

ISA CHOICES 2011

Helping you choose a better investment



The last twelve months has been an interesting period for investors with stockmarkets confounding the gloomy economic outlook. In the magazine this year, we have looked to focus on three key areas representing the sectors that have been most popular with clients over the last year.

The environment for income remains very similar to last year. Interest rates and returns on savings are still low and there is no immediate sign that dividend payments from shares are poised for a significant upturn. The base rate from the Bank of England remains at 0.5% although the consensus is that this will rise, albeit slowly, towards the end of 2011. Prospects for bond markets remain mixed with concerns over rises in interest rates but, nevertheless, this continues to be the one area where yields have outstripped inflation.

Investing for growth in the UK provides a broad spectrum of opportunity. As the economic recovery continues, the case for investing in UK companies becomes stronger. How such investments are approached depends on the degree of risk that you want to take. More bullish investors may wish to look at funds that focus purely on growth, whilst those of a more cautious disposition may prefer to look at funds that seek a balance between capital appreciation and dividend income.

Last year there was a strong focus on investing for growth in emerging markets, in particular the BRIC economies. Whilst this continues to be true we have seen an increasing emphasis on the commodities sector. As the emerging economies grow there is a huge demand for resources and, in particular, for base metals. The economic climate has also driven investors towards gold and precious metals.

The funds in the following pages have been selected to match these areas. All of the funds are available through Financial Discounts Direct at no initial charge. This means savings of up to £535.50 on the current year's maximum ISA allowance of £10,200 and £560 on the maximum allowance in the new tax year of £10,680.

PAUL PENNY
Managing Director

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INCOME

Those investors requiring income are having a tough time at the moment. Returns on deposits are so poor and the prospect of rising inflation is likely to eat further into their value. Many investors are, therefore, left with little choice but to consider higher yielding, and therefore more risky, alternatives in the bond and equity markets.

Choosing the right funds to provide income requires a balance between the level of income required and the degree of risk that you, as the investor, are prepared to take.

The two funds below are both primarily bond funds and are run by some of the most experienced bond managers in the industry.

CORPORATE BONDS

Corporate bonds are issued by companies as a way of raising money to invest in their business. They have nominal value (usually £100), which is the amount that will be returned to the investor on a stated future date (the redemption date). They also pay a stated interest rate each year - usually fixed. Corporate bonds are bought and sold on the stock market and their price can go up or down.

GILTS (GOVERNMENT BONDS)

Gilts (or gilt-edged stocks) are bonds issued by the government which pay a fixed rate of interest twice a year. They are considered safe investments as the government is unlikely to go bust or to default on the interest payments. However, you are not guaranteed to get all your capital back under all circumstances. Gilts, like corporate bonds, are bought and sold on the stock market where their price can go up or down.

BOND FUNDS

Bond funds invest in several bonds (including corporate and government bonds) with different interest rates and different maturity dates. This reduces the risk to your capital. But because of the mix of investments, bond funds can't promise a fixed return; instead they aim for a 'target return'.

For more information about bonds see the FSA's [Money.madeclear website](http://Money.madeclear.com).

ARTEMIS HIGH INCOME

ADRIAN FROST &
ADRIAN GOSDEN
Fund Managers



AIM

The Artemis High Income fund aims to achieve a higher than average initial yield, combined with the prospect of rising income and some capital growth over the long-term.

RATINGS OBSR AA

FUND FACTS

Normal Initial Charge	5.25%
Your Discount	5.25%
Annual Charge	1.25%
Total Expense Ratio	1.33%
Annual Yield	6.66%
Distribution Frequency	Quarterly

MANAGER COMMENT

"Despite the pressure on sovereign yields, we think corporate yields in the 6-8% zone are attractive even though it may be more of a year where market returns are modestly above the coupon."

WHY CHOOSE THIS FUND

The fund is co-managed by Cambridge-educated Adrian Frost and Oxford graduate Adrian Gosden and has been awarded an OBSR AA rating.

The emphasis is on investment in UK fixed-interest securities and preference shares but the managers have the flexibility to invest in all economic sectors worldwide and in equities.

“ *Adrian Frost is one of the top managers in the income sector* – Money Observer Magazine ”

The fund offers investors a diversified portfolio of investments, bonds, convertibles and equities, in order to achieve an above average level of income whilst paying due attention to the quality of individual holdings.

DISCRETE ANNUAL PERFORMANCE

31/1/2010 to 31/1/2011	31/1/2009 to 31/1/2010	31/1/2008 to 31/1/2009	31/1/2007 to 31/1/2008	31/1/2006 to 31/1/2007
9.06	37.63	-26.67	-4.52	8.17

INVESCO PERPETUAL MONTHLY INCOME PLUS

PAUL CAUSER & PAUL READ
Fund Managers



AIM

The Invesco Perpetual Monthly Income Plus fund aims to achieve a high level of income whilst seeking to maximise total return through investing in high yielding corporate and Government bonds, together with UK equities.

RATINGS OBSR AAA, S&P AA

FUND FACTS

Normal Initial Charge	5.00%
Your Discount	5.00%
Annual Charge	1.25%
Total Expense Ratio	1.44%
Annual Yield	6.49%
Distribution Frequency	Monthly

MANAGER COMMENT

"Despite having rallied considerably from their lows, in our opinion, high-yield corporate bonds continue to offer attractive opportunities"

WHY CHOOSE THIS FUND

The fund is co managed by Paul Read and Paul Causer who have both been at Invesco for over 14 years.

