

TALKING SHOP

State of Fear

The dramatic floods during this year's English summer were, for some, irrefutable evidence that climate change is effecting the way we live.

As investors it is our ability to cope with this change that matters, not just for how we live our lives, but how we view our investments. Chasing the latest "hot" idea will not provide good returns, it will more than likely lead to losses.

When making any decision, be it for the good of the planet or simply your ISA for this year, a methodical thought process is required. If we allow ourselves to be intimidated by recent events we will in all probability make the wrong choice.

This publication is intended to be a reminder of how to ignore the hot air and concentrate on the facts.

INDIVIDUAL SAVINGS ACCOUNTS LIMITED

AN ASSOCIATED COMPANY OF THE PEP SHOP LTD – TELEPHONE 01509 670918

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 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.

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

Remuneration Declaration

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

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

Restrictions and Regulations

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

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

Group Structure and Approach

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

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



We are frequently asked whether it is a good idea to “move out of the Stockmarket temporarily”. Such questions originate from the misconception that stockmarket professionals make their money by constantly buying and selling shares.

History indicates that the stockmarket rises in approximately 70% of all calendar months, and falls during the other 30% (ie “two steps forward, one step back”). Usually, the downward movements (“bear markets”) last just a few months, and only occasionally do they exceed one year. That is why it is best to take a long term view – typically five or ten years, or even more. By doing so you allow your investments longer to grow; this should make up for the effects of the short term market volatility.

Time To Bury Timing

There have been many studies which prove that timing the market does not work. In fact, what appears at first sight to be a risk reducing strategy is actually a high-risk option. After selling holdings before the market has peaked, many investors then compound their error by going back into the market too late!

Over the years, a surprisingly large proportion of a market’s overall gains tend to be concentrated into a relatively short time-frame. This is true of all markets. In addition, these gains often occur after market falls which make them very easy for investors to miss. A study of the 15 calendar years 1992-2007 bears this out dramatically.

Market	Index	Remains fully invested	Missed 10 best days	Missed 20 best days	Missed 30 best days	Missed 40 best days
Europe	MSCI Europe	11.66%	8.07%	5.52%	3.30%	1.26%
UK	FTSE All Share	10.90%	7.87%	5.60%	3.67%	1.95%
USA	S&P 500	10.65%	7.22%	4.59%	2.30%	0.37%

(All figures show annualised returns, taken from 15 year periods, starting each consecutive month from 31/7/92 to 31/7/07 in local currency terms. Source: Fidelity as at July 2007. Basis: Total return index.)

The study shows that missing **just 10 days** in 15 years can reduce the overall return by over a quarter, and missing just 40 days can reduce the UK market return from 10.9% to 1.95%. So, far from minimising investment risks, market timing seems to be a high risk strategy!

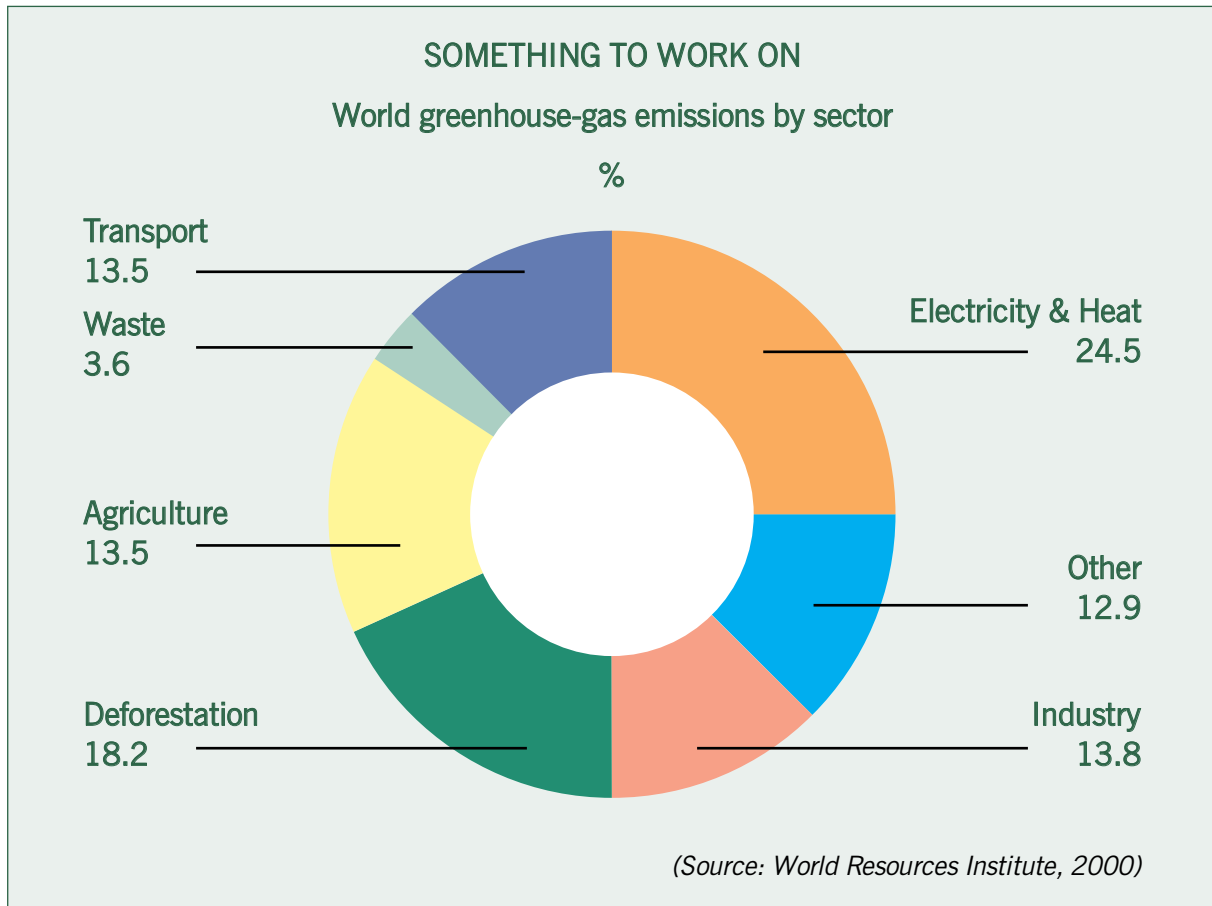
It is also true that there is less to be said for “perfect timing” than most people would think. Taking the 22 year period to 31st January 2007 the returns were as follows.

