all VCTs should be considered high risk, Mobeus' investment style looks to reduce the risks associated with VCTs in several ways. Firstly, Mobeus only invests in profitable, cash-generative businesses, which are typically larger and more mature than those businesses usually associated with venture capital. Secondly, they specialise in management buyouts. This means Mobeus buys into investee companies alongside their management teams who have a unique and privileged understanding of the financial opportunities and risks within their businesses. Also, the incumbent management teams are highly incentivised to buy the company on the most attractive terms possible. And lastly, Mobeus structures its transactions using both debt and equity. The debt portion ranks ahead of all shareholders in entitlement to income and capital receipts. Once again, this serves to reduce the risk profile.

Chelsea recently met the managing partner of Mobeus, Mark Wignall, to discuss the current offer and the prospects going forward. Mark indicated that there is a strong pipeline of potential deals that fit the Mobeus investment criteria and he was confident that there would be disposals over the medium term. He also announced that Mobeus would be initiating an enhanced share buyback scheme. This means that investors who have held the shares for five years can swap their old shares for new shares, and receive another 30% income tax relief, which will significantly boost returns.

If you are interested in the offer please call **020 7384 7300** to request a brochure. Other open VCT offers are listed in the table above.



IMPORTANT NOTICE

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

INVEST, MONITOR AND MANAGE YOUR PORTFOLIO WITH

the Chelsea **FundStore**

WELCOME TO THE FUNDSTORE

'FundStore' is the new name for the 'Chelsea Portfolio' - we think this better reflects its benefits, which combines Chelsea's service with Cofunds' expert administration.

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

There will be no change to your online access and you will be able to log in as normal and view your account online.

POWERED BY **c•funds**



SET UP A FUNDSTORE ACCOUNT TODAY

To register, go to www.chelseafs.co.uk and select 'Account Login' on the home page

Select the 'Registration' option on the left-hand side and complete your details



Free consolidation

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

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

Re-registration is easy.

Simply complete and return the form on page 36.

Invest online

- **Investment ISA**
Lump sum or monthly savings, select one of our EasyISA portfolios, or choose from more than 1,700 funds
- **Investment funds (non-ISA)**
Use our tools and research to diversify your portfolio

Manage your investments online

- **All your investments in one place**
Seeing all your investments together gives you a holistic view of your portfolio
- **Free online ISA dealing**
No additional dealing costs (including switching between funds at **0% charge**)
- **Monitor performance**
Keeping track of your portfolio means you're always in control
- **Access 24 hours a day, 365 days a year**
No need to wait for a statement in the post to get valuations



DON'T WANT TO INVEST ONLINE?

No problem. Many clients prefer to deal with us by post or telephone:



BY POST

Write to Chelsea Financial Services, St James Hall, Moore Park Road, London SW6 2JS



BY TELEPHONE

Call us on **020 7384 7300**
9am-5pm Monday-Friday

FundStore benefits

WE BELIEVE THAT HOLDING ALL YOUR INVESTMENTS IN ONE PLACE IS THE BEST WAY TO MANAGE THEM. AND WE DON'T JUST RECOMMEND FUNDSTORE TO CLIENTS - IT'S WHERE OUR STAFF KEEP THEIR OWN INVESTMENTS.

Whether you're starting out with £50 per month into your first ISA, or have a large portfolio, the FundStore is the easiest way to manage your investments. Here's an overview of the benefits:

FREE SWITCHING

Chelsea clients can switch into all available funds at **0% charge**. This equates to a saving of £25 for every £1000 switched.

FANTASTIC DISCOUNTS

99% of the funds on FundStore are available at 0% initial charge within an ISA.

INCOME REINVESTED FOR FREE

All income and dividends can be either paid out or reinvested for free. Many fund managers and other supermarkets charge for this service, so this saving can make a big difference over time, especially on income funds.

CHELSEA FUND REVIEW

Our research team provide fund commentary, Chelsea Risk Ratings (from 1 to 10) and a generic buy/hold/switch rating, with your valuation statement*. Our Fund Review is also available online.

VALUATION STATEMENT

You will receive one valuation statement for your entire portfolio every six months, plus a consolidated tax voucher in May each year for investments outside an ISA. You will also receive our Fund Review.

LESS PAPERWORK

All your investments are under one roof so the amount of paperwork you receive will be greatly reduced. Online clients can also get all the information they need 24/7 via the FundStore website.

A MORE FLEXIBLE ISA

Your annual ISA allowance can be invested across different funds and fund providers in the same tax year, giving you more choice and enabling you to spread the risk of your investments.

JUNIOR ISA

The Chelsea Junior ISA is here. Choose from more than 1,700 FundStore funds or select one of our Junior EasyISA portfolios (see page 6 for further details).

