



# INDIVIDUAL SAVINGS ACCOUNTS LIMITED

## Recommendations 2008

If long term investment resembles a journey, then stockmarket volatility is analogous to turbulence on the aircraft. Experienced investors, like seasoned travellers, learn to ignore it. The price investors have to pay for superior long term returns is to acclimatise themselves to frequent periods when their investments will fall in value.

There are only two prices which are important to an investor – the price when they buy, and the price (many years later) when they sell. What happens in between is of no real consequence. The “big prize” comes at the end of the day with the potential for far higher returns than a fixed interest investment would have provided. The “small price” is the volatility in between.

Investing 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 (on pages 10-15) 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.

**TELEPHONE 01509 670918**

**email: [enquiries@isa-ltd.co.uk](mailto:enquiries@isa-ltd.co.uk)**

The promoter and publisher of this booklet is Individual Savings Accounts Limited, and its content is representative of the views we hold on investment planning and personal financial structuring. The company operates in association with The PEP Shop Ltd (which pioneered the discount marketing of PEPs in 1992). Both companies are appointed representatives of Expatriate Advisory Services Plc who are authorised and regulated by the Financial Services Authority. Each company is, therefore, dedicated to a specialist market whilst operating within a group of independent financial advisors. The companies are registered at, and operate from 16 High Street, Kegworth, Derby DE74 2DA.

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## Group Structure and Approach

It was February 1992 when The PEP Shop began operations. We launched our service just prior to an election which everyone expected would be won by Labour. At the time their manifesto was committed to the abolition of PEPs (without a successor). This did not concern us. What motivated us was the conviction that someone should provide a more relevant service to the small investor than the traditional outlets. The main thrust of this service was to provide information on products rather than advice to individuals. Then, as now we believed that with relatively straightforward investment arrangements, such as PEPs and ISAs, the overwhelming majority of investors are capable of deciding which investment to choose providing they have an effective information system.

### The PEP Is Dead, Long Live The ISA

The new rules governing ISAs will become effective from **6th April 2008** and below is a summary of the changes:

- ISAs are to be available indefinitely. There is no set end date for ISAs.
- The distinction between Mini and Maxi ISAs will disappear.
- There will only be two types of ISAs, stocks and shares ISAs and cash ISAs.
- Every adult will have an annual ISA allowance of £7,200 (£7,000 for 2007/2008).
- Up to £3,600 (of the £7,200) can be invested in a cash ISA with one provider.

#### HOW THE (2008/09) ALLOWANCE COULD BE SPLIT

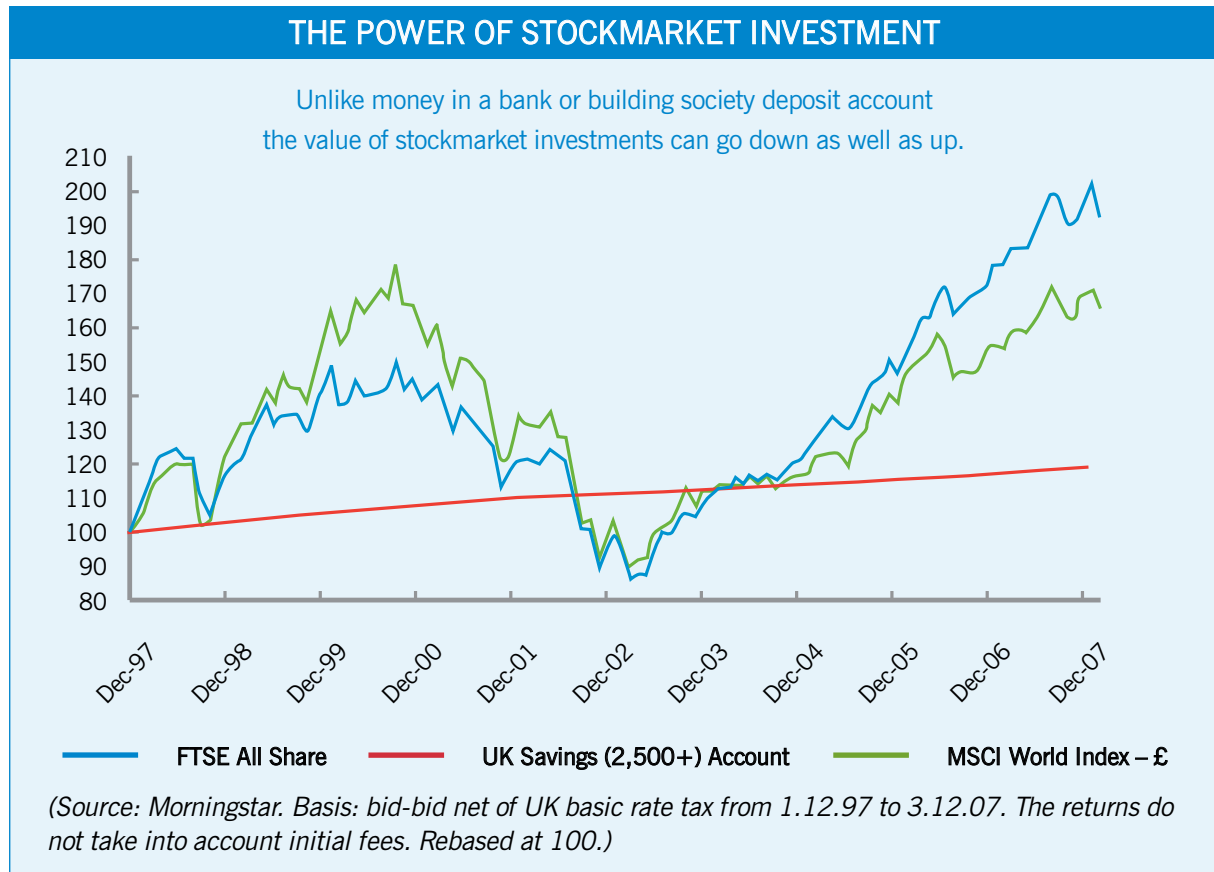
Stocks and Shares ISA	Cash ISA	Total Allowance
£7,200	£0	£7,200
£6,200	£1,000	£7,200
£5,200	£2,000	£7,200
£4,200	£3,000	£7,200
£3,600	£3,600	£7,200

