



# 2010 Recommendations

## **INDIVIDUAL SAVINGS ACCOUNTS LIMITED**

- Why An ISA?
- Global Equity Income: A New Source Of Income?
- Emerging Markets: Volatile Times
- Our Three Portfolio Recommendations

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“ *The secret of getting ahead is getting started. The secret of getting started is breaking your complex overwhelming tasks into small manageable tasks, and then starting on the first one.* ”

Mark Twain

*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.*

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If you are one of the many investors who have yet to make their ISA investment, this is your final “wake up” call. However, an investor’s final call to action should always be preceded by a final call to thinking.

Every year seemingly brings changes to the investment outlook, but the most knowledgeable investors know that it is the things which do not change that are the most important. Investment requires a long term commitment, and the most important principles are the ones which have stood the test of time and proven themselves over several decades. The information in this publication reiterates our faith in these long term principles, and is updated to take into account present circumstances. In a changing world, some things never change.

## NEW ISA RULES

Following the Budget announcement on the 22 April 2009, the government introduced new limits for ISA contributors over and under 50. The details of these new limits along with their effective dates are as follows:

### Aged 50 or over on the 5 April 2010?

- If you are 50 or over on the 5 April 2010, you can invest up to £10,200 in ISA accounts overall.
- The full amount may be invested in a Stocks and Shares ISA, or you can invest up to £5,100 in a Cash ISA and the balance in a Stocks and Shares ISA.

#### How The Allowance Could Be Split

Stocks & Shares ISA	Cash ISA	Total
£10,200	£0	£10,200
£8,100	£2,100	£10,200
£6,100	£4,100	£10,200
£5,100	£5,100	£10,200

### Aged 49 or under on the 5 April 2010?

- If you are aged 49 or under on the 5th April 2010 you can invest up to £7,200 in ISA accounts overall during the 2009/10 tax year.
- The full amount may be invested in a Stocks and Shares ISA, or you can invest up to £3,600 in a Cash ISA and the balance in a Stocks and Shares ISA.
- **From the 6 April 2010, you will be able to invest up to £10,200 in ISA accounts overall regardless of your age (so long as you are over 18) of which up to £5,100 can be held in a Cash ISA.**

Please note that if you have already invested with a provider for your 2009/10 Stocks & Shares ISA (ie Cofunds or FundsNetwork) any top up must be placed with the same provider.

Making it and keeping it is a simple philosophy and, patriotism apart, there is little point in making a taxable investment return if you can achieve the same gain tax-free.

## Why An ISA?

ISAs currently offer the following tax savings:

### 1. Interest

Whether an ISA is partially or wholly invested in fixed interest (ie a Corporate Bond), there is no tax whatsoever on this (neither at basic nor higher rate).

### 2. Dividends

Whilst there is no income tax saving to taxpayers who are liable at the basic rate, there is **no** higher rate income tax payable on dividends, whether retained by the ISA or paid out. With a new higher rate tax band of 50% and with approximately 4 million people now paying higher rate tax in the UK, this represents a very real saving to these investors.

### 3. Age Allowance

Taxpayers aged over 65 are entitled to age allowance (ie an enhanced personal allowance). In the fiscal year 2009/10 this amounts to an extra £3,015 for anyone between 65-75, but this allowance reduces by £1 for every £2 of total income over £22,900. Crucially any income from an ISA does not count towards an individual's "total income", a valuable saving for anyone over 65.

### 4 Tax Credits

ISA income is also ignored in all calculations for the Working Tax Credit (WTC) and Children's Tax Credit (CTC). This delivers a further benefit to higher rate tax payers since the family element of CTC (worth up to £1,090 for a child under the age of one) only begins to be reduced when a family's assessable income exceeds £50,000 a year.

### 5. Capital Gains Tax

All capital gains within ISAs remain free of Capital Gains tax.

### 6. Avoidance of Record Keeping

In addition to tax saving, the avoidance of record-keeping via ISAs is a meaningful advantage. This is especially valuable so far as capital gains are concerned, where there is a necessity for the keeping of meticulous long term records.

## A Tight Budget

In our opinion this year's ISA allowance will become more valuable in the future simply because other avenues for tax reduction/avoidance have already been reduced or eliminated completely in previous government budgets. More importantly, if we consider the massive increase in government debt issued over the last twelve months, it is inconceivable that new tax saving products will be introduced and much more likely will be an increase in the level of tax on those products that are already taxable.

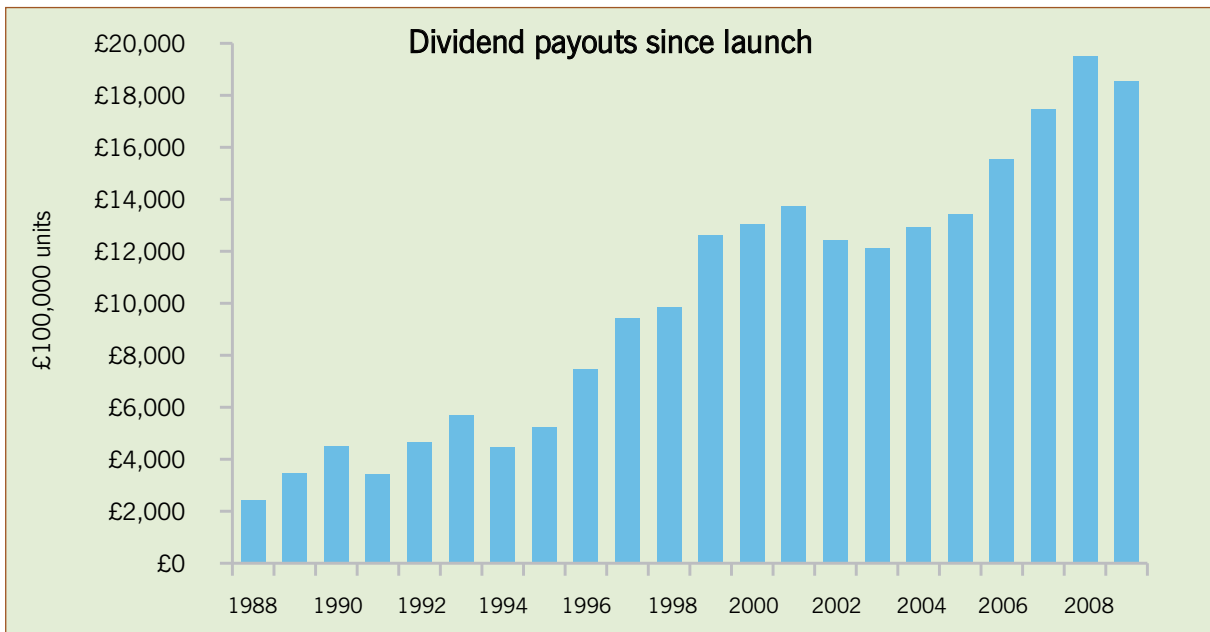
Generating a decent income from your investments is getting harder. Corporate Bond yields have fallen, Gilt yields (UK Government bond) are also at historic lows and the average savings account is paying 0.98%, according to Moneynet's research\*. Put simply, with UK interest rates at a 311 year low it is hardly surprising that people are looking at alternative holdings to cash.

### More Today Means Less Tomorrow

While we have argued that ISAs are superior saving vehicles, the tax structure is only half the solution. What also matters is the underlying investment held by the ISA, and its suitability to the circumstances of the investor. This latter aspect contains the greatest pitfalls, since it is a human trait to focus on the immediate benefits of a savings approach rather than the long term ones. "More today means less tomorrow" however, and the superficial approach of opting for the highest immediate income is often against the investor's long-term interests.