The fund has a mix of high yield corporate bonds, gilts and some UK equities, (up to 20%, with Neil Woodford managing that portion of the fund) and is currently paying an attractive yield of over 6%.

“ *When Messrs Read and Causer start shouting from the rooftops, investors would be well advised to listen.* ” – Independent

The fund tends to have a bias towards higher-yielding bonds, though not at the expense of capital preservation. The fund has consistently been in the first quartile in its sector over the last 5 years.

DISCRETE ANNUAL PERFORMANCE

31/1/2010 to 31/1/2011	31/1/2009 to 31/1/2010	31/1/2008 to 31/1/2009	31/1/2007 to 31/1/2008	31/1/2006 to 31/1/2007
11.32	45.97	-20.57	-3.05	8.80

The value of investments and the income from them can fall as well as rise. Past performance is no guide to future returns. Please read the Key Features document and the Terms and Conditions before investing. All references in this publication to income yields are provided by Financial Express as at 1/2/2011. Whilst equity investments carry potential for greater returns over the long-term, the volatility on these returns can be greater and the value of your capital is not guaranteed. Bond funds are likely to be impacted by changes in interest rates and inflationary expectation and, where income is paid, there is minimal potential for capital growth over the medium to long term. Neither the income nor the capital is guaranteed. These funds also carry some other special risk factors that are detailed in the Fund Key Features Schedule on pages 6-8.

UK GROWTH

We all know that times are tough for the UK economy currently. But that doesn't mean that it is not a good market to invest in at the moment. Historically, there is not much correlation between the economy and the stock market. There is also more than one way to exploit value in a stock market. You can use the skills of a proven stockpicker to select a focused portfolio of stocks to grow over the long term. Or you could look to a manager to invest in the power of dividends in the UK market, selecting stocks with a history of regular and growing dividend payments. We have selected funds in both camps, run by experienced managers with strong track records.

INVESCO PERPETUAL HIGH INCOME

NEIL WOODFORD Fund Manager



AIM

The Invesco Perpetual High Income fund aims to achieve a high level of income, together with capital growth. The fund intends to invest primarily in companies listed in the UK, with the balance invested internationally.

RATINGS OBSR AAA, S&P AAA

FUND FACTS

Normal Initial Charge	5.00%
Your Discount	5.00%
Annual Charge	1.50%
Total Expense Ratio	1.68%
Annual Yield:	3.99%

MANAGER COMMENT

"I believe that in future years, we will look back at the current period and see it as an excellent long-term buying opportunity."

WHY CHOOSE THIS FUND

Neil Woodford, Head of Investment at Invesco Perpetual, has managed the fund since October 1988.

Famed for his refusal to bend from his fundamental principles, he manages the fund with a focus on the total return rather than primarily as an income vehicle.

"The 49-year-old is one of the few fund managers who can claim to have forecast the credit crunch"
– Times Online

The focus of the fund is on finding undervalued businesses which can be held for the long term. It has an unconstrained focus, selecting companies that can maintain and grow their dividends.

DISCRETE ANNUAL PERFORMANCE

31/1/2010 to 31/1/2011	31/1/2009 to 31/1/2010	31/1/2008 to 31/1/2009	31/1/2007 to 31/1/2008	31/1/2006 to 31/1/2007
10.14	11.76	-12.45	-4.14	25.40

SCHRODER UK ALPHA PLUS

RICHARD BUXTON Fund Manager



AIM

The Schroder UK Alpha Plus fund aims to provide capital growth through investment in a focused portfolio of securities. The emphasis of the fund will be investment in UK companies but the manager can invest in companies headquartered or quoted outside the UK where those companies have material operations within, or derive significant business from, the UK.

RATINGS OBSR AAA

FUND FACTS

Normal Initial Charge	5.25%
Your Discount	5.25%
Annual Charge	1.50%
Total Expense Ratio	1.65%

MANAGER COMMENT

"By focusing on small a number of companies (typically 35) that can prosper in a tough corporate environment, we believe we can deliver returns considerably ahead of the market over the long term."

WHY CHOOSE THIS FUND

Manager, Richard Buxton, has a high conviction, concentrated approach which, while volatile, has significantly rewarded investors who are willing to be patient and long term in their approach.

The fund will typically hold between 20 and 40 stocks, representing the strongest conviction picks of the manager.

"Richard Buxton has established himself as one of the foremost stockpickers in the City of London." – Investment Week

The aim is to identify stocks which will rise by 10-20% for the ensuing 3 years. The fund can take large positions against the index and can also hold up to 20% in gilts and/or cash.

DISCRETE ANNUAL PERFORMANCE

31/1/2010 to 31/1/2011	31/1/2009 to 31/1/2010	31/1/2008 to 31/1/2009	31/1/2007 to 31/1/2008	31/1/2006 to 31/1/2007
24.01	55.17	-34.90	-2.07	15.85

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INTERNATIONAL GROWTH

Emerging markets have been the source of very strong economic and investment growth in recent years and many observers see no reason why this trend will not continue for some time to come.

