



Your Guide to Investing with Cofunds

Introducing the platform that makes it easy to plan for your financial future

Including the Key Features of the Cofunds Investment ISA

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Welcome to Cofunds

Your adviser has chosen to use the Cofunds platform to arrange and manage your investments. This guide should provide you with all the information you need to know about Cofunds and how the Cofunds platform works. It explains the features that enable you and your adviser to manage your investments easily and efficiently in one place – and highlights any potential risks you should know about.

If you have any questions or there's anything you don't understand or you need anything from us, please speak to your adviser.

Throughout, this guide refers to 'your adviser'. This may range from an adviser who advises on and handles all of your financial planning for you, to someone who provides no advice but simply arranges to buy and sell investments on your behalf. Cofunds only operates with advisers authorised and regulated by the Financial Services Authority (FSA).

What else you should read

To help ensure you make the right choices for your circumstances, please remember to read this guide alongside the important Key Features provided for you in this document. It's part of a set of documents you should read before deciding whether to invest. You should also read:

- Terms and Conditions of the Cofunds Platform
- If you are purchasing new funds, Fund Key Features

Copies of all documentation can be provided in large print, braille or audio tape.

All documentation and communications in relation to Cofunds will be in the English language.

To make it easier for you to get all the information you need, look out for these symbols below...



Important



Refer to the document



Please write to



Ring the number provided



Go to the website



Speak to your adviser

1. Introducing Cofunds

Cofunds – a trusted investment partner

Cofunds has been helping advisers to meet their clients' financial goals since 2001. The company was originally set up with backing from four major fund management groups. Now it offers the reassurance of being co-owned by six well established financial services companies.

Cofunds strives to provide a truly market leading investment platform:

Independence – Cofunds is fully independent. It doesn't provide advice or sell its own funds, so is completely impartial. This means you and your adviser have total freedom to decide on the best options for you.

Supporting great advice – Cofunds believes professional financial advice is essential when making investment decisions. Cofunds is therefore fully focused on supporting your adviser with the very best support and range of products. In turn, your adviser can concentrate on giving you the very best advice.

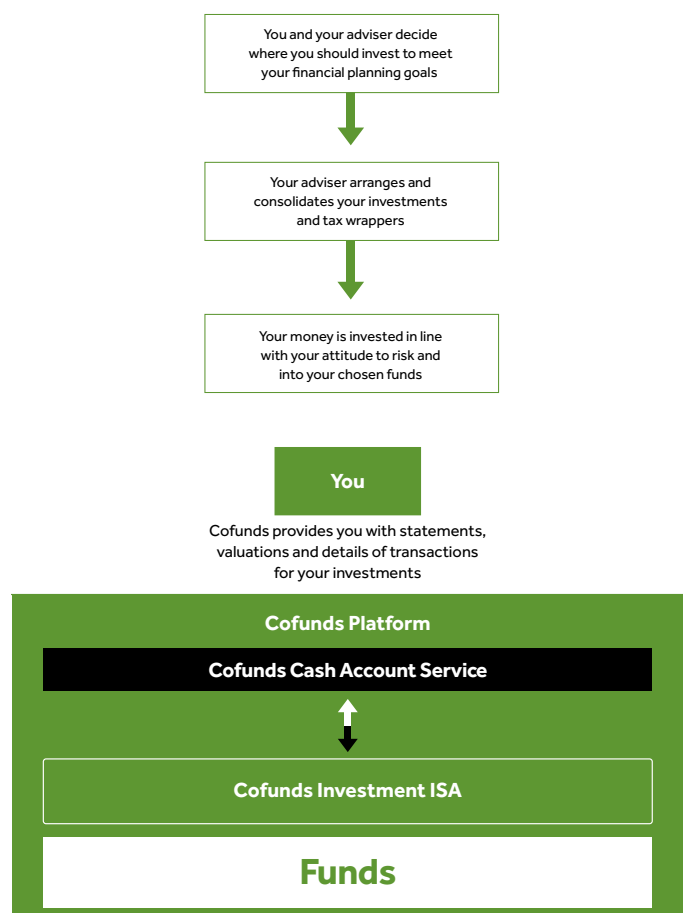
Investment platforms explained

Quite simply, an investment platform is a service that allows different investments to be arranged, managed and tracked in one place. Funds, ISAs, pensions and other financial arrangements can all be held together as one portfolio so it's much easier to plan for your financial needs.

Your adviser can use a platform to arrange new investments for you, or to bring together ('consolidate') investments you already hold.

How Cofunds works for you

The diagram shows how the Cofunds platform works:



Benefits of using a platform

Lots of advisers are choosing to use an investment platform to administer their clients' financial plan. Here are some reasons why:

Choice – In one place, your adviser can get access to investment funds, products and other options from across the whole market, from leading-name investment groups to more specialist providers. Your adviser can then create the portfolio that's exactly right for you, using the best investment options available.

Control – Because all your investments are in one place, changes can be made to your portfolio easily and swiftly. This means you can quickly take advantage of new investment opportunities or act if unwanted risks arise.

Clarity – With a consolidated view of the performance of all your investments, you and your adviser can quickly see if your investments are performing according to your agreed investment goals and risk profile. Progress of your overall portfolio or individual holdings can be easily assessed at any time.

Flexibility – You and your adviser can develop and maintain a long-term investment strategy, which can be as simple or as complex as you need. This can then be easily adjusted whenever required.

Ease – Instead of receiving paperwork and reports from many different fund groups and product providers, you receive consolidated reports for all your investments. Your paperwork is streamlined and your administration simplified.

'Because all your investments are in one place, changes can be made to your portfolio easily and swiftly.'

1. Introducing Cofunds (cont.)

The choice you need to build the right investment portfolio

The Cofunds platform is designed to offer access to a wide range of investment and financial-planning options so your adviser can create a solution that's exactly right for you.

Funds

Funds can offer an easy way to invest, even if you have little investment experience or only a modest amount of money to invest. Funds pool investors' money which is then invested by a professional fund manager across a range of different investments, including shares, securities, property and cash, in line with the fund's investment objectives.

To give you the investment choice you need, Cofunds offers over 1,500 funds which cover a wide range of investment sectors from more than 90 leading and specialist fund management groups (as at 1/2/2011).

Tax wrappers

Funds can be held on their own, 'unwrapped', or they can be held in a choice of tax-efficient 'wrappers' to optimise your financial planning:

- **Individual Savings Account (ISA)** – Cofunds offers a stocks and shares ISA enabling you to hold funds in a tax efficient way to provide capital growth and income over the medium to long term. You can access your money at any time.
- **Personal Pensions and SIPPs** – These personal investment plans are designed specifically to save for and provide income in retirement. You will receive tax relief on the contributions you make into your plan and any growth will be tax efficient.

