INDIVIDUAL SAVINGS ACCOUNTS LIMITED

Recommendations 2009

Clearly, when fear takes over, logic takes a walk and after a sustained period of poor performing stockmarkets, there is widespread fear amongst investors. This is especially true of the millions of people who were tempted to invest in stockmarkets by the tax advantages of ISAs. When investors witness falling share prices they become disappointed. Then, if disillusionment follows disappointment, they may lose faith completely and permanently. This is a pity since, if anything, investing after a stockmarket decline usually proves to be a successful strategy.

It does not take courage to invest at times like now – only common sense.

No Initial Charge for investments into our preferred portfolios in 2009

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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.

Contents

"Courage is not the absence of fear, but the triumph over it."

Nelson Mandela

The objective of this publication is to provide the guidance which we believe investors need – the right information in the right quantities, presented in a straightforward format.

The Stockmarket Cycle

With **daily** movements in the world's stockmarkets in excess of 8% it is not surprising that even seasoned investors have been unnerved by the recent market volatility.

Week commencing 15 Sep 2008	Monday	Tuesday	Wednesday	Thursday	Friday	Overall weekly move
FTSE move	-3.92%	-3.43%	-2.25%	-0.66%	+8.84%	-1.95%
Contributing trigger	Lehman Brothers file for bankruptcy.	AIG ask US Government for emergency funding.	Lloyds TSB bid approach for HBOS.	US Federal Reserve agree to inject $180 bn into financial system. Rumours that Morgan Stanley were in negotiations with Wachovia.	US Federal Reserve propose $700 bn rescue package.	

(Source: Lipper Hindsight, as at 30 September 2008, on a bid-to-bid basis, total return, tax default, in £s. Past performance is not a reliable indicator of future returns.)

The table above is an example of the volatility investors experienced in just one week during September 2008. In order for us to put into context the current upheaval we need to identify how stockmarkets operate and there is no better way to do that than look at the stockmarket cycle. Irrespective of which market you are referring to (stock/currency/commodity) they all have similar characteristics and go through the same phases. All markets go up, peak, go down and then bottom. When one cycle is finished the next begins.

If we study the graph below, which describes the equity sentiment roadmap, one could argue we are currently at the point between panic and outright depression. This is where psychology can act against an investor. With a constant stream of negative news investors consider removing their investments altogether, when in fact history suggests this to be a very bad move.

THE EQUITY SENTIMENT ROADMAP: DESPONDENCY AND DEPRESSION OR THE POINT OF MAXIMUM FINANCIAL OPPORTUNITY?

(Source: Westcore Funds / Denver Investment Advisors LLC, 1998)

Historically speaking when investors are most depressed this indicates the point of maximum financial opportunity.

When Irrational Fear Replaced Irrational Greed

No one likes to hold an adversely performing investment, even if the losses are only “on paper”. At this stage of the stockmarket cycle investors need to ask themselves two questions. Firstly, what should you do about existing investments? Secondly, where should you allocate your future intended savings?

Informed decisions are usually the wisest. All other decisions, to a greater or lesser extent, are influenced by emotion and dependant on luck. Moreover, the informed decision-maker is likely to retain greater confidence and peace of mind during difficult investment periods, in contrast to his less informed and more emotional peers.

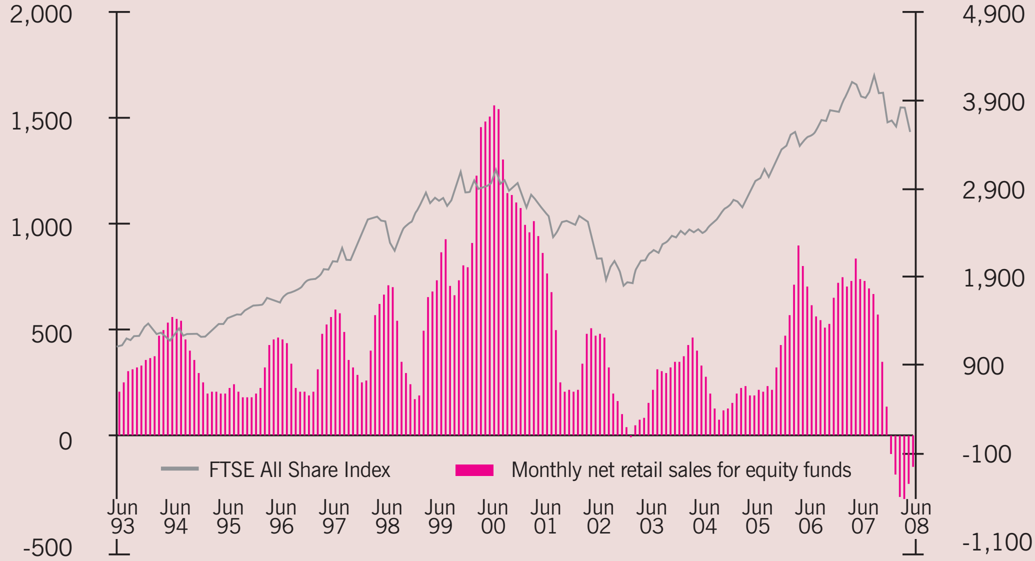
Why Has Volatility Increased?