Index	Invest at market low	Invest at random date	Invest at market high
MSCI UK	11.9%	10.1%	9.0%
MSCI International	11.5%	9.6%	8.6%

(All figures show average monthly total returns over 22 years to 31/01/07 in GBP and USD. Figures do not take account of charges. Source: Fidelity)

These statistics suggest that even an investor who had “perfect hindsight” on timing would not significantly enhance his long term returns. For mere mortals the good news is that investing at the “peak” still produced good results. As Peter Lynch, one of America’s leading investors put it, “Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in the corrections themselves”. As always, the greatest threat to your wealth lies in being “out of the market”.

Whatever your view of climate change the one thing that nobody can ignore is the momentum that has developed behind it. On a daily basis there is a news story concerning climate change and no industry has avoided its gaze. Airlines and automobiles are the most obvious but its effect reaches everywhere, from Australian farmers to Arctic polar bears, and the unit trust industry is the latest to join the debate.

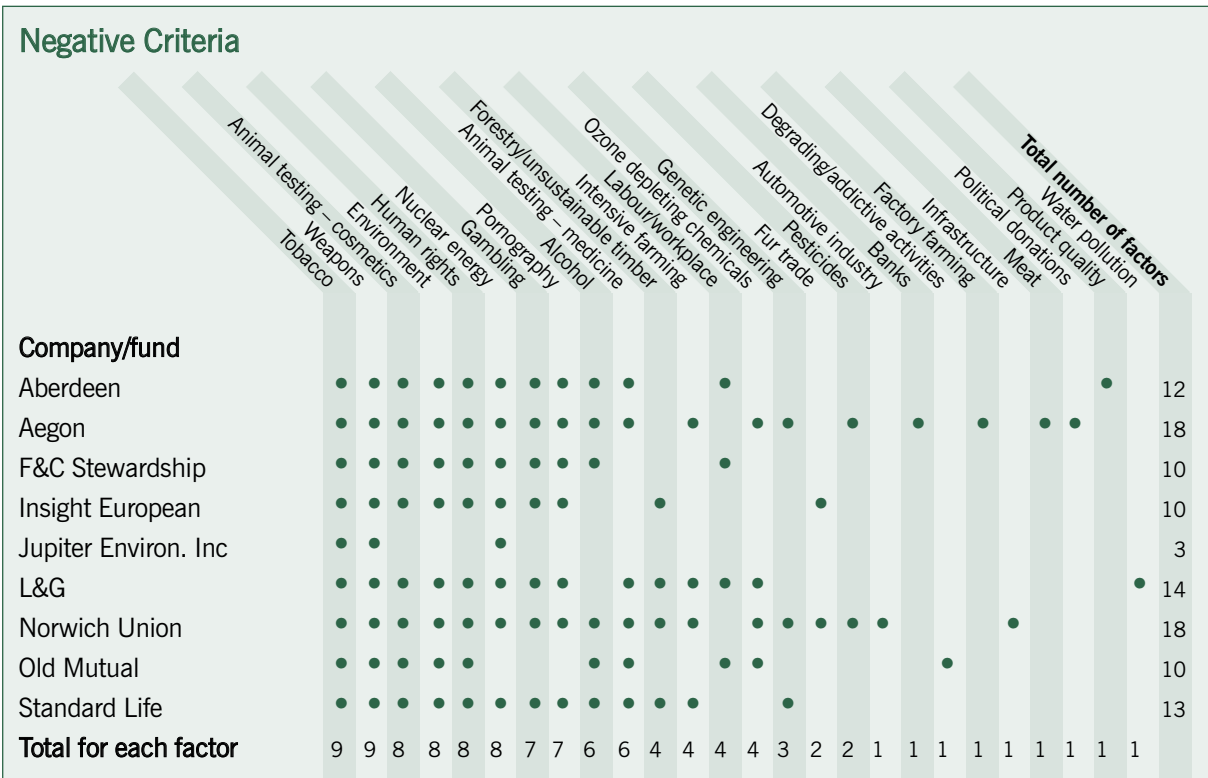


Five years ago clean energy was an investment backwater, the concern only of environmental alarmists and obscure academics. Now with the recent launch by Jupiter and Schroder of funds dedicated to climate change, its impact has entered the mainstream of investment management.