When you come to take an income, tax may be payable. Benefits cannot be drawn until you reach retirement age, usually 55 at the earliest. Cofunds offers access to self-invested personal pensions (SIPPs) as well as personal pensions such as the Cofunds Pension Account.

- **Investment bonds** – These life-assurance based investments are designed to produce medium to long-term capital growth. Investment bonds can be used to give you an income in the form of a withdrawal in a tax efficient way.

Please note however, the amount you can withdraw tax efficiently is restricted. Any growth or income generated within the investment bond will be subject to tax. Cofunds offers both onshore and offshore bonds from some of the UK's leading providers.

The tax benefits of tax wrappers will depend on your individual circumstances. The tax treatment of tax wrappers could change in the future. Please see the Key Features section to learn more about your chosen tax wrapper.

Cofunds Cash Account service

The Cofunds Cash Account is a service that allows you to temporarily hold money on the Cofunds platform. This gives you the flexibility to move your money in and out of investments without having to take it off the Cofunds platform.

The Cash Account means you can time your investments, set up pending trades (see p.11), make regular withdrawals easily, collect income payments and if agreed can be used to pay charges made by your adviser.

See Section 3 to learn more.



Further details of the different fund types available on the Cofunds platform can be found in the **Fund Key Features**.



The value of your investment, and income from it, is not guaranteed. It may go down as well as up and you may not get back your original investment.

The charges you pay when investing through Cofunds

You pay the same fund charges when you invest through the platform as you would if you invested with the fund managers directly. However, Cofunds does charge to cover the administration of some services.

The charges you will pay on your investment come from the following:

a. Fund Manager payments

Initial charge – Every time you make a new investment, you will pay each of your chosen fund managers an initial charge. Cofunds will receive a proportion of this charge: see 'Other payments Cofunds receives'.

Annual Management Charge (AMC) – Each year, you will pay each of your chosen fund managers an annual management charge. The fund managers will pass Cofunds a proportion of this charge: see 'Other payments Cofunds receives'.

Fund management charges are detailed in individual Fund Key Features documents. The illustration in section d below demonstrates how the charges you pay are divided between the fund managers, your adviser, and Cofunds. The items highlighted in bold are retained by Cofunds.

b. Adviser charges

You and your adviser will usually agree the cost of their advice at the outset. Your adviser may be paid by commission from the fund managers. To help you keep track of the overall costs of your investments, Cofunds offers a service where your adviser's charges can be deducted from the Cofunds Cash Account.

c. Platform charges

Switching charge – If you switch your investment between directly-held funds or between funds held in an ISA, Cofunds will apply a charge of 0.25% of the amount of money you are switching. Switches generated by a model portfolio rebalance incur the usual charge.

For example, you may hold £10,000 in an ISA, all invested in one fund. If you wished to switch £5,000 of that investment to a new fund, Cofunds would charge 0.25% of £5,000 – so you would pay £12.50. However, there is no cost to switch funds within the Cofunds Pension Account.

Fund manager reports and accounts – You can download fund manager reports and accounts for free from https://investors.cofunds.co.uk/Investors/Reports_and_Accounts_Investors.aspx. You can request paper copies of the fund manager reports and accounts from us, by writing to Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY. We will apply a £20 administration charge per fund for each request to receive paper copies.

Shareholder/unitholder meetings – For the Cofunds Investment ISA, you have the right to attend and vote at shareholder meetings of companies in which you hold shares. You can request to be notified of voting events, and you can request Cofunds to vote on your behalf. Each request will incur a £20 charge to cover our administration costs.

Other payments Cofunds receives – Cofunds receives its income from a number of different sources to help provide you with a market-leading service. This pays for the costs of distributing funds through our platform and the associated administration services we provide to you and your adviser.

1. Cofunds will receive a proportion of the initial charge from the fund managers. We receive between 0% and 0.75% of the investment amount as our proportion of the fund manager initial charge, with the average being 0.09%.
2. The fund managers will pass Cofunds a proportion of their annual management charge. Cofunds receives between 0.1% and 0.4% of the value of assets in each fund administered by Cofunds, with the average being 0.25%.
3. Interest on money held on the client's behalf - Cofunds may earn interest on all money held on the client's behalf, for example, on money awaiting investment. Depending on the type of account in which the money is held, you may be paid a portion of this interest. The rate of interest earned is the current Bank of England base rate minus 0.4%, or zero, whichever is higher.

d. Illustration of charges:

The example below shows how the fund manager charges are broken down between different parties. The items highlighted in bold are retained by Cofunds.

Investment amount		£10,000
Fund manager initial charge	5%	£500
Retained by fund manager	1.25%	£125
Commission paid to the adviser by the fund manager	3%	£300
Received by Cofunds	0.75%	£75
Fund manager AMC	1.5%	£150
Retained by fund manager	0.6%	£60
Commission paid to the adviser by the fund manager	0.5%	£50
Passed to Cofunds by fund manager	0.4%	£40
Total charges paid by the client		£650
Total amount paid to Cofunds		£115



For current rates of interest paid to investors on money held on the Cofunds platform go to: www.cofunds.co.uk/docs/cofundrates.pdf If you don't have online access, please ask your adviser for rate details.



For more information on the charges you pay on your selected funds, please see the 'Fund Key Features'.



If you would like specific information on:

- charges received from the fund manager in relation to your investment;
- how Cofunds is paid for its services;
- how Cofunds receives interest on client money;
- reports and accounts;

please write to **Cofunds Administration, PO Box 1103, Chelmsford CM99 2XY.**

2. Getting you started on Cofunds

Your eligibility and commitments

To make the most of Cofunds' services, you are asked to meet some simple requirements:

Eligibility to invest

To have your investments administered by Cofunds, you must:

- be aged 18 or over
- invest through an adviser authorised by the Financial Services Authority (FSA)

You need to be ordinarily resident in the UK. In some circumstances Cofunds may accept applications from overseas. Speak to your adviser for more information.

Your commitment

- Initially, you must invest a minimum of £1,000 per fund as a lump sum, or £100 per fund (£50 for ISA) if you are making regular savings
- You must keep Cofunds informed of any relevant changes in your personal circumstances, such as a change of address

Setting you up on Cofunds

There are three simple steps to start investing with Cofunds:

Step 1 – You and your adviser identify suitable investments and products on the Cofunds platform. You read all the relevant Key Features documents to ensure these investments and products are right for you.