Regrettably, whilst there is an abundance of information on unit trusts and the stockmarkets generally, the random presentation of facts, figures, statistics and opinions often creates confusion. Investors do not need random information – they need relevant facts, presented in order of their importance, and above all, summarised. With this in mind over the next few pages we will attempt to explain why 2008 was so volatile.

Understanding “Overshoot”

Stockmarkets do not perform with any short term consistency. An unfortunate reality of the pattern of stockmarket investment is that people are encouraged to invest by large temporary upward swings. Often, at other times, the same people are rendered fearful of buying during temporary downward swings (see table below).

Net Investments in Equity Funds by UK Retail Investors vs FTSE All Share 1992-2008



(Source: Monthly cash flow data: IMA, reflects six-month moving average as at June 2008. FTSE All Share data: Lipper, as at June 2008. Past performance is not a reliable indicator of future results.)

History suggests that both good news and bad news have the power to move markets dramatically. The reality is that the good news is seldom as good as it is made out to be. Likewise the bad news is seldom as bad as perceived. In other words the overconfidence and under confidence of investors cause the market to “**overshoot**” (in both directions). These emotions can be the enemy of investors.

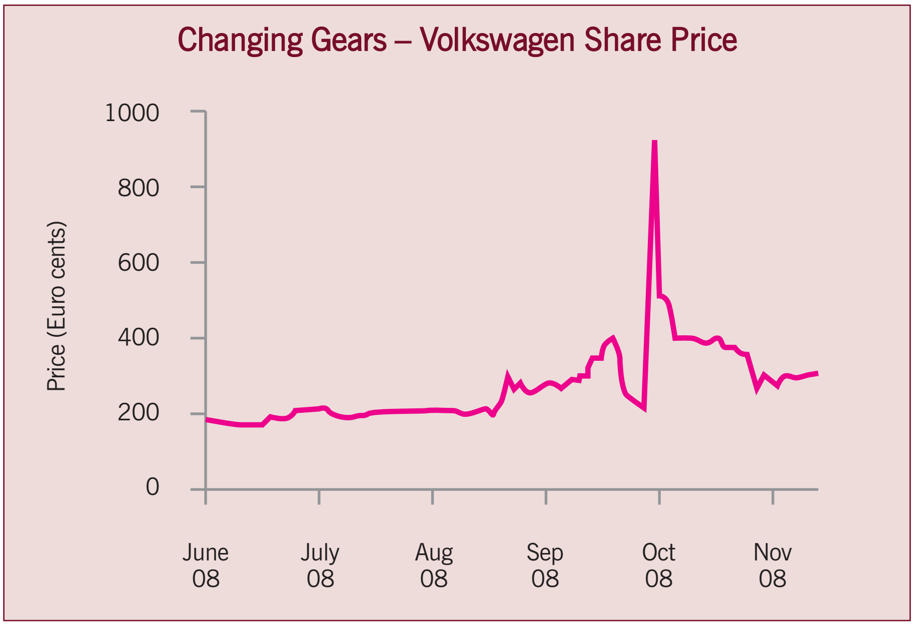
Understanding "Thin Markets"

Albeit some share prices have recently dropped significantly this is due to the fact there are simply more sellers than buyers in the **short term**. However the supply and demand principle is more complex than most people think. In a free market, if only 1% of shareholders are selling, the price of shares could fall theoretically by (say) 75%. In other words the value of shares (and your unit trust funds) is not influenced by those remaining in their funds but solely those "trading". If, in this example, no one was buying then the price of 1% of shares being sold would continue to fall until it reached a level which attracted buyers. Thus the 99% of shareholders who were happy to retain their shares could see a price collapse occur as a result of a tiny proportion of shareholders selling in a market where there are few buyers.

A variation on this theme occurred last October and revolved around the shares of Volkswagen (VW). Porsche had been increasing their stake in VW for over three years and many investors (especially hedge funds) thought this created an anomaly and that VW's share price was too high. In order to take advantage of the situation speculators began to sell shares of VW that they did not own, taking the view that when the inevitable fall in the share price occurred they could buy the shares at a lower price and make a profit (ie short selling).

Unfortunately on October 26th 2008 Porsche executed a handbrake turn, confirming they had control of nearly 75% of VW's shares. This meant that they had tied up almost all the freely available shares (the rest being held by the state government and index funds). Hedge funds quickly discovered they could be caught in an "infinite squeeze" in which they were forced to buy shares at any price.

The frenzied buying (see chart) sent the share price soaring and after spending most of the latter half of 2008 at €200 the share price jumped to more than €1,005, at one point making VW the most valuable company in the world. Within 48 hours Porsche agreed to free up some of their shares and the price settled back down.



(Source: Datastream. 30 June 2008 to 10 December 2008.)