For many years we have promoted the "equity income alternative" as the best approach to retirement income planning. We continue to do so with the same degree of enthusiasm. A great misconception among many retirees is that investments which are based on shares are incapable of providing a competitive level of income, or indeed one which is stable. In fact, historically equity income funds have proved themselves to be a relatively consistent source of income, whilst the capital values of shares rise and fall. Moreover, in most years the dividend income increases, thereby providing a measure of relief against inflation.

As the graph below shows anyone investing in the Jupiter Income Trust at launch would have seen their income rise in 16 out of the 21 years since its launch.



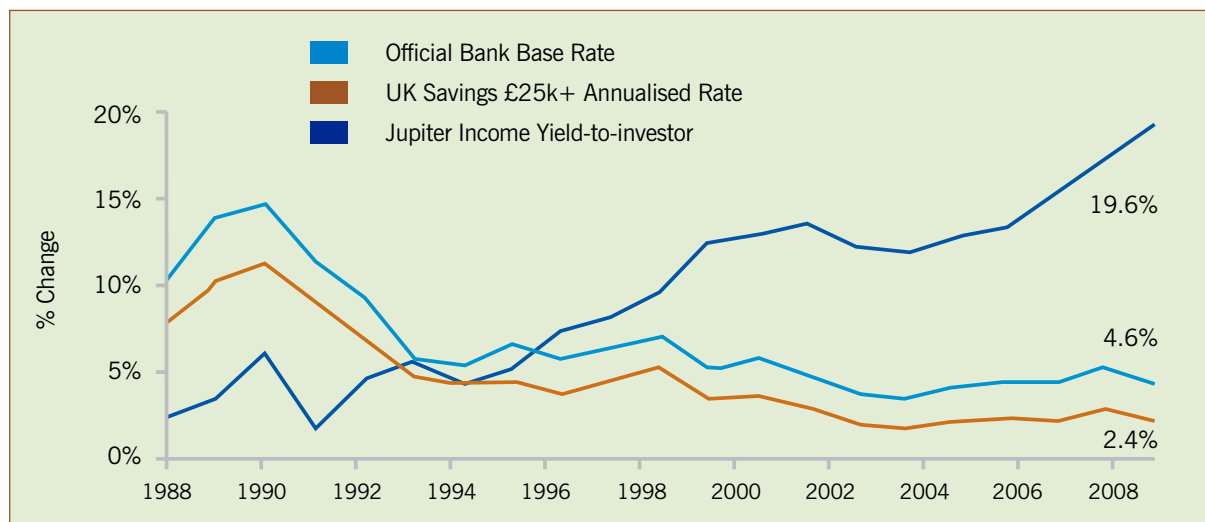
(Source: Jupiter, 1988 to 2009, Jupiter Income Trust, dividends distributed net of basic rate tax. Past performance is not a reliable indicator of future returns.)

**WHAT IS A DIVIDEND?** A dividend is a cash payment from a firm's earnings that is distributed to shareholders – essentially an investor's share of a company's profits which they receive as a part-owner of the company. Companies can choose to retain profits to reinvest in the company with the hope of creating more profits and therefore increasing the share price. Or they can opt to distribute some of the profits to shareholders in the form of dividends.

\*As at November 2009.



The next graph also shows that if an individual had invested in the fund at launch, the yield (annual income) to the investor would have been lower than the official Bank of England base rate and the UK savings rate for the first six years (a period of historically high interest rates). After that point the yield to investor (income) begins to climb and it is now far higher than that of deposits.



(Source: Lipper Hindsight, 31.12.87 to 31.12.08, based on £100k invested/deposited on 31.08.87, income from Jupiter Income Trust paid out net of basic rate tax, interest from UK Savings £25k+ deposit paid net of basic rate tax.)

Investors should be aware past performance is not a reliable indicator of future returns; any investor concerned that their investments may fall in value should be aware of this when comparing the performance of the two types of investment.

### Why Equity Income?

- **A Rising Income** There are a number of ways in which investors can view their equity-income funds. Some adopt a simple view that their first priority is to secure a rising income. A view often expressed by adherents to this philosophy is “the capital will look after itself in the long term”. History suggests it will, of course, and in the meantime a twice yearly income is being received.
- **Discipline** Enthusiasts of the approach also like the “discipline of the dividend”. Companies which have traditionally paid substantial and increasing dividends are expected to continue to do so, and British companies usually conform to this tradition.
- **Conservative** The equity income approach is also widely considered to be a relatively conservative form of equity investment. Whilst history confirms that share prices fluctuate substantially (and sometimes dramatically) it also suggests that dividends are generally dependable. During the last forty years for example, the level of dividends generated by the UK stockmarket fell in only six years.
- **Prudence** One of the main reasons why Equity Income stocks are generally regarded as more stable is that, as they are expected to regularly increase their dividends, they tend to be more careful with the way they allocate their financial resources. This probably explains why these stocks typically have sound business models that have withstood the test of many recessions.

### Dividend Power

The importance of dividends to an investors total return can be seen by considering the UK Equity Income sector as an example. Over the past 21 years, income re-invested contributed to a total return of 285.5% compared to a capital return of only 70.8% where no income was reinvested, a significant difference.

## Global Equity Income

UK investors' economic risk exposure is usually intrinsically biased towards the domestic economy through their job and home. This makes it sensible to diversify their investments so that the risk in their portfolio ought not to focus too heavily on the UK.

Whilst equity income unit trusts have traditionally been invested in UK shares, it is now evident that global companies are more willing to pay dividends. This has not always been the case, in previous years the payment of dividends had become increasingly unfashionable in non-UK markets, with more and more international companies electing to reinvest profits in preference to paying them out as dividends to shareholders. This notion, that paying dividends was an admittance of defeat is something from the 1990's, a dotcom idea, when the focus was purely on capital growth. This view has now changed, and at the right time, as it coincides with a period when average dividends are exceeding bank interest rates.

### The Trend Is Your Friend

Historically the culture of dividend payments has tended to vary from country to country. For example, the corporate sector in the US and Japan did not embrace the culture of the dividend in the same way as UK companies. However, a growing trend towards dividend payments, including within the US and Japan among others is now identifiable. More importantly, in relative terms the difference between UK dividends and those paid by overseas companies has fallen as a result of much stronger growth rates in the rest of the world, particularly that of emerging market countries.



(As of 30 September 2008. Source: Lehman Brothers)

### The Wider Market

When weighing up the potential benefits of investing globally for dividend income against a domestic UK portfolio, it's noteworthy just how large the universe of high dividend-paying stocks is across international markets.

Number of Stocks in MSCI AC World Index with a Dividend Yield Over 3%		
	UK	Non-UK
Financials	12	152
Industrials	8	85
Materials	2	64
Consumer Discretionary	11	52
Technology	1	32
Energy	3	50
Utilities	7	76
Telecoms	3	59
Consumer Staples	7	46
Healthcare	2	15

(As of 30 September 2009. Source: MSCI, Bloomberg, Lazard Asset Management.)

### Potential Drawbacks

With a Global Equity Income Fund there is the risk that exposure to a basket of currencies could increase the fund's volatility. Another potential drawback is that yields may also be lower than those on offer from the UK, but as described previously there is good potential for dividend growth over the long term for investors willing to accept both the additional currency risk of investing internationally and the lower initial income.

### What About UK Equity Income Funds?

Although we are sceptical about the state of the UK economy, this does not mean that UK Equity Income funds are redundant. The main reason for this optimism is the international make up of the UK Stock Market. A recent study by Citigroup showed that almost two thirds of UK plc's earnings came from overseas whereas only 14%, excluding obligatory utilities services were directly sensitive to UK consumers. Elsewhere, many areas around the world are set to deliver steady growth which UK equity income managers can tap into via multinational companies. For example, analysts at Goldman Sachs expect the UK stockmarket listed British American Tobacco to make nearly 65% of its revenues in emerging markets. Even Tesco, a relatively late developer internationally, has now over 60% of its floor space outside of the UK.