- Existing PEPs will automatically be re-designated as stocks and shares ISAs.  
The negative consequence of the above is that where cash is held (within a stocks and shares ISA), any interest will be subject to normal ISA rules, and will therefore be taxed at 20 per cent. Currently interest earned on cash within a PEP is (in most cases) tax free.
- TESSA-only ISAs (TOISAs) will officially become cash ISAs and the term "TOISA" will disappear.
- Investors will be able to transfer from a cash ISA into a stocks and shares ISA (but not from shares to cash).

The amalgamation of PEPs into ISAs is, in reality, merely a name change. However it does present the opportunity for clients to view their portfolio in totality rather than as two separate entities. We continue to believe that the best way for clients to manage their portfolio is via a fund supermarket (Cofunds or FundsNetwork). Effectively fund supermarkets provide investors with an administration system which offers increased investment flexibility at no additional cost. If you are interested in consolidating your ISAs (and PEPs) into a supermarket or wish to discuss the concept in more detail please contact our office on 01509 670918.

## Our Views

The ability to transfer from an existing cash ISA holding into a stocks and shares ISA is one we applaud. We have continually argued for the merits of investing in equities over the **long-term** and this new rule will allow clients to increase their investments into equities in a tax efficient manner.



## The Case For Cash

Any client contemplating transferring their cash ISA or TOISA into a stocks and shares ISA first need to consider the argument for cash. Holding a contingency fund in cash is important for any serious investor as equity investment requires a long term commitment and all investors require an emergency cash fund in order to avoid the necessity of selling shares at an inopportune time.

The Inland Revenue's decision not to allow transfers from equities to cash, we believe, is a sensible one. One of the most dangerous temptations any client faces is the urge to time the market, in effect, trying to sell at the high point. This strategy is doomed to failure and the ability to transfer from shares into cash would probably have been too much of a temptation for the less confident investor.

## Conclusion

Overall the changes will go a long way to simplifying a product which, since its introduction, has been widely regarded as unnecessarily complex. ISAs, the vehicle of investment choice and tax efficiency has now become one of lifetime delivery.

## I Don't Fear Fear, Because Fear Fears Me!

People in general worry about matters they ought not to worry about – “Today is the tomorrow you worried about yesterday” – yet are unconcerned about the real dangers such as taxation and inflation which slowly destroy wealth. No one plans to fail, but many fail to plan, financially the result is the same.

There are many investors who harbour an irrational fear about the danger of stockmarket investing. In their case, it is inertia which will leave them less well-off than they otherwise might have been. Investment risk can never be eliminated but it can be reduced by observing two basic principles. The first of these is to ensure that your investments are **diversified** into different sectors and geographical markets. Having done this, the second discipline is to allow them the necessary **time** to work for you. History proves convincingly that maintaining these two disciplines will deliver reliable and attractive returns.

### Diversification

Everyone knows that if you buy shares you can lose money as well as make profits. When you buy shares you are investing in companies (i.e. businesses) which can, and sometimes do, go bust, or they may fall from grace and become a shadow of their former selves. Obviously, the opposite side of the coin also applies as some individual shares have risen dramatically and made vast profits for investors.

