



## **clarity Personal Finance Newsletter – October 2002**

	<u>Page</u>
Market Commentary .....	2
Pension Planning.....	3
UT/ISA Buy List .....	6
CoFunds .....	11
Equitable Life.....	16
Buy to Let Property and the alternatives.....	18
Bonds – A Safer Option? .....	21
Cash Investments .....	23
Suitability and Affordability .....	24
Risk Warning .....	24

### **Appendices**

A – Adviser Profiles .....	25
B - Terms of Business Letter .....	28



## Market Comment

- 1) **Investment Professionals will offer differing views on investment markets.**
- 2) **The Consensus is positive in UK, Pacific (ex Japan) and Emerging markets; negative in US, Japan and Technology; neutral in Europe.**

Investment professionals have never been short on their opinions. Many outside the financial services industry are deeply cynical of those views. Indeed all markets are “relative zero sum games”, so for every winner there has to be a loser. Their current interpretation of the world markets is illustrated below: -

Fund Manager	UK	US	Europe	Japan	Pacific, ex Japan	Emerging Markets	Technology
Aberdeen	Negative	Negative	Neutral	Negative	Positive	Positive	Negative
Credit Suisse	Positive	Positive	Positive	Neutral	Positive	Neutral	Neutral
Deutsche	Positive	Negative	Positive	Positive	Neutral	Positive	Negative
Fidelity	Neutral	Neutral	Neutral	Positive	Positive	Positive	N/A
Framlington	Positive	Positive	Neutral	Negative	Neutral	Neutral	Negative
Gartmore	Positive	Positive	Positive	Positive	Positive	Positive	Neutral
Henderson	Positive	Negative	Positive	Positive	Positive	Neutral	N/A
HSBC	Neutral	Neutral	Neutral	Negative	Positive	Positive	Neutral
I Perpetual	Positive	Neutral	Positive	Neutral	Positive	Neutral	Neutral
Jupiter	Positive	Positive	Neutral	Neutral	Neutral	Positive	Negative
M&G	Positive	Negative	Neutral	Neutral	Positive	Positive	Negative
Merrill Lynch	Negative	Positive	Positive	Negative	Positive	Positive	Neutral
Newton	Positive	Neutral	Neutral	Positive	Positive	Positive	Negative
Schroders	Neutral	Negative	Positive	Neutral	Neutral	Positive	Neutral
Soc Gen	Positive	Positive	Neutral	Positive	Neutral	Neutral	Positive
Threadneedle	Positive	Negative	Positive	Negative	Positive	Positive	Negative
<b>Consensus</b>	<b>Positive</b>	<b>Negative</b>	<b>Neutral</b>	<b>Negative</b>	<b>Positive</b>	<b>Positive</b>	<b>Negative</b>

Note: N/A = view not provided

Source : Skandia Life August 2002. Please note that we have not included the comments of all fund management companies but the consensus view reflects the market view.

You should bear in mind that all of these views are short term, and can change from month to month.



## **Pension Planning**

### How much should you save?

The benefit available on retirement from your pensions is dependant upon the amount of pension funds at the selected retirement date. Individuals may wish to access the pensions calculator on the clarity website, [www.clarityglobal.com](http://www.clarityglobal