Although one should consider this event to be unique, those few days are a lesson to all investors that in the short term the stockmarket is a voting machine and wild swings in the share price can and will occur. However, over time the market becomes a weighing machine and the fundamentals of a company will become significantly more important.

In so called thin markets this overshoot can, **and does** occur frequently and is a major factor in the exaggerated swings which we have witnessed in the past year.

Understanding "De-leveraging"

"The market can stay irrational longer than you can stay solvent"
John Maynard Keynes

Gearing is an old fashioned concept taken to its extreme by the current generation of bankers. The idea of borrowing to invest (leverage) has been around for generations, the difference in the past few years has been the degree to which investors have borrowed.

Regrettably many investors ignored the sage words of Keynes and were caught off guard last year when banks "called in" their loans. Investors who had "leveraged" their portfolios were left in a situation where they were forced to sell their most liquid investments, often reluctantly.

It is this de-leveraging process (forced selling) that has suffocated markets in the past 12 months and has resulted in nearly all asset classes falling in value. For example, why should the price of gold (see right) barely rise in a period of financial meltdown, when all common sense indicates it is the one asset that should be rising in value? The answer (inter alia) is the de-leveraging process and the fact that many investors are being forced to sell their most realisable assets to keep the bank off their backs. Experienced investors realise this and see the volatility for what it is – a short term phenomenon.

(Source: Financial Times.)

In conclusion, the sensible approach is to ignore the complexities and unpredictability's of all short term stockmarket movements. Let other people, if they are so inclined, worry about the weekly ups and downs, or become obsessed with fear and greed. History suggests that there is precious little mileage in any of these approaches. In contrast, making your investments and retaining your faith over the years seems to be very effective.

Successful investment is not about being carried away with the latest news; it is about being committed to a number of basic disciplines. Most crucially it requires an unshakeable belief in principles which only work in the long run. **There is no such thing as short term investment** – although many people engage in short term "speculation" in the belief that this is the same as "investment".

Investing During A Recession

The last two years have proven to be extremely disappointing for unit trust investors. Just when the memories of the internet bubble were beginning to fade, the appearance of the credit crunch has brought markets to their knees and tested the faith of all investors. The reality is that all stockmarkets move in cycles (influenced initially by trends and events) and as a generalisation it is wise to consider the process as "two steps forward one step back".

Recessions and Falling Markets

It is unsurprising that stockmarkets around the world declined last year on the realisation that the world economy was in recession. However, past experience suggests that the effect **on stockmarkets** of previous recessions has been relatively short lived. The following table illustrates this in the context of previous US recessions.

S&P 500 PERFORMANCE AROUND RECESSIONS

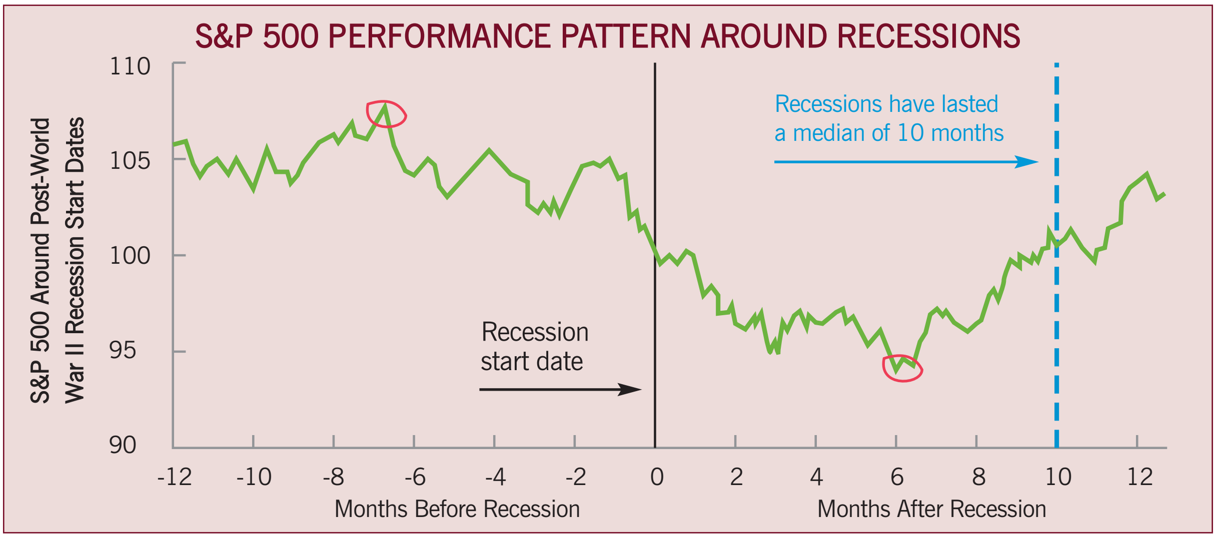
Recession Dates	Bear Market/Correction	Bear Market/Correction Dates
Nov 1948 – Oct 1949	-21%	Jun-48 – Jun 49
July 53 – May 54	-15%	Jan 53 – Sep 53
Aug 57 – Apr 58	-22%	Aug 56 – Oct 57
Apr 60 – Feb 61	-14%	Aug 59 – Oct 60
Dec 69 – Nov 70	-36%	Nov 68 – May 70
Nov 73 – Mar 75	-48%	Jan 73 – Oct 74
Jan 80 – Jul 80	-17%	Feb 80 – Mar 80
Jul 81 – Nov -82	-27%	Nov 80 – Aug 82
Jul 90 – Mar 91	-20%	Sep 90 – Oct 90
Mar 01 – Nov 01	-49%	Mar 00 – Oct 02
Dec 07 – present	-46%	Oct 07 – present

