INDIVIDUAL SAVINGS ACCOUNTS LIMITED

Investment Recommendations 2007

There is an old saying which maintains that the most expensive words an investor can ever utter are "this time it's different".

So it was when the stockmarket fall of 2000-03 undermined the confidence of fainthearted investors. Many people stopped buying ISAs during this decade, believing that the pattern of investment performance had changed. This has proven to be an expensive mistake for long-term investors. Stockmarkets are volatile, but they always recover.

If you have maintained the discipline of investing annually, then congratulations! You have been well rewarded. On the other hand, if you have been "sitting on the fence" (deliberating) in recent years, then the message is now completely clear!

We believe that as a successful discipline, investing into collective equity funds can only be beaten in one way, namely when you do so with the added benefit of tax advantages (ie via the ISA structure).

Finally, to these two compelling reasons we can now add a third. In December, it was announced that ISAs are here to stay. The vehicle of investment choice and tax efficiency has now become one of lifetime delivery.

Investing £7000 in an ISA can be as straightforward or as complex as you would like it to be. To simplify the process we have set out three alternative portfolios, each containing seven different funds. These "packages" are described in this booklet and if you wish to proceed it should take you no more than five minutes to complete the forms.

Alternatively you may wish to construct your own portfolio from the full list of options which the fund supermarkets offer. Please telephone us if you wish to receive the brochure and forms to enable you to do this.

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Introduction

Here we are, yet again, at the tax year end. Is it time for you to arrange an ISA? Think about it. It is your future financial security we are talking about – not something to be trivialised!

We have always believed that the answers to today's investment questions can be found in the lessons of the past. Historical statistics prove conclusively that over lengthy periods of time equities are the best performing of all major asset classes. It is simply the brief periods of falling prices which some people find difficult to come to terms with. This is a pity since their failure to do so usually costs them dearly.

The Third Year

No-one should be in need of additional inspiration to persuade them to invest, but for those who are, then the third year of the US President's four year term provides it. Since 1945, there has never been a single occasion when the third year of a Presidential term resulted in a fall in the US stockmarket. 2007 is the third year of the current Presidential term. Historically average returns in the third year have been double those of the second year. Moreover, the ebullience appears to extend to the UK stockmarket in that (rationally or otherwise) the third year of the US Presidential term has traditionally also been best in the corresponding UK cycle.

The fourth and final year of the cycle is also one which produces good returns. In fact, under Republican administrations the final two years of the four year term traditionally deliver stockmarket returns which are almost double those of the first two years. In the UK, by comparison, they are almost treble.

Political manipulation? Maybe, but the road signs for equity investors appear to point in one direction!

One Simple Fact

In the UK today there are one million fewer people in their twenties than there were ten years ago, and for the very first time the 55-64 age group outnumbers that of 16-24. This will clearly have an impact on the relative performance of different types of companies. Who will benefit most is a discussion in its own right, but logic suggests that one major beneficiary should be the equity-income sector. As demand for retirement income increases, it seems reasonable to assume that more money will gravitate towards those funds which are invested into shares paying high dividends (ie equity-income funds). This in turn should act as an upward influence on capital values in this sector.

If you are in, or close to, retirement we believe there is an irrefutable argument to buy equity-income funds (both inside and outside of the ISA structure).

UK Financial Expertise

The status of the UK's financial sector grows, and the statistics are compelling. London now has 70% of the global secondary bond market, 40% of cross-border equities trading and 20% of cross-border bank lending. So far as currency trading is concerned the UK's share, at 31%, roughly equals that of the USA, Japan and Germany combined. Finally, in the Initial Public Offerings (IPO's) arena, London handles 26% of all global business.

This meteoric rise in London's status is not simply good for our economy. It should also impact on the fund management industry. Anyone with money to invest, therefore, is likely to find that the best home for it is in a unit trust/OEIC promoted by a British fund management group. If we add to this low charges and tax breaks, the ISA becomes the ultimate savings product. Finally, following the Chancellor's recent announcement we now know that ISAs are here to stay. This is the icing on what was already a very large and highly palatable cake!