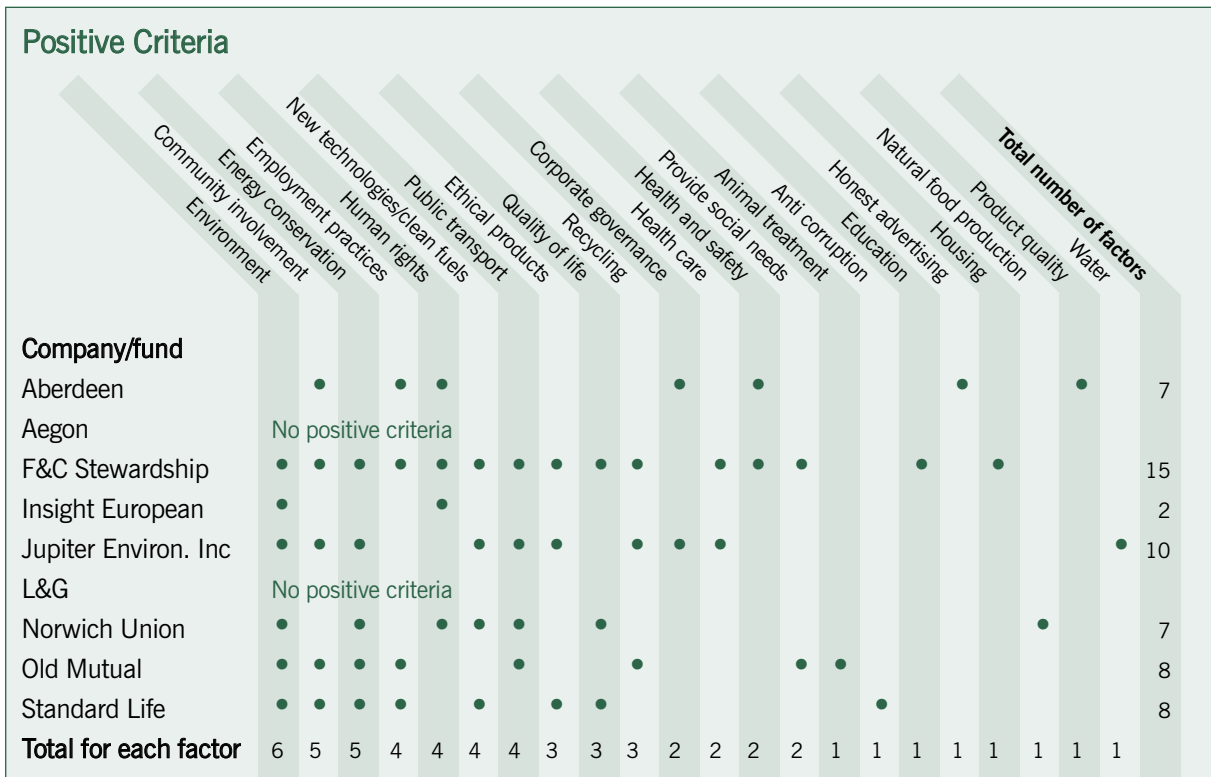
Where It All Began

The concept of ethical investing can be traced back to the 19th century amongst religious movements such as the Quakers and Methodists; concerns of the day were alcohol, gambling and fair employment conditions. The first UK ethical fund was founded by Friends Provident (now part of F & C) in 1984. This used a technique described as negative screening, resulting in the exclusion of certain industries such as oil, tobacco, armaments and pornography. These managers would later be classified as “Dark Green”.

In recent years there has been an emergence of so called “Lighter Green” funds, these use a **positive** approach to stock selection, looking for companies that provide solutions to environmental and social problems. For example even an oil company, rejected by dark green managers could be considered for a light green fund if it was seen to be investing in renewable energy. (See tables opposite.)



(Source: Money Management, March 07)



(Source: Money Management, March 07)

Ethical investment was given a significant boost in July 2000 when new legislation was introduced under the 1995 Pension Act. This requires all UK pension funds to state “the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments”.

Turning Orthodoxy On Its Head

During the 1990's ethical funds were on the periphery, considered by investors, who were then put off by their relatively benign performance figures compared to that of their gas guzzling, cigarette smoking brethren. In recent years the performance of “green” funds has been comparable to the less constrained funds in their sector, could this be an indication that the future is bright for green funds?

While many investors welcome the opportunity to invest ethically, they still demand good financial performance. Here the evidence is encouraging.