MONTHLY SAVINGS PLANS

Made easy and cost-effective: the same leading discounts as lump sum investing, with a minimum of just £50 per month.

CASH RESERVE FACILITY

Our supermarket offers a temporary Cash Reserve facility. Whilst the interest rate is currently low, this is a valuable facility which allows you to switch in and out of cash (at 0% charge), without losing your ISA status.

CASH ACCOUNT

For those looking to switch non-ISA monies into cash, currently paying 0.1% (0.4% below the Bank of England base rate). Please note, the only way to switch into the Cash Account is via postal applications or over the telephone.

ESTATE PLANNING

If your investments are consolidated within the FundStore it is much easier for your executors to administer - everything is in one place.

TELEPHONE DEALING OPTION

Buy your investments over the phone using your debit card. Simply call 020 7384 7300.

IS THERE A DOWNSIDE?

You will not receive the annual reports for the underlying funds (though these are available free of charge on our website) and income payment dates will vary slightly from those of the underlying fund providers.

You will need to complete a withdrawal form or send in a written instruction to sell your funds. Please note that this process can take 5-10 working days.

*Available on over 400 of our most widely-held funds.

Chelsea FundStore is powered by **c-funds** - an independent company, and one of the UK's leading investment platforms.

Just because you don't need a financial adviser, it doesn't mean you're on your own

With Chelsea, more than 80,000 investors get the information and support they need to make their own investment decisions:

EXPERT RESEARCH

Chelsea Financial Services was founded in 1983 by its present Chairman, Dr John Holder.

As we embark on our 30th year we continue to evolve and seek ways to improve our service. At our core remains our commitment to provide our clients with quality investment research.

Our research team has met and interviewed every fund manager listed in the Chelsea Selection (see pages 20-21). We conduct regular analysis of performance in every sector – and flag funds we want to investigate further. Where we identify consistently underperforming funds, we list them in our RedZone (see pages 22-23).

THE LOW-COST ALTERNATIVE

We were the first intermediary to discount charges on unit trusts and bonds, and later ISAs. We continue to provide a cost-effective service to investors who do not feel the need to pay for a financial adviser. And because our clients are what the financial industry regulator refers to as 'self-directed', we're not affected by recent changes in regulation, and don't charge an up-front fee.

OUTSTANDING PERSONAL SERVICE

Unlike many other companies, Chelsea's customer service is personal, not automated. When you phone us, the average call is answered within five seconds by one of our team, not a recorded menu. We are here to help our customers and make sure they receive quality, friendly service at all times.

GUIDANCE FOR ALL TYPES OF INVESTOR

For people who are inexperienced investors, or simply too busy to research the market, there's the Chelsea **EasyISA**. And experienced investors can build their own portfolio using our **DIYportfolio**. Either way, we have the tools investors need to get going.

FORCED TO GO IT ALONE?

Recent rule changes in the industry have meant that financial advisers now have to charge clients a fee. In many cases this not only means that fees have risen and become potentially prohibitive for some smaller investors, but also, in some cases, investors with less than £100,000 are being refused advice.

We have produced a leaflet explaining how you can make your own investment decisions without financial advice, and how Chelsea can guide you to make the best of your investments. If you would like a copy, please contact us on the number below.

CHELSEA MAKES IT EASY



ONLINE

To invest, go to www.chelseafs.co.uk and click 'Invest Online'.



BY TELEPHONE

Call us on **020 7384 7300** 9am-5pm Monday-Friday



BY EMAIL OR POST

Send an email to info@chelseafs.co.uk or write to Chelsea Financial Services, St James Hall, Moore Park Road, London SW6 2JS



REMEMBER, all switches within the Chelsea FundStore
- powered by Cofunds - are now available at 0% charge.

Free switching via the FundStore

WHAT FREE SWITCHING MEANS FOR YOU:

- Get rid of poor-performing funds at 0%. Thanks to free switching, Chelsea clients have saved over £140k in 2012 alone.
- Switching enables you to make changes to your portfolio with ease, allowing you to rebalance your portfolio or readjust as you see fit.
- Access to over 1,700 funds, from more than 90 different providers, all available at 0% charge for switches.
- Exclusive to clients of Chelsea.
- Cash Reserve ISA: if you're unsure where to invest or just want to sit outside the market, you can hold cash within your ISA then switch into funds at 0% charge. There are no upfront or annual running costs to hold cash.



HOW CAN I DEAL OR SWITCH THE INVESTMENTS IN MY ACCOUNT?



ONLINE: If you're registered, simply log in to your Chelsea FundStore account to place a deal. If you're not already registered simply go to www.chelseafs.co.uk to register.