The reality is that ISAs represent a "use it or lose it" tax allowance. Don't let the opportunity pass you by!

Tax Advantages Of ISAs In 2007

Tax Advantages

From a taxation standpoint no-one can personally ever be worse off by investing in an ISA. However, depending on circumstances an investor may (either now or in the future) be much better off as a result of utilising the ISA system (and its predecessor the PEP). By way of example let us assume that two investors had contributed to PEPs and ISAs since 1992 at the maximum annual level (ie £6000 for PEPs and £7000 for ISAs). Each could therefore have contributed a total of £104,000. Over the period let us further assume (for example) that this cumulative investment had grown to (say) £200,000. Two ongoing scenarios are outlined below.

Investor A is a 40% tax payer who, in addition to his PEPs and ISAs also holds substantial growth orientated investments outside of the PEP/ISA shelter. He fully utilises his Capital Gains Tax exemption every year by realising gains on his non-PEP/ISA portfolio. By holding £200,000 in PEPs and ISAs he avoids the Capital Gains Tax liability on all capital gains, whether realised (ie encashed) or not. By comparison, assuming (say) a realised capital gain of 8% on his PEP/ISA portfolio each year, the **annual** tax saving could amount to £6400.

Investor B decides at his retirement date to transfer his entire £200,000 PEP/ISA portfolio into Corporate Bonds. His objective is to establish a substantial fixed interest-based portfolio. Once invested in Corporate Bond funds, all of the interest generated becomes entirely tax-free (whether accumulated or paid out). On the other hand, if he had built up a similar fund outside of the PEP/ISA shelter he would have been liable each year to income tax on the interest. If therefore his Corporate Bond funds thereafter yield (say) 5% per annum then the £10,000 of income generated is tax-free. In contrast if this money were similarly invested outside of the PEP/ISA shelter it would have given rise to an income tax liability at his personal (marginal) rate (ie 10%, 20% or 40%).

From a tax standpoint, whilst each of these clients was building up his fund it is likely that the tax advantages would have been less significant. The lesson to be learned, however, is that in later life as your tax profile alters and your investments build up, tax savings often become substantially greater with each succeeding year.

Nor is it solely higher rate taxpayers who benefit from the PEP/ISA shelter. Old age pensioners can ensure that, with planning, they benefit from an expansion of the personal allowance from £5035 to £7280 (between ages 65-74) and £7420 (over 75). Pensioners who are able to restrict their **assessable income** to the threshold of £20,100 would, by neutralising further income within the ISA structure, derive not one but two benefits. Firstly they avoid the progressive claw-back of the additional age-related personal allowance. Secondly, their investment within a fixed interest based ISA accumulates totally tax-free.

The Chancellor’s Statement

December’s Pre-Budget Review contained the welcome announcement that ISAs are to continue beyond their present cut-off date of 2010. The fact that the statement clarified that ISAs will now become a “permanent feature” of the savings landscape is meaningful for one reason in particular. From here onwards every investor knows that the tax concessions which he is enjoying via the ISA system can be relied upon for the rest of his lifetime. The significance of this new concession is that an estimated 95% of all investors will now be able to progressively move their entire investment portfolio into ISAs during their lifetime.

Let us take the example of an investor who began putting money into ISAs in the year 2000 at the age of 58. He is now retired and can no longer afford to invest out of income. However, supposing he then inherits a further £100,000 and wishes to shelter all of this additional capital. Whilst he cannot do this immediately, over the years he and his wife can progressively utilise their allowances to move £14,000 of these funds into the ISA system each year. With each succeeding year, therefore, proportionately more and more of their funds become tax protected. This capital conversion concept can afford dramatic advantages over an extended timeframe.