Step 2 – You complete a Cofunds application form and submit payment. As part of your application you can now nominate a bank account to be linked to your Cofunds Cash Account (see the 'Managing your investments' section).

Step 3 – Cofunds sends you a letter welcoming you to the platform. This will provide two important reference numbers:

- **Client reference** – this number is used to identify you as an investor on the platform and will enable any queries or requests you have to be dealt with swiftly
- **Platform account reference** – this is the number for your Cofunds Cash Account, which is automatically opened for you once your application has been approved. This should be quoted every time you want to move money between your Cofunds Cash Account and your nominated bank account

Why nominate a bank account?

Having a nominated bank account can make it very easy for you to manage your investments. It can:

- minimise the time taken for money to be transferred to and from the Cofunds platform. You can arrange new investments quickly and conveniently, and receive income and withdrawals direct to your bank account
- receive regular withdrawals from your portfolio – important if you require a fixed, periodic payment from your investments
- provide peace of mind – once Cofunds has verified the account belongs to you, it will accept all payments in and out of this account and send all income payments to it. Money can be transferred securely using Banks Automated Clearing Service (BACS).

'By nominating a bank account you can minimise the time taken for money to be transferred to and from the Cofunds platform.'



In some circumstances Cofunds may accept applications from overseas. Speak to your adviser for more information.



For important information on making contributions into the Cofunds Pension Account, please see the **'Key Features of the Cofunds Pension Account Provided by Suffolk Life'**.

Paying for your investments

Cofunds gives you the flexibility to pay for your investments with lump sums, regular payments or a combination of both.

a. Lump sum investments

You have a choice of ways to pay for lump sum investments:

- from your **Cofunds Cash Account**
- **by cheque** (payable to Cofunds Limited)
- **by debit card** (if you or your adviser are paying online).

If you are investing into an ISA or directly into funds, you can also pay by debit card if you or your adviser are paying online.

b. Regular investments

You can make regular monthly investments, or 'contributions', directly into funds, ISAs, pension products or the Cofunds Pension Account. For regular monthly investments into your ISA or directly held funds, payments will be deducted from your chosen bank account on or shortly after the 25th of the month by direct debit. For pension products and the CPA, payments are deducted on the 11th of the month. Please refer to section A6.5 of the Cofunds Terms & Conditions for more details.

Anti-money laundering requirements

To comply with UK Anti Money Laundering regulations your adviser and/or Cofunds may require documented proof of your identity, address and where your money has come from.

We may also require documented evidence that your nominated bank account belongs to you. If insufficient documentary evidence is available, Cofunds may carry out an identity search using credit reference agencies and payment to you may be delayed.



For important information on making contributions into the Cofunds Pension Account, please see the **'Key Features of the Cofunds Pension Account Provided by Suffolk Life'**.



Processing your instructions or making payments to you may be delayed if we have not received sufficient proof of your identity, address or where your money has come from.



Additional information may be required, depending on your chosen product. Please speak to your adviser for more information.



For more on how to transfer existing investments to the Cofunds Platform, please see the **Key Features**.

Transferring investments onto Cofunds

As well as making new investments on Cofunds, you can also transfer, or 'consolidate', existing investments onto the platform, provided the funds in question are available on Cofunds and they can be accepted within the relevant tax wrapper(s).

You may also make the transfer in cash, which means the funds within your wrapper will be sold and the proceeds sent to Cofunds. Cofunds then invests them into your chosen funds.

Cofunds can accept transfers of:

- directly-held funds
- ISAs
- pensions assets

Your adviser can assess the suitability of transferring investments to Cofunds. They will then work with Cofunds to transfer them on your behalf.

Why consolidate?

Consolidating your existing investments on the Cofunds platform gives you the convenience of having your financial planning in one place. This can make it easier to follow an investment strategy, make changes across your portfolio as required and monitor your progress against your financial goals.

3. Managing your investments

Valuation pricing and dealing cut-off times

Units or shares in your chosen funds are bought, sold and switched directly through the fund manager through a process of 'aggregating orders' (adding up all individual purchase instructions and all individual sale instructions to come up with a total purchase or sale with that fund manager).

The fund manager calculates the price at which these can be bought or sold at a specific 'valuation pricing time' each business day. To be able to buy or sell at that price, orders must be received by Cofunds by a specified dealing cut-off time. Valuation pricing times and dealing cut-off times vary between funds.

Fund managers price units and shares after the sale and purchase orders of the day have been received and the funds have been revalued (forward pricing), so you will not know in advance what price you will receive.

Please see Section A6.6 of the Terms & Conditions of the Cofunds platform for more details: www.cofunds.co.uk/docs/TCPlatformFull.pdf

How and when your money is invested

Cofunds will deal in shares and units in your chosen funds on your behalf. It has a strict procedure when carrying out orders to buy, sell, or switch investments to ensure every trade is dealt with fairly and efficiently:

Instructions are processed in the order they are received. However, instructions submitted online may be dealt with sooner than postal applications.

(a) Purchases and sales

It is Cofunds' normal business practice to buy/sell units or shares in funds at the valuation pricing time following receipt of your instruction (or monthly payment if you are a regular saver). This will normally be the same business day, providing the relevant dealing cut-off time is met. However, in some instances, such as when unusually large numbers of instructions are received, your instruction may be placed on the subsequent business day at the next available valuation pricing time.



Please see the '**Fund Key Features**' for dealing cut-off times for specific funds.



Please note that European public holidays may affect the placement of your deals in European Collective Investment Vehicles (ECIVs).



Speak to your Adviser for more information on Model Portfolios.

(b) Switching between funds

There will be times when you and your adviser want to alter your investment strategy or take advantage of new investment opportunities. Cofunds helps by letting you switch between funds. This includes changing your choice of funds within a tax wrapper such as an ISA or pension.

The switch process is made up of two parts:

- Firstly, Cofunds' normal business practice is to sell existing funds at the next available valuation pricing time following receipt of your instruction, as described in 3(a).
- Secondly, once we receive confirmation of the sale and price from the fund manager, we will normally then buy your new funds at the next valuation pricing time, again as described in 3(a).

Therefore, whilst your switch is taking place, your money will not be invested and you will not know in advance what prices you will receive.

(c) Model Portfolio Rebalances

A Model Portfolio is a selection of funds chosen by an Adviser and designed by them to achieve a particular investment strategy.

The percentage holding for each fund selected within a Model Portfolio will be specified at the outset, but your holdings will change over time depending upon investment performance.

Your Adviser can link you to one Model Portfolio per product, and with your authorisation can rebalance your holdings to match that Model Portfolio's specified percentages.