You can invest directly into funds focused on these territories or look at the reasons for this growth to find another way to exploit their potential. A substantial amount of the resources needed by manufacturing countries are to be found in emerging market territories and their economies are growing fast, supplying the growing demand for oil, coal and precious metals. We have selected funds that take advantage of the commodity boom and also the increasing demand for gold as an investment in its own right.

BLACKROCK GOLD & GENERAL

EVY HAMBRO Fund Manager



AIM

The BlackRock Gold & General fund aims to achieve long-term capital growth by investing in gold, mining and precious metal related shares. It tends to be volatile and is suitable for diversification in a larger portfolio.

RATINGS OBSR AAA, S&P AAA

FUND FACTS

Normal Initial Charge	5.00%
Your Discount	5.00%
Annual Charge	1.75%
Total Expense Ratio	1.93%

MANAGER COMMENT

"The gold price finished the year trading at or around all time highs in all major currencies. We believe there is fundamental support for the gold price at these levels."

WHY CHOOSE THIS FUND

The fund is managed by Evy Hambro and is rated AAA by both OBSR and S&P. It provides diversity by holding gold and mining equities but also invests up to 30% of the fund in other mining and precious metals, including platinum and diamonds.

"Evy Hambro has been a key member of the team for a number of years and has been involved in the strategy since December 2001. – OBSR"

The fund focuses on individual company strength and value, with a bias towards companies that are already actively mining, tending to avoid exploration companies. The aim is to have at least 50% of assets in gold securities, though it is usually around 75%.

DISCRETE ANNUAL PERFORMANCE

31/1/2010 to 31/1/2011	31/1/2009 to 31/1/2010	31/1/2008 to 31/1/2009	31/1/2007 to 31/1/2008	31/1/2006 to 31/1/2007
35.05	25.90	-20.50	52.81	-1.14

JPM NATURAL RESOURCES

IAN HENDERSON Fund Manager



AIM

The JPM Natural Resources fund aims to provide capital growth over the long-term. It invests primarily in shares in companies throughout the world engaged in the production and marketing of commodities.

RATINGS OBSR AA

FUND FACTS

Normal Initial Charge	4.25%
Your Discount	4.25%
Annual Charge	1.50%
Total Expense Ratio	1.67%

MANAGER COMMENT

"Longer term, we consider the sector to continue to offer an attractive investment proposition, given the strong cash flow of a number of companies, continued M&A activity and the long term demand/supply situation in many commodities."

WHY CHOOSE THIS FUND

Ian Henderson has run resources funds for over 35 years and been manager of this fund since 2000. Over the last 5 years he has doubled the value of the fund.

His fund has a bias to small and mid-sized companies and has a default position of 30% in energy stocks, 30% in gold and precious metals, 30% base metals and the balance in other commodity-related stocks. He has considerable flexibility to vary the percentages but cannot hold more than 50% in any one sector.

"Ian Henderson, manager of J P Morgan's Natural Resources fund, (which) has more than doubled investors' money in the past five years. – Times, Feb 2011"

The combination of this sector divergence and the large number of holdings (250-300) in the portfolio help to mitigate risk within the fund.

DISCRETE ANNUAL PERFORMANCE

31/1/2010 to 31/1/2011	31/1/2009 to 31/1/2010	31/1/2008 to 31/1/2009	31/1/2007 to 31/1/2008	31/1/2006 to 31/1/2007
47.35	79.40	-47.74	34.78	8.00

The value of investments and the income from them can fall as well as rise. Past performance is no guide to future returns. Please read the Key Features document and the Terms and Conditions before investing. All references in this publication to income yields are provided by Financial Express as at 1/2/2011. Whilst equity investments carry potential for greater returns over the long-term, the volatility on these returns can be greater and the value of your capital is not guaranteed. Bond funds are likely to be impacted by changes in interest rates and inflationary expectation and, where income is paid, there is minimal potential for capital growth over the medium to long term. Neither the income nor the capital is guaranteed. These funds also carry some other special risk factors that are detailed in the Fund Key Features Schedule on pages 6-8.

YOUR QUESTIONS ANSWERED

HOW ARE WE ABLE TO OFFER A DISCOUNT?

When you arrange your ISA through Financial Discounts Direct you will save some or all of the initial charges that you would normally incur if you invested directly with the product provider.

We do this by waiving all of the initial commission that we are entitled to and by negotiating additional discounts from the fund managers - deals that you cannot get by investing directly.

Our income comes from the on-going renewal commission we receive from the fund management group, usually 0.5% p.a. This is paid for out of the fund's annual management charge and is at no additional cost to you.

HOW DO I RECEIVE THE DISCOUNT?

The discount is given through a reduction in the initial charge that you would otherwise pay. This means your money will buy you additional units.

DO YOU CHARGE ANY FEES?

Financial Discounts Direct does not make any direct charge to the investor for its services. There are no handling fees and no commitment to invest on an ongoing basis.

CAN I TAKE OUT MY ISA BUT CHOOSE MY FUNDS LATER?

Yes. If you use the Cash Reserve facility, you can secure this year's ISA allowance and defer the choice of funds for up to 6 months. Your money will earn interest whilst on deposit, but the interest will not be tax-free. Please note that this is not a Cash ISA but a cash facility allowing you to move your money in and out depending on your confidence in the stock market.