How We Select Our Recommendations

We believe in simplicity, and in selecting funds for our annual ISA recommendations we observe the following disciplines.

1. Philosophy

As Independent Financial Advisors we are financial planners and not simply promoters of unit trust-type funds. As such, we are mindful of the fact that the individual personal circumstances of our clients vary considerably. Our aim therefore, is to offer a variety of alternative portfolios which will serve whatever specific investment objective we have outlined in our descriptive literature, and which you have identified as being appropriate to yourself.

2. Portfolio Spread

All things being equal it makes sense to diversify an ISA portfolio over seven funds (with £1000 invested in each). The arrival of fund supermarkets has enabled us to do this, since the costs incurred when selecting a portfolio of seven funds (ie at £1000 each) is usually the same as applies when making an investment of £7000 into one single fund.

Diversification is the first (and last) rule of portfolio planning. Unfortunately, however, with the overwhelming majority of investments, diversification results in greater costs. Not so with fund supermarkets. This is one of the understated advantages of the system.

3. Growth Trends

For growth investors, our preferred approach is to seek to establish an international spread of funds. However this does not imply random geographical diversification, but pinpointed allocations which typically include a substantial representation in the Far Eastern and emerging markets. Our enthusiasm for these markets is based on the belief that, taking a five year view, they are the most promising in the world, and we adhere unswervingly to this belief in spite of their exceptionally high levels of volatility.

The Asian success story is still in its infancy, but the discernible trend is clear from the fact that in 1950 personal incomes in Asia were 10% of those in the USA. Today this figure is 25%. In 1960 Asia's share of global trade was 11%, whilst today it has risen to 26%. The main driving force of Asia is of course China, whose exporting prowess is legendary. Less well-known however is the fact that its imports are projected to overtake those of the EU by 2010, thus reflecting the strength of its domestic economy. When a country averages 10% annual economic growth for 25 years, there will clearly be a momentous shift in its wealth. Yet on current exchange rates the average Briton is today 20 times better off than his Chinese equivalent. The impact of increasingly prosperous Chinese consumers is the catalyst which may well project China's economy to new, much higher, levels of sophistication and growth. Clearly, therefore, the investment argument still has a long way to run, and this applies not solely to China but also to emerging markets generally.

As with any thematic approach, however, there are countries which will buck the trend. Population is always an important consideration in the emerging markets equation. Brazil and Mexico are expected to increase their populations by 12.3% and 11.3% respectively over the next decade thereby providing them with both the workforce and consumers they need to spur their economies onwards. In contrast Ukraine's population is expected to fall by 10% and Bulgaria's by 7.4%. For this, and other reasons, individual emerging markets are unlikely to progress at a uniform rate. Therein lies the advantage of investing via a diversified managed fund.

There are other growth orientated philosophies which we are inclined to support. In each case we always endeavour to provide a concise explanation of our views.

4. Income Trends

Not everyone is exclusively a growth investor. A large proportion of the investing public is primarily in need of a system to fund retirement income. For these clients we recommend the equity-income concept. This is the only equity based system which is able to provide the investor with both a reliable and increasing income (from the annual dividends paid out).

As advisors, the more facts and analysis we see, the more it becomes obvious to us that for most investors an equity income ISA represents far better value than any conventional pension scheme. We view equity-income funds as the main vehicle for all investors who are in, or approaching, their retirement.

There is a great difference between "retirement income" and "pension provision" and, whilst this is a complex comparison, there can be no doubt that for 90% of the UK population ISAs (taxwise) represent by far the best mechanism for the delivery of retirement income.

5. Populism Or Conviction?

Our recommendations are based on what we feel is right – not what is easy to sell. Very often the long-term interests of the client are best served by taking the "non-populist" route.

We have a long-term track record of eschewing "easy to sell" investments which we consider irrational or misleading. As such we are one of a handful of independent financial advisors never to promote so-called "with profits" arrangements or stockmarket-linked "precipice bonds".