BY POST: Simply complete a switch form and return it to us in the enclosed pre-paid envelope. You can download a switch form from the literature page on our website, or telephone us and we can send one out to you.

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

If you have a Cofunds account with another intermediary, all you need to do is to appoint Chelsea as your servicing agent - just complete and return the form below:



CLIENT NAME:

CLIENT REFERENCE:

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

SIGNED:

DATE:

FundsUpdate

THIS IS WHERE WE KEEP YOU UP-TO-DATE ON SOME WIDELY-HELD FUNDS, OFTEN WHERE SOME CHANGE HAS TAKEN PLACE THAT WE BELIEVE TO BE NOTEWORTHY.

FRANKLIN UK MID-CAP

BUY / HOLD / SWITCH

Mid-cap stocks have a tendency to be more cyclical and therefore more volatile than their large-cap counterparts. During 2012 the FTSE 250 returned 24.9%* compared with just 5.8%* for the FTSE 100. The experienced Paul Spencer has not only navigated through this volatility, but turned it to his advantage to deliver top decile growth over 1, 3 and 5 years in the UK All Companies Sector.

Paul has demonstrated a number of attributes that we believe have contributed to the success of his fund. Firstly, he employs a pragmatic approach to stock selection and has no bias towards growth or value opportunities. He does, however, focus on stocks that can deliver secular growth. This reduces the cyclical nature of the fund and provides some downside protection in volatile markets. Strong balance

sheets are also a must, but unusually he does not always meet management, as he has found that strong managers don't always make strong presenters. Another reason for our optimism is how he handled the credit crunch in 2008. He successfully identified the oncoming crisis and rotated the portfolio into attractively-managed opportunities, which benefited from the subsequent rally. In the more recent past he has been overweight asset managers and home builders, which has proved to be another astute call.

In summary, Paul's strong stock-picking skills, combined with his ability to identify and exploit market trends, make this our pick in the mid-cap space. Consequently, we maintain our buy recommendation.

JUPITER ABSOLUTE RETURN

BUY / HOLD / SWITCH

We are reluctantly removing this fund from our Core and Selection buy lists, primarily due to it not achieving any returns three years after launch.

Many of our clients were beneficiaries of the excellent fund management skills of Philip Gibbs, with his 13 year tenure on Jupiter Financial Opportunities. He had also run a very successful hedge fund for over 10 years. This, coupled with his brilliant macroeconomic calls during 2002 and

2008, led us to believe that this would be an excellent fund for him to run. Unfortunately, a number of poor decisions over the last three years has led to pretty much a zero return since launch. The fund did show its worth during the various euro crises over the last three years, when it gave positive returns while equities were falling. We still have a high regard for Philip and investors who are nervous of markets should still hold his fund.

BLACKROCK UK DYNAMIC

BUY / HOLD / SWITCH

Mark Lyttleton is an experienced UK investor, taking over the UK Dynamic fund in August 2003, after beginning his career as a trainee at BlackRock 16 years ago. In addition to the UK Dynamic fund he also runs BlackRock's UK Absolute Alpha fund.

Over the long term the UK Dynamic fund has performed well. However, the fund experienced a significant drawdown during the financial crisis, losing 35.87%* in 2008. His relative performance since then, with the exception of a strong period during the market rebound in 2009, has fallen considerably, particularly as the fund size increased.

The fund name implies an aggressive growth style but Mark's actual style is a flexible blend of value and growth. Mark manages a concentrated portfolio of between 30 and 50 UK stocks, with a large-cap bias. This style leads to a high conviction portfolio, where the team's best stock ideas make up the core of the fund. Unfortunately, in more volatile markets, which have become normal conditions over recent years, he has struggled to adapt his style, explaining the fund's languishing performance. As a result, we are sorry to see the fund drop into the RedZone. Alternative funds available to investors in the UK All Companies sector can be found in our Core Selection (pages 20-21).

*All data sourced from FE Analytics, 01/01/2013

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



SINCE THE BEGINNING OF THE YEAR, NEW RULES HAVE MADE THE TRANSFER OF ISA INVESTMENTS FROM ONE FUND SUPERMARKET TO ANOTHER MUCH EASIER. THIS MEANS THAT IF YOU HAVE INVESTMENTS WITH OTHER FUND SUPERMARKETS, SUCH AS FUNDSNETWORK OR SKANDIA, YOU CAN NOW EASILY MOVE THEM TO THE CHELSEA FUNDSTORE.

New transfer rules ...could you benefit?