HOW DOES THE ISA WORK?

An ISA is a tax-free wrapper into which qualifying investments can be placed. The ISA has no geographical restrictions and no minimum investment period. You must be a UK resident aged 18 or over. All income and capital gains are TAX-FREE and you do NOT need to record your ISA investments on your UK Income Tax return.

NEW ISA INVESTMENT LIMITS

2010/2011 – you can invest up to £10,200 minus any investments made into Cash ISAs in this tax year.

2011/2012 – you may invest up to £10,680 minus any investments made into Cash ISAs in this tax year.

WHO ARE COFUNDS?

Cofunds are an independent administration company whose major shareholders are Legal & General, International Financial & Data Services, Jupiter, Threadneedle and Newhouse Capital Partners. They now administer investments worth over £22 billion. They purchase units on your behalf from the fund managers and provide all your paperwork. They act as an administrator, not an investment manager. They were voted 'Best Fund Supermarket' at the Professional Adviser awards in 2007 and 2008. The leading fund management groups tell us that the vast majority of their ISA investments are now made through third parties, such as Cofunds.

Many of you will be aware of the benefits of investing through Cofunds but for those who do not know or would like to be reminded:-

- You can spread your investments with different fund managers within the same ISA.
- You can switch your investments between funds quickly and easily, including into and out of a cash facility.
- You can transfer other ISA investments easily to Cofunds, retaining their tax benefits.
- You will receive regular consolidated unit statements for all your holdings.
- You will be able to monitor and change your portfolio at any time by registering on our website.

DOES IT COST MORE TO INVEST THROUGH COFUNDS?

Cofunds make no charge to investors for using their service. Like us, they receive a percentage of the annual management charge from the fund managers, a charge the investor would pay no matter how they purchased units in a fund, even by applying to the fund manager directly.

WHAT HAPPENS TO MY MONEY IF COFUNDS GOES BUST?

All investors' money is held completely separate from Cofunds operating income. In the unlikely event that the company did go into liquidation, holdings would be returned to the investor or transferred to an alternative company in accordance with client instructions.

HOW DO I KEEP TRACK OF MY INVESTMENTS?

You can monitor and amend your investments through Cofunds at any time of day or night by registering on our website. Alternatively, you can contact us during office hours to get an update of your portfolio.

WHAT ABOUT AFTER SALES SERVICE?

We pride ourselves on our friendly and efficient service both when you make your investment and beyond. As an investor through Financial Discounts Direct you will automatically receive our highly regarded fund review magazine, Fundwatch, twice a year. The magazine features commentaries from the managers of the most popular funds in which our clients have invested. You will also be eligible to join The Premier Club, our portfolio review service, and receive a twice-yearly analysis of your investments. This will show details of the current portfolio value, the spread of your investments by geography, sector and style and performance statistics for the funds you hold.

WHAT ONLINE SERVICES DO YOU OFFER?

Our website has links to the sites of all the major fund management groups. We also have links to fund factsheets for all of the 1300+ funds available through Cofunds. We have a glossary, a series of "How To" guides and an ever-growing list of answers to the most frequently asked questions by our investors. You can also view pdf copies of our latest brochures and newsletters.

Additionally, as an investor, you can access a secure site where you can view your portfolio at any time. You can also invest online and switch funds within your portfolio.

There is no charge for any of our online services.

CAN I TRANSFER AN EXISTING ISA?

If you are not happy with your existing ISAs you may transfer them to other fund management groups without limit. In our view the most efficient and cheapest way to move funds is to re-register them onto the Cofunds administration platform. Please contact us for further information.

HOW MUCH WILL THE ADVICE COST?

In respect of these investments, Financial Discounts Direct will not take any initial commission. However, we are entitled to renewal commission at an annual rate of 0.5% of the fund value. For example, if your fund is worth £4,000, we would receive £20 per annum. If it is worth £10,000 we would receive £50 per annum. Commission is paid monthly.

FUND KEY FEATURES SCHEDULE

keyfacts®

This section provides you with guidance on how to read the fund details contained within the next section. Please review the example below along with corresponding explanations.

EXAMPLE FUND MANAGER - Example Fund					
Unit/Share type: Acc Fund type: OEIC Sector:					
Investment Aims – To achieve capital growth through investment in leading North American companies.					
Trustee: J.P. Morgan Trustee and Depository Company Limited					
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR** ISA 6%	RIY UT/OEIC based on UGR** UT/OEIC 6%
2,3,8	4.00%	1.50%	0.30%	3.78%	3.82%
Single/ Dual Priced	Valuation Pricing Time	Dealing Cut Off time			
Single	12:00	11:00			