Our proudest claim, however, is that in contrast to the overwhelming majority of large IFA firms, we have never had an Ombudsman claim upheld against us.

6. Individual Fund Selection

Each fund has its own style (whether fashioned by the manager or the investment house), and every investment management group operates according to its own processes. We would not profess to having any detailed knowledge of these variables but they do exist and wherever possible we try to take them into account. We look for meaningful reasons to support a fund, but in doing so we are never influenced by the hype of the fund management groups. We are particularly conscious of the difference between style and substance. The most important of all considerations however, is that our responsibility is solely to the investor (ie our client) and not the fund management groups.

Unlike certain of our competitors, we never engage in the charade of claiming that we "interview" fund managers. (This is akin to passengers on an aircraft presuming to interview the pilot before take-off.) We endeavour to assist our clients in a professional manner but we believe it is wrong for advisors to profess to be something they are not. As with all forms of human endeavour, our industry contains not only those who "don't know", but also those who don't know they "don't know".

7. Personal Fund Selection

Most of our clients prefer to invest in one or other of the "packaged portfolios" we have selected. However, our approach to business recognises (and accommodates) those of independent spirit, who prefer to opt for some, or all, of their own individual fund choices.

For clients who wish to select their own funds, both of our recommended supermarkets (ie Cofunds and Fidelity FundsNetwork) offer a range of over 1000 funds. If you require a form to enable you to make your own selections, please telephone us.

6 The Equity-Income Portfolio

We believe that equity-income funds can provide by far the most effective system of retirement income provision available in the UK today.

Dividends paid by such funds have traditionally delivered an income which increases almost annually. Moreover over recent decades these increases have comfortably exceeded the rate of inflation. Both the reliability and consistency of the dividend approach are evidenced in the fact that the UK stockmarket has seen its overall level of dividend payments fall in only one year since 1975. How many people using other systems of retirement income provision have seen their income increase in 30 years out of the last 31?

In addition to receiving a reliable and increasing stream of income, history suggests that investors in equity income funds can also anticipate substantial increases in the value of their capital over time. In our view the equity-income approach is unique. All other mainstream equity investments have the sole objective of long-term capital growth. In contrast the dividends paid by equity-income funds enable the investor to enjoy an immediate and annual benefit, in addition to the traditional one of long-term capital gains.

FUND	DISCRETE ANNUAL PERFORMANCE %				
	2006	2005	2004	2003	2002
AXA Framlington Monthly Income	18.6	24.0	21.9	23.8	(-19.7)
F & C Stewardship Income	25.1	14.7	19.1	26.1	(-8.4)
Invesco Perpetual Income	27.0	26.1	22.1	22.4	(-11.9)
JOHCM UK Equity Income	20.8	23.8	launched Nov 2004		
Jupiter Income	22.0	26.7	17.0	22.4	(-12.3)
Rathbone Income	21.0	23.0	18.3	23.5	(-9.6)
Standard Life UK Equity High Income	24.4	23.7	22.3	28.7	(-18.0)

All statistics are quoted “bid to bid”, or its OEIC equivalent (in both cases with net dividends reinvested). Where funds have less than a five year record the periods quoted are those in respect of complete calendar years only. Past performance is not necessarily a guide to future performance and may not be repeated. Investors electing to receive an annual income should be aware that the dividends (on which the investor’s income is based) are not guaranteed. This income is likely to fluctuate and may fall in value.

Of the seven funds selected above it is our opinion that four of them “pick themselves”. These four funds (run by AXA Framlington, Invesco Perpetual, Jupiter and Rathbone) have enjoyed a consistent out-performance which positions them above all others within the sector. For anyone intending to invest in a mini-ISA we recommend that these four funds are the ones chosen.