Bear market = 20% or more drop in S&P 500. Correction =10% to 20% drop in S&P 500. Bear market/ correction occurred anytime one year prior to recession start through one year following recession end.

(Sources: Bloomberg, NBER and Ned Davis Research Inc, as at 31st January 2009.)

Although stockmarkets do not always react the same way during a recession, the table above shows that of the ten US recessions since World War II, seven have been accompanied by bear markets, while the remaining three have still been accompanied by double digit corrections. As we describe below the markets also predicted these recessions by falling in advance or early in each recession. It would appear the market peak in October 2007 again shows the ability of the stockmarket to predict the oncoming recession.

As the chart on the next page shows there appears to be a pattern to the stockmarket around a recession, although the magnitude differs every time. As you can see, the chart (which combines all of the ten prior recessions into a single average line) indicates that the market typically peaked about seven months before the recession began, but bottomed quite decisively by about six months, or 60% of the way through the recession.



(Source: Ned Davis Research, Inc.)

Unsurprisingly history has shown that some of the deepest bear market bottoms (and therefore buying opportunities) have come during the depths of recessions. Regrettably, it would appear that the current recession is going to be tougher than usual, the average peak to trough decline is just under 25%, whereas we are currently approximately 46% peak-to-current as at 31st January 2009, so we are clearly beyond the historical norm.

What Next?

While nobody looks forward to a recession investors should be looking forward to its end. The table below shows that a significant percentage of bear markets end during economic recessions and the rewards when the markets do pick up again can be significant.

S&P 500 PERFORMANCE FOLLOWING RECESSION LOWS

S&P 500 Low Date in Recession	3 months later	6 months later	9 months later	1 year later
13/06/1949	15%	19%	27%	34%
14/09/1953	10%	18%	28%	39%
22/10/1957	6%	10%	19%	32%
25/10/1960	16%	25%	28%	31%
26/05/1970	17%	21%	39%	45%
03/10/1974	14%	30%	52%	35%
27/03/1980	18%	31%	39%	37%
12/08/1982	38%	42%	61%	58%
11/10/1990	7%	29%	29%	29%
21/09/2001	18%	17%	3%	(-14%)
Mean	**16%**	**24%**	**32%**	**32%**
Median	**15%**	**23%**	**28%**	**34%**

(Source: Ned Davis Research, Inc.)

It seems there are two things which "recessions" will not do. Firstly they will not stop occurring. Secondly (and more importantly) they will not measurably influence the **long** term performance of stockmarkets.

Investing For Income

With interest rates at historic lows, those investors living off their deposits are witnessing a significant reduction in their standard of living. However, contrary to popular belief high interest rates are not a panacea for these investors. High interest rates and high inflation have always walked hand in hand in the UK and in most years inflation alone was enough to wipe out the returns earned by depositors.

Long Term UK Investment Returns

	Cash %	Inflation %		Cash %	Inflation %
1971	6.2	9.0	1982	12.4	5.4
1972	5.4	7.7	1983	10.1	5.3
1973	9.0	10.6	1984	9.5	4.6
1974	12.6	19.1	1985	11.9	5.7
1975	10.8	24.9	1986	10.9	3.7
1976	1.3	15.1	1987	9.6	3.7
1977	9.4	12.1	1988	11.0	6.8
1978	8.1	8.4	1989	14.6	7.7
1979	13.5	17.2	1990	15.9	9.3
1980	17.2	15.1	1991	11.6	4.5
1981	13.8	12.0			

(Source: Barclays Capital / WM / FTSE Actuaries / Sarasin Chiswell)

In today's climate of low inflation (or possible deflation) and with the average Corporate Bond yielding approx 6% it is not surprising that investors are considering a switch into bonds.

What Are Corporate Bonds?

Corporate Bonds are not a new phenomenon and have been available within PEPs and ISAs since 1995. They are securities traded on the stockmarket which enable companies to access capital. The company borrows money from investors and then agrees to repay the loan, usually at a specific time in the future, meanwhile paying interest each year to the investors (ie Bondholders).