ACT NOW TO RECEIVE IMPROVED SERVICE

The Chelsea Fundstore offers a range of valuable benefits which you may not currently receive:

- **Free Switching:** get rid of poor-performing funds at 0% charge.
- **Less paperwork:** you receive one statement, every 6 months, detailing all your investments.
- **Fund Review:** our research team provides proprietary fund commentary with your valuation statement, which includes our Chelsea Risk Rating (from 1 to 10) and Chelsea buy/hold/switch ratings.
- Wider investment **choice**
- **Online portfolio management**
- **Free** telephone dealing
- Personal **support** from our dedicated client team

FREE TRANSFERS

It's easy to transfer. Simply complete the form overleaf and return it to us. We will take care of the rest. Most fund supermarkets do not levy an exit charge, but if they do we should be able to pay it for you. Please call our helpdesk on 020 7384 7300 to find out more.

WHY TRANSFER TO FUNDSTORE?

Easy account management - you will receive good quality, personal service and support. Forget trawling through mountains of paperwork or spending hours on the phone to different companies. Bring your investments onto FundStore and you can easily manage them when you like, how you like: online, by phone or via post. The average telephone call is answered in less than five seconds by someone trained to answer your query.



Re-registration form

THE EASY WAY TO CONSOLIDATE YOUR PORTFOLIO

The Chelsea **FundStore**

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

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

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

Full name of unit holder(s) Title

Current address

Postcode

Email address Male Female

Date of birth National Insurance number

Daytime telephone Existing Cofunds number (if applicable)

ISA investments - Please complete in block capital letters

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

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

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

Please photocopy this form if you require additional space.

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.

The disclosure documentation applicable to this transaction is: **1 2 1 2 S D I**

This form is for Self-Directed clients only

If you are investing in both tax years, you must include two separate cheques. For the 2013/14 tax year, your cheque must be dated 6 April 2013 or later.

This application form is used to subscribe to an Investment ISA with Cofunds. By completing this application, you agree to subscribing to a 2012/2013 tax year stocks and shares ISA and each subsequent year until further notice. You are not obliged to invest in subsequent tax years unless you choose to do so.

The ISA allowance for all investors is £11,280 for the 2012/2013 tax year and £11,520 for the 2013/2014 tax year.

For Key Features of the Cofunds Platform and/or Key Investor Information Documents please refer to your personal disclosure at chelseafs.co.uk/pd or telephone us for a copy.

Cofunds Intermediary Authorisation Code **7 7**

% Initial Commission Waived **100%**

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

1 Personal Details (Please complete this section in full)

Existing Cofunds Client Reference

Current Permanent Residential Address

Postcode

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

Mr/Mrs/Ms/Miss/Other
Surname
Full First Name(s)
Email Address
Daytime Tel No.

Time at this Address yrs mths

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

Postcode

Male Female Date of birth / /

Time at this Address yrs mths

National Insurance Number / / / /

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.

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

2 Funding your investment

If you are investing in both tax years, you must include two separate cheques. For 2013/2014 tax year your cheque must be dated 6 April 2013 or later.

Please make your cheque(s) payable to Cofunds Limited.

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

Cheque £ . Amount

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

3 Investment Selection

Your total ISA subscription for each tax year must not exceed your ISA allowance. For details refer to the Key Features of the Cofunds Platform on the Chelsea CD.

I wish to subscribe to an Investment ISA (stocks and shares) for the tax year 2012/2013 For the amount of: £ and/or 2013/2014 For the amount of: £ and for each subsequent tax year until further notice.

I wish to invest in the funds indicated (for further details of the funds available, please refer to the Fund Key Features). Please ensure the funds are available through Cofunds. Please note: your total ISA subscription for each tax year must not exceed your ISA allowance. For details, please refer to the Key Features of the Cofunds Investment ISA.

Your investment will be made in the Retail Share Class.

Tax Year	Fund Name	Type of Unit/Share (delete as appropriate)*	Lump Sum (minimum £500 per fund)	Monthly amount per fund (minimum £50 per fund)
<input type="text"/>	<input type="text"/>	ACC/INC	£ <input type="text"/>	£ <input type="text"/>
<input type="text"/>	<input type="text"/>	ACC/INC	£ <input type="text"/>	£ <input type="text"/>
<input type="text"/>	<input type="text"/>	ACC/INC	£ <input type="text"/>	£ <input type="text"/>
<input type="text"/>	<input type="text"/>	ACC/INC	£ <input type="text"/>	£ <input type="text"/>
<input type="text"/>	<input type="text"/>	ACC/INC	£ <input type="text"/>	£ <input type="text"/>
<input type="text"/>	Cash Reserve (if required)†		£ <input type="text"/>	£ <input type="text"/>
TOTAL INVESTMENT AMOUNT			£ <input type="text"/>	£ <input type="text"/>