Notes

- Unit/Share type:** Accumulation ('ACC') units or shares retain all income; income (INC) units or shares pay income out.
- Fund Type:** This can be a unit trust, OEIC or ECIV.
- Standard Initial Charge:** This is deducted from each lump sum or monthly contribution when it is first invested. The 'standard' initial charge is shown, which means it does not include discounts or commission waivers that may be applied.
- Trustee/Depository:** The party who is legally responsible for the safe custody of the units or shares in the fund; a depository in the case of OEICs, a trustee in the case of unit trusts.
- Annual Management Charge:** This covers the ongoing cost of managing a fund and is charged by the fund manager.
- Total Expense Ratio (TER):** This is the total of the Annual Management Charge plus any additional charges and expenses applied by the fund manager. Additional charges might cover, for example, fees paid to trustees. The amount of additional charges and expenses can be found by deducting the Annual Management Charge from the TER.
- Reduced Investment Yield (RIY):** This shows by how much charges might reduce the annual growth rate of the investment over a period of 10 years. This assumes an underlying growth rate (UGR) and deduction of standard charges. The actual reduced investment yield will depend on the real growth rate in the fund, how long you remain invested and whether you receive any discounts/waivers on the initial or annual charge. The reduced investment yield reflects standard initial charges and does not take into account any discounts or commission waivers that may be available.
- Underlying growth rate (UGR):** This assumes the annual rate of growth for the fund, based on a lump sum investment over 10 years. This growth rate is not guaranteed. The actual rate of growth could be higher or lower, depending on the fund's performance. The Underlying Growth Rate and the Reduced Investment Yield are based on calculations laid down by the Financial Services Authority.
- Fund Objective:** This is the stated investment objective of the fund. The fund manager must invest in line with this objective at all times.
- Special Risk Factors:** As well as general risks, a fund may carry risks associated specifically with the type of assets in which it invests. The special risk factors which relate to the fund(s) you have selected are listed in the 'Specific risks' section in numerical order.
- Important information:** From time to time, the fund manager may detail important information specific to a particular fund.

BLACKROCK INVESTMENT MANAGEMENT (UK) LTD - BlackRock Gold & General Class A					
Unit/Share Type: Acc/Inc Fund Type: Unit Trust Sector: Specialist					
Investment Aims – This is a specialist unit trust which aims to achieve long term capital growth by investing in gold mining and precious metal-related shares. It tends to be volatile and is particularly suitable for diversification in a larger portfolio.					
Trustee: Royal Bank of Scotland plc					
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%	RIY UT/OEIC based on UGR UT/OEIC 6%
2,3,6,8 Acc 2,3,8 Inc	5.00%	1.75%	1.93%	4.43%	3.45%
Single/Dual Priced	Valuation Pricing Time	Dealing Cut Off Time			
Dual	12:00	11:00			

ARTEMIS FUND MANAGERS LIMITED - Artemis High Income					
Unit/Share Type: Inc Fund Type: Unit Trust Sector: £ Strategic Bond					
Investment Aims – This fund aims to achieve a higher than average initial yield, combined with the prospect of rising income and some capital growth over the long term. The fund invests mainly in UK fixed-interest securities and preference shares but we can invest in all economic sectors around the world and in equities.					
Trustee: Royal Bank of Scotland plc					
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%	RIY UT/OEIC based on UGR UT/OEIC 6%
1,4,5,8,12	5.25%	1.25%	1.32%	5.04%	4.05%
Single/Dual Priced	Valuation Pricing Time	Dealing Cut Off Time			
Dual	12:00	11:00			

INVESCO PERPETUAL - Invesco Perpetual Monthly Income Plus					
Unit/Share Type: Acc/Inc Fund Type: ICVC Sector: £ Strategic Bond					
Investment Aims – The Invesco Perpetual Monthly Income Plus Fund aims to achieve a high level of income whilst seeking to maximise total return through investing in high yielding corporate and Government bonds, together with UK equities. In pursuing this objective, the fund managers may include investments that they consider appropriate which include transferable securities, money market instruments, warrants, collective investment schemes, deposits and other permitted investments and transactions.					
Trustee: Citibank					
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%	RIY UT/OEIC based on UGR UT/OEIC 6%
1,2,4,5,6,7,12,13	5.00%	1.25%	1.43%	4.95%	3.97%
Single/Dual Priced	Valuation Pricing Time	Dealing Cut Off Time			
Single	12:00	11:00			

JPMORGAN ASSET MANAGEMENT - JPMorgan Natural Resources Class A					
Unit/Share Type: Acc/Inc Fund Type: ICVC Sector: Specialist					
Investment Aims – The Fund aims to invest primarily in the shares of companies throughout the world engaged in the production and marketing of commodities. The fund aims to provide capital growth over the long term.					
Trustee: Royal Bank of Scotland plc					
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%	RIY UT/OEIC based on UGR UT/OEIC 6%
2,3,8 Acc 1,2,3,6,8 10,16 Inc	4.25%	1.50%	1.67%	4.78%	3.80%
Single/Dual Priced	Valuation Pricing Time	Dealing Cut Off Time			
Single	12:00	11:00			

INVESCO PERPETUAL - Invesco Perpetual High Income					
Unit/Share Type: Acc/Inc Fund Type: ICVC Sector: UK Equity Income					
Investment Aims – The Invesco Perpetual High Income Fund aims to achieve a high level of income, together with capital growth. The fund intends to invest primarily in companies listed in the UK, with the balance invested internationally. In pursuing this objective, the fund managers may include other investments that they consider appropriate which may include units in collective investment schemes, warrants and other permitted investments and transactions.					
Trustee: Citibank					
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%	RIY UT/OEIC based on UGR UT/OEIC 6%
1,2,5,8,12	5.00%	1.50%	1.68%	4.69%	3.71%
Single/Dual Priced	Valuation Pricing Time	Dealing Cut Off Time			
Single	12:00	11:00			