Unfortunately, many of yesterday's most famous companies are no longer successful and their share prices have fallen, sometimes considerably. Nothing will eliminate this process – the rise and fall of companies (and therefore the stockmarket) will always be with us. However, investing in a unit trust or OEIC can reduce the impact of this risk. By holding (say) 100 shares in a fund the impact of one or two companies going bust will be minimal. Similarly, if the prices of some shares held by the fund fall, others may well rise in value, thereby reducing the overall impact. This is best illustrated by the deteriorating share price performance of some of Britain's leading companies over the last five calendar years.

Company	5 Year Fall	Company	5 Year Fall
Alliance & Leicester	13%	Northern Rock	87%
Bradford & Bingley	7%	Rank Group	65%
Kingfisher	35%	Royal Bank of Scotland	10%

(Source: New Star)

Whilst some UK share prices have fallen over the last five years, those unit trusts/OEICs which concentrate on the UK stockmarket have proven to be far safer. Out of a total of more than 330 funds which specialise in UK shares, not one has fallen in value over five years to January 1st 2008.\* This record of consistency speaks for itself. It seems fair to conclude that whilst buying individual shares can be fun, this investment approach is likely to provide an unreliable system of money management and for anyone of modest means (whose savings are key to a comfortable retirement) direct share purchase is a high risk strategy.

Unit trust funds can be a calming influence on those prone to fear, and a dampener on those susceptible to greed. Unit trust ISAs are unlikely to provide a fast road to either riches or poverty. Instead their role is to help people improve their financial well-being in a slow, reliable and unexciting manner. Boring it may be, but history has proven this approach to be devastatingly effective!

\* (Source: Investment Week)

## Time

Many people experience difficulty in avoiding the “emotional roller-coaster” of investment. They become elated when short-term returns are high and dejected when their investments fall in value. The simple reality is that no-one can get hurt by falling stockmarkets, unless they encash their investments when the market is down. Anyone who is not prepared to retain their investments through periods when they decline in value ought not to invest in the first place. Unit trust ISAs work, but they only produce meaningful results in the long run.

Fear of falling stockmarkets is irrational. Quite simply every stockmarket fall in history has been followed by a rise. Moreover, usually the rise is far greater than the fall which preceded it. People who have allowed “fear of stockmarket risk” to hold them back from investment over recent years have much to regret as the following figures show:

AVERAGE UNIT TRUST PERFORMANCE PAST FIVE YEARS					
Sector	Number of Funds	Return	Sector	Number of Funds	Return
Asia Pacific (excluding Japan)	51	207.0%	Japan	45	43.1%
Europe (excluding UK)	79	140.8%	North America	57	40.5%
Global Emerging Markets	22	287.9%	UK All Companies	227	104.1%
Global Growth	121	96.9%	UK Equity Income	72	100.7%

*Past performance is not necessarily a guide to future performance and may not be repeated. All returns are shown mid to mid with income re-invested net of basic rate tax as at 31/12/07. (Source: Investment Week)*

Investment is a long term business and the central theme of our fund selection process is to focus on long term performance. Our approach differs from that of many independent financial advisers. All too often funds are promoted on the back of recent stellar performance or the emergence of a new paradigm. The impression conveyed is that a fund or investment area which has momentum behind it must do well in the future. Unfortunately many investors are influenced by this “bandwagon” sales technique and its implied fast track to riches. Regrettably many inexperienced investors are taken in by this superficial approach but subsequently become disillusioned when the inevitable reversal takes place.