For companies such as Shell, BP, Vodafone and GlaxoSmithKline their significant overseas earnings made in Dollars, Euros and Yen can also protect investors from the relative declines in the value of sterling. Therefore by investing in a worldwide range of defensive growth businesses UK Equity Income managers aim to weather the current downturn and be well positioned for an eventual recovery.

### The First Rule Of Investing: Diversify

In conclusion, as we expect economic growth in the UK to be anaemic, it is essential that investors continue to review their portfolio and ensure they are not too UK centric. The old fashioned view that holding all your assets in the UK is the safer option is now no longer the case and investors need to look further afield both for opportunities and for defensive reasons. We continue to support UK equity income funds as they are biased towards multi-national companies with significant overseas earnings and further believe that the introduction of global equity income funds over the last four years has now given investors opportunity to diversify their income holdings into geographical regions other than the UK.

There are good reasons for diversifying your investments geographically, and none for not doing so.

*“The centre of gravity is clearly shifting to this part of the world (China) and I want to play a part in it while I can. The investment opportunity is simply too good to pass up.”*

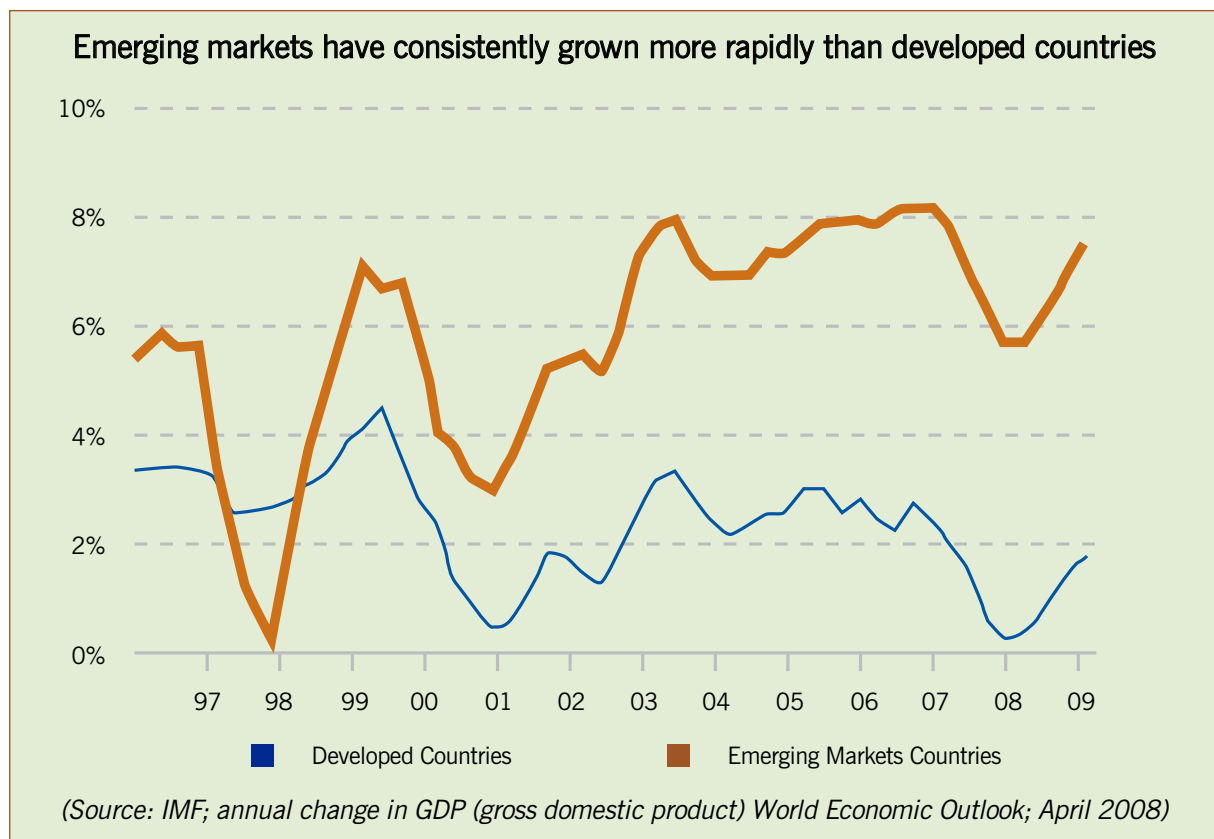
ANTHONY BOLTON, FIDELITY INVESTMENTS, JANUARY 2010

We want people to invest with us, but only for the right reasons. The impressive returns from emerging market investment should be balanced against the reality that these investments can fall by a third or more without warning (ie much more than most investors have been traditionally accustomed to).

### Did you know?

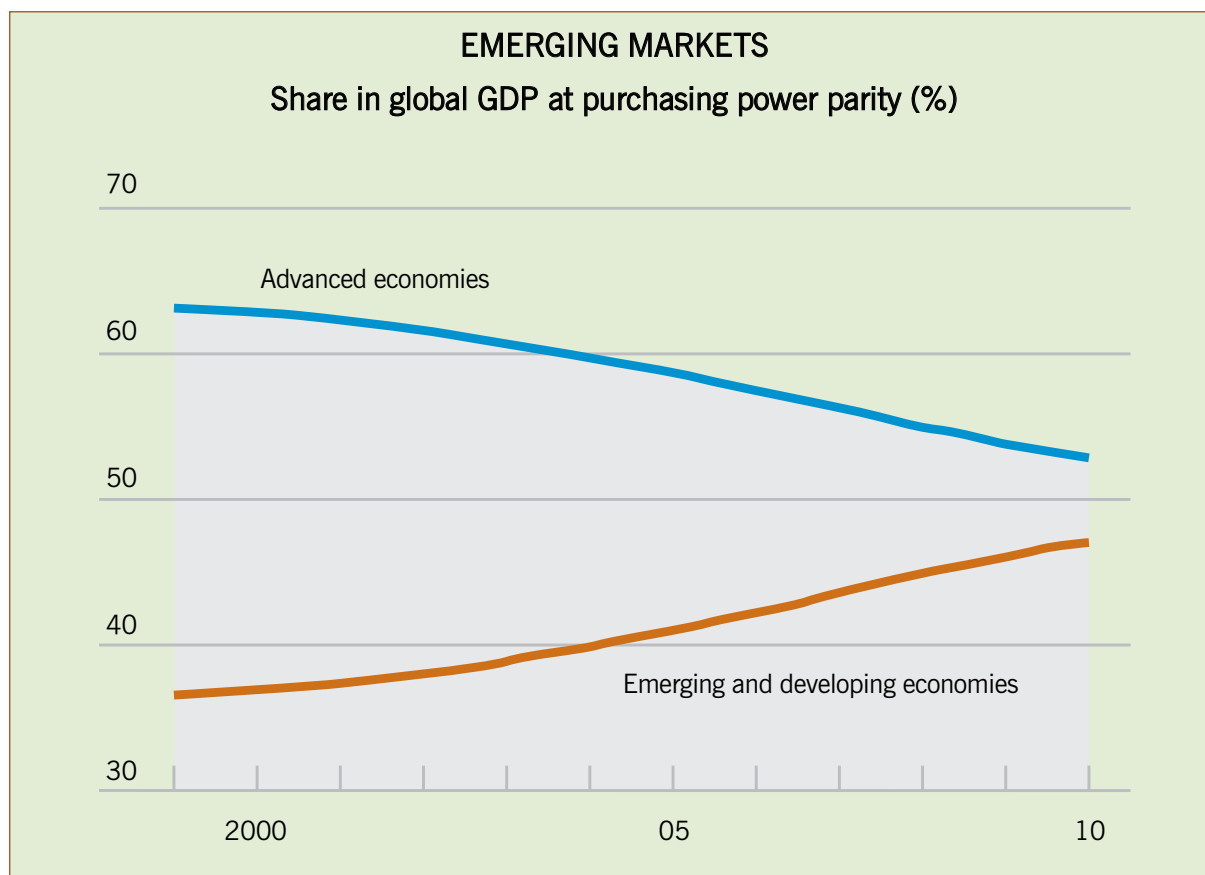
- Emerging markets represent approximately 75% of the world's land mass.
- Over 80% of the global population lives in emerging market regions. One in five people are Chinese and one in six people are Indian.
- Emerging markets hold 75% of the world's total foreign exchange reserves. (Source: Unicredito April 2009.)
- Combined imports to Brazil, Russia, India and China (BRIC) in 2009 are expected to surpass those to the US for the first time. This reduces the global economy dependency on the US consumer.
- Emerging markets are expected to account for 36% of global GDP by 2010.
- The MSCI Emerging Markets Index has outperformed the MSCI Developed World Index on average by over 5% per annum compound since its inception in 1987.