SCHRODER UNIT TRUSTS LIMITED - Schroder UTL UK Alpha Plus					
Unit/Share Type: Acc/Inc Fund Type: Unit Trust Sector: UK All Companies					
Investment Aims – The Fund's investment objective is to provide capital growth through investment in UK and other companies. In order to achieve the objective the manager will invest in a focussed portfolio of securities. The emphasis of the Fund will be investment in UK companies. The fund may also invest in companies headquartered or quoted outside the UK where those companies have material or critical operations within, or derive significant business from, the UK. Fixed interest securities may be included in the portfolio. Investment will be in directly held transferable securities. The fund may also invest in collective investment schemes, warrants and money market instruments.					
Trustee: J.P. Morgan Trustee and Depository Company Limited					
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%	RIY UT/OEIC based on UGR UT/OEIC 6%
8,11	5.25%	1.50%	1.67%	4.67%	3.70%
Single/Dual Priced	Valuation Pricing Time	Dealing Cut Off Time			
Dual	12:00	11:00			

QUESTIONS AND ANSWERS

Q. What types of funds are available on Cofunds?

The Cofunds platform offers you three types of funds, which are very similar but also have a few important differences. You can hold these funds in tax wrappers, such as ISAs, pensions and offshore bonds, for additional tax efficiency.

- Open-Ended Investment Company (OEIC)**
 An OEIC is a corporate structure that issues shares that track the value of its underlying portfolio of investments. These shares are normally re-valued every day in line with the portfolio's performance. Some OEIC funds focus on achieving capital growth by increasing their share price; others look to pay out an income too. Some OEICs comprise a single fund. Others have an 'umbrella' structure with a number of different sub-funds to invest in.
- Unit Trust**
 A unit trust is very similar to an OEIC but issues units, not shares. In legal terms, unit trusts have a trust structure rather than a company structure.
- European Collective Investment Vehicle (ECIV)**
 An ECIV is a fund domiciled in financial centres outside the UK, also often called 'offshore funds'. ECIVs include Luxembourg-based SICAVs (Société d'Investissement à Capital Variable – the Luxembourg equivalent of an OEIC) and Dublin-based OEICs. ECIVs are subject to local taxation and legislation. All ECIVs available on Cofunds are denominated in sterling.

Q. How are funds priced?

Funds can use either single or dual pricing: The impact of charges and expenses is shown for:

- Single-pricing**
 The price to buy or sell units is the same at any given time. If there is an initial charge, it will be taken separately.
- Dual pricing**
 The fund offers one price to sell you units or shares and another lower price to buy them back. The difference between the two covers the cost of dealing and any initial charge.

Q. What are the charges?

FUND MANAGER CHARGES

Standard Charges

The following charges may be taken by the fund managers on your chosen funds as standard:

- Initial charge**
 If an initial charge is applied, it will be deducted when you first invest into your chosen fund. It covers the initial cost of setting up the investment by the fund manager and may include a payment of commission to your adviser. If you have chosen to pay your adviser for their services via Cofunds, commission may not be included as part of the initial charge.
- Annual management charge**
 This covers the ongoing cost of managing a fund and is charged by the fund manager. Again, it may include commission to your adviser, which can be rebated if you and your adviser agree.
- Additional charges and expenses**
 These are additional costs that are not included in the annual management charge – such as depositary and trustee fees.

Discretionary Charges

The following charge can be applied at the discretion of the fund manager:

- Dilution levy**
 Single-priced funds don't include dealing costs in their price. If there is a very high volume of dealing in the shares or units, the fund manager can cover the extra dealing costs by applying a charge known as a dilution levy on buyers or sellers. Where a dilution levy is imposed, it will be detailed as a separate cost on your confirmation note.

OTHER COSTS OF INVESTMENT

- Stamp duty reserve tax (SDRT)**
 All underlying collective investments in stocks and shares are subject to stamp duty reserve tax. A fund may be liable for stamp duty reserve tax at a rate of 0.5% on the sale of shares or units by investors. This cost may be paid by the fund. However, in some circumstances, the fund may make a provision for this on certain withdrawals and transfers. Any SDRT provision will be shown separately on your confirmation note.

Q. How will charges and expenses affect my investment?

The tables opposite are designed to show you how charges and expenses might affect the performance achieved on a fund. These relate to charges made by a fund manager and are not charges made by Cofunds.

The impact of charges and expenses is shown for:

1. A growth OEIC fund
2. An income unit trust

Both examples show the impact if a) investing through a tax-efficient ISA and b) investing directly into a fund.

Example 1: A growth OEIC fund

Assumptions

These are assumptions made for the purposes of this illustration. The actual charges and expenses, income yield and growth rates you experience on your chosen funds may be higher or lower.