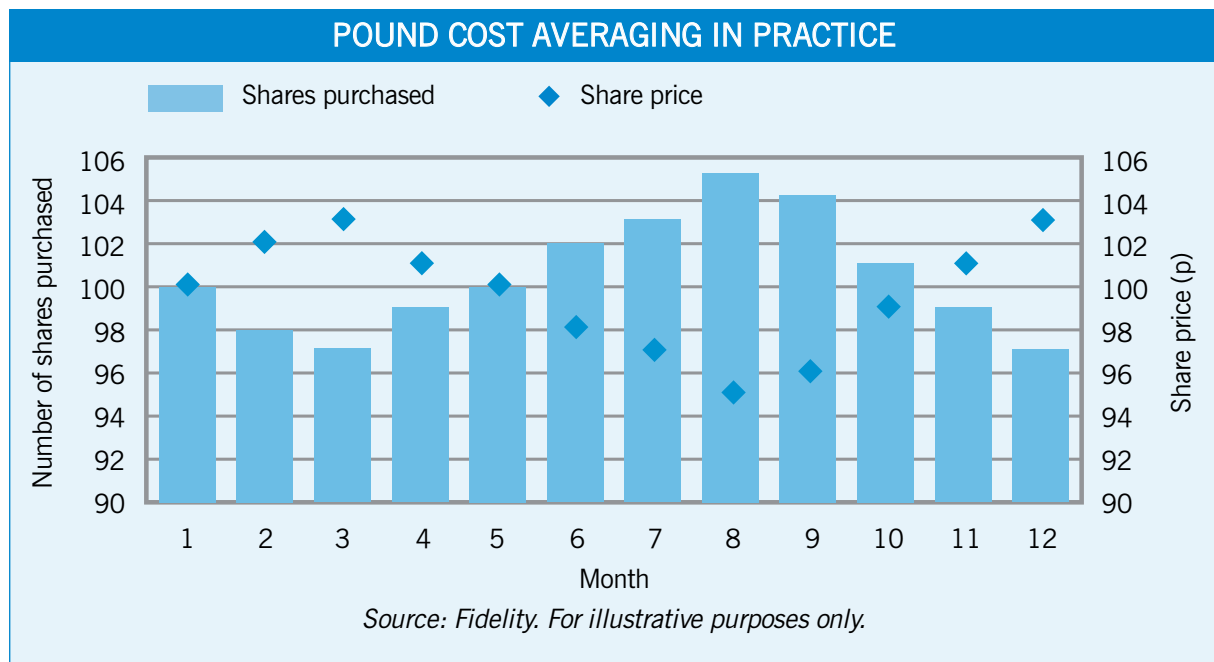
Our approach is the exact opposite. We have never been afraid to recommend investments which are not popular. The best long term strategies frequently show poor results over periods of one or two years. Above all, we believe that investors should be guided by facts, not fashion. The most fundamental of these facts is that no-one can predict (consistently) when stockmarkets will rise or fall. People need the confidence to invest, and the faith to remain invested. Patience is a virtue for investors.

## 6 Pound Cost Averaging

We are frequently asked whether it is better to make ISA investments on a regular basis or with a single lump sum payment. Most of these queries are generated by investors who have read articles emphasising the merits of “pound cost averaging”. The debate centres on whether it is better to buy units in an ISA fund monthly throughout the year (thereby averaging the price paid for units) or to invest a lump sum which exposes the investor to the risk that their entire investment may be made on a day when the price is high.

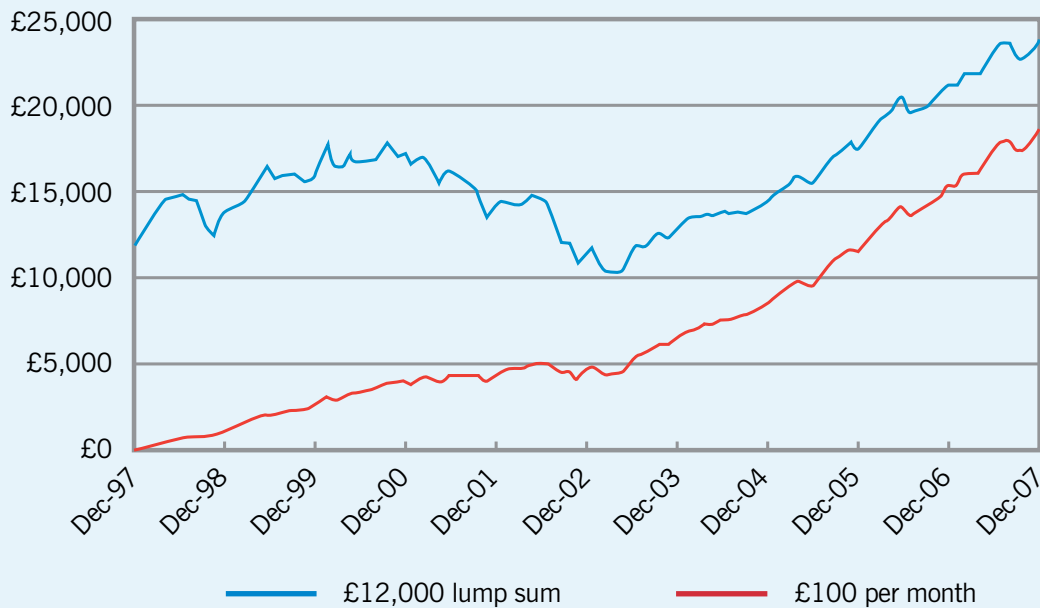
### How Does It Work?

The diagram below shows how the share price of a theoretical investment (represented by the dots) can fluctuate over time. As can be seen from the bars, an investment of £100 per month buys a lower number of shares when the share price rises but a higher number of shares when the market falls.