Emerging markets should matter a great deal for all investors, now and in the future. Yet today they still represent only 12 per cent of the MSCI All Country World Index, while representing 30 per cent of the world's market capitalization, 50 per cent of the world's economy and the world's best growth prospects. Investors focusing solely on developed markets will miss this opportunity.



## Three Attractions Of Emerging Markets

### 1. Economic Growth



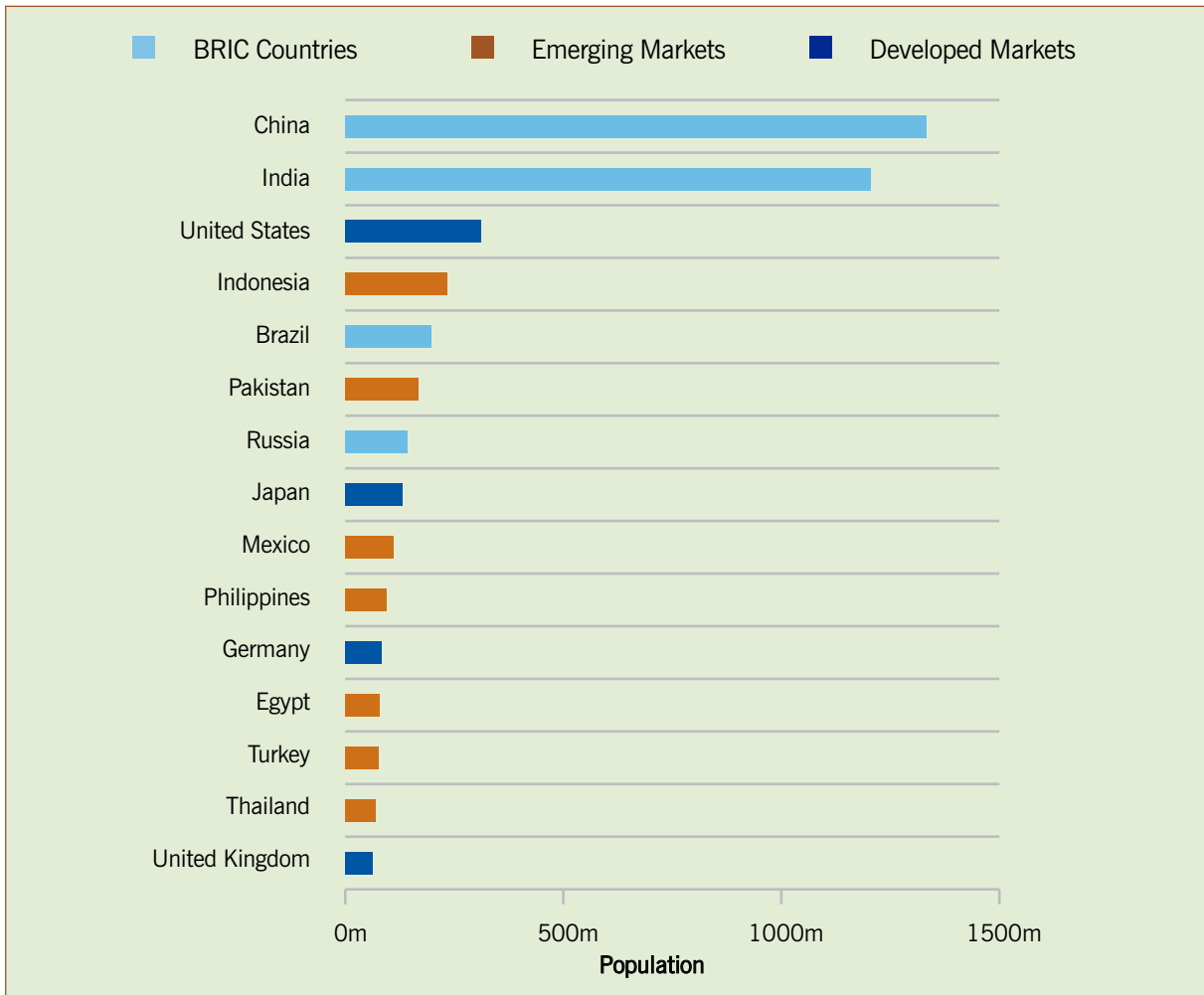
(Source: IMF)

The rapid growth of China, with other emerging markets including India and Brazil playing a supporting role, meant the noughties was a decade in which the centre of gravity of the world economy shifted towards the emerging world, particularly Asia.

What we are witnessing, and will continue to witness, is the dramatic expansion of emerging economies. When economies expand faster, profits of companies also usually increase at a more rapid rate, which in turn generally results in share prices rising faster. This is the simple logic on which the emerging markets investment argument is based.