How Green Funds Have Performed (%)						
Name	DISCRETE YEAR PERFORMANCE % (TO 30th JUNE)					Position in sector over 5 years
	2007	2006	2005	2004	2003	
AEGON Ethical Equity A Acc	25.9	26.7	18.1	20.9	(-7.4)	24 out of 259
F & C Stewardship Growth 1 Inc	22.2	14.9	14.6	26.6	(-7.3)	63 out of 259
F & C Stewardship Income 1 Inc	26.4	11.7	17.2	23.3	1.2	9 out of 75
Insight Inv. Euro. Ethical Acc	20.8	15.1	15.6	15.8	(-4.5)	83 out of 259
Legal & General Ethical Trust Inc	22.2	18.6	14.4	16.3	(-5.6)	79 out of 259
Norwich Sust. Fut. UK Growth 1 Acc	27.5	15.8	11.9	16.2	(-3.5)	76 out of 259
Norwich UK Ethical A Acc	32.9	18.1	12.5	19.8	(-4.7)	44 out of 259
Old Mutual Ethical A Acc	18.6	20.6	21.4	19.7	(-11.3)	67 out of 259
Standard Life UK Ethical Ret Acc	23.9	22.5	14.0	19.7	(-2.8)	54 out of 259

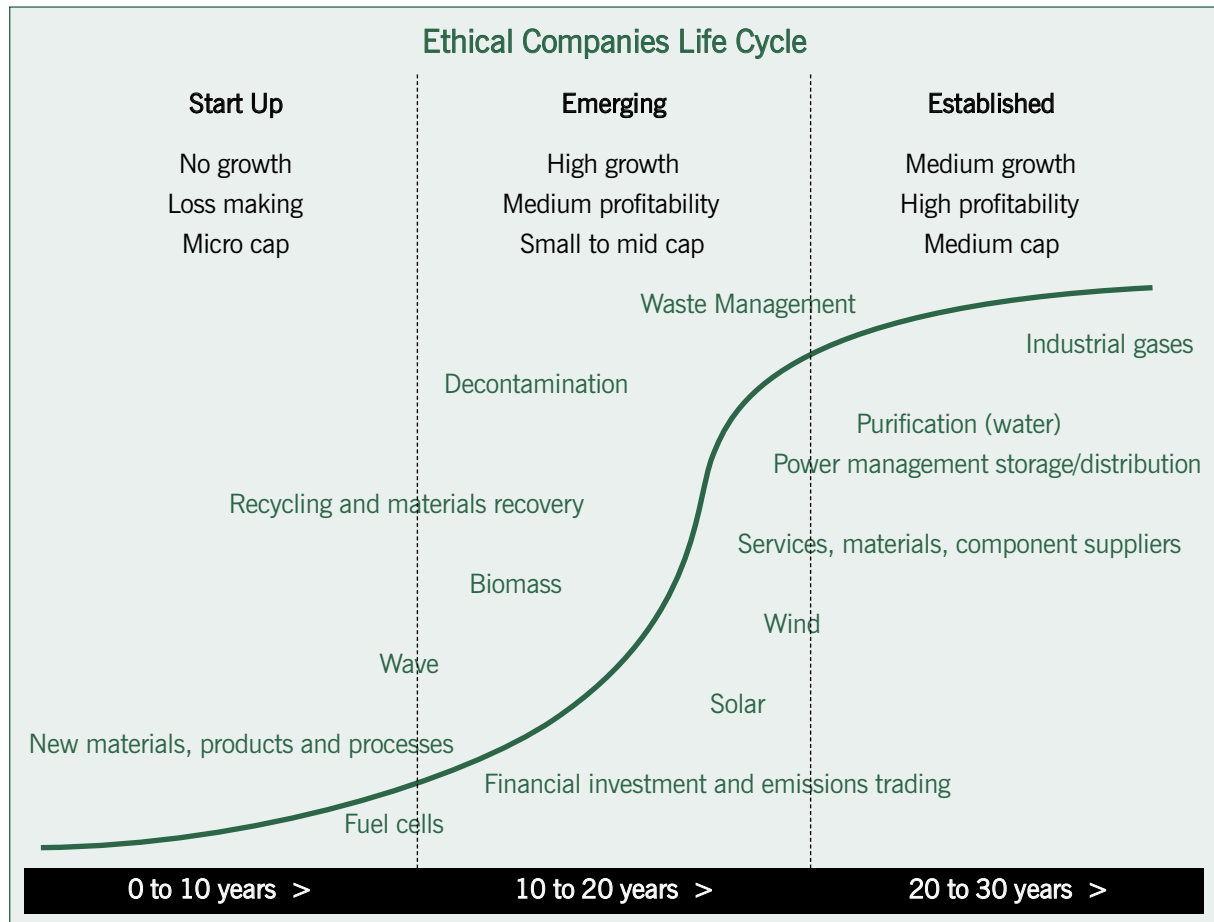
(All statistics are quoted “bid to bid”, or its OEIC equivalent, in both cases with net dividends reinvested. Past performance is not necessarily a guide to future performance and may not be repeated.)

Discounts are available on all of the above funds via both Cofunds and FundsNetwork.

“Increasingly emissions targets are finding their way into standard corporate practice, and it is interesting to note that a quarter of companies include some form of environmental targets within their senior management’s performance packages.”

John Hildebrand
Head of Charity Fund Management
INVESTEC

Climate change is now at the centre of political and business agendas alike, the requirement to reduce our “carbon footprint” is growing, and as always there are companies who sense an opportunity with this new “green consumerism”.