AXA Framlington Monthly Income — **Date of Inception** — **Discount To Investor 5%**
Manager: George Luckraft — **October 84**

George Luckraft joined Framlington in September 2002, having previously managed the renowned ABN AMRO equity-income fund. Since that time the Framlington fund has enjoyed a similar level of exceptional performance. Many experts consider Luckraft to be the leading investment manager within this sector.

F & C Stewardship Income — **Date of Inception** — **Discount To Investor 4.75%**
Manager: Ted Scott — **October 87**

With each succeeding year, more people become convinced of the argument for ethical investment. This fund is unorthodox in that it classifies as both an equity-income and a green fund. As such it excludes from its portfolio shares in those companies whose products and practices could be deemed environmentally harmful. It also avoids investment in companies which trade excessively with oppressive regimes.

Invesco Perpetual Income — **Date of Inception** — **Discount To Investor 5%**
Manager: Neil Woodford — **June 79**

Invesco Perpetual offers investors three of Britain's best performing equity-income funds, two of which are managed by Neil Woodford, namely the Income fund and the High Income fund. Currently these two funds maintain portfolios which are almost identical to each other. The fund we have chosen has performed with a remarkable degree of both consistency and aggression. Its portfolio is concentrated on FTSE 100 shares.

JOHCM UK Equity Income — **Date of Inception** — **Discount To Investor 5%**
Manager: Clive Beagles — **November 04**

On launching this fund, J.O. Hambro recruited Clive Beagles as its manager. Beagles' prior record with the renowned Newton Higher Income fund is legendary. His current approach is to focus on around 50-70 holdings (far fewer than in most portfolios). Since its launch the fund's record has spoken for itself.

Jupiter Income — **Date of Inception** — **Discount To Investor 4.75%**
Manager: Anthony Nutt — **August 87**

This fund is an example of "concept" investing. Essentially the manager allows his "best ideas" to determine the shares he selects. The process followed identifies economic, social and lifestyle trends and invests in those companies which are well placed to exploit the opportunities provided by these anticipated changes.

Rathbone Income — **Date of Inception** — **Discount To Investor 5.25%**
Manager: Carl Stick — **February 71**

Rathbone is a small "boutique" investment house, which eschews widespread advertising and publicity. In spite of (or perhaps because of) this, the fund has grown to become one of the sector's largest. The investment emphasis has changed recently to favour more "blue chips".

Standard Life UK Equity High Income — **Date of Inception** — **Discount To Investor 3.75%**
Manager: Karen Robertson — **May 86**

The fund's investment policy is to focus on a relatively small number of stocks. The selection approach is to a certain extent contra-cyclical, balanced by a proportion of high yielding holdings to boost income.

Discount Effect: *The total cost of investing £7000 in the above portfolio (ie £1000 into each fund) is £12.50. This represents a true initial charge to the investor of under 0.25%.*

The International Growth Portfolio

For those investors who are not in need of an immediate income we recommend a portfolio based on an international spread of unit trusts/OEICs funds.

International diversification enables investors to reduce the risk of being dependant on (say) a single equity market such as that of the UK. Whilst there has always been a compelling argument in favour of geographical diversification, in recent years we have become more convinced of the exceptional potential of the economies of China and other emerging markets. In our opinion, the Far East and emerging markets may well represent the very best overall prospects for capital gains during the next five years or so.

Whilst in our view no growth investor should ignore the emerging markets, we would caution that these investments are traditionally far more volatile than the established markets of the Western World. Nevertheless, we believe that experiencing periods of extreme volatility is a price worth paying in return for better long-term returns. Our preferred recommendations, set out below, include funds which reflect this.