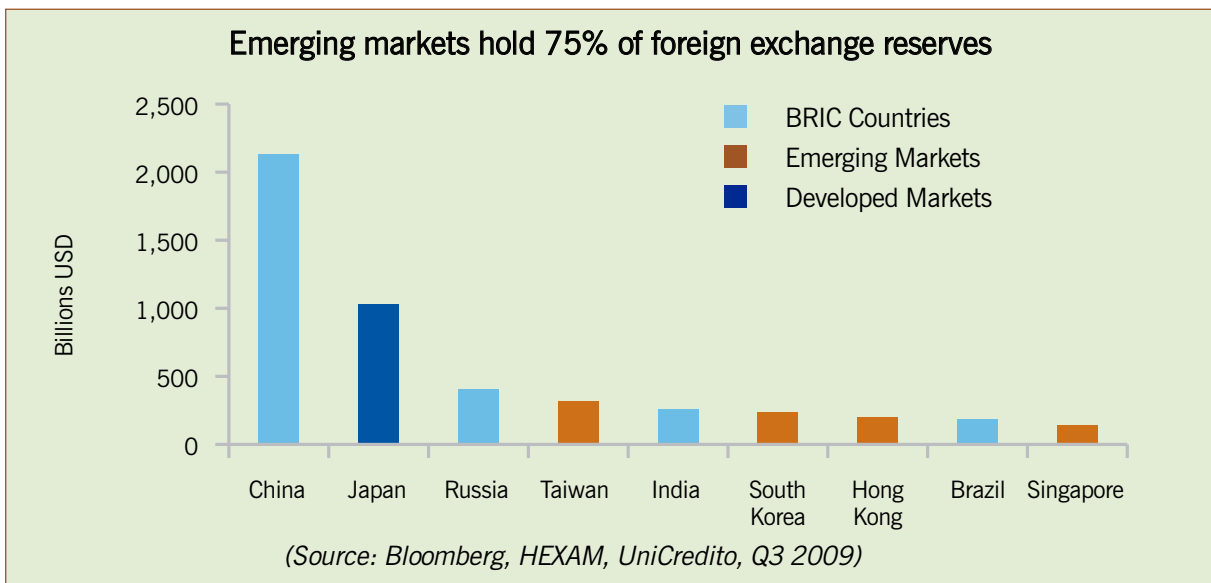
### 2. Consumers

Emerging markets account for more than 80% of the world's population – there are over one billion people in both China and India. With economic growth accelerating and population growth decelerating, per capita income is on the rise and these regions are in a better position to withstand the challenging environment than the West due to their large – and still quite robust – domestic market. For example, over the last 18 months a significant part of the population, particularly in relatively large economies such as China, India and Indonesia, remained relatively unaffected by the global crisis and continued to consume. In fact, domestic incomes were boosted by the rise in prices of agricultural and other commodities.



### 3. Financial Stability

The accumulation of foreign exchange reserves puts emerging economies in a much stronger position to weather external shocks than say ten years ago. Foreign reserves in China are now the largest in the world, totalling more than US\$2 trillion.



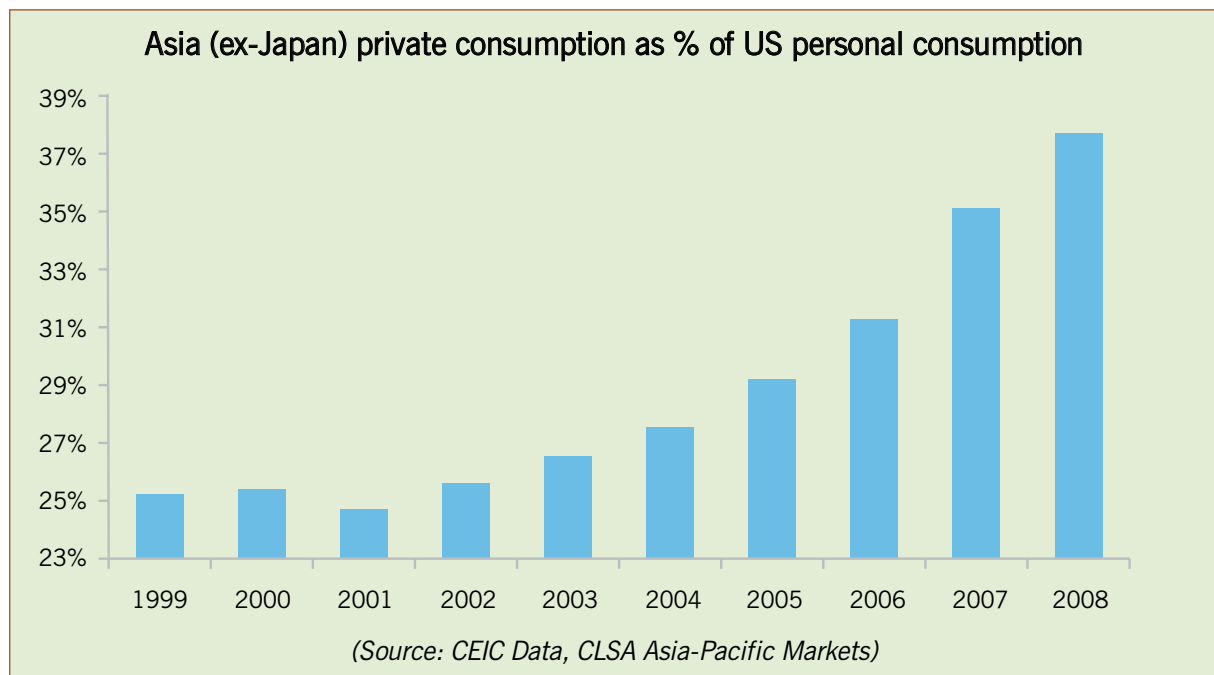
## The Debt Difference

If a single word sums up the case for Asian emerging markets, it's debt. Western economies have huge consumer debt burdens and whilst they have pulled back from the brink, the underlying cause of the credit crisis, primarily that the West is living beyond its means on borrowed money from the East, has yet to be addressed.

Over the next few years we believe the focus will be on paying off this debt, and this means that consumer-heavy economies will be sluggish for many years and could dip in and out of recession as government spending expands and contracts.

As debt levels in emerging markets are very low, and banking systems are not that sophisticated, while most of the Western financials are being ignored by investors, emerging markets continue to offer far more attractive opportunities and their economies are generally in pretty good shape. Countries such as China, India and Indonesia have consumer debt-to-GDP ratios of around 10%. For the US and UK, it's 100%. So Asia doesn't face the same drag on growth, and as mentioned above its consumers will become a major force in the years ahead.

Of course, the idea that Asian consumers can replace US shoppers immediately is delusional. Currently, this ratio is less than 40% the size of the US consumer market. But as the chart below shows, it's been growing steadily and we believe will continue to outgrow the West.



*Asia ex-Japan consumer demand relative to US consumer demand (via CLSA).*

The relative resilience of Asia's consumers allowed the region to rebound rapidly in the second half of 2009. When global trade collapsed at the end of 2008, export-dependent economies shrunk – in most cases, by more than Western ones. But once exports turned around and government stimulus programmes kicked in, growth rebounded because the underlying domestic economies remained healthy.

## Exaggerated Fears

Many investors entertain exaggerated fears about the emerging markets sector. To an extent this is understandable. However if you have determined to invest in equities then you have now entered a world where your savings will inevitably be exposed to substantial swings in value. This volatility has historically been higher in emerging markets than established economies, but the investment returns have rendered the volatility worthwhile.

For example, over the last 10 years there have been only 2 years when the emerging markets sector (as measured by the MSCI Emerging Markets Index) failed to outperform the MSCI World Index (a representative measure of world stockmarket performance). In fact over this same period the former index would have provided the investor with an average overall return which was far more than 75% higher than the latter.

As with other aspects of life, perception and reality are very different.

## The Volatility Of Emerging Markets

In our opinion there is no such thing as a short term investment. Short term speculation perhaps, but speculation (a form of gambling) is a different proposition. Looking ahead, we believe that emerging markets will continue to provide better returns than either the established international markets, or the UK. These returns are likely to come at a price (ie extreme volatility) and an emerging markets investor ought not to be surprised to see their holdings fall a third or more during difficult periods.

## The Right Reasons

The advent of globalization has been the catalyst which enabled emerging market funds to move into an era of greater acceptance. However there is always the fear that people may get the wrong message – this is not a “get rich quick” opportunity. It is a long term growth investment with one of the strongest and most logical investment arguments which we have ever seen.

For those investors who are in, or approaching retirement, investing in emerging markets is in most cases inappropriate. Investments of this nature are only appropriate for investors whose circumstances enable them not to be inconvenienced by a substantial fall in share prices, as volatility is likely to be much greater in emerging markets than all other stockmarket categories.

We believe that for investors seeking long term capital growth emerging markets should always form part of their portfolio.