Renewable sources currently provide 13% of the world’s energy needs, the main sources being hydro electric and biomass. Wind and solar power are important in a few countries; for example 20% of Denmark’s electricity comes from wind and about 80% of China’s hot water comes from solar energy, but worldwide these two energy sources barely register.

To Invest Or Not To Invest...

It is our role as advisors to consider these climate change funds, and currently we are sceptical. We clearly do not dispute that the climate is changing nor that mankind is increasing greenhouse gases, however, we are certain that whenever an investment theme becomes popular the marketing teams at the investment fund groups go into overdrive.

An Early Warning Signal

The Alternative Investment Market (AIM) hosts a number of companies that are exposed to renewable energies such as fuel cells, wind and solar power, as well as companies involved in carbon trading. Most investment in these “new energies” is deeply vulnerable to the changing whims of government and market prices, for example solar power has been constrained by the high price of silicon. Hydrogen fuel cells have generated plenty of interest in the past ten years, however, despite the high profile support for hydrogen given by President Bush, the technology has had difficulty getting off the ground.

There is too much ambiguity at present to make these companies an attractive investment opportunity. The collapse of Biofuels Corporation shares, which peaked at 311p in March 2005 and in July 2007 were priced at 3.1p, is a stark warning for the naïve investor. The head of a leading fund management company has gone so far as to say, “You could argue that eco-trends could become another dot.com bubble”. We believe the words of the FT should be heeded, “**The alternative energy sector will be driven by sentiment**”.

As previously discussed, the future of many climate change companies will be decided by politics. Philip New, the president of BP’s global biofuels business has said “without the regulatory environment, no company would be able to compete at current prices and the industry would not exist”. This is just one of the constraints to the growth of renewables, for example, the reason why wind power has developed so slowly in the UK is the proliferation of local battles over planned developments. If your business is heavily dependent on subsidies your investment becomes directly linked to the whims of the government. As anyone who invested time and effort into either the “Home Information Packs” or putting residential property within their SIPPs can testify, politics and business do not mix well.

The Solution Is Obvious But...

Carbon free nuclear power is back on the agenda. The last US nuclear power plant was commissioned 30 years ago. A new plant is now under construction, two are planned and 21 are proposed (source: World Nuclear Association), three nuclear plants are being built in the Chinese city of Guangzhou alone. Nigel Thomas, the manager of the **AXA Framlington UK Select Opportunities Fund** gains exposure to this sector via an investment in the Weir Group. They are a Scottish pump and valve company who claim to have a pump or valve in every nuclear power station in the world. This is an example of how one of our current recommendations gains exposure to climate change.

Do We Need To Invest Heavily To Solve Global Warming?

Some ways of cutting carbon are cheaper than others. However, as always the reality is a testament to economic irrationality. For example, lighting accounts for some 19% of the worlds electricity use, and a standard light bulb costs around 70p and uses £10 worth of electricity a year. A low energy bulb costs around £4 but uses £2 of electricity. The payback is less than one year. But why don’t we all convert? Economists explain this irrationality by saying the savings are too small and the effort involved too large. There is hope, both the EU and Australia have stated that they plan to ban inefficient light bulbs, but even these countries are behind Cuba. The man in the vanguard of this green revolution is Fidel Castro; he started phasing them out two years ago!

How To Benefit From Climate Change

There is, of course, the old aphorism that if you want to make money in a gold rush, the most reliable way is to sell picks and shovels. In the days of the California and Alaska gold rushes, miners who struck it rich were few, but traders and tinkers of mining equipment were well employed, at least until the mining area played out. Neil Woodford, the manager of the **Invesco Perpetual Income fund**, has been buying shares which he believes will benefit from climate change for the last three years. He says, “It has been extremely fashionable to talk about the impact of climate change on business and economics but we have been talking about it for a long time. You’ll see a lot of companies burn brightly then disintegrate quickly. What look like fantastic ideas will soon disappear down the plughole”.

Our current recommendations (a summary is available on pages 15-16) are already invested in companies that benefit from climate change and in our opinion investing in these funds as opposed to funds dedicated to a particular theme will produce the opportunity for greater returns.

Diversification is by far the most important principle of investment planning. The greatest risks are those taken by people who opt for “specialist” funds. Recent examples have included funds based on commercial property and Japanese smaller companies. Obviously all these funds invest in a range of different shares but their weakness lies in their concentration on one sector. If that sector suffers a setback then most of the shares it holds are likely to fall.

WHERE TO FIND OUT MORE

- **The Ethical Investment Research Services (Eiris)** is the leading independent provider of research into the social, environmental and ethical performance of companies globally. A not-for-profit organisation, it does not investigate companies’ financial status but looks at their ethical approach and conduct.

☎ 0207 840 5700

www.eiris.org

- **UK Social Investment Forum** is the UK’s membership network for SRI (Socially Responsible Investing). Its primary purpose is to promote and encourage the development and positive impact of SRI among UK-based investors.

☎ 0207 749 9950

www.uksif.org

- **The Investment Management Association (IMA)** has produced a free fact-sheet, *Ethical Investment – a Guide to Ethical and Socially Responsible Investment Funds*, which helps you understand more about the screening behind ethical funds and gives information on how to select a fund which matches your principles.