FUND	DISCRETE ANNUAL PERFORMANCE %				
	2006	**2005**	**2004**	**2003**	**2002**
Aberdeen Asia Pacific*	11.3	41.1	8.5	46.9	(-5.0)
Fidelity European	14.4	29.8	22.5	33.1	(-6.3)
First State Asia Pacific Leaders	17.4	35.1	13.2	launched Dec 2003	
Investec Global Free Enterprise	11.8	29.5	19.1	30.5	(-11.6)
Lazard Emerging Markets	14.6	54.4	19.1	42.0	(-11.1)
M & G Global Leaders	14.4	36.7	15.2	28.9	(-30.5)
SVM Continental Europe	24.3	35.8	10.5	23.7	(-17.3)

Where funds have less than a five year record the periods quoted are those in respect of complete calendar years only. All statistics are quoted "bid to bid", or its OEIC equivalent (in both cases with net dividends reinvested). Past performance is not necessarily a guide to future performance and may not be repeated.

Most of the funds listed above invest in emerging markets or the Pacific rim economies. These investments are more volatile and as such they expose the investor to greater risks than mature markets such as the UK. These risks include currency movements and exchange control restrictions, as well as political and economic instability in the countries concerned. In addition, under certain circumstances investors may suffer if the underlying investments become illiquid, or experience other problems due to the underdeveloped nature of the securities markets in some emerging countries.

** On 21st April 2006 Aberdeen Far East Emerging Economies Unit Trust converted into the Aberdeen Asia Pacific Fund. The ongoing fund has a similar investment objective to the historic fund. Historic performance figures quoted are those of Aberdeen Far East Emerging Economies Unit Trust, launched February 1987.*

Aberdeen Asia Pacific
Managers: Asian Equities Team

Date of Inception
April 06* (February 87)

Discount To Investor	4.25%

In April 2006 three Aberdeen funds were merged to form one of the very largest funds in the Asian sector. At the year end over two-thirds of the fund were allocated to five stockmarkets, namely Hong Kong, Singapore, Korea, India and Australia. The fact that these markets could not be more different from one another illustrates the diversity within the portfolio.

Fidelity European
Manager: Tim McCarron

Date of Inception
November 85

Discount To Investor	3%

During the 21 years of its existence, this fund has proved itself to be one of the most consistently successful of European funds, having delivered a return of over three times the average of its peers.

First State Asia Pacific Leaders
Manager: Angus Tulloch

Date of Inception
December 03

Discount To Investor	3.75%

As the name suggests, the fund is orientated towards large- and mid-capitalisation companies throughout the Asia-Pacific region (excluding Japan). The largest individual exposure within the portfolio is to China.

Investec Global Free Enterprise
Manager: Mark Breedon

Date of Inception
February 94

Discount To Investor	4.5%

This is a truly international fund with representation in every continent. Much of its focus is on identifying and investing in companies which are expected to benefit from the process of privatisation, deregulation or demutualisation. It also actively seeks opportunities in the Initial Public Offerings market.

Lazard Emerging Markets
Manager: James Donald

Date of Inception
May 97

Discount To Investor	3.75%

The fund invests widely throughout every continent in both emerging market companies and others which transact significant business in the Third World. Whilst avoiding any long-term bias to specific national markets or core holdings the fund has, since inception, experienced higher levels of consistency than is typical within its sector.

M & G Global Leaders
Manager: Aled Smith

Date of Inception
April 85

Discount To Investor	4%

This is an international fund whose remit is to invest without restriction as to any sector, country or currency considerations. The portfolio is made up of holdings which straddle the company life cycle (ie growth, mature and recovery shares).

SVM Continental Europe
Manager: Hugh Cuthbert

Date of Inception
March 00

Discount To Investor	5.25%

SVM describe themselves as “hawk-eyed stockpickers” and their portfolio as “comprising stocks which are often overlooked or ignored by analysts and large institutions”. This is a small dynamic fund, from an investment boutique of similar ilk.

Discount Effect: *The total cost of investing £7000 in the above portfolio (ie £1000 into each fund) is £7.50. This represents a true initial charge to the investor of under 0.15%.*

The Star Managers' Portfolio

In the investment arena, as in any other walk of life, some people are more successful than others. Why not, therefore, invest with fund managers whose long-term performance record is better than most? There are many approaches to fund management, but the "star managers" concept differs radically from all others.