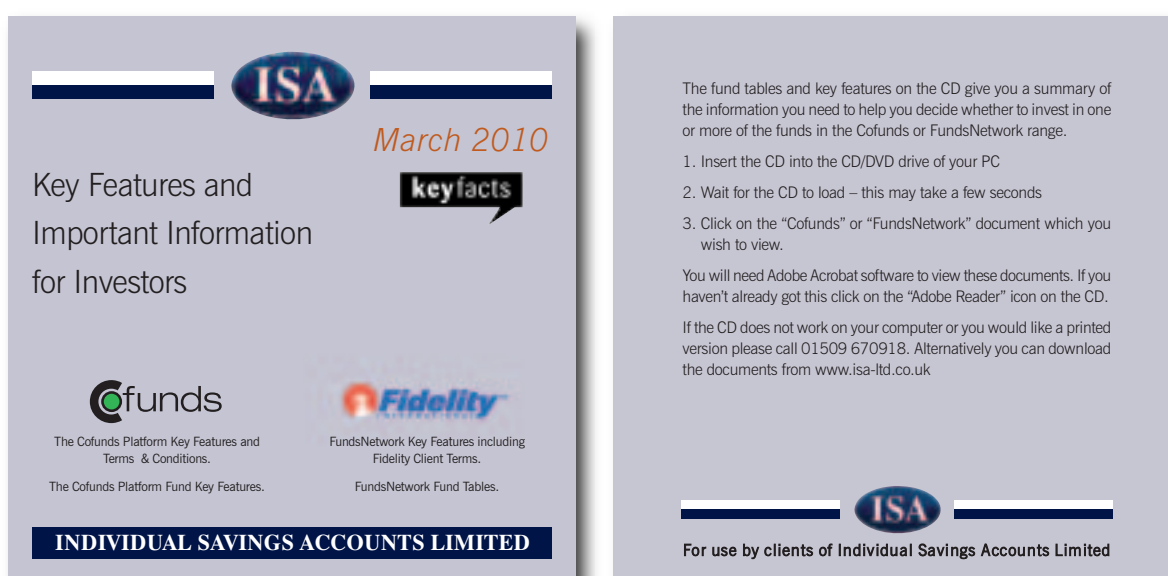
For further information on “FIDELITY CHINA SPECIAL SITUATIONS PLC”, the new Anthony Bolton fund, please contact us on 01509 670918.

If you decide to invest via this publication or our website [www.isa-ltd.co.uk](http://www.isa-ltd.co.uk) it is essential that you read the relevant Key Features Documents before investing. These documents include the Key Features and Client Terms for both Cofunds and FundsNetwork.

The purpose of these documents is to provide in a clear and concise way, the important information about the product and funds on offer via this publication. As this brochure covers both Cofunds and FundsNetwork you must ensure that you read the documents that refer to the investment you are considering.

### There are three ways to access this information:

1. Enclosed with this brochure you will find a CD-Rom (see illustration below) this will allow you to access the necessary documents on your computer and store for future reference. Instructions on how to use the CD-Rom can be found on the back cover of the CD sleeve.



2. Visit our website [www.isa-ltd.co.uk/Recs2010/keyfeatures](http://www.isa-ltd.co.uk/Recs2010/keyfeatures) here you will be able to view and print the necessary information.
3. If you would prefer a paper version of the Key Features and Terms & Conditions you can either e-mail us at [enquiries@isa-ltd.co.uk](mailto:enquiries@isa-ltd.co.uk) or telephone 01509 670918 requesting the Cofunds or FundsNetwork Key Features documents.

Once you have referred to the key features and are happy with the investment you are making simply complete the relevant application form (see pages 25-32 and 47-48) or alternatively you can invest online via our website [www.isa-ltd.co.uk](http://www.isa-ltd.co.uk) (see page 20).

For clients who are investing in any of the funds detailed in this brochure we have included a summary of the information you need to help you decide whether to invest on pages 33-40. These tables are only a summary of the information you should consider before investing, therefore they must be read in conjunction with the key features documents as detailed above.

As discussed on pages 4-7, 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 possibility of long term capital gains.

The portfolio below is, in our view appropriate to an equity income investor wishing to allocate their 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 Neptune Income, PSigma Income, Schroder Income and Newton Higher Income.

FUND	DISCRETE ANNUAL PERFORMANCE %					Yield*
	2009	2008	2007	2006	2005	
Artemis Income	20.7	(-22.7)	2.0	18.8	23.9	4.2
Invesco Perpetual Income	10.6	(-19.9)	6.9	27.0	26.1	3.9
Jupiter Income	14.5	(-27.4)	(-2.2)	22.0	26.7	4.6
Lazard Global Equity Income	24.0	(-22.3)	-	-	-	4.5
Newton Global Higher Income	17.7	(-16.9)	18.3	16.3	-	4.8
Schroder Asian Income#	48.8	(-22.8)	21.0	-	-	4.0

*All statistics are quoted “bid to bid”, or its OEIC equivalent (in both cases with net dividends reinvested) to 31st December 2009. 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 December 2009.*

*# Please note from 14/12/09 the Schroder Far East Income Fund changed its name to the Schroder Asian Income Fund to reflect the fact that it no longer invests in Japan. The fund also changed its benchmark to reflect the change in investment objective. Performance up until 14/12/09 relates to the Schroder Far East Income Fund and the benchmark includes Japan. The Schroder Far East Income Fund was previously reconstructed on 01/12/06. **This reconstruction was significant and therefore performance reporting is shown from that date.***

<b>Artemis Income</b>	<b>Date of Inception</b>	<b>Discount</b>	<b>5.25%</b>
<b>Managers: Adrian Frost &amp; Adrian Gosden</b>	<b>June 2000</b>	<b>To Investor</b>	

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.

<b>Invesco Perpetual Income</b>	<b>Date of Inception</b>	<b>Discount</b>	<b>5%</b>
<b>Manager: Neil Woodford</b>	<b>June 1979</b>	<b>To Investor</b>	

Neil Woodford remains one of the best known and best performing fund managers in the UK market today. His large bets continue in the more defensive tobacco and healthcare sectors. As head of investments at Invesco Perpetual Woodford controls over £16.5 billion of assets. After a disappointing 2009 we strongly believe Neil has correctly positioned the portfolio to benefit from the current economic climate.

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

Anthony Nutt's fundamental research is about identifying businesses whose share price does not fully reflect the underlying worth of their assets with strong, sustainable and growing cash flows made up of typically 65-75 stocks. One of the main reasons why we favour the fund is that the manager has positioned the fund for a more challenging economic environment.

<b>Lazard Global Equity Income</b>	<b>Date of Inception</b>	<b>Discount</b>	<b>3.75%</b>
<b>Manager: Patrick Ryan</b>	<b>October 2007</b>	<b>To Investor</b>	

The Lazard Global Equity Income fund seeks to generate income and long term growth through investment in a collection of global equities in both developed and emerging markets (up to 25% of the fund can be invested in emerging markets).

<b>Newton Global Higher Income</b>	<b>Date of Inception</b>	<b>Discount</b>	<b>4%</b>
<b>Manager: James Harries</b>	<b>November 2005</b>	<b>To Investor</b>	

This fund aims to achieve rising annual income distributions together with capital growth from investment primarily in global securities. The aim is to grow the dividends at least in line with inflation and its benchmark is against the FTSE World Index. The team headed by James Harries is well established and therefore able to draw upon vast experience.

<b>Schroder Asian Income</b>	<b>Date of Inception</b>	<b>Discount</b>	<b>5.25%</b>
<b>Manager: Richard Sennitt</b>	<b>February 1990</b>	<b>To Investor</b>	

The emphasis of this fund will be investment in the Asia Pacific Rim (excluding Japan, but including Hong Kong, Australia and Singapore), aiming to provide a growing capital and income. The fund offers investors the potential for impressive returns in the medium to long term supported by strong economic and corporate fundamentals.