☎ 0207 831 0898

www.investmentuk.org/factsheets

It never does to take notice of people whose opinions are based on ignorance, however well meaning. Yet many people (consciously or otherwise) do just that! Discussing the merits of equity investment with friends at work or at the dinner table is unlikely to provide an enlightening experience. A common misconception is to assume that because a person is highly successful in his or her career they can be presumed to be equally successful and knowledgeable as investors. Nothing is further from the truth.

Relevant experience is quite different to experience. All too often someone is presumed to have (say) ten years experience when in reality he has one year's experience ten times! It was for this reason that we determined ISA Ltd would not simply be "just another broker" but an organisation committed to discussing and explaining various different investment philosophies, as well as producing concise summaries of individual ISA arrangements.

Spot The Dog

The lengths some of our competitors will go to appear in print never surprise us. We do not court attention from the press as we are confident in the service we provide and are comfortable being away from the limelight. A few of our rivals produce so-called "dog" lists, unfortunately these generate more questions than answers. For example, there have been many occasions in the past when "Star Managers" have temporarily underperformed their peers. Even managers of the calibre of Anthony Bolton and Neil Woodford have been towards the bottom of the performance tables on a **short-term** basis. It is concise summaries which investors require, not just meaningless statistics.

In our role as ISA specialists we seek to identify and highlight the best schemes available. As always we will attempt to provide not just the statistical analysis but the independent information clients need to go with it. In this vein we have detailed below a selection of funds discussed in previous editions of Talking Shop.*

Investec European

We originally recommended this fund due to the reputation of its former manager, Albert Morillo. Whilst running the Scottish Widows European fund for 13 years, Mr Morillo produced some of the most consistent returns in the European sector. Unfortunately Mr Morillo's style of investing has fallen out of favour in recent years and Investec's patience finally ran out in January 2007. Since this time the fund has performed slightly below the average for its sector and we therefore will not be recommending the fund.

New Star UK Select Opportunities

Patrick Evershed is a stalwart of investment management, having been bruised by the market on many occasions only to bounce back with spectacular performance. Currently the fund is going through a very difficult period. One of the worst performers in its sector, the manager's bias to the ultra small cap AIM market has resulted in poor short-term returns for investors. However we are greatly encouraged by the manager's steadfast attitude to his style of investing and as long as he continues to keep faith with the style that has brought him so much success in the past we will continue to support the fund.

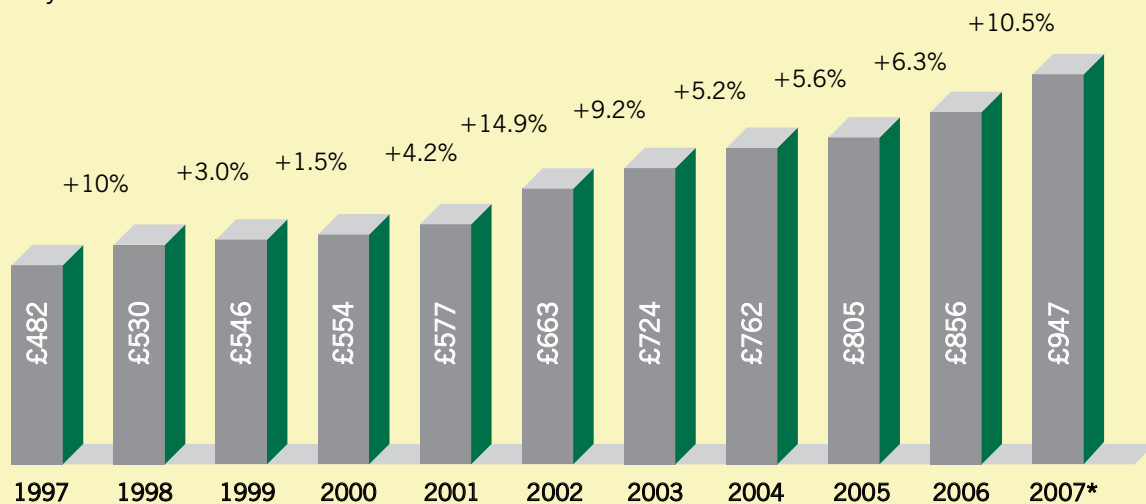
* Please refer to the Promoter's Notice on page 2.

Liontrust First Income

Jeremy Lang's idiosyncratic style is certainly non-conformist. Unfortunately over the past three years the fund's capital growth has performed below the average fund in its sector. Crucially, during this time the income paid out by the fund has consistently risen (see chart below). The manager has always professed that clients will be rewarded for the least fashionable of virtues: patience. He states categorically that his fund will underperform in some years but for the investor looking for long term returns he is confident his fund can provide both above average capital growth and a rising income. We totally agree.

Dividend Growth

This is how much an investment of £10,000 made on 1st August 1996 would have paid out to investors each year.



(Source: Liontrust Investment Funds Limited. Full offer price of the fund on 1st August 1996 was 72.26 pence. An investment on that date therefore purchased 13,838.92 units. The table above shows the income paid each calendar year on this sum. *2007 interim and final dividends combined. Final dividend (due for payment on 31.8.07) subject to final confirmation at time of press.)