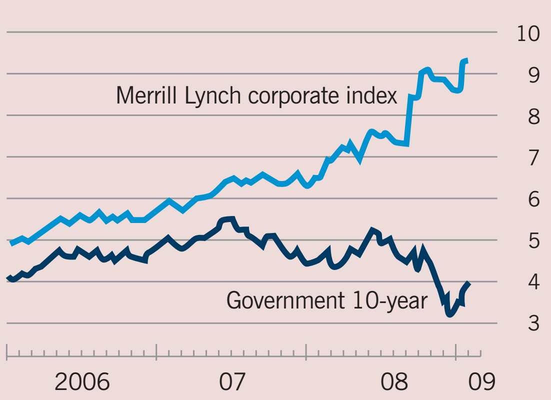
In simple terms Corporate Bonds can be split into two categories, **"Investment Grade"** (considered by the ratings agency as highly likely to meet their payment obligations) and **"Non-Investment Grade"** (High Yield/Junk Bonds). As you would expect the higher the income an investor demands from a Corporate Bond the greater the risk that investors have attached to that bond.

Value in Bonds?

In terms of Corporate Bonds, the *credit spread* is the difference between the income the Corporate Bond provides compared to the income provided by a government loan (gilt) of the same maturity. The spreads we are witnessing today were last seen in the 1930's implying an unprecedented level of defaults. In fact the current price of Bonds **implies** that 39% of **Investment Grade** Corporate Bonds will default in the next five years. To put this into context, since 1970 – a period that covers several bad recessions – the worst five year period saw a default rate of only 2.4%.

Investment Grade Corporate Bonds are now at their widest spread since 1932.

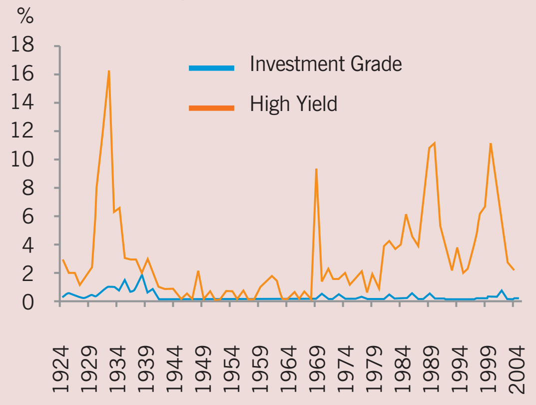
The Spread of Fear
Bond Yields



(Source: Thomson Datastream)

Even in the 1930s, realised default rates were much lower than implied by current spreads.

BBB Corporate Bonds Average
Yield Spread to US Treasuries



(Source: Investec, Moody's.)

Some of this spread can be attributed to fears that companies will go bust, an obvious risk at this point in the economic cycle. However, some commentators believe the main reason for the widening of the spread is that markets are not trading normally, ie they are illiquid, and investors are concerned that they may not be able to sell their holding when they want to. It is for this reason that the Bank of England recently announced their intention to purchase Corporate Bonds. Their aim being to restore calm to the market (and therefore liquidity) and narrow the spread.

Investment Grade companies clearly can go bust (ie Lehman Brothers) but we believe it to be extremely unlikely that default rates will be anywhere near the level that the market expects. In our opinion "Investment Grade" bonds will receive a boost when credit spreads over gilts contract to a normalised level. Meanwhile, with lower inflation smoothing the way for lower interest rates, Corporate Bonds are an attractive proposition at this stage of the investment cycle.

Put simply, for the first time in many years investors are being rewarded for the additional risk of a Corporate Bond compared to Gilts.

Proceed With Caution!

The demand for Corporate Bonds has increased during the recent period of falling interest rates and investment companies have been quick to advertise their own bonds. These advertisements are typically characterised by the headline "yield" (ie the percentage income paid to investors) and this leads many investors to assume that if two bonds are compared, the one offering the highest yield must be the best investment. This is not necessarily so!

Of course investors who wish to "take a risk" on high yield bonds (often referred to as Junk Bonds) are entitled to do so, but we would question whether the target market for such products (ie retirees) is suited to such risk taking. By definition, anyone who is in need of extra income ought to be obtaining it by investing primarily in "Investment Grade" bonds (see table overleaf). In our opinion investors wishing to maximise their income should not be taking currency risks, nor should they be investing predominately in "non investment" grade securities (high yield bonds).

M&G Corporate Bond Fund – £1000 Invested at Launch (1/4/94-31/12/2008)				
	Net Income Received		Net Income Reinvested	
	M&G Corporate Bond	Building Society	M&G Corporate Bond	Building Society
April 1994			£1000	£1000
1994	£42	(9 months) £30	£983	£1030
1995	£60	£42	£1140	£1074
1996	£61	£36	£1230	£1113
1997	£61	£42	£1434	£1161
1998	£61	£51	£1633	£1220
1999	£58	£40	£1609	£1269
2000	£59	£43	£1721	£1325
2001	£56	£39	£1792	£1376
2002	£55	£30	£1878	£1417
2003	£49	£27	£1981	£1456
2004	£46	£32	£2095	£1502
2005	£43	£34	£2251	£1554
2006	£43	£33	£2253	£1606
2007	£43	£39	£2298	£1669
2008	£44	£39	£2233	£1735

(The value of an investment, and any income from it, can fall as well as rise as a result of market fluctuations and you may not get back the original amount invested.)