*Discount Effect: A client investing a lump sum in any of the above funds via this brochure during 2010 will pay no initial charge.*

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 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 %				
	2009	2008	2007	2006	2005
<b>Aberdeen Asia Pacific*</b>	52.3	(-25.8)	26.7	12.4	41.4
<b>Henderson New Star European Growth</b>	26.6	(-23.1)	4.7	27.3	22.6
<b>Lazard Emerging Markets</b>	58.6	(-31.6)	30.2	14.6	54.4
<b>M &amp; G Global Basics</b>	35.3	(-26.7)	21.0	15.1	40.5
<b>M &amp; G Recovery</b>	40.8	(-27.5)	12.5	20.7	26.6
<b>Neptune Global Equity</b>	33.9	(-38.8)	29.9	18.1	56.7

*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.*

*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. 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 in February 1987.*

■ <b>Aberdeen Asia Pacific</b> Managers: Asian Equities Team	Date of Inception	Discount	4.25%
	April 2006* (February 1987)	To Investor	

The management team of this fund continues to seek to identify good quality companies that are expanding and have the capacity to deal with that expansion, and lean toward companies who generate significant levels of cash and spend it wisely. Geographically 75% is held within five Far East stock markets: Hong Kong, Singapore, India, Australia and South Korea.

■ <b>Henderson New Star European Growth</b> Managers: Richard Pease & Simon Rowe	Date of Inception	Discount	5.25%
	July 2001	To Investor	

This fund is co-managed by Richard Pease, who previously managed Jupiter's mainstream European and its European Special Situations funds. He spent over 10 years with Jupiter before joining New Star in 2001. Richard has shown a consistent track record and is one of the most highly regarded European managers in the industry.

■ <b>Lazard Emerging Markets</b> Manager: James Donald	Date of Inception	Discount	3.75%
	May 1997	To Investor	

This fund aims to achieve long term capital growth by investing in companies located in, or doing significant business in, emerging market countries. The manager's experience of investing spans over two decades and he has been plying his trade in the emerging market area for the past 17 years. We particularly favour this fund as it traditionally becomes more cautious when markets are rising fast.

■ <b>M &amp; G Global Basics</b> Manager: Graham French	Date of Inception	Discount	4%
	November 2000	To Investor	

This fund invests predominately in primary and secondary industries and companies who service those industries. This is defined by the extraction of raw materials and their conversion into products and services for the consumer. The fund has a bias towards asset-rich companies and those that the manager believes will grow independently of the economic environment.

■ <b>M &amp; G Recovery</b> Manager: Tom Dobell	Date of Inception	Discount	4%
	May 1969	To Investor	

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.

■ <b>Neptune Global Equity</b> Manager: Robin Geffen	Date of Inception	Discount	5%
	December 2001	To Investor	

Robin Geffen is the Chief Investment Officer at Neptune and is supported by a team of thirteen investment professionals. The fund is a concentrated portfolio of global equities selected from across world markets. The fund typically has an overweight position in emerging markets.

*Discount Effect: A client investing a lump sum in any of the above funds via this brochure during 2010 will pay no initial charge.*

In the investment arena, as in any other walk of life, some people are more successful than others. Why not, therefore, invest with fund managers whose long-term performance record is better than most?

There are many approaches to fund management, but the “star managers” concept differs radically from all others. Backing so-called “star managers” is a worthwhile investment strategy providing you are completely mindful of the limitations of the concept. The most noteworthy of these is that such managers usually have concentrated portfolios, ie only a small number of holdings, typically in the region of only 30-35 shares compared to a more traditional unit trust which would typically have over 70 shares within the portfolio. For the purist there is a compensating disadvantage to following this investment approach. By investing most or all of their savings in concentrated holdings investors lose the opportunity for risk reduction which a diversified spread traditionally confers. Anyone who follows a narrow approach, therefore, is likely to be motivated primarily by a sense of adventure rather than the orthodox one of portfolio discipline.

FUND	DISCRETE ANNUAL PERFORMANCE %				
	2009	2008	2007	2006	2005
Artemis Strategic Assets	-	-	-	-	-
Ignis Argonaut	19.4	(-25.0)	12.6	18.6	24.9
European Alpha					
Ignis Hexam Global Emerging Markets	-	-	-	-	-
Jupiter Financial Opportunities	11.9	7.2	1.8	15.7	33.9
Neptune US Opportunities	21.6	(-13.0)	26.9	(-0.6)	38.5
Schroder UK Alpha Plus	49.3	(-36.5)	6.9	23.2	27.9

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 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. 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. Where funds invest in relatively few individual assets the performance of the fund is significantly influenced by a small number of companies. Where fund managers use derivatives this may increase the funds volatility and may restrict growth in a rising market.

**Discount Effect:** A client investing a lump sum in any of the above funds via this brochure during 2010 will pay no initial charge.



■ <b>Artemis Strategic Assets</b> Manager: William Littlewood	Date of Inception May 2009	Discount	5.25%
		To Investor	

In the 1990's William Littlewood successfully managed the Jupiter Income fund for nine years. The Strategic Assets fund is relatively new and its highly flexible structure allows him to harness his experience as both a brilliant long only manager and as a hedge manager. The fund will take a multi-asset approach with the intention to perform well when markets are favourable, and preserve capital when markets are poor.

■ <b>Ignis Argonaut European Alpha</b> Manager: Barry Norris	Date of Inception May 2005	Discount	5.25%
		To Investor	

Investment manager Barry Norris and his team have a considerable track record in the management of European equity funds, and they are responsible for all aspects of stock selection and portfolio management. They aim to provide investors with a "fund for all seasons": rather than focusing on one particular investment style, or structuring a portfolio that will only perform in one particular market environment, they aim to construct a portfolio that has the potential to outperform in all market conditions.

■ <b>Ignis Hexam Global Emerging Markets</b> Manager: Bryan Collings	Date of Inception February 2009	Discount	5.25%
		To Investor	

This fund has won the Best Equity Newcomer Award across all equity sectors at the Portfolio Adviser fund awards (which was voted for by leading multi-managers and IFA's) and was also the fund they would be most happy to personally invest in across all equity sectors. Bryan Collings and his team (formerly of Barings) are extremely excited about the opportunities in emerging markets going forward and remain dedicated to achieving strong performance.

■ <b>Jupiter Financial Opportunities</b> Manager: Philip Gibbs	Date of Inception July 1997	Discount	5.25%
		To Investor	

Philip Gibbs has specialised in analysing financial companies for the past 20 years and the Fund's outstanding long-term performance record is largely down to his thematic and decisive approach to investing. Typically, the portfolio is constructed of approximately 50 holdings with the ten largest often accounting for a substantial portion of the fund. His figures in 2008 were spectacular when you consider the performance of the financial industry during that year.

■ <b>Neptune US Opportunities</b> Manager: Felix Wintle	Date of Inception December 2002	Discount	5%
		To Investor	

This fund has been managed by Felix Wintle since August 2005, he is also head of US Equities and Health and Biotech Specialist for Neptune. Its aim is to generate capital growth in a concentrated portfolio of Northern American securities which may also include Canada. This fund has a strong and consistent long-term performance record, with above top sector performance in every discrete annual period since 2004.

■ <b>Schroder UK Alpha Plus</b> Manager: Richard Buxton	Date of Inception July 2002	Discount	5.25%
		To Investor	

A concentrated exposure to predominantly large UK Cap equities is the make-up of this fund. Mr Buxton has shown over time that he is an exceptionally skillful fund manager and is supported by an experienced and well resourced team. For long term investors who are able to handle the short periods of underperformance this is an excellent choice and should be well rewarded over time.

You can invest online by going to our website [www.isa-ltd.co.uk](http://www.isa-ltd.co.uk). To proceed click on the icon of your selected supermarket and confirm you have read our terms and conditions (a copy is available on the website).