Credit Suisse Income

To lose one fund manager is unfortunate, to lose two is worrying, but to lose three over the space of four years is a disaster. The Credit Suisse Income Fund was one of the success stories of the Equity-Income sector. Bill Mott, the respected fund manager, had an excellent long term track record, delivering both a rising income and strong capital growth. When Mr Mott decided to step down in July 2003 he was replaced by the well regarded Leigh Harrison. His tenure on the fund lasted only until October 2005 and he was replaced by Errol Francis, a relative unknown in comparison. Amazingly he left in October 2006 and the fund was managed by the UK Equity Team until August this year when Credit Suisse announced yet another new manager. In such a competitive sector with consistent performers such as Jupiter Income and Invesco Perpetual Income we cannot recommend a fund with such instability.

Please refer to the Promoter's Notice on page 2.

In February this year AXA insurers revealed that British pensioners had become a generation of silver surfers! Their study showed that the internet had overtaken traditional pastimes such as DIY and gardening. Far from being intimidated technically, most investors are demanding access to their investments online and the advent of the supermarket system has facilitated this request.

Since 2002 the supermarket system has become the main vehicle for clients wishing to invest their ISA allowance. In March this year (our busiest month) over 95% of our business was placed via Cofunds and FundsNetwork, clients are now appreciating the benefits that the supermarket system provides and are happy with the way their investments are administrated. Until now, clients have not been able to access their Cofunds holdings online, **this is no longer the case.**

FundsNetwork has offered clients the ability to view their holdings, switch and buy funds online for a few years now, but unfortunately Cofunds only provided this service via a third party, and we were never comfortable with this arrangement. Now, in conjunction with Cofunds, we are offering our clients the ability to access their holdings online.

Cofunds Clients

Go to our website www.isa-ltd.co.uk.



Click on the Cofunds icon on the left of our home page.



Click on *Register* to set up your account online.

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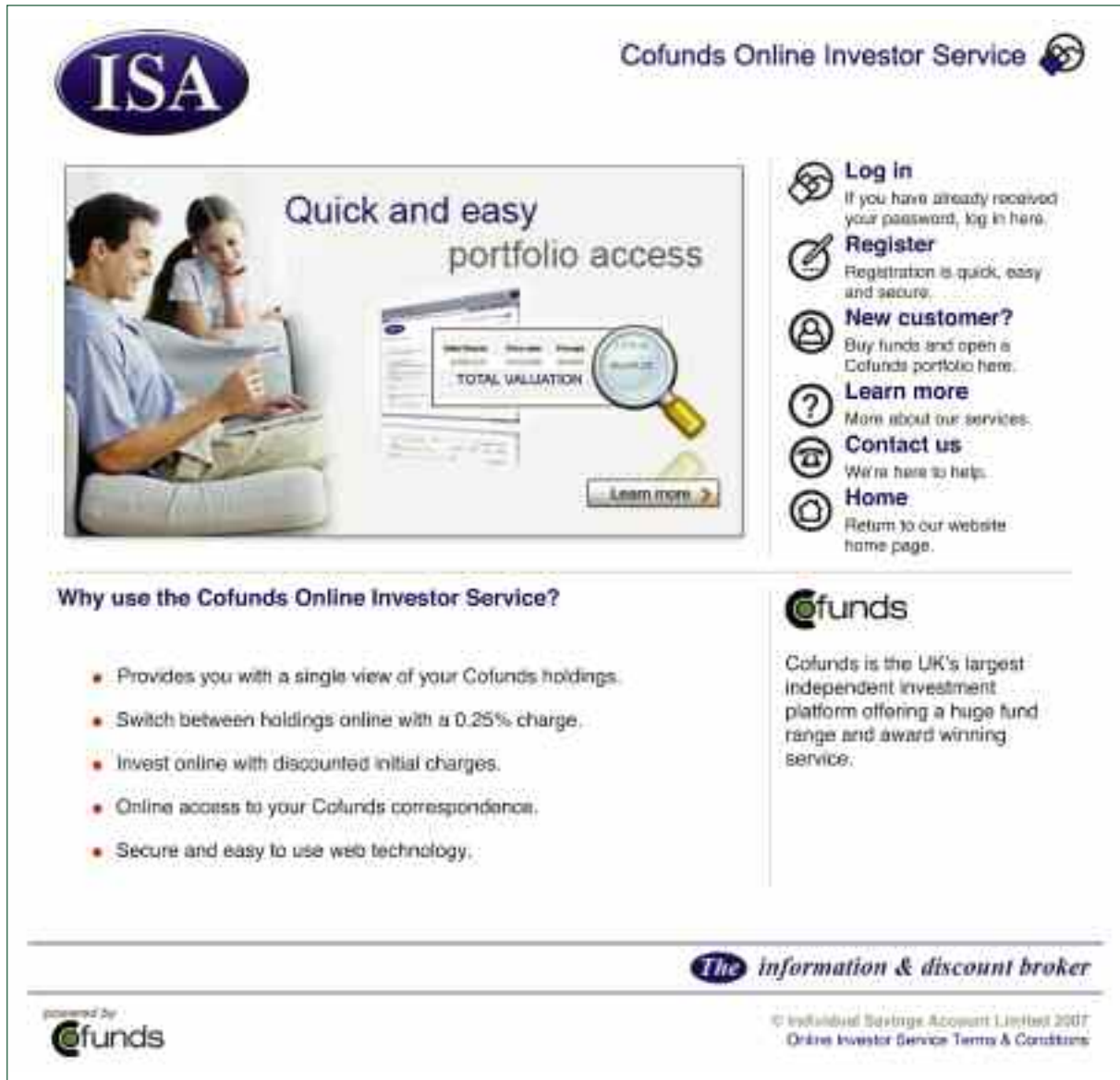
Click on *Register now* to set up your account online.