Please note, where you hold existing funds not included within that Model Portfolio, these will be sold as part of the rebalance.

Due to the large number of switches that may be required to rebalance a Model Portfolio, these switch instructions are handled separately.

Irrespective of the time a rebalance instruction is received by Cofunds, the instruction will normally be placed no later than the business day following receipt. However, in some instances, such as when unusually large numbers of instructions are received, your instruction may be placed on the subsequent business day at the next available valuation pricing time.

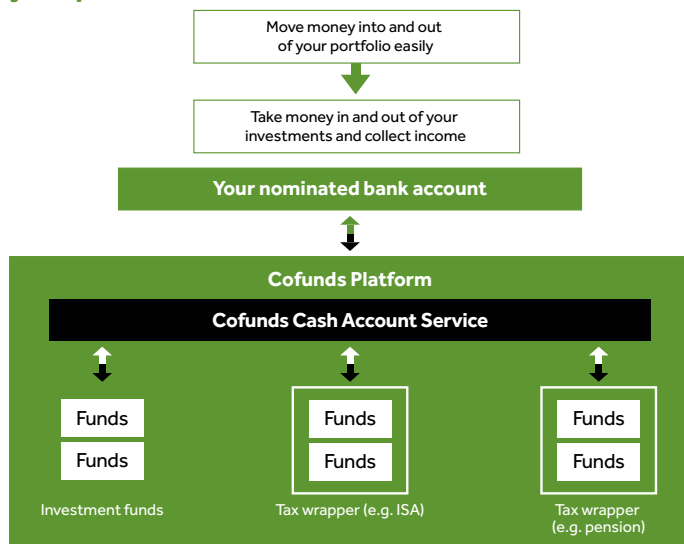
Due to forward pricing, the proportionate value of the holdings will differ slightly from the specified percentages after the switches have been carried out.

The Cofunds Cash Account

The Cofunds Cash Account allows you to hold money on the Cofunds platform. It's not an investment product or bank account – it's a service that can become central to managing your investments on the Cofunds platform, allowing you and your adviser to manage your investments easily and efficiently.

By linking your Cofunds Cash Account to a nominated bank account, it is also easy to make new investments and take withdrawals. It is opened automatically for you as soon as your application to invest on Cofunds is accepted. A Cash Account will be linked to each different group of investments – for example, for solely and jointly-held investments. You can deposit money in a Cofunds Cash Account from your nominated bank account using BACS, or by sending a cheque.

The Cofunds Cash Account – at the heart of your portfolio



Note: pensions are subject to strict rules regarding withdrawal of capital and income

Time your investments – Money can be held in the Cofunds Cash Account while you are waiting for a suitable investment opportunity or if you want to take money out of the market for a while. By holding money on platform, it is readily available when you want to invest.

Collect income – You can use the Cofunds Cash Account to collect income paid out by your investments. This could then be used to meet regular withdrawals.

Earn interest – Money held temporarily in the Cofunds Cash Account will earn interest daily, which will be credited monthly in arrears. Please note, if any interest earned in a month is less than £1, no interest will be paid. Interest is paid net of 20% tax.

Pay your adviser – you can use the Cofunds Adviser Charging service to make it easy for you to pay your financial adviser for their services directly from your Cofunds Cash Account. In this way, you can manage your investments and the cost of advice in one place.

If you choose to use the service, Cofunds will:

- automatically calculate any adviser charges due, based on the terms you have agreed with your adviser;
- deduct adviser charges from your Cofunds Cash Account and pay them direct to your adviser on your behalf;
- offset any product commission against the adviser charges you have agreed, where required;
- detail all adviser charges on your half-yearly consolidated confirmation note and your annual Cofunds statement.

Set up pending trades – you can set up trades now even if you have insufficient money in your Cash Account. This allows you to arrange to pay later, for example, by cheque. You can also prioritise your pending trades so that when money is received your highest priority trades get carried out first.

- Your pending trade instructions will be saved on the Cofunds system until we receive payment from you – when payment is received we will process your transaction(s) following our usual dealing procedures described on p.10.
- Pending trades are valid for 14 calendar days from the date they are set up.



For current interest rates on the Cofunds Cash Account go to: www.cofunds.co.uk/docs/cofundrates.pdf. If you don't have online access, please ask your adviser for rate details.



For more information on the Cofunds Adviser Charging service, please speak to your adviser, and see the Adviser Charging document www.cofunds.co.uk/docs/cash/CARAddend.pdf

3. Managing your investments (cont.)

Managing your investment income

If you hold investments that generate an income, you have the freedom to choose whether income is paid out to you, simply held on the platform for future use, or reinvested using accumulation units. The following options all apply to directly-held funds and ISAs.

a. If you want income to be paid out to you

Consolidated monthly income – Income from your directly-held funds and/or ISA can be pooled and paid out to you as a single convenient monthly payment. To do this you will need to nominate a bank account into which payment can be made.

All income received in the previous month will be paid to you on or shortly after the 7th business day of the month. Any income waiting to be paid out to you will be held securely in a client money account called the Consolidated Income Account, where it will earn interest. Interest of less than £1 a month is not paid.

If you want to set up a regular withdrawal – Income can be used to fund a regular withdrawal – see the 'Accessing your money' and 'Sale for Regular Payment' sections. If you choose to receive a regular withdrawal, any monthly income payments will stop and be used to fund the withdrawal instead.

b. If you want to hold income on the platform

Income from directly-held funds and your ISA can be paid into your Cofunds Cash Account, which means the income stays on the platform. It's made available shortly after it is received from the fund manager and not consolidated into a single payment. Once available you could use it to fund new investments, pay adviser-related costs, or cover regular withdrawal payments.

c. If you want to reinvest income

If you want to reinvest income, you can elect to hold accumulation units or shares. Or if you hold income units or shares, you can request that income is reinvested to buy more units or shares in your chosen fund.

Some fund managers allow you to convert from accumulation to income units or shares (and vice versa) for the same fund, at no charge.

Income vs. accumulation shares

Most funds offer a choice of accumulation units or shares or income units or shares.

Accumulation units/shares – Any income earned on your investment is not paid out. Instead it accumulates within the price of the unit or share, increasing its value.

Income units/shares – Income is paid out. This can be paid out or reinvested to buy more units or shares, thereby increasing the number of units or shares you hold.



Pensions are subject to strict rules regarding withdrawals of income. For income options on the Cofunds Pension Account please see the '**Key Features of the Cofunds Pension Account Provided by Suffolk Life**'.