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

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

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

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

4 Nominated Bank Account

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

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

Branch Sort Code
 -

Bank/Building Society Account Number

Building Society Roll Number

5 Income

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

<input type="checkbox"/> Consolidated Monthly Income Income generated from your investment funds will be consolidated into your cash account and paid to your nominated bank account on a monthly basis.	<input type="checkbox"/> Cofunds Cash Account Income generated will be paid into your cash account to be held on platform for withdrawals or future investment.	<input type="checkbox"/> Retain in the fund Income generated from this investment will be retained in the fund.
--	---	---

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

6 Declaration and Authorisation

I declare that:

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

I authorise Cofunds Limited to:

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

I confirm that:

- I have been provided with the Terms & Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) and by signing this application form I agree to be bound by them.
- I have received and read the relevant product Key features/fund specific information and/or Key Investor Information Documents relating to my investment.
- I understand that the Terms and Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) are the standard terms upon which Cofunds intend to rely, and it is important that I read and understand the terms before agreeing to be bound by them. If there is any term or point I do not understand or do not wish to be bound by, I understand that I can request further information before signing this application.
- I understand that my signed application form (once accepted by Cofunds) together with the Terms & Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) form my customer agreement with Cofunds Ltd.
- I understand that the commencement of my ISA may be delayed or rejected if this application form is not complete in all respects. You may undertake a search with a reference agency for the purposes of verifying my identity. To do so, the reference

agency may check the details I supply against any particulars on any database (public or otherwise) to which they have access. They may also use my details in the future to assist other companies for verification purposes. A record of the search will be retained as an identity search. I declare that the information contained in this application form is correct to the best of my knowledge and belief.

Signature 	Date
---	------

Data Protection

Cofunds Limited will use your information for the administration and servicing of your investments and other related activities. We may disclose your information to other companies and service providers for these purposes. We may also disclose your information to organisations for compliance with legal and regulatory requirements. With the exception of the preceding provisions, we will not pass on your information to any other third party without your permission, but we will disclose information concerning your investment to your Nominated Intermediary. Cofunds may transfer your information to countries outside of the EEA for the servicing of your investments. In such cases, contracts will be put in place to ensure that the service providers protect your information in accordance with the requirements of the Data Protection Act. If you provide your email address and telephone number on this form, Chelsea will keep a record of it. Chelsea may use it to contact you occasionally about products and services, which may be of interest to you. However, if you prefer not to receive such information, you may withdraw your consent by contacting Chelsea client services department on 020 7384 7300. If you require a fund prospectus, please contact your Intermediary or Fund Manager directly. If you wish to attend/vote at unit holder or shareholder meetings, please tick this box. If you wish to receive reports and accounts, you can download them free of charge at https://investors.cofunds.co.uk/Investors/Reports_and_Accounts_Investors.aspx. If you wish to receive paper copies of reports and accounts please speak to your Intermediary. You can also request to receive paper copies of reports and accounts by writing to us at Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY. We will apply a £20 administration charge per fund for each request to attend/vote at unit holder and shareholder meetings, and for each request to receive paper copies.

Investment by Direct Debit



Instruction to your Bank or Building Society to pay Direct Debits



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

Name and full postal address of your Bank or Building Society

To the Manager	Bank or Building Society
Address	
Postcode	

Name(s) of Account Holder(s)

Bank/Building Society Account Number

Branch Sort Code
 -

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

Service User No.

Reference Number

For Cofunds LTD official use only

This is not part of the instruction to your bank or building society.

Instruction to your Bank or Building Society

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

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

This Guarantee should be detached and retained by the payer.

The Direct Debit Guarantee

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

Issued and approved by Cofunds Limited, 1st Floor, 1 Minster Court, Mincing Lane, London EC3R 7AA.
Registered in England and Wales No. 3965289. Authorised and regulated by the Financial Services Authority (FSA) under FSA Registration No. 194734.
CA07 01/13



This form is for Self-Directed clients only

The disclosure documentation applicable to this transaction is: **1 2 1 2 S D I**

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

The Junior Investment ISA allowance for all investors is £3,600 for the 2012/2013 tax year and £3,720 for the 2013/2014 tax year.

Please complete this Application Form using black ink and BLOCK CAPITALS and return to: Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS
For Key Features of the Cofunds Platform and/or Key Investor Information Documents please refer to your personal disclosure at chelseafs.co.uk/pd or telephone us for a copy.