Unfortunately we are only able to offer online valuations to clients whose holdings are held on either Cofunds or FundsNetwork.

For any clients who have not yet re-registered their holdings onto one of the supermarket platforms but now wish to do so, please contact us on 01509 670918 for the necessary forms.

The recent strikes by Royal Mail employees have provided an illustration of the power of the internet. Whereas in the past we have been reliant on the postal service, the internet now allows us to remove this possible delay and have confidence the instructions we place are dealt with swiftly.

Below is a screenshot from the Cofunds Online Investor Service.



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efunds

Cofunds is the UK's largest independent investment platform offering a huge fund range and award winning service.

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Information Overload

The age of the internet has also created a new problem for investors, namely “information overload”. Our role is to act as an interface between the fund managers and you the investor; we strongly believe the best way to fulfil this role is to be open minded rather than open to influence. With the introduction of online access, clients can now monitor their investments at any time, with the knowledge that they have a support mechanism at ISA Ltd which provides them with the necessary information in a clear and digestible format. As always we aim to provide **information without the spin**.

Below is a screenshot from FundsNetwork.

FundsNetwork

Why hunt high and low for your ideal ISA?

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well as up, so you may get back less than you invested.

FundsNetwork Clients

On the FundsNetwork website you have the option to open an ISA, transfer an ISA/PEP or re-register an existing holding. If you wish to view your latest valuation or switch any funds simply click on *Manage your account* and follow the on-screen prompts.

Some Things Change, Some Things Remain The Same

Although we are now offering clients the ability to invest online we are aware that many of you are happy with the present system. The introduction of online access is simply an addition of our existing services and if you wish to continue using the traditional route of an application form and cheque we are happy to accept this method of investing.



The Equity-Income Portfolio

FUND	DISCRETE YEAR PERFORMANCE % (TO 30th JUNE)					Discount to investor
	2007	2006	2005	2004	2003	
AXA Framlington Monthly Income	11.5	18.6	23.8	22.7	(-3.7)	5%
F & C Stewardship Income	26.4	11.7	17.2	23.3	1.2	4.75%
Invesco Perpetual Income	25.3	24.1	22.3	19.7	(-4.4)	5%
JOHCM UK Equity Income	14.0	22.1	launched Nov 2004			5%
Jupiter Income	16.0	23.7	19.5	20.3	5.0	4.75%
Rathbone Income	16.8	24.7	16.1	19.9	(-3.6)	5.25%
Standard Life UK Equity High Income	18.8	21.9	21.7	24.1	(-3.9)	3.75%

The International Growth Portfolio

FUND	DISCRETE YEAR PERFORMANCE % (TO 30th JUNE)					Discount to investor
	2007	2006	2005	2004	2003	
Aberdeen Asia Pacific*	27.3	20.8	27.6	25.3	(-1.3)	4.25%
Fidelity European	20.2	22.3	29.8	21.7	0.2	3%
First State Asia Pacific Leaders	36.4	19.4	34.1	launched Dec 2003		3.75%
Investec Global Free Enterprise	13.3	23.7	26.6	21.0	(-5.2)	4.5%
Lazard Emerging Markets	35.0	29.0	46.3	20.9	(-1.8)	3.75%
M & G Global Leaders	17.3	30.3	26.5	19.2	(-7.8)	4%
SVM Continental Europe	31.3	35.2	24.7	10.3	(-5.8)	5.25%

Past performance is not necessarily a guide to future performance and may not be repeated.

The Star Managers' Portfolio

FUND	DISCRETE YEAR PERFORMANCE % (TO 30th JUNE)					Discount to investor
	2007	2006	2005	2004	2003	
AXA Framlington UK Select Opportunities	17.3	23.2	17.3	37.3	(-8.8)	5%
Artemis UK Special Situations	23.2	19.9	13.9	32.9	(-1.8)	5%
BlackRock Merrill Lynch UK Dynamic	14.9	24.7	25.1	23.8	(-6.8)	5%
Invesco Perpetual UK Aggressive	23.8	24.3	15.3	42.6	14.4	5%
Jupiter UK Growth	21.9	37.7	16.7	23.4	(-10.7)	4.75%
M & G Recovery	25.1	26.4	18.9	22.3	(-6.5)	4%
New Star UK Alpha	23.0	24.7	14.6	31.2	(-7.7)	4.75%

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

Investors electing to receive an annual income should be aware that the dividends (on which the investor's income is based) are not guaranteed. Both the capital and income are likely to fluctuate and may fall in value.

Investments in emerging markets or the Pacific rim economies 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.

The market for securities in smaller companies is often less liquid than that for larger companies, meaning above average price movements both positive and negative can be expected.

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