For current interest rates on the Consolidated Income Account, go to: www.cofunds.co.uk/docs/cofundsrates.pdf

If you don't have online access, please ask your adviser for rate details.



If you have investments of more than £100,000 on Cofunds, you can choose for income to be paid to you shortly after it is made available rather than as a consolidated monthly payment. Please speak to your adviser.



Please remember that once income is taken out of an ISA, it will no longer be sheltered from tax. Any further interest earned on it – for example in the Cofunds Cash Account – may be taxable.

Accessing your money

Cofunds makes it easy to access your money at any time, whether you want to make a one-off withdrawal or take withdrawals on a regular basis. The following applies to directly-held funds and ISAs.

a. One-off withdrawals

i. From your investments

You can request one-off withdrawals through your adviser or by writing directly to Cofunds.

You can receive your money in three ways:

- **Into your Cofunds Cash Account** – withdrawals can be available in your Cofunds Cash Account within five business days of the last fund being sold
- **Into your nominated bank account** – Payments will be made to your nominated bank account by BACS within five business days but may take up to eight business days in total to reach your account
- **By cheque** – Cheques will be issued within five business days of the last fund being sold and are then subject to postal delivery times

ii. From your Cofunds Cash Account

Money held in your Cofunds Cash Account can be withdrawn at any time by completing an instruction through your adviser or by writing directly to Cofunds. Instructions are processed within one business day of receipt and the money is transferred by BACS to your nominated bank account within five business days but may take up to eight business days in total to reach your account.

b. Regular withdrawals

If you require the stability and convenience of a regular fixed payment, you can set up a regular withdrawal from your Cofunds Cash Account. The regular withdrawal facility lets you and your adviser decide the amount you should receive and how often (e.g. monthly, quarterly, half-yearly, annually). This can then be met using income generated by your investments and, where necessary, selling units or shares in your fund(s) to meet the payment. See the section on 'Sale for Regular Payment' on p.14 for details on how we can sell units or shares to meet your regular withdrawal.

Money is taken out of your Cofunds Cash Account on the 20th of the month the withdrawal is to be paid, or the next business day. It is then paid into your nominated bank account within five business days (but may take eight business days to reach your account). You can stop or alter the size or frequency of the withdrawal at any time.



Pensions are subject to strict rules regarding withdrawals of capital. To learn more, see the '**Key Features of the Cofunds Pension Account Provided by Suffolk Life**'.



See '**How and when is my money invested**' on p.10 for the process Cofunds follows when selling or buying investments on your behalf.

3. Managing your investments (cont.)

Sale for Regular Payment

Cofunds enables you to manage payments out of your Cofunds Cash Account or Pension Trading Account with our Sale for Regular Payment service.

Sale for Regular Payment

A Sale for Regular Payment is an optional service you can use to help manage payments you have arranged to go out of your Cofunds Cash Account. Where you do not have enough money in your Cash Account to meet the payments due to be paid that month, a Sale for Regular Payment instruction will enable Cofunds to sell a portion of your investments to raise the required amounts. Payments out can include:

Product charges

Pension products, such as the Cofunds Pension Account (CPA), often have charges for their administration. A Sale for Regular Payment instruction will help you to meet the product charges when they fall due.

Regular withdrawals

Where you do not have enough money held in your Cash Account to meet your requested regular withdrawal payment, we can sell units or shares in your fund(s) using the Sale for Regular Payment service to meet the payment.

Pension drawdown

Unsecured income from your pension product can be withdrawn regularly for your use. You can use a Sale for Regular Payment with the pension drawdown facility offered on your Cofunds Pension Account.

Adviser charges

You can agree to pay your adviser a fee charged for management of your investments and ongoing advice. You can set up a Sale for Payment instruction with your adviser to arrange for their charges to be paid using this process.

Also see the Adviser Charging document for information on how Cofunds can help you manage your adviser fees: www.cofunds.co.uk/docs/cash/CARAddend.pdf.

IMPORTANT: In order to set up a Sale for Regular Payment, you must read, fill in and sign the Sale for Regular Payment Instruction <http://www.cofunds.co.uk/docs/SfRPIinstruction.pdf> form, which explains the process in detail.

Also, please see the 'Terms and Conditions of the Cofunds Platform' for further information.

Selling units or shares as part of a Sale for Regular Payment will reduce the amount of money invested and may even deplete your investment entirely – see the illustration on page 15 overleaf. If money is withdrawn from an ISA it can only be reinvested in an ISA as part of your current ISA allowance. Also, if you withdraw from funds you hold directly with Cofunds, this money may be subject to capital gains tax.



Pensions are subject to strict rules regarding withdrawals of capital. See the Terms and Conditions and Key Features of your pension, and your Customer Agreement, to understand how Sale for Regular Payment applies to your pension product. Speak to your adviser for clarification.



Speak to your adviser for more information about their charges and how a Sale for Regular Payment of adviser charges may affect your investment.



See 'How and when is my money invested' on p.10 for the process Cofunds follows when selling investments on your behalf.

Effect of a Sale for Regular Payment facility on investment funds

Assumptions

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

Initial charge	3%
Annual management charge	1.50%
Additional charges and expenses	0.13%
Annual growth rate	6% a year
Type of units	Accumulation

Selling units or shares on a regular basis to meet regular withdrawals/pension drawdown/product charges and adviser charges will affect how much capital you might get back. The illustration below assumes that a fixed £250 per month regular withdrawal (total £3,000 annually) is 'sold down' from a single holding in an Open-Ended Investment Company (OEIC) fund.

The 'Redemptions to date' column represents the total amount redeemed from the investment to help meet the regular withdrawal by the Sale for Regular Payment process.

OEIC with regular withdrawal facility – direct into fund

At end of year	Investment to date (£)	Redemptions to date (to meet investor's regular withdrawal) (£)	Effect of deductions to date (£)	What you might get back at growth of 6% a year (£)
1	50,000	3,000	2,399	47,520
3	50,000	9,000	4,309	45,432
5	50,000	15,000	6,379	43,160
10	50,000	30,000	12,349	36,575

The bottom line in the table above shows that over 10 years, the total effect of charges and expenses could amount to £12,349 for someone investing a single lump sum of £50,000 directly into the fund. 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 3.85% a year.

3. Managing your investments (cont.)

Keeping track of your investments

The Cofunds platform is specifically designed to make it easy for you to keep track of your investments and see if you are on course to meet your financial goals.

Your adviser can keep you up to date with the latest information about your investments, their performance and current value. Some advisers may provide you with online access to this information.