Cofunds Intermediary Authorisation Code

7 7

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

1 Child Details (Please complete this section in full)

Existing Cofunds Client Reference

Current Permanent Residential Address

Postcode

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

Mr/Mrs/Ms/Miss/Master/Other

Surname

Full First Name(s)

National Insurance Number / / / /
(if held)

Male Female Date of birth / / / / /

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

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

Mr/Mrs/Ms/Miss/Other

Current Permanent Residential Address

Postcode
Daytime Telephone No.

Surname

Full First Name(s)

Male Female Date of birth / / / / /

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

3 Funding Your Investment

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

Cheque £ . Amount Monthly Direct Debit (please ensure that the payer completes the 'Investment by Direct Debit' overleaf).

If you are investing in both tax years, you must include **two separate cheques**. For 2013/2014 tax year your cheque must be dated 6 April 2013 or later.

Please make your cheque(s) payable to **Cofunds Limited**.

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

4 Third Party Details (Please complete if relevant)

Please complete this section if you are not the child or Registered Contact but are funding the Junior Investment ISA investment.

Mr/Mrs/Ms/Miss/Other

Current Permanent Residential Address

Postcode
Daytime Telephone No.

Surname

Full First Name(s)

5 Investment Selection

I wish to invest in the funds indicated (for further details of the funds available, please refer to the Key Features of the Cofunds platform and/or Key Investor Information Documents on the Chelsea CD, on our website or telephone us for a copy.) Please ensure the funds are available through Cofunds. Please note: subscriptions in each tax year of your Junior Investment ISA, in conjunction with subscriptions to a cash Junior Investment ISA (if held), must not exceed the child's JISA allowance. For details, please refer to the Key Features of the Cofunds Junior Investment ISA.

I wish to subscribe to an Investment ISA (stocks and shares) for the tax year 2012/2013 For the amount of: £ and/or 2013/2014 For the amount of: £ and for each subsequent tax year until further notice. See page 6 for details of the Junior EasyISA.

NOTE: ALL INCOME MUST BE RETAINED IN THE FUND

Your investment will be made in the Retail Share Class.

Fund Name	Type of Unit/Share (delete as appropriate)*	Lump Sum	Monthly amount per fund
The Chelsea Junior Easy ISA <input type="checkbox"/> Cautious Portfolio <input type="checkbox"/> Balanced Portfolio <input type="checkbox"/> Aggressive Portfolio (tick one option only)	ACC/INC	£ <input type="text"/>	£ <input type="text"/>
	ACC/INC	£ <input type="text"/>	£ <input type="text"/>
	ACC/INC	£ <input type="text"/>	£ <input type="text"/>
TOTAL INVESTMENT AMOUNT		£ <input type="text"/>	£ <input type="text"/>

(See overleaf for notes on this section)

6 Investment Selection (continued)

*ACC/INC

If you do not specify ACC or INC in this column. Cofunds will invest into accumulation units/shares where available. If you have chosen income units/shares the income generated will be reinvested. We cannot pay the income out.

Your cheque payment

Cheques must either be drawn on a UK bank account in Sterling. The cheque must be made payable to **Cofunds Limited**. For a Building Society cheque or banker's draft the

name of the child must appear on the front of the cheque, or on the back of the cheque accompanied by the Building Society's or bank's official stamp and signature. We do not accept payment by any other method.

Your monthly savings

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

7 Declaration and Authorisation

I declare that:

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

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

I authorise Cofunds Limited to:

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

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

I confirm that:

- I have been provided with the Terms & Conditions of the Junior Investment ISA and by signing this application form I agree to be bound by them.
- I have received and read the relevant product key features/fund specific information and/or Key Investor Information Documents relating to my investment.
- I understand that the Terms and Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) are the standard terms upon which Cofunds intend to rely, and it is important that I read and understand the terms before agreeing to be bound by them. If there is any term or point I do not understand or do not wish to be bound by, I understand that I can request further information before signing this application.
- I understand that my signed application form (once accepted by Cofunds) together with the Terms & Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) form my customer agreement with Cofunds Ltd.

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

Signature
(Registered Contact)

X

Date

Data Protection

Cofunds Limited will use your information for the administration and servicing of your investments and other related activities. We may disclose your information to our agents and service providers for these purposes. We may also disclose your information to organisations for compliance with legal and regulatory requirements. With the exception of the preceding provisions, we will not pass on your information to any other third party without your permission, but we will disclose information concerning your investment to your Nominated Intermediary.

Cofunds may transfer your information to countries outside of the EEA for the servicing of your investments. In such cases, contracts will be put in place to ensure that the service providers protect your information in accordance with the requirements of the Data Protection Act. If you provide your email address and telephone number on this form, Chelsea will keep a record of it. Chelsea may use it to contact you occasionally about products and services, which may be of interest to you. However, if you prefer not to receive such information, you may withdraw your consent by contacting Chelsea client services department on 020 7384 7300.