The illustration overleaf shows how a regular investment of £100 per month invested in UK shares over the last 10 years would have performed against a lump sum investment of £12,000 (i.e. £100 x 12 months x 10 years). Investing the lump sum upfront ultimately resulted in a better overall return while investing monthly produced a smoother return, helped by the pound cost averaging reducing the effects of market volatility. As you can see, the falls in the market between 2001 and 2003 meant that the regular investment of £100 purchased more units which helped to boost the investment value when the market recovered.

## REGULAR VERSUS LUMP SUM INVESTING



Source: Morningstar from 01.12.97 to 03.12.07 on bid-bid basis with net income reinvested. Returns based on performance of the FTSE All Share. These returns do not take into account initial fees.

The facility of a monthly investment system is clearly advantageous to investors who lack capital or who wish to take the worry out of investment decision-making. For example, an investor can invest as little as £50 per month per fund into either Cofunds or FundsNetwork. In volatile markets investing monthly means that you don't have to worry so much about putting all your money into shares just prior to when prices may fall.

### The 2008/09 ISA Allowance

The introduction of only a slight increase in the 2008/09 ISA allowance (£7,200) is probably explained because of its ability to be divided by 12. This enables monthly savers to invest £600 per month in 2008/09 and utilise their full ISA allowance (£600 x 12 monthly payments = £7,200). Investors who wish to invest monthly should contact us on 01509 670918 for the necessary form(s). Please note, our discounts are the same for investments made either by lump sum or on a monthly basis.

### Our View

It seems logical to us that anyone who consistently makes annual capital investments early in the tax year will in the long run benefit from investing at the earliest possible opportunity. An investor making their annual ISA investment in mid-April will on average be investing six months earlier than the monthly investor. Since on average stock markets rise 70% of the time, investing earlier will, in most years, result in a worthwhile additional gain.

Enthusiasm for "pound cost averaging" exists primarily amongst less confident investors, and lack of confidence always emanates from lack of knowledge. Our opinion is simply that anyone who is an investor should also be a believer.

The stockmarket volatility of 2007 provided financial journalists with a heaven sent opportunity to indulge (once again) in one of their favourite pastimes – writing alarmist stories about the stockmarket.

To borrow a football analogy 2007 was a year of two halves. For six months the market made steady (albeit unspectacular) progress only to fall heavily in August and again in November. Although many in the media enjoyed this roller-coaster of volatility the market itself actually had a reasonable year. During 2007 the FTSE All Share and the FTSE 100 indices rose by 2.0% and 3.8% respectively.

### News And Events

Investment information in itself is of limited value unless it is focused on long-term trends (past and anticipated). This contrasts sharply with the approach of the press which exists only to report the “news” and “events”. By definition it is logical that a newspaper should concentrate on “news”, but this is of limited value to anyone who follows the long term unit trust approach.

For example, during the past few years we have been bombarded with headlines describing the mountain of debt that UK consumers have acquired, how disastrous one day this will be, and that we should start saving immediately. However, in the past month the headlines now predict a disaster because people are not spending with their credit cards and are actually saving money. This is a classic example of how “news” and “events” are seldom more than a passing influence on the investment outlook.

The alternative to this “snapshot” information is to focus exclusively on the core arguments and fundamental principles of investment. Performance statistics can offer the most effective means of achieving this, providing they extend over meaningful periods. For all investors “knowledge is power” and history provides the most important source of relevant knowledge.

In the investment world, it is wise to assume that the “good news” is seldom as good as it is made out to be, and the “bad news” is seldom as bad. However stockmarkets suffer from large temporary swings which are caused by investors who are induced to buy when the news is good and who panic into selling when the news is bad. These people are to be pitied – but never copied. The long term performance statistics show how irrelevant these temporary swings are.

### Our View

We believe trivialising a serious subject is not in the public interest. To paraphrase Warren Buffett (the world’s most successful investor) if you are not prepared to hold an investment for ten years, then do not hold it for ten minutes. The notion that equity investments are there to be bought and sold and that the object is to “make a quick profit and run” is a myth which ought long to have disappeared. Those who buy and sell frequently are speculators not investors. ISAs on the other hand are vehicles for long term investors who aim to “get rich slowly”.

History proves that share prices are rational in the long run, i.e. they ultimately reflect the increasing profits and assets of the underlying businesses. In the short-term, however, they are also influenced by temporary considerations, the most random of which is whether other people are buying or selling. In other words supply and demand can, and frequently do, exaggerate the degree to which share prices rise and fall. To any long term investor, periods of declining share prices present no threat whatsoever, since such an investor has no need to sell when prices fall.