In addition, Cofunds will send you:

- **Confirmation notes** – These are sent to you each time investments are bought, switched and sold on your behalf. If you have regular monthly investments, Cofunds will send a confirmation note when it is first set up, not for every investment
- **Annual statements** – Provide information on the value of your investments, the transactions that have taken place since your last statement and any income received
- **Consolidated confirmation notes** – Detailed transactions that aren't included on standard confirmation notes, including all regular saving transactions, reinvestment of income shares or units, 'sell downs' for regular withdrawals, and deductions relating to adviser charges are provided on a consolidated confirmation note. This is provided half-yearly. This information is also provided on your annual statement
- **Corporate actions/changes to funds** – Cofunds will keep you informed in writing of any actions proposed by the fund managers on funds that you are invested in, such as a change in investment objective
- **Consolidated tax voucher/tax deduction certificate** – To help you complete your tax return, these detail the taxable income received on directly-held funds and any tax deducted from interest earned on cash accounts
- **Reports and accounts** – You can download copies of fund reports and accounts free of charge at https://investors.cofunds.co.uk/Investors/Reports_and_Accounts_Investors.aspx. If you wish to receive paper copies of reports and accounts please speak to your adviser, or request them from us in writing. We will apply a £20 administration charge per fund for each request to receive paper copies.



You can also check fund prices daily. These are available in newspapers and online at: www.investmentuk.org/investors

4. Keeping your investments safe & secure

Holding your money and investments

Cofunds is committed to ensuring that money and investments held on the Cofunds platform are secure at all times.

In line with Financial Services Authority (FSA) rules, all client money or investments held with Cofunds are completely segregated ('ring-fenced') from Cofunds' own money and assets. This means they cannot be accessed by Cofunds should the company fall into financial difficulties.

Money – Money held on the Cofunds platform is held securely in a client money account at selected banks.

Investments – Once money is invested with a fund manager, units and shares in the funds are registered in the name of Cofunds Nominees Ltd – a fully-owned subsidiary of Cofunds. This ensures that assets are securely segregated from Cofunds' own assets. Holding all clients assets with a nominee also streamlines administration and enables Cofunds to transact efficiently on behalf of clients.

Cofunds keeps a record of your individual holdings. You remain the beneficial owner of these assets. Cofunds Nominees Ltd is not authorised by the FSA, but Cofunds Limited accepts full responsibility for its subsidiary.

Compensation

Cofunds is covered by the Financial Services Compensation Scheme (FSCS). You may be entitled to compensation from the scheme if Cofunds cannot meet its obligations.

In general this is when a firm has stopped trading, and has insufficient assets to meet claims, or is in insolvency. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered up to a maximum compensation of 100% of £50,000.



For details of the banks Cofunds holds money with, go to: www.cofunds.co.uk/docs/cofundrates.pdf. If you don't have online access, please ask your adviser for details.



For details on the Financial Services Compensation Scheme (FSCS), in relation to Cofunds and any product available on Cofunds go to: www.cofunds.co.uk/docs/FSCS.pdf. If you don't have online access, please ask your adviser for details.



For further information about the Financial Services Compensation Scheme (FSCS), please speak to your adviser or contact the FSCS:

Financial Services Compensation Scheme
7th Floor, Lloyds Chambers, Portsocken Street, London E1 8BN
www.fscs.org.uk, Tel: 020 7892 7300

Conflicts of interest

There are some situations where the activities and interests of a company may conflict or potentially compromise the best interests of its customers and clients.

Cofunds is committed to making clear all activities or situations that could give rise to a conflict of interest. The company aims to minimise conflicts as far as possible. Where conflicts cannot be eradicated, Cofunds looks to manage them in the best interests of its clients.

Details of Cofunds' conflict of interest policy can be found at: www.cofunds.co.uk/docs/coi.pdf If you don't have online access, please ask your adviser for details.

Beneficial corrections

Sometimes advisers send us instructions that are unclear, open to interpretation or incorrect. If, as a result, a transaction is processed incorrectly, we may consider correcting a client's holdings - and in some cases Cofunds will bear the cost of the correction.

Details of beneficial corrections that have been carried out on behalf of your nominated adviser are available on request. Simply write to Cofunds at Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.



Details of Cofunds' conflict of interest policy can be found at: www.cofunds.co.uk/docs/coi.pdf

If you don't have online access, please ask your adviser for details.



Cofunds
Administration
PO Box 1103
Chelmsford
CM99 2XY



The Financial Ombudsman
South Quay Plaza, 183 Marsh
Wall, London E14 9SR

Email: complaint.info@financial-ombudsman.org.uk

Tel: **0845 080 1800**

Changing your mind

All investments and products on Cofunds give you a period of time to cancel an application should you change your mind about investing.

Each investment and product has its own cancellation policy. Please refer to the relevant Key Features for more details.

Complaints

If you have a complaint about Cofunds, your adviser will be able to make the complaint on your behalf. Alternatively you can contact Cofunds directly by writing to the Head of Customer Experience at its administration address.

Details of our complaints policy can be found at: <http://www.cofunds.co.uk/docs/CustomerComplaints.pdf>

Cofunds has a strict complaints procedure to resolve issues quickly and efficiently. Should you feel that a problem hasn't been dealt with satisfactorily, you can take your complaint to the Financial Ombudsman Service.

If you have a complaint relating to an investment fund, you should initially speak to your adviser or the fund manager in question.

Any questions?

We hope this introductory guide has been useful in informing you about the Cofunds platform and how it can support you and your adviser.

If you have any queries about any aspect of Cofunds' service, speak to your adviser. If you would like to contact Cofunds directly, please write to the address below.



Cofunds, PO Box 1103, Chelmsford CM99 2XY

The Direct Debit Guarantee



- This Guarantee is offered by all banks and building societies that accept instructions to pay Direct Debits
- If there are any changes to the amount, date or frequency of your Direct Debit Cofunds Ltd will notify you 5 working days in advance of your account being debited or as otherwise agreed. If you request Cofunds Ltd to collect a payment, confirmation of the amount and date will be given to you at the time of the request
- If an error is made in the payment of your Direct Debit, by Cofunds Ltd or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society
 - If you receive a refund you are not entitled to, you must pay it back when Cofunds Ltd asks you to
- You can cancel a Direct Debit at any time by simply contacting your bank or building society. Written confirmation may be required. Please also notify us.

Part 2:

Key Features of the Cofunds Investment ISA

This section provides you with information about the Cofunds Investment ISA (Individual Savings Account). This is a stocks and shares ISA that can be used to hold funds available on the Cofunds platform tax efficiently.

The Financial Services Authority is the independent financial services regulator. It requires Cofunds, to give you this important information to help you to decide if investing through the Cofunds Investment ISA is right for you.