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

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

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

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

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

Investment by Direct Debit



Instruction to your Bank or Building Society to pay Direct Debits



Please fill in the whole form and send it to:

Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.

Name and full postal address of your Bank or Building Society

To the Manager	Bank or Building Society
Address	
Postcode	

Name(s) of Account Holder(s)

Bank/Building Society Account Number

Branch Sort Code

 - -

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

Service User No.

Reference Number

For Cofunds LTD official use only

This is not part of the instruction to your bank or building society.

Instruction to your Bank or Building Society

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

Signature

Date

This Guarantee should be detached and retained by the payer.

The Direct Debit Guarantee

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

Issued and approved by Cofunds Limited, 1st Floor, 1 Minster Court, Mincing Lane, London EC3R 7AA.

Registered in England and Wales No. 3965289. Authorised and regulated by the Financial Services Authority (FSA) under FSA Registration No. 194734.

JCA07 01/13

42 Viewpoint / March 2013



ISA Transfer Authority

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

Existing Client reference

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

Please complete all details requested

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

Address

Postcode

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Signature X Date

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

Please list all funds that you hold with the above Plan/Account Manager that you wish to retain when you transfer your investment to Cofunds.

Fund Name	A/C or Plan Nos. (This must be completed)	Type of Unit/Share (delete as appropriate)*	Number of units
<input type="text"/>	<input type="text"/>	ACC/INC	<input type="text"/>
<input type="text"/>	<input type="text"/>	ACC/INC	<input type="text"/>
<input type="text"/>	<input type="text"/>	ACC/INC	<input type="text"/>
<input type="text"/>	<input type="text"/>	ACC/INC	<input type="text"/>
<input type="text"/>	<input type="text"/>	ACC/INC	<input type="text"/>

*If you do not specify ACC or INC in this column, Cofunds will not be able to process your application. If you have chosen income units/shares, please ensure you complete section 2 of the Investment ISA (stocks and shares) Transfer Application to have income paid to you.

2 Funds that you wish to SELL (cash transfer)

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

Fund Name	A/C or Plan Nos. (This must be completed)
<input type="text"/>	<input type="text"/>

3 Cash ISA Transfer

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

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

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

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

I wish to transfer the proceeds of my existing ISAs into the Chelsea EasyISA (please tick one of the portfolios below). Minimum Transfer of £2,100. See pages 7, 8 and 9 of Chelsea Viewpoint for details.

Existing Cofunds Client ref

Cautious Growth EasyISA	<input type="checkbox"/>
Balanced Growth EasyISA	<input type="checkbox"/>
Aggressive Growth EasyISA	<input type="checkbox"/>
Income EasyISA (please complete income payment overleaf)	<input type="checkbox"/>
Global Income EasyISA (please complete income payment overleaf)	<input type="checkbox"/>

Or select your own funds and complete this section below:

Fund Name	Type of Unit/Share (ACC/INC)*	Transfer %
<input type="text"/>	ACC/INC	<input type="text"/>
<input type="text"/>	ACC/INC	<input type="text"/>
<input type="text"/>	ACC/INC	<input type="text"/>
<input type="text"/>	ACC/INC	<input type="text"/>
<input type="text"/>	ACC/INC	<input type="text"/>
† Cash Reserve (if required)		<input type="text"/>

* ACC/INC If you do not specify ACC or INC in this column, and/or have not completed Section 3 and, if applicable, Section 2 of the Transfer Application form, Cofunds will invest into accumulation units/shares where available.

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

Total 100%

CO 407/CFS002 01/13

This form is for Self-Directed clients only

The disclosure documentation applicable to this transaction is:

1 2 1 2 S D I

Cofunds Intermediary Authorisation Code

7 7

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

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

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

Existing Cofunds Client Reference

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

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

or Company Name

Email Address

Daytime Tel No.

Male Female Date of Birth / /

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

Postcode

Time at this Address yrs mths

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

Postcode

Time at this Address yrs mths

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

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

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

3 Joint Holder (You can nominate one additional holder)

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

Second named holder

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Current Permanent Residential Address

Postcode

Time at this Address yrs mths

Male Female Date of Birth / /

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

Postcode

Time at this Address yrs mths

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

4 Funding your investment

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

Cheque £ . Amount

Cofunds Cash Account £ . Amount

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

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

5 Nominated Bank Account

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

Name of Account Holder

Bank or Building Society Name and address

Postcode

Branch Sort Code - -

Bank/Building Society Account Number

Building Society Roll Number

6 Income

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

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

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

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

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

Read all about it!

Could YOU be a Chelsea case study?