The Risks

Corporate Bonds are "one step" up the risk ladder from bank deposits and that step is a loss of guaranteed capital. Investors only receive their investment back if the company that issues the bond survives to repay the capital. Secondly, when interest rates fall, the attraction of Corporate Bonds increases. However, the opposite would take place when interest rates rise. Whilst this appears improbable in the foreseeable future it must be borne in mind that eventually the significant amount of money being pumped into the system by governments around the world will ultimately lead to the return of inflation (ergo higher interest rates) and when this occurs it will affect the attractiveness of Corporate Bonds.

In Conclusion

For any investor holding excess cash deposits the switch into Corporate Bonds is a natural progression. If investors can accept the increased level of risk that Corporate Bonds entail they will see an increase in their level of income with only a moderate level of increased risk.

Our own view is more guarded than many other advisers who are currently promoting Corporate Bonds. For one thing, in 41 out of the last 55 years, the UK bond market has moved in the same direction as UK equities (both up and down). Eventually equities will recover, as will bonds and traditionally they rise much more! Accordingly, we believe that, from this point onwards, Corporate Bond ISAs are best suited to investors requiring maximum income, and who are unconcerned with capital growth. Any future capital gains should be regarded as a bonus rather than an expectation.

Frequently Asked Questions

Q. Can I invest online?

Yes, (see page 11). 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 European), 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 £4.60.

Q. Can I invest monthly?

Yes, but as we are approaching the end of the 2008/09 tax year all monthly savings should be completed on a 2009/10 application form. For anyone investing on a monthly basis the direct debit mandate must be completed on the application form. A cheque for the first month's payment should also accompany the application, this cheque must be drawn in the applicant's name and from the same account shown on the direct debit mandate.

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

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.

The Corporate Bond Portfolio

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 an immediate need for maximum income and are unconcerned with capital growth.

According to the Financial Times the reduction in interest rates in February 2009 resulted in almost 40% of savings accounts paying 0.5% or less per annum. Savers in these accounts are now faced with the dilemma of staying in a low paying bank account or allocating some of their savings to an investment which produces a higher income. In our opinion Corporate Bonds are a logical "next step" for depositors who are concerned with their current level of income. Albeit with an additional risk, Corporate Bonds can provide an increased level of income in a time of low interest rates. The funds below pay income quarterly, except Invesco Perpetual which pays monthly.

FUND	DISCRETE ANNUAL PERFORMANCE %					
	2008	2007	2006	2005	2004	Yield*
Artemis Strategic Bond	(-20.4)	1.1	5.4	-	-	7.51
Invesco Perpetual Monthly Income Plus	(-23.2)	1.4	9.5	9.3	14.6	10.81
Investec Sterling Bond	(-3.6)	0.1	(-0.7)	6.9	5.0	5.82
M&G Corporate Bond	(-1.2)	2.0	0.1	7.4	5.8	5.16
Rensburg Corporate Bond	0.9	1.8	0.0	5.9	3.9	6.52
Standard Life Corporate Bond	(-7.8)	(-1.8)	(-1.2)	8.0	5.4	5.61

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. Investments in fixed interest securities and bonds are subject to credit and market risk. The value of underlying assets and therefore the value of the units in the funds will be impacted by fluctuations in interest rates and the perceived credit risk of an issuer. In addition, under certain circumstances investors may suffer if the underlying investments become illiquid.

**Current yields are not indicative of future yields. As at 31st January 2009.*

Remember, Cash is Still King

Any client contemplating switching some of their cash deposits into Corporate Bonds first must consider the argument for holding cash. Holding a contingency fund is important for any serious investor as stockmarket investment represents a long term commitment; **all** investors require an emergency cash fund in order to avoid the necessity of selling at an inopportune time.

Artemis Strategic Bond
Manager: James Foster

Date of Inception
June 2005

Discount To Investor	5.25%

This fund takes a more aggressive stance on bond selection and has a higher risk profile than that of a more conservative Corporate Bond fund. James Foster joined Artemis in April 2005 from F & C Asset Management where he was the Head of Credit and was ultimately responsible for over £15 billion of assets. He has 15 years experience of managing bond funds and was one of the first to establish a retail bond fund in the UK. He has managed all the major bond asset classes focussing more recently on discretionary bond portfolios.

Invesco Perpetual Monthly Income Plus
Managers: Paul Causer, Paul Read & Neil Woodford

Date of Inception
February 1999

Discount To Investor	5%

As this Bond fund combines bonds and equities its risk profile is higher than the other bonds recommended. Within the fixed interest allocation – typically around 80% of the fund – the management team of Paul Causer and Paul Read invest primarily in high yielding corporate and government bonds. For the equity allocation, Neil Woodford's active management philosophy, based on sound fundamental analysis and strength of conviction, allows him to exploit investment opportunities in all areas of the market.

Investec Sterling Bond
Managers: Harsha Patel & John Stopford

Date of Inception
October 1991

Discount To Investor	3.5%

Constructed as a conservative investment, this fund aims to provide an income primarily through investment in high quality bonds. The portfolio is managed to minimise any currency risk. While concentrating on high quality bonds the fund can invest in Gilts, high yield and emerging market debt.