This document is important as it governs your rights as an investor. You should read it carefully so that you understand what you are buying, and then keep it safe for future reference. If you are unsure about any of the information provided, or have any questions, please speak to your adviser who will be able to help you.

Its aims

The Cofunds Investment ISA is a stocks and shares ISA, enabling you to hold funds in a tax efficient way to provide capital growth and income over the medium to long term. You can access your money at any time.

Within the ISA, you can invest in the wide range of funds available on the Cofunds platform, with access to a broad range of underlying investments. Typically, investing in funds is a medium to long-term investment of at least five years.

Your commitment

To invest in the Cofunds Investment ISA you need to meet certain requirements as set out by HM Revenue & Customs (HMRC):

- you must be aged 18 or over
- you must be resident and ordinarily resident in the UK for tax purposes, unless you are currently a Crown employee or their spouse or civil partner
- the amount invested must not exceed the current maximum ISA allowance (see **'What's the maximum I can invest?'** in the Questions and Answers section.)
- you may not open another stocks and shares ISA with another provider in the same tax year

Risks

When you use the Cofunds Investment ISA your main risk is that 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. For risks specific to each fund, please see the relevant Fund Key Features.

The tax treatment of ISAs may change so that investing in funds through the Cofunds Investment ISA is no longer a tax efficient option.

Charges

Cofunds does not charge you for holding your ISA wrapper on the Cofunds platform, however:

- charges will apply on funds held within your ISA. In addition, there may be charges payable for platform services, such as for switching between funds
- you have the right to attend and vote at shareholder meetings of companies in which you hold shares. You can request to be notified of voting events, and you can request Cofunds to vote on your behalf. Each request will incur a £20 charge to cover our administration costs,
- reports and accounts for funds can be downloaded free of charge at https://investors.cofunds.co.uk/Investors/Reports_and_Accounts_Investors.aspx. If you would like paper copies of reports and accounts for funds within your ISA, please speak to your adviser. You can also request paper copies from us. We will apply a £20 administration charge per fund for each request to receive paper copies.

For charges relating to the Cofunds platform, please see page 7 of 'Your Guide to Investing with Cofunds'. For charges on your chosen funds, please see 'Fund Key Features'.



For charges relating to the Cofunds platform, please see page 7 of **'Your Guide to Investing with Cofunds'**.

For charges on your chosen funds, please see **'Fund Key Features'**.

Questions and Answers

Type of ISAs

Q. What type of ISA is the Cofunds Investment ISA?

The Cofunds Investment ISA is a stocks and shares ISA. You can hold a wide range of the collective investments available on the Cofunds platform – giving you a choice of more than 1,300 funds from over 90 fund groups within your ISA.

Q. Does Cofunds offer a cash ISA?

No, but you can allocate up to half of your ISA allowance to a cash ISA with another provider.

Making contributions

Q. What's the minimum I can invest?

The Cofunds Investment ISA gives you the freedom to invest lump sums, regular monthly amounts or a combination of both. The minimum investments you can make are as follows:

Minimum investments in the Cofunds Investment ISA

Lump sum (further top-ups)	£1,000 per fund (£500)
Regular investments	£50 per fund a month



There are two types of ISA you can invest in – a stocks and shares ISA and a cash ISA. Stocks and shares ISAs invest in stock market-based investments so the value of your investment can go down as well as up which means you could lose your investment. This makes them higher risk than cash ISAs, which are generally low risk cash deposits.

Q. What's the maximum I can invest?

There are strict limits on how much you can invest in an ISA each tax year (6 April to 5 April the next year).

The current ISA annual allowance is £10,680 for the 2011/12 tax year. This will increase annually in line with the Consumer Price Index (CPI).

There are two types of ISA you can invest in – a stocks and shares ISA and a cash ISA. Stocks and shares ISAs invest in stock market-based investments so the value of your investment can go down as well as up which means you could lose your investment. This makes them higher risk than cash ISAs, which are generally low risk cash deposits.

For risks relating to stock market-based funds, please see 'Fund Key Features'.



For risks relating to stock market-based funds, please see 'Fund Key Features'.

Holding cash

Q. How can I allocate my ISA allowance in the current tax year?

You can choose a number of ways to allocate your ISA allowance to suit your investment needs:

- You can invest the whole of your annual ISA allowance in a stocks and shares ISA, such as the Cofunds Investment ISA
- Alternatively, you can invest up to half your allowance in a cash ISA (please remember that Cofunds does not offer a cash ISA)
- If you do not use the whole of your cash ISA allowance in a particular tax year, you can put the remainder in a stocks and shares ISA to bring you up to your annual allowance. In this way, you can tailor your balance of cash and stock-market based investments to meet your needs.

Pending trades count towards your ISA allowance for the tax year in which they are paid for.

However, it's not possible to pend a trade into the next tax year - if we have not received the money to pay for the pending trade by tax year end (5th April at latest) your pending trade will be cancelled. This overrides the 14 calendar day expiry period you would usually have for the pending trade - we'd have to receive payment by tax year end in order to carry out your pending deal (subject to our usual dealing procedures).

Q. Can I use my Cofunds Cash Account to fund my ISA?

Yes, money held in your Cofunds Cash Account can be used to pay for investments in your Cofunds Investment ISA.

Q. Can I hold cash in my Cofunds Investment ISA?

Yes, the Cofunds Investment ISA includes a Cash Reserve. It is not a cash ISA, it is a facility that provides you with extra flexibility and control. For example, it can allow you to:

- temporarily shelter money away from the stock market when you feel conditions are uncertain or too volatile
- secure your ISA allowance for the tax year without having to invest it right away

Money held temporarily in the Cash Reserve may earn interest. It is not a cash ISA, and the rate of interest paid is not intended to compete with rates available on cash ISAs. Interest paid is unlikely to match the potential returns available on stock market-based investments over the long term.

Interest earned on money held within the Cash Reserve facility is payable six monthly and is subject to a 20% HMRC flat-rate charge, which cannot be reclaimed. If interest earned in any accrual period is under £10, no interest will be credited to your Cash Reserve.



For all methods of paying for your ISA, please see '**Your Guide to Investing with Cofunds**'.



For current interest rates on the Cash Reserve facility, please go to: **www.cofunds.co.uk/docs/cofundrates.pdf**

If you don't have online access, please ask your adviser for rate details.



If cash held in the Cash Reserve is not invested after a reasonable period of time, HM Revenue & Customs may require Cofunds to return it to you. This means you could lose all or a proportion of your ISA allowance and its associated tax benefits.