**Q. Can I invest online?**

Yes, simply go to [www.isa-ltd.co.uk](http://www.isa-ltd.co.uk) and click on either the Cofunds icon or the FundsNetwork icon and follow the instructions on screen. Please note, a debit card (not credit card) will be required to invest online.

**Q. What is the difference between Income (Inc) and Accumulation (Acc) units?**

**Income (Inc)** units pay out income in the form of dividends/interest and therefore are more suited to people who wish to invest in order to generate a stream of income.

Of course it is possible to hold income units and reinvest the dividends if you do not immediately need the income.

**Accumulation (Acc)** units do not pay out any income (income generated by the investment will be retained within the fund) and are more suited for investors who are primarily seeking capital growth.

On rare occasions a growth fund may only be available in inc units, (e.g. Jupiter UK Growth, Lazard Emerging Markets and Rensberg UK Select Growth) in this instance you must select income units on the application form.

**Q. What is an OEIC?**

An OEIC is an Open Ended Investment Company. First made available in 1997, they were introduced as a more flexible alternative to established unit trusts.

**Q. Who do I make the cheque payable to?**

Cheques should be made payable to **either** "Cofunds Ltd" **or** "Fidelity" as appropriate.

Personal cheques must be drawn either on your own bank account or one held jointly with your spouse.

Cheques issued by building societies or internet banks must identify your name on the cheque itself. Please telephone us if you are unsure of the correct procedure. Investors contemplating other forms of payment are advised to contact us first.

**Q. Where do I post my application?**

Please post your application form and cheque to: **INDIVIDUAL SAVINGS ACCOUNTS LTD, 16 HIGH STREET, KEGWORTH, DERBY, DE74 2DA**. If you are applying in the week before April 5th, we recommend that consideration be given to using the post office's guaranteed "Special Delivery Next Day" service. The cost of this service is in the region of £4.50.

**Q. Who do I contact if I have any queries?**

We can be contacted on **01509 670918** or via e-mail at [enquiries@isa-ltd.co.uk](mailto:enquiries@isa-ltd.co.uk)

**Q. Do I need to include any identification (anti-money laundering) documents?**

No.

As a result of recent amendments in the anti-money laundering rules we, as authorised agents, are now required to take additional steps to assist in verifying the identity and place of residence of each investor. In some circumstances we may need to request additional evidence from you, especially if you have moved house during the last two years. Whilst we cannot accept responsibility for delays arising from these new procedures, we will endeavour to assist if requested. Anti-money laundering vetting procedures will not usually result in a delay in the allocation of your investment.

## 10 The Equity-Income Portfolio

Since 2003 equity income investors have enjoyed the “double whammy” of a rising income accompanied by rising capital. Last year however proved to be a tougher year for equity income managers primarily because many high yielding sectors (e.g. financials and real estate) had significant capital falls. The most important aspect of the recent volatility is that although capital values fluctuated, all of our recommended equity income managers increased their dividend in 2007. Thus proving one of the great arguments for equity income investing, that of the consistency of dividend payments, even in volatile markets.

We continue to believe the equity income approach is the most effective retirement income system in the UK today. The portfolio below is, in our view appropriate to an equity income investor wishing to allocate their £7,000 (£7,200 in 2008/09) ISA Allowance. However, investors intending to transfer existing holdings into equity income funds may wish to broaden their portfolio by including some additional funds, in particular Invesco Perpetual High Income, Liontrust First Income, Schroder Income and AXA Framlington Monthly Income.

FUND	DISCRETE ANNUAL PERFORMANCE %				
	2007	2006	2005	2004	2003
Artemis Income	2.0	18.8	23.9	16.6	29.9
F&C UK Growth & Income	2.7	23.8	20.2	10.5	16.5
Invesco Perpetual Income	6.9	27.0	26.1	22.1	22.4
Jupiter Income	(-2.2)	22.0	26.7	17.0	22.4
PSigma Income	-	-	-	-	-
Rathbone Income	(-3.0)	21.0	23.1	18.4	23.5
Standard Life UK Equity High Income	0.4	19.8	24.7	22.2	28.7

*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.*

<p>■ <b>Artemis Income</b> Managers: Adrian Frost &amp; Adrian Gosden</p>	<p>Date of Inception June 00</p>	<p>Discount To Investor      5%</p>
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The fund continues to be co-run by Adrian Frost who has enjoyed more than two decades of success in the equity income sector. The fund is not restricted in respect of choice of investments either by company size or industry.

<p>■ <b>F &amp; C UK Growth &amp; Income</b> Manager: Ted Scott</p>	<p>Date of Inception July 83</p>	<p>Discount To Investor      4.75%</p>
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Following their impressive work on F & C Stewardship’s range of ethical funds, Ted Scott and his team were appointed managers of this fund in July 2005. Now working without the constraints made by the ethical fund their approach is to combine high yielding (often large cap) stocks with growth orientated (often mid cap/smaller cos) selections.