If you are a new client simply click “New Customer?” – you will need to input your name, address, date of birth and National Insurance Number.

**Select next >**

Now select the product you wish to invest in (ie Cofunds Investment ISA) followed by your selected Manager and Fund.

Click “add fund” and if required select any additional funds, then either add in the amount you wish to invest into each fund or split them by %, ensuring the total is 100%.

**Select next >**

In this section you need to:

1. Input your debit card details.
2. Complete income details (income investors only).
3. Provide your bank details in the redemption section (all investors).

**Select next >**

Read fully the declaration and confirm this by ticking that you are in agreement.

**Select next >**

This section is a summary of the personal and investment information you have input into our system, again please double check this is correct and then:

**Press submit** to complete your application.



If you are a new client click on “open an ISA” which can be found under the heading “New Customer”.

Now enter your personal details, complete the PIN and password section with memorable details and answer the four security questions.

**Click continue >**

Choose your investment provider and then your selected fund. To add more than one provider press “save and add” which is at the bottom of the screen. (Repeat as necessary.)

Once all your funds have been added successfully:

**Click continue >**

In this section you will be able to check your selected funds are correct.

In order to advance further you need to read and confirm you have read the “Key Features Document and Terms”, “ISA Declaration” and “Online Terms and Conditions”.

**In the next section** you need to input the details for your debit card from the account which you wish to make the payment.

**The final section** is a summary of your details, which you need to do a final check on and then:

**Press submit** to complete your application.

Please be aware that in order to invest online you will require a debit card (not credit card). All online applications and paper based applications will receive the same levels of discount.



## Lump Sum and Monthly Investors (Cofunds)

### Cofunds Dual Tax Year Form

Pages 25-26

This form allows you to invest both lump sums and monthly investments in the 2009/10 and/or the 2010/11 tax year. The form covers all three portfolios detailed in this publication.

## Lump Sum Investors (FundsNetwork)

### FundsNetwork Dual Year Application Form: Equity Income Portfolio

Pages 27-28

### FundsNetwork Dual Year Application Form: Growth Portfolio

Pages 29-30

### FundsNetwork Dual Year Application Form: Star Managers Portfolio

Pages 31-32

These forms allow you to invest in the 2009/10 and/or the 2010/11 tax year.

## Monthly Investors

As we are approaching the end of the 2009/10 tax year all monthly saving investors should complete a 2010/11 tax year application form. For anyone investing on a monthly basis the direct debit mandate on the application form should be completed (Section 5 "Investment by Direct Debit for Monthly Savers" for Cofunds, and Section 3 "Mandate Details" for FundsNetwork).

*IMPORTANT NOTICE FOR MONTHLY SAVERS: A cheque for the first month's payment must accompany the application form; this cheque must be drawn in the applicant's name and from the same account as shown on the direct debit mandate.*

### FundsNetwork Monthly Savings Application Form

Pages 47-48

## Pick Your Own ISA

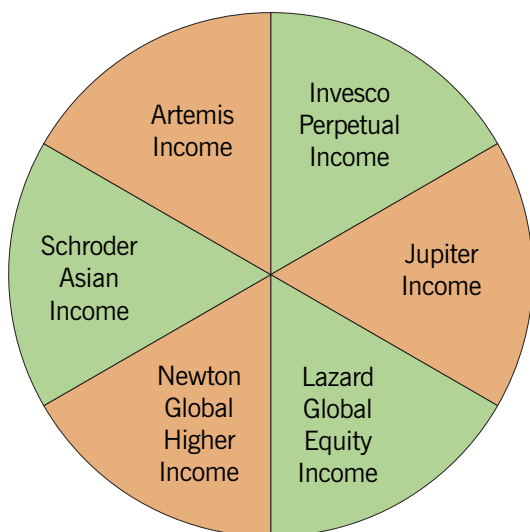
Clients who wish to construct their own portfolio from the full list of options which the fund supermarkets offer can either invest online ([www.isa-ltd.co.uk](http://www.isa-ltd.co.uk)) or contact us for the necessary forms.

### Application Form Checklist

Prior to posting your application form to ourselves, have you:

1. Provided your National Insurance Number?
2. Supplied your date of birth?
3. Completed the Direct Debit mandate and included a cheque for the first month's payment (applicable to monthly savings only).
4. Completed the correct tax year application form?
5. Signed and dated the application?
6. Included your Bank/Building Society details (if you have chosen to receive income payments from your ISA)?
7. Enclosed your personal cheque payable to either "Cofunds Ltd" or "Fidelity"?

### The Equity-Income Portfolio



#### COFUNDS INVESTORS ONLY

By selecting to invest in any of the portfolios on this page your ISA investment will be split equally across the corresponding six funds.

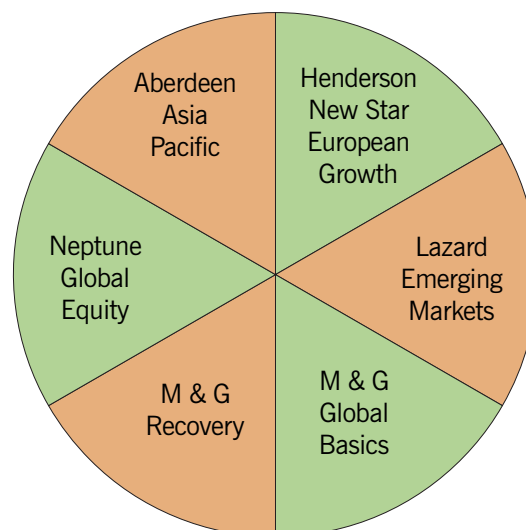
Please note the minimum investment is £3,000 lump sum or £200 per month into one of the portfolios.

#### DISCOUNT EFFECT

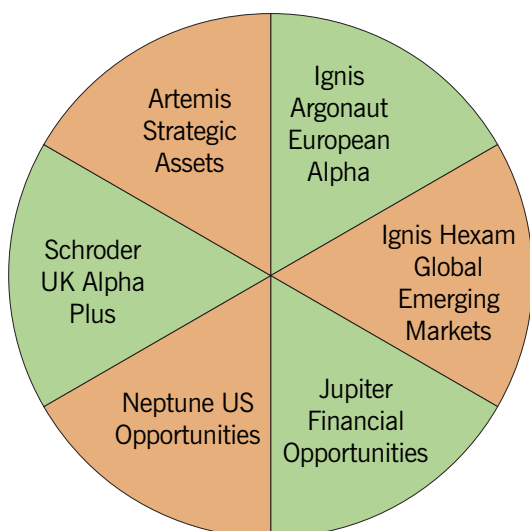
A client investing a lump sum in any of the portfolios on this page during 2010 will pay **NO INITIAL CHARGE**. This discount equates to the following savings (based on a £10,200 ISA investment):

	Saving
Equity Income Portfolio	£480
Growth Portfolio	£442
Star Managers Portfolio	£531

### The Growth Portfolio



### The Star Managers' Portfolio



#### IMPORTANT INFORMATION

The portfolios described on these pages are not managed for you. It will be your responsibility if you wish to switch or sell any particular fund.

ISA Ltd select the funds for these portfolios but it is up to you to decide whether the selection will suit your investment requirements. Returns cannot be guaranteed and your attention is drawn to the promoters notice on page 24.

### Q. Can I invest online?

Yes, (see page 20). 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 Financial Opportunities), 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 £5.00.

### Q. Can I invest monthly?

Yes, but as we are approaching the end of the 2009/10 tax year all monthly savings should be completed on a 2010/11 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](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.

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%) 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 £5,100, we would receive £26 per annum. If it is worth £10,200 we would receive £51 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 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".