M&G Corporate Bond
Manager: Richard Woolnough

Date of Inception
April 1994

Discount To Investor	3%

This fund invests in Sterling denominated Investment Grade debt. The fund manager aims to identify Corporate Bonds that offer sufficient compensation for the risk of owning them.

Rensburg Corporate Bond
Manager: John Anderson

Date of Inception
September 1995

Discount To Investor	4.5%

The main objective of the fund is to provide a secure income from investments in Corporate Bonds, Eurobonds, Gilts and other fixed interest or preference shares. The fund concentrates on highly rated investment grade bonds and eliminates foreign currency risk through exclusive investments in sterling denominated issues. The aim is to produce a portfolio which yields a high and secure income whilst avoiding capital erosion.

Standard Life Corporate Bond
Manager: Andrew Sutherland

Date of Inception
July 1995

Discount To Investor	4%

This fund invests in a wide variety of fixed interest securities and Corporate Bonds. Its aim is to provide a high and stable income and seek to minimise any reduction in the income distributed. The strategy of this fund is driven by the expectations of inflation and the level of real yields available.

Discount Effect: *A client investing in any of the above funds via this brochure during 2009 will pay no initial charge.*

The Equity-Income Portfolio

While we acknowledge the opportunities available in Corporate Bonds we continue to believe the equity income approach is the most effective retirement income system in the UK today. The prospect of a rising income with rising capital (over the long term) is one that has stood the test of time and survived all previous recessions.

Many different categories of Unit Trusts have produced good investment returns. What sets “Equity Income” apart is not the extent of their returns but the timing of them, since in contrast to other types of equity funds investors enjoy the immediate benefit of a half yearly tax free (in the hands of the investor) income, as well as the expectation of long term capital gains.

The portfolio below is, in our view appropriate to an equity income investor wishing to allocate their £7,200 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 Income, PSigma Income, Schroder Income and Rensburg Income.

FUND	DISCRETE ANNUAL PERFORMANCE %					
	2008	2007	2006	2005	2004	Yield*
Artemis Income	(-23.0)	1.8	18.5	23.6	16.3	6.00
Invesco Perpetual High Income	(-19.4)	7.0	27.3	27.0	21.0	4.42
Jupiter Income Trust	(-27.4)	(-2.2)	22.0	26.7	17.0	5.70
Neptune Income	(-26.4)	5.7	18.6	23.7	18.1	5.00
Newton Higher Income	(-20.4)	(-0.7)	17.7	19.3	15.6	6.87
Standard Life UK Equity High Income	(-28.4)	0.4	19.8	24.7	22.2	3.67

All statistics are quoted “bid to bid”, or its OEIC equivalent (in both cases with net dividends reinvested) to 31st December 2008. 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. The value of an investment, and any income from it, can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. Investors electing to receive an annual income should be aware that the dividends (on which the investor’s income is based) are not guaranteed.

The above funds’ annual management charges are charged to capital. This has the effect of increasing the distribution and constricting the funds’ capital performance to an equal extent.

**Current yields are not indicative of future yields. As at 31st January 2009.*

Artemis Income Managers: Adrian Frost & Adrian Gosden	Date of Inception June 2000	Discount To Investor	5.25%

This fund offers good potential for both rising income and capital growth. In essence, shares can have an above average yield when their share price is depressed because they are out of fashion, unpopular or unloved. A good income fund manager will spot these companies before the herd who will drive up the share price, then take any profits and re-invest, waiting patiently for the process to be repeated, we believe Adrian Frost to be such a manager.

Invesco Perpetual High Income Manager: Neil Woodford	Date of Inception February 1988	Discount To Investor	5%

Run by Neil Woodford, this fund has consistently delivered star performance, which is why it has proved so popular among investors. Woodford adopts a fairly cautious approach and invests a lot of money in less risky sectors – such as utilities – which are typically less affected by any market volatility.

Jupiter Income Trust Manager: Anthony Nutt	Date of Inception August 1987	Discount To Investor	5%

Anthony Nutt pays great attention to a company's dividend policy when selecting from large and medium sized businesses for investment opportunities. The fund's objective is to produce a high income, increasing at least in line with inflation.

Neptune Income Manager: Robin Geffen	Date of Inception December 2002	Discount To Investor	5%

Neptune are a relatively new fund management group, but have enjoyed considerable success in their formative years. The objective of this fund is to generate a continually rising level of income. The portfolio invests predominately in UK securities and UK fixed interest stocks with some overseas exposure.

Newton Higher Income Manager: Tineke Frikkee	Date of Inception June 1987	Discount To Investor	4%

One of the most consistent performers in the equity income sector, this fund invests in stocks drawn from the largest 350 companies in the UK and is one of the most popular funds in the industry. It aims to achieve increasing distributions on a calendar year basis and is managed within Newton's highly regarded UK equity investment team.