Initial charge: **5.00%**
 Annual Management Charge: **1.50%**
 Additional charges and expenses: **0.21%**
 Annual growth rate: **7%pa for ISA, 6%pa for direct**
 Type of units: **Accumulation**
 Annual charges and expenses deducted from: **Income**

Table 1a) Growth OEIC – direct into an ISA

At end of year	Total money invested to date £		Effect of deductions to date £		What you might get back at 7.00%pa £	
	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver
1	5,000	1,200	354	73	4,990	1,170
3	5,000	3,600	597	303	5,520	3,700
5	5,000	6,000	897	661	6,110	6,490
10	5,000	12,000	1,960	2,340	7,870	14,800

The bottom line in the table above shows that over 10 years, the total effect of charges and expenses could amount to £1,960 for someone investing a single lump sum of £5,000 or £2,340 for someone investing £100 a month. If the growth rate for the fund was 7% a year, which is not guaranteed, these costs could have the effect of reducing the growth rate to 4.65% a year for the lump-sum investor and to 4.20% a year for the monthly investor.

Table 1b) Growth OEIC – direct into fund

At end of year	Total money invested to date £		Effect of deductions to date £		What you might get back at 6.00%pa £	
	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver
1	5,000	1,200	350	73	4,950	1,160
3	5,000	3,600	581	297	5,370	3,640
5	5,000	6,000	856	642	5,830	6,330
10	5,000	12,000	1,780	2,190	7,160	14,100

The bottom line in the table above shows that over 10 years, the total effect of charges and expenses could amount to £1,780 for someone investing a single lump sum of £5,000, or £2,190 for someone investing £100 a month. If the growth rate for the fund was 6% a year, which is not guaranteed, these costs could have the effect of reducing the growth rate to 3.67% a year for the lump-sum investor and to 3.21% a year for the monthly investor.

Example 2: An income unit trust

Assumptions

These are assumptions made for the purposes of this illustration. The actual charges and expenses, income yield and growth rates you experience on your chosen funds may be higher or lower.

Initial charge: **5.25%**
 Annual Management Charge: **1.50%**
 Additional charges and expenses: **0.04%**
 Annual growth rate: **7%pa for ISA, 6%pa for direct**
 Gross income yield: **4.50%**
 Type of units: **Income**
 Annual charges and expenses deducted from: **Capital**

Table 2a) Income unit trust – into an ISA

At end of year	Total money invested to date £		Total income paid to date £		Effect of deductions to date £		What you might get back at growth of 7.00% £	
	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver
1	5,000	1,200	231	41	393	83	4,720	1,110
3	5,000	3,600	696	288	609	324	4,750	3,370
5	5,000	6,000	1,160	758	856	676	4,790	5,640
10	5,000	12,000	2,350	2,910	1,650	2,150	4,880	11,300

The bottom line in the table above shows that over 10 years, the total effect of charges and expenses could amount to £1,650 for someone investing a single lump sum of £5,000 or £2,150 for someone investing £100 a month. If the growth rate for the fund was 7% a year, which is not guaranteed, these costs could have the effect of reducing the growth rate to 4.57% a year for the lump-sum investor and to 3.98% a year for the monthly investor.

Table 2b) Income unit trust – direct into fund

At end of year	Total money invested to date £		Total income paid to date £		Effect of deductions to date £		What you might get back at growth of 6.00% £	
	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver
1	5,000	1,200	229	40	390	83	4,670	1,110
3	5,000	3,600	684	285	592	319	4,620	3,320
5	5,000	6,000	1,130	745	817	657	4,570	5,500
10	5,000	12,000	2,230	2,820	1,500	2,020	4,440	10,800

The bottom line in the table above shows that over 10 years, the total effect of charges and expenses could amount to £1,500 for someone investing a single lump sum of £5,000, or £2,020 for someone investing £100 a month. If the growth rate for the fund was 6% a year, which is not guaranteed, these costs could have the effect of reducing the growth rate to 3.59% a year for the lump-sum investor and to 2.99% a year for the monthly investor.

Aims:

Funds aim to offer an easy and convenient way for you to share in the potential of investment markets. They can:

- offer you an easy way of investing in line with your financial planning needs
- give you a share in a large range of investments by pooling your money with other investors, which helps to spread the risk
- enable you to benefit from the investment skills of professional fund managers who take care of all the day-to-day investment decisions on your behalf
- give you access to investments and markets that might be hard for you to access on your own

General risks:

As well as offering many potential benefits, funds also carry risks. It's important for you to be aware of these risks before you invest. The risks below apply to all funds, while in the next section we have listed risks that can apply to specific types of funds. If you have any questions about these risks or if there's anything you don't understand, please speak to your adviser.

- The value of your investment and the income from it can go down as well as up. If a fund falls in value, you may not get back the amount you invested
- Most funds are intended as a medium to long-term commitment – usually five years or more. If you intend to invest for less than five years, a lower-risk product such as a bank or building society account may be more suitable
- Generally, returns on funds are not guaranteed. They will depend on the fund's investment performance
- Unless the performance of your investment meets or exceeds the rate of inflation, the real value of your money (what you can buy with it) will reduce
- Levels of taxation and tax relief are subject to change. The value of any tax relief will depend on your own individual circumstances
- For newly launched funds only: if the total amount invested into the fund by initial investors is lower than expected, the charges and expenses allocated to the fund may be proportionately higher, which will have an impact on investment growth

Specific risks:

Below are risks that will only apply to certain funds. These have been supplied directly by the Fund Managers using the platform. You can see which of these risks apply to your chosen fund(s) in the Fund Details at the back of this document. Further information surrounding risks will be contained within the relevant fund prospectus which you can request from your adviser. Alternatively, you should refer to the fund managers' simplified fund prospectuses available at www.cofunds.co.uk/investors.