Questions and Answers

Transferring ISAs

Q. Can I transfer other ISAs into my Cofunds Investment ISA?

Yes, you can transfer existing stocks and shares ISAs and cash ISAs held with other providers into the Cofunds Investment ISA. Cofunds does not make a direct charge to you for ISA transfers.

Transferring ISAs to the Cofunds Investment ISA can give you the convenience of having all your ISA investments in one account. This can make it easier to follow your investment performance and to make changes to your portfolio as required. Also, all your ISA investments will be detailed on one consolidated statement.

You can transfer ISAs set up both in previous tax years and the current tax year:

1. Transferring ISAs from previous tax years

You can transfer ISAs set up in previous tax years to the Cofunds Investment ISA without affecting your current ISA allowance. You can transfer as many ISAs as you wish to Cofunds.

2. Transferring ISAs from the current tax year

Stocks and shares ISA – If you have set up a stocks and shares ISA with another provider in the current tax year and then decide you would prefer to hold it with Cofunds, you must transfer the full amount, as you can only have one stocks and shares ISA in the current tax year. The amount subscribed will be treated as part of your current tax year ISA allowance.

Cash ISA – You can transfer a cash ISA opened in the current tax year to the Cofunds Investment ISA. Again, the amount subscribed will be treated as part of your current tax year ISA allowance.

Q. How do I transfer my existing ISA to Cofunds?

ISA transfers can take place by re-registering funds or as cash.

- **Re-registration of funds:** If you wish to keep the same choice of funds when you transfer your ISA, it may be possible for you to re-register them. This means that the funds will simply be moved to sit within your new Cofunds ISA. To do this the funds will need to be available on the Cofunds platform and your existing ISA manager must support fund re-registration. Your money will remain fully invested in the funds and no initial charges will apply.
- **Cash transfers:** If the existing ISA manager doesn't support fund re-registration or you want to have a different choice of funds, the funds you currently hold in your ISA will be sold. The cash proceeds will then be transferred directly to Cofunds to purchase the funds of your choice.

A 'cash transfer' requires your investments to be sold then reinvested. Please be aware that:

- You may lose out on income or investment growth while your money is not invested during the transfer period
- Initial charges may apply when new funds are purchased through the Cofunds Investment ISA
- You won't have access to your ISA until the cash transfer is complete.

Q. How do I transfer to another provider?

You can transfer your Cofunds Investment ISA to another ISA manager. Cofunds will require a completed transfer authority form from your new ISA manager. You cannot transfer a stocks and shares ISA into a cash ISA.



If you wish to transfer an ISA, you need to make a formal ISA transfer through Cofunds. Do not attempt to cash in your ISA yourself. If you do, your investment will lose its tax-exempt ISA status.



Ask your adviser about the costs of transferring an ISA. Your existing ISA manager may charge an exit fee.



Please note you won't have access to your ISA until the re-registration is complete.



ISA transfers from Cofunds to another provider can only be completed by converting your investment into cash which is then transferred to the new ISA Plan Manager.

Managing your ISA

Q. Can I take money out of my ISA?

Yes, you can make withdrawals at any time, which can be paid into your bank account, sent to you by cheque or transferred into your Cofunds Cash Account.

You can request a withdrawal from your Cofunds Investment ISA through your adviser or by writing directly to Cofunds.

Q. Do I need to complete an application for my existing Cofunds Investment ISA every new tax year?

No, your existing ISA will continue to be invested until you provide Cofunds with instructions otherwise.

Q. Can ISAs be held jointly?

No, ISAs can only be held in a single name. However, each eligible investor has their own ISA allowance— see 'What's the maximum I can invest?' above.

Tax treatment

Q. What is the tax treatment of ISAs?

All income and growth generated by your ISA investments is free of personal UK income and capital gains tax. There is also no requirement to declare ISA income or profits on your tax return. Any losses made in an ISA cannot be set against gains elsewhere in your portfolio for tax purposes.

Please note, ISAs do not offer protection from inheritance tax. On death ISAs cease but the value of the investment may still be included in an estate for tax purposes.



For details on making withdrawals from the Cofunds platform, please see '**Your Guide to Investing with Cofunds**'.



You can withdraw money from your ISA, however it will lose its tax efficient status, meaning you have to pay more tax than you would have if it remained in the ISA. Remember that once money is withdrawn from an ISA it can only be reinvested in an ISA as part of your current ISA allowance.



A 10% tax applies on dividend distributions on UK shares. This is not reclaimable under current HMRC ISA rules, even by non-taxpayers. Tax treatment depends on the individual circumstances of each client and may change in the future.

Questions and Answers

Changing your mind

Q. What happens if I change my mind about setting up an ISA?

If you wish to cancel your ISA, you must inform Cofunds in writing within 14 days of receipt of your confirmation notice. Please send your cancellation request to:



Cofunds , PO Box 1103, Chelmsford CM99 2XY

Provided you cancel within the 14-day period, your cash will be returned to you – subject to the conditions below – and your ISA allowance will be unaffected.

Please note:

- If the value of your chosen investment falls between the date your subscription was invested and the date Cofunds receives your instruction to cancel, you may not receive a full refund of the amount you have invested
- If the value of your investment rises between these two dates, you will only receive back the amount invested
- Interest will not be paid on money held in the Cash Reserve

Before sending you your money, Cofunds may need to carry out additional security checks and ensure all payments have been cleared, which may delay payment to you.

Withdrawing after 14 days

You will not be able to cancel your ISA outside of the 14-day period. If you wish to withdraw after this period, your original contribution will count towards your ISA allowance for the current tax year, and fund management charges will apply.

Cancelling an ISA transfer

The 14-day period also applies to ISA transfer requests. Provided you cancel within the 14-day period, you will be given the option of transferring the ISA back to your previous ISA manager or receiving the value of your ISA as cash – which means it will lose its tax-exempt ISA status.

Please note, if you transfer your cash ISA to Cofunds, it will be converted into a stocks and shares ISA. If you then decide to exercise your cancellation rights, it cannot be transferred back into a cash ISA.

Q. How can I complain?

If you have a complaint about our ISA or Investment Funds products, please send a letter to Head of Customer Experience at Cofunds, PO Box 1103, Chelmsford, CM99 2XY. If you are eligible, we will let you know when you can refer your complaint to the Financial Ombudsman service and how to do so.

Q. Can I get compensation from the Financial Services Compensation Scheme?

If you meet the eligibility criteria of the Financial Services Compensation Scheme you will be able to seek compensation from the Financial Services Compensation Scheme for up to £50,000 should we become unable to meet our liabilities to you.