Standard Life UK Equity High Income Manager: Karen Robertson	Date of Inception May 1986	Discount To Investor	4%

This fund focuses on identifying situations where the manager disagrees with the current consensus of opinion, therefore when the consensus changes the fund can benefit from the improved position when fully recognised by the market. During the past two years this fund has been one of the best performers in its sector.

Discount Effect: *A client investing in any of the above funds via this brochure during 2009 will pay no initial charge.*

The 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.

Over the years we have maintained a consistent stance on the most effective approach for clients who are investing for capital growth. For growth investors the key elements of diversification and patience are as valid today as they were ten, twenty and thirty years ago. It will doubtless be the same in the years and decades ahead. 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 (as experienced in 2008) 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 %				
	2008	2007	2006	2005	2004
Aberdeen Asia Pacific*	(-25.8)	26.7	12.4	39.1	7.5
First State Global Emerging Market Leaders	(-18.8)	27.8	16.6	43.3	6.6
Jupiter European	(-19.8)	14.1	16.0	23.1	18.1
M & G Recovery	(-27.5)	12.5	20.7	26.6	13.6
Martin Currie North American	(-21.2)	13.8	0.0	26.3	(-0.3)
Neptune Global Equity	(-38.5)	29.9	18.1	56.7	16.9

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 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 2006* (February 1987)
  Discount To Investor: 4.25%

This fund's strength continues to be lead by the diversity within the portfolio. Geographically 70% is held within five Far East stock markets, Singapore, Hong Kong, India, Australia and China.

- **First State Global Emerging Market Leaders** — Manager: Jonathan Asante
  Date of Inception: December 2003
  Discount To Investor: 4%

This fund invests in large and mid capitalisation equities in emerging economies. This includes those companies listed on developed market exchanges, whose activities predominantly take place in emerging market countries, in order to help it achieve its objective of long term capital growth.

- **Jupiter European** — Manager: Alex Darwell
  Date of Inception: August 1987
  Discount To Investor: 5%

This fund's objective is to build a portfolio of companies with a good track record of profitability, a proven product and business model, combined with evidence of entrepreneurial endeavour and the prospects of above average growth opportunities.

- **M & G Recovery** — Manager: Tom Dobell
  Date of Inception: May 1969
  Discount To Investor: 4%

The main focus of this fund are companies with a good management team focusing their efforts to turn the business around; this view is often out of favour with other investment managers and as a consequence usually has an increased exposure to medium and smaller UK companies.

- **Martin Currie North American** — Manager: Tom Walker & David Forsyth
  Date of Inception: September 1983
  Discount To Investor: 5%

Although not normally one of our favoured areas the American market was the first to go into recession and it is widely believed it will be the first market to rebound. The investment objective of this fund is to produce capital growth by investing in the United States of America and Canada. This fund's investment strategy is based on a high conviction approach consistently challenging market consensus and emphasises four factors: quality, value, growth and positive change.

- **Neptune Global Equity** — Manager: Robin Geffen
  Date of Inception: December 2001
  Discount To Investor: 5%

Robin Geffen founded Neptune Investment Management at the beginning of the decade and has managed this fund since its inception. He has been investing in stock markets around the world for nearly 30 years and is the architect of Neptune's global sector investment approach.

Discount Effect: *A client investing in any of the above funds via this brochure during 2009 will pay no initial charge.*

How To Invest

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 six different funds. These packages are described in this booklet on pages 12-17 and if you wish to proceed it should take you no more than five minutes to complete the forms.

Online Investing

Alternatively you can invest online by going to our website **www.isa-ltd.co.uk** and selecting the supermarket you wish to invest with (ie Cofunds or FundsNetwork).

For clients wishing to invest via Cofunds:

Simply click on the Cofunds icon and confirm that you have read our terms and conditions (a copy is available on our website for you to read).

Existing users should log in and proceed with their investment.

New users to the online service simply need to select "New Customer". You will then be asked to provide your full name and address, date of birth, and National Insurance Number.

The next screen will ask you if you wish to invest in an ISA, and then to select the fund(s) you wish to invest in and how much you wish to invest.

Finally you will be asked to input your debit card details and confirm where you wish any sales proceeds to be sent (this account can be changed at a later date).

For clients wishing to invest via FundsNetwork:

Simply click on the FundsNetwork icon and confirm that you have read our terms and conditions (a copy is available on our website for you to read).

To invest in an ISA simply click on "Open an ISA".

You will then be asked to provide your full name and address, date of birth, and National Insurance Number. Under the heading "Account Status" if you are new to FundsNetwork select "I am a new client". Existing clients will be asked for their account number and customer number at this point.

The next screen will ask you to select the fund(s) you wish to invest in and how much you wish to invest.

Finally you will be asked to input your debit card details.

❑ Please note, in order to invest online you will require a debit card (not credit card). All deals placed online will receive the same amount of discount as those of paper based applications.

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 (typically 0.5% but in respect of some Corporate Bond funds this reduces to 0.25%) 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 a maximum of 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. Discounts are subject to receipt of commission and may be subject to change if commission levels are altered.

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. 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".