Chelsea is often approached by journalists from the Money sections of the weekend national newspapers, asking to talk to our clients about their chosen investment in a particular fund or market.

During a five minute telephone conversation, no investment amounts are disclosed, just reasons for making certain choices and the investment goals clients had in mind. We've shown some examples on this page.

The journalist does not expect to talk to an investment expert, they simply want to add a human touch to their story. They will then arrange a time for a family photograph to be taken.

Clients who do speak to the press on our behalf receive **£50 in Marks and Spencer vouchers** as a thank you.

If you would like to be a case study, please contact Sam Slator, our Head of Communications, on **020 7384 7322** or via email: sams@chelseafs.co.uk

Mr Grieve

MAIL ON SUNDAY

20th January 2013:

'Europe set to bounce back'

"...That is certainly what Hudson Grieve, 55, thinks. Hudson says: 'Europe as a sector is too big to ignore and there are still enough financially strong companies to find good returns. If there is going to be something of a recovery, there is scope to get better growth from this sector.' He recently switched money into two investment funds that target smaller and mid-sized European companies: Threadneedle European Smaller Companies and BlackRock European Dynamic..."

Guy Roberts

YORKSHIRE POST

6th October 2012:

'Long-term view to investing'

"...Guy Roberts, a 34 year old lettings agent branch manager, invests monthly in bonds and absolute return funds. Yet with his solicitor wife, Rachel, the couple have decided on M&G Global Emerging Markets fund in a savings plan for their children, twins Luke and Libby..."

Jackie Richmond
SUNDAY TIMES

28th October 2012:

'ABC of saving for your children'

"Jackie Richmond, 28, and her husband Fintan, 33, a chef in the Royal Logistic Corps, opened a junior Isa for their four-month-old son, Mika, soon after he was born. The couple, from Aldershot, Surrey, chose an Isa from Chelsea Financial Services that invests in a mix of UK, emerging markets and global equities..."



Would you recommend Chelsea?

*...if you do, we'll say
Thank You with up to
50 pounds worth
of M&S vouchers.*

Many of our clients come to us after being recommended by an existing client.

We are very pleased and grateful that many people are so happy with our service that they feel confident enough to recommend us to their friends and family.

If you recommend a friend (someone new to Chelsea) we will send them details of our services, and will send to you:

- £50 worth of Marks & Spencer vouchers if they invest or transfer over £25,000
- £25 worth of Marks & Spencer vouchers if they invest or transfer over £5,000

Investments must be retained with us for at least 12 months.

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

YOUR DETAILS

Name:

Address:

Postcode:

Telephone:

FRIEND'S DETAILS

Title:

First name:

Surname:

Address:

Postcode:

Telephone:

FRIEND'S DETAILS

Title:

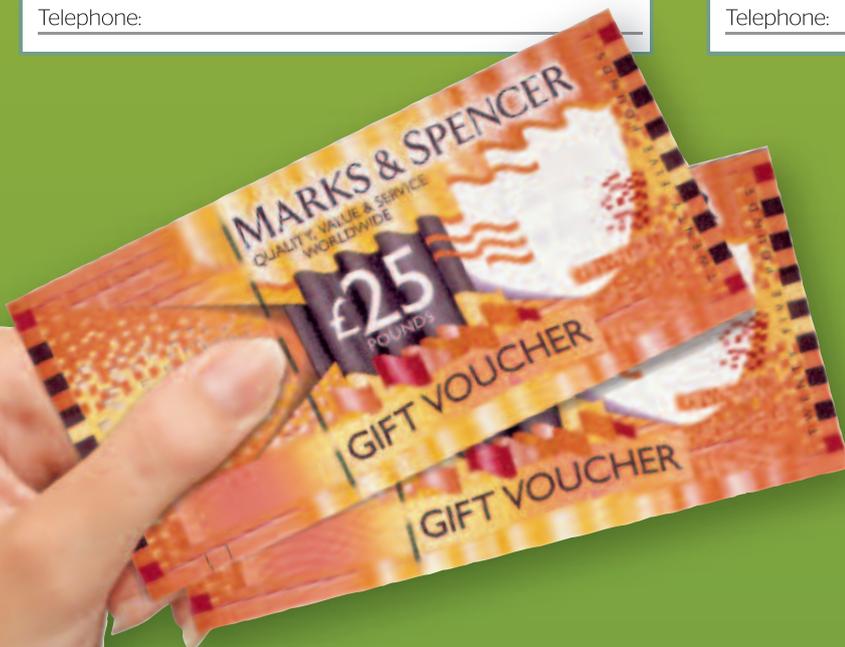
First name:

Surname:

Address:

Postcode:

Telephone:



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

Registered in England No. 1728085