Backing so-called "star managers" is a worthwhile investment strategy providing you are completely mindful of the limitations of the concept. The most noteworthy of these is that such managers usually invest exclusively in UK shares. It does appear easier for managers to research UK equities rather than those of overseas markets. In particular, small and medium sized companies (which can offer the greatest opportunities for profit) are the ones in which exceptionally gifted fund managers can provide the greatest added value for investors.

For the purist there is a compensating disadvantage to following this investment approach. By investing most or all of their savings in the UK, investors lose the opportunity for risk reduction which an internationally diversified spread traditionally confers. Anyone who follows a geographically narrow approach, therefore, is likely to be motivated primarily by a sense of adventure rather than the orthodox one of portfolio discipline.

Does It Work?

Most people will base their judgement on this simple question. The answer is that it appears to work well. Many of the star managers possess the dedication to remain at the top of their profession for years, and to generally out-perform most of their peers. The funds below represent this group.

FUND	DISCRETE ANNUAL PERFORMANCE %				
	2006	2005	2004	2003	2002
AXA Framlington UK Select Opportunities	18.0	24.6	23.4	36.3	launched Sept 2002
Artemis UK Special Situations	18.8	23.7	17.2	35.5	(-10.8)
Merrill Lynch UK Dynamic	17.3	22.5	26.5	29.9	(-26.2)
Invesco Perpetual UK Aggressive	17.7	28.6	23.4	70.1	(-23.4)
Jupiter UK Growth	28.4	26.5	21.0	22.0	(-27.3)
M & G Recovery	20.7	26.6	13.6	28.1	(-17.6)
New Star UK Alpha	20.3	21.9	24.7	32.4	(-20.6)

Where funds have less than a five year record the periods quoted are those in respect of complete calendar years only. All statistics are quoted "bid to bid", or its OEIC equivalent (with net dividends reinvested). Past performance is not necessarily a guide to future performance and may not be repeated. The market for securities in smaller companies is often less liquid than that for larger companies, meaning above average price movements both positive and negative can be expected.

Discount Effect: *The total cost of investing £7000 in the above portfolio (ie £1000 into each fund) is £12.50. This represents a true initial charge to the investor of under 0.25%.*

AXA Framlington UK Select Opportunities **Date of Inception** **Discount To Investor** **5%**
Manager: Nigel Thomas **September 02**

In September 2002 the renowned manager, Nigel Thomas, left ABN AMRO to join Framlington, taking over a previously lacklustre fund. Since that time the returns have been dramatic in comparison with most other funds in its sector.

NB: Owing to a change of investment style, from the above date onwards the fund's classification has moved from the IMA UK Smaller Companies sector to the IMA UK All Companies sector.

Artemis UK Special Situations **Date of Inception** **Discount To Investor** **5%**
Manager: Derek Stuart **March 00**

This is a classic "special situations" fund, and as such is highly volatile. The fund typically spreads itself from the very largest to the smallest of companies, without any stated emphasis.

Merrill Lynch UK Dynamic **Date of Inception** **Discount To Investor** **5%**
Manager: Mark Lyttleton **October 00**

The portfolio of this fund is noteworthy for its reduced emphasis on information technology and telecomms companies, balanced by an exceptionally high exposure to financial sector shares.

Invesco Perpetual UK Aggressive **Date of Inception** **Discount To Investor** **5%**
Manager: Ed Burke **July 01**

This fund avoids all correlation to any specific index, and may include warrants, transferable securities and money market instruments. Its main exposure however is to blue chip and medium-sized companies. The word "aggressive" is code for exceptional risk-taking. So far these risks have been well-rewarded.

Jupiter UK Growth **Date of Inception** **Discount To Investor** **4.75%**
Manager: Ian McVeigh **April 88**

The investment manager's approach is to regard "change" as the key catalyst. Accordingly, new management, industry specific changes, and macro themes are all exploited. Once selected, each holding is given an individual price target, to determine the expected return.