- 1 **Taking charges from capital** - Part or all of the Manager's annual management charge and expenses may be charged to capital, rather than income of the fund, which could reduce the potential for capital growth. Your capital could also decrease if withdrawals exceed the growth rate of the fund(s).
- 2 **Currency changes** - For funds that invest overseas, exchange rate variations may cause the value of your investment to increase or decrease.
- 3 **Specialist funds** - Investments in certain funds, including emerging markets, specialist geographical areas, smaller companies and specialist sectors (such as technology and ethical stocks) tend to be more volatile. This is due to factors such as restrictions in those areas or possibly the size of the companies. Additionally, these funds can suffer from partial or total illiquidity, which may lead to considerable price fluctuations and the inability to redeem your investment. For investments in emerging markets these are usually considered to carry a greater degree of risk relating to dealing, settlement and custody practices, than investments in established markets.
- 4 **Fixed interest securities** - Funds that invest in fixed interest securities (corporate or government bonds). Unit values are sensitive to interest rate trends and/or inflationary expectations. An increase in medium to long-term interest rates is likely to reduce the value of your investment.
- 5 **Income producing funds** - Where an investment objective is to provide income, when income is paid out, there is minimal potential for capital growth especially over the medium to long term. Where a bond fund income/running yield is greater than the redemption yield, this may erode capital.

- 6 **Adverse changes** - Any adverse changes to perceived or actual solvency of organisations in which the fund invests may affect the fund's capital and therefore, any income paid by the fund.
- 7 **Gross Redemption Yield** - For funds comprising mainly bonds, the Gross Redemption Yield is normally quoted after all charges, but before tax has been deducted.
- 8 **Equities** - Whilst equity investments carry potential for greater returns over the longer term as opposed to investing in lower risk assets, the volatility on these returns can also be greater and the value of your capital is not guaranteed.
- 9 **Derivatives** - Fund managers may use derivative investments as part of their investment strategy. These may increase the fund's volatility, can cause disproportionate price fluctuations and may restrict potential gains in a rising market. Funds that primarily use derivatives as the main investment vehicle are considered higher risk.
- 10 **Inadequate capital growth** - If a fund invests in capital shares, income shares or zero dividend preference shares (Zeros); their value is at risk if the capital growth of the underlying assets that back these investments is inadequate.
- 11 **Highly concentrated funds** - The overall fund, or a significant portion of it, is invested in relatively few individual assets. Therefore, the performance of the fund is significantly influenced by the shares, fixed interest securities or properties of a relatively small number of companies or institutions.
- 12 **Variable income** - Where the main objective of the fund is to provide an income, the level of income is not guaranteed and will often vary from one payment to another.
- 13 **Sub-investment grade corporate bonds** - Funds that invest in higher-risk fixed interest securities, known as sub-investment grade bonds. These bonds have a lower credit rating and a higher risk of default than investment grade bonds. This means there is an increased risk that the value of your investment could fall.
- 14 **Commercial property** - Property assets can be difficult to buy or sell, the impact of this could mean cash remains uninvested, disposing of property at an unfavourable price, illiquidity of investments and reduced diversification if the size of the portfolio falls significantly.

Investors should be aware that their right to sell units may be suspended by the fund manager in situations where there is insufficient uninvested cash or assets which are readily realisable to meet investor demand for the sale of units. In addition rental growth is not guaranteed, rent default could have an adverse impact on performance. Property valuations are based upon the opinion of independent property experts, not fact, so can be liable to revision, up or down.

- 15 **Ethical** - These funds are unable to invest in certain sectors and companies due to the ethical criteria used to select investments for the fund. This could mean that the fund is more volatile than funds which do not have these restrictions.
- 16 **Aggressively managed funds** - As this is an aggressively managed fund, investors should be prepared to accept a higher degree of risk than for a fund with a broader investment mandate.
- 17 **Money market insolvency** - The value of units may be adversely affected by insolvency or other financial difficulties affecting the banks and building societies with whom the fund's monies are deposited. These deposits are not protected by the Financial Services Compensation Scheme (FSCS).
- 18 **Additional performance fee** - The value of investment returns will be reduced by a 'performance' fee charged to the fund if the fund outperforms a pre-determined level of return. Full details of how this is calculated and charged are available from your adviser and within the fund's Scheme Particulars, Prospectus or Simplified Prospectus.
- 19 **Close funds – minimum period** - The Close protected unit trust funds give exposure to the movements of the stockmarket, with either 100% or 95% protection (depending upon fund choice) on a quarterly basis from falls, provided the investment remains intact across two consecutive quarter dates, i.e. for a full three month period. The selling price at the end of each period is to be no lower than the selling price at the start of the period for the 100 Fund, or a maximum of 5% lower for the 95.
- 20 **Close funds – minimum selling price** - For the Close 100 and 95 funds at the beginning of each quarter a minimum selling price is set for the Funds representing the protection on the units sold at this price. Instructions to sell must be received to coincide with the quarter days which are the third Fridays in March, June, September and December. Actual returns will depend on the stockmarket. No return is guaranteed and the return in any one quarter can be zero.

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