<p>■ <b>Invesco Perpetual Income</b> Manager: Neil Woodford</p>	<p>Date of Inception June 79</p>	<p>Discount To Investor      5%</p>
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Invesco Perpetual offers investors three of Britain’s best performing equity-income funds, two of which (the Income fund and the High Income fund) are managed by Neil Woodford. The fund we have chosen has performed with a remarkable degree of both consistency and aggression. Its portfolio is highly concentrated on FTSE 100 shares.

<p>■ <b>Jupiter Income Trust</b> Manager: Anthony Nutt</p>	<p>Date of Inception August 87</p>	<p>Discount To Investor      4.75%</p>
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This fund is an example of “concept” investing. Essentially the manager allows his best ideas to determine the shares he selects. The manager’s eye for spotting viable cash producing businesses whose shares do not fully reflect the underlying worth of the assets has also been reflected in the large number of takeover bids for the trust’s holdings.

<p>■ <b>PSigma Income</b> Manager: Bill Mott</p>	<p>Date of Inception March 07</p>	<p>Discount To Investor      4.75%</p>
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Bill Mott is one of the best known UK equity income managers having spent 30 years with Credit Suisse. After a brief hiatus Mr Mott has returned with a new offering from PSigma. Not afraid to make major calls about the direction of the economy, his track record with the Credit Suisse Income fund made it one of the most popular funds in the sector.

<p>■ <b>Rathbone Income</b> Manager: Carl Stick</p>	<p>Date of Inception February 71</p>	<p>Discount To Investor      5.25%</p>
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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.

<p>■ <b>Standard Life UK Equity High Income</b> Manager: Karen Robertson</p>	<p>Date of Inception May 86</p>	<p>Discount To Investor      3.75%</p>
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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 £17.50. This represents a true initial charge to the investor of 0.25%.



## 12 The Core Growth Portfolio

For those investors not in need of an immediate income we recommend a portfolio based on an internationally diversified selection of unit trusts/OEICs.

The discipline of diversification should be paramount, and extend to every level of the investment process. The concept of the collective investment is to reduce the investor's risk by holding a wide spread of shares (typically over 100). Beyond that, to obtain a truly international spread, investors should invest in different geographical markets (such as Europe, Asia & emerging markets).

Whilst we continue to recommend emerging market funds we would caution that these funds are traditionally 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.

FUND	DISCRETE ANNUAL PERFORMANCE %				
	2007	2006	2005	2004	2003
Aberdeen Asia Pacific*	26.7	11.3	41.1	8.5	46.9
Artemis European Growth	9.5	21.3	33.4	21.2	43.4
AXA Framlington UK Select Opportunities	3.7	18.0	24.6	23.4	36.3
M & G Global Leaders	9.0	14.4	36.7	15.2	28.9
M & G Recovery	12.5	20.7	26.6	13.6	28.1
New Star UK Alpha	3.0	20.3	21.9	24.7	32.4
SVM Continental Europe	18.1	24.3	35.8	10.5	23.7

*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.*

*Some of the funds listed above invest in emerging markets or 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.*

**Discount Effect:** The total cost of investing £7000 in the above portfolio (ie £1000 into each fund) is £10.00. This represents a true initial charge to the investor of under 0.15%.



<b>■ Aberdeen Asia Pacific</b> Managers: Asian Equities Team	<b>Date of Inception</b> April 06* (February 87)	<b>Discount To Investor</b> 4.25%
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In April 2006 three Aberdeen funds were merged to form one of the very largest funds in the Asian sector. At the year end 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.

<b>■ Artemis European Growth</b> Managers: Philip Wolstencroft & Peter Saacke	<b>Date of Inception</b> March 01	<b>Discount To Investor</b> 5%
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Using his own unique tool to assess the valuation of a potential stock selection, Philip Wolstencroft has been able to produce an enviable track record for the Artemis European Growth fund. Artemis fund managers are inextricably linked to the performance of their funds by their equity holdings in the company and unit holdings in their fund. Such an incentive package closely aligns the interests of the fund manager with that of the investor.

<b>■ AXA Framlington UK Select Opportunities</b> Manager: Nigel Thomas	<b>Date of Inception</b> September 02	<b>Discount To Investor</b> 5%
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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 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.

<b>■ M &amp; G Global Leaders</b> Manager: Aled Smith	<b>Date of Inception</b> April 85	<b>Discount To Investor</b> 4%
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The Fund’s investment strategy is to select the best stocks from all sectors, countries, size ranges and phases of the company life cycle (growth, fading, mature and recovery).