M & G Recovery **Date of Inception** **Discount To Investor** **4%**
Manager: Tom Dobell **May 69**

This is one of the most famous and long established of all funds, having commenced operations in 1969. Throughout its 37 year existence it has had only three managers, the current one having been in charge since 2000. Over this lengthy period its average return has exceeded 16% p.a. The approach is to select "out of favour" companies, and hold these until "recovery" eventually takes place. Consequently, share selections are held for exceptionally long periods of time. This is the "patient man's fund".

New Star UK Alpha **Date of Inception** **Discount To Investor** **4.75%**
Manager: Tim Steer **November 01**

New Star is a company which is steeped in the culture of the "star manager". The UK Alpha fund is one which has an unrestricted remit, run by a manager who has enjoyed considerable personal success, particularly within the FTSE 250 share sector.

Promoter's Notice

All opinions expressed are those of Individual Savings Accounts Limited (the promoters and publishers of this booklet).

Remuneration Declaration

In our capacity as independent financial advisors we are entitled to receive commissions on investments entered into through this publication. However, in line with our usual practice we have waived all initial commissions on investments made via this promotion. This enables you to receive a discount on each fund purchased.

We are also entitled to receive the standard annual commission of 0.5% on the ongoing value of each of the funds quoted in this publication. This is paid out of the annual management charge of the unit trust/OEIC, and does not therefore constitute an extra charge to the investor. If you elect to make an investment via either Cofunds or Fidelity Funds Network, our sole remuneration will, therefore, be 0.5% p.a.

Restrictions and Regulations

The information contained in this publication is intended to enable investors to make their own decisions. If you require further information in respect of any of the products mentioned then please telephone us. Please be aware, however, that we cannot offer personal advice and if you are uncertain as to the suitability of any product offered, it may be advisable for you to obtain independent advice (elsewhere) on a "face to face" basis. Cancellation rights are not applicable to applications made via this promotion. Individual savings accounts are long-term investments, and if you withdraw your investment in the early years you may suffer a loss. The value of shares, and the income from them, may fluctuate or fall. Past performance is not necessarily a guide to the future. The value of any tax relief conferred by ISAs and PEPs is dependant on the investor's tax position. Levels, bases of and relief from taxation are all subject to legislative change. The 10% dividend tax credit ceased to be available in April 2004 (but not the freedom from taxation on capital gains or gross interest). Yields are variable and neither capital values nor income are guaranteed. This publication has been issued by Individual Savings Accounts Limited. Our FSA authorisation references are 125686 and 188474.

Where investment management companies have, in recent years, adopted the OEIC system, any long-term performance statistics quoted represent the unit trust return (up to the date when the funds ceased to be operated as unit trusts) and the OEIC return thereafter. Unit trust statistics are in all cases quoted in accordance with the guidelines of the FSA, and the OEIC returns are quoted to reflect a similar position.

Group Structure and Approach

Individual Savings Accounts Limited is an "information and discount broker" specialising in ISA investments. The company operates in association with The PEP Shop Limited, which pioneered the discount-marketing of PEPs in 1992. Both companies are appointed representatives of Expatriate Advisory Services Plc who are regulated by the Financial Services Authority. The group structure therefore includes three financial services companies each dedicated to a particular market. All companies are registered at, and operate from 16 High Street, Kegworth, Derby DE74 2DA.

We are independent financial advisors, and as such our advice is required to be uncompromised and impartial. However our approach is to provide information on products rather than advice to individuals. In this way we eliminate both the time and expense associated with "personalised" advice. This service is governed by the direct offer advertisement rule (where clients purchase an investment which we have promoted in our literature). Alternatively, if a client requests us to arrange the execution of an investment which he himself has independently researched and selected, this is deemed to be "execution-only".