<b>■ M &amp; G Recovery</b> Manager: Tom Dobell	<b>Date of Inception</b> May 69	<b>Discount To Investor</b> 4%
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This is one of the most famous and long established of all funds, having commenced operations in 1969. Throughout its 38 year existence it has had only three managers, the current manager having been in charge since 2000. 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”.

<b>■ New Star UK Alpha</b> Manager: Tim Steer	<b>Date of Inception</b> November 01	<b>Discount To Investor</b> 4.75%
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Run by a manager who has enjoyed considerable personal success, the UK Alpha fund has an unrestricted remit. The manager takes great effort to avoid the “disasters” by painstakingly reviewing company accounts.

<b>■ SVM Continental Europe</b> Manager: Hugh Cuthbert	<b>Date of Inception</b> March 00	<b>Discount To Investor</b> 5.25%
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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.



## 14 The Aggressive Growth Portfolio

As you have seen with the previous two portfolios we have always believed that there are two predominant investment strategies which most investors should consider (Equity Income and Core Growth). However, a proportion of our clients have well established portfolios structured on the above lines and are now seeking to diversify a small proportion of their portfolio into more adventurous areas.

While in previous years we have concentrated our “star manager” portfolios to the UK, we have now constructed an international “aggressive” portfolio for such investors. There is a compelling argument in favour of international diversification. Quite simply there is no single geographical market which has consistently outperformed all others. Consequently there are no advantages to be gained from investing exclusively in any one market (such as the UK).

As the name suggests the “aggressive” portfolio will often invest in highly volatile areas which offer the greatest opportunity therefore the investor will be motivated by a sense of adventure rather than the orthodox one of portfolio discipline.

FUND	DISCRETE ANNUAL PERFORMANCE %				
	2007	2006	2005	2004	2003
AXA Talents	-	-	-	-	-
BlackRock (Merrill Lynch) UK Dynamic	10.2	17.3	22.5	26.5	29.9
First State Asia Pacific Leaders	40.0	17.4	35.1	13.2	-
Jupiter UK Growth	2.4	28.4	26.5	21.0	22.0
Lazard Emerging Markets	30.2	14.6	54.4	19.1	42.0
New Star European Growth	4.7	27.3	22.6	23.6	32.8
Rensberg UK Select Growth	(-0.8)	22.0	26.7	23.2	24.7

*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.*

*Some 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.*

<b>■ AXA Talents</b> Manager: Charles Firmin-Didot	<b>Date of Inception</b> January 07	<b>Discount To Investor</b> 4.75%
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The AXA Talents fund only invests in entrepreneurs who have a significant part of their wealth tied up in the company, and who have a track record of at least ten years. As such they have a greater incentive to manage the company well, if they don't, their wealth will be hit as hard as that of the investors.

<b>■ BlackRock (Merrill Lynch) UK Dynamic</b> Manager: Mark Lyttleton	<b>Date of Inception</b> October 00	<b>Discount To Investor</b> 5%
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This fund has a concentrated portfolio and proved to be one of the more resilient funds during the volatility in 2007 proving the manager's ability to identify "dynamic" stocks.

<b>■ First State Asia Pacific Leaders</b> Manager: Angus Tulloch	<b>Date of Inception</b> December 03	<b>Discount To Investor</b> 3.75%
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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 (including Hong Kong).

<b>■ Jupiter UK Growth</b> Manager: Ian McVeigh	<b>Date of Inception</b> April 88	<b>Discount To Investor</b> 4.75%
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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 ensure a strict sell discipline.

<b>■ Lazard Emerging Markets</b> Manager: James Donald	<b>Date of Inception</b> May 97	<b>Discount To Investor</b> 3.75%
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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.

<b>■ New Star European Growth</b> Manager: Richard Pease	<b>Date of Inception</b> July 01	<b>Discount To Investor</b> 4.75%
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Richard Pease has 23 years of investment experience. He is widely regarded as one of the most talented European (excluding the UK) fund managers. Prior to joining New Star in 2001 he managed the Jupiter European Fund.

<b>■ Rensberg UK Select Growth</b> Manager: Mark Hall	<b>Date of Inception</b> September 01	<b>Discount To Investor</b> 5.25%
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The focus of this fund is on absolute return through investment in a concentrated portfolio of stocks across the market capitalisation range. The fund has a consistently good track record yet more impressive is the evidence that shows that this fund's success has been attained at a significantly lower level of risk than that taken by its sector peers.

**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%.



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 you the investor. If you elect to make an investment via either Cofunds or Fidelity FundsNetwork, our sole remuneration will, therefore, be 0.5% p.a. For example if your fund is worth £4000, we would receive £20 per annum. If it is worth £7000 we would receive £35 per annum.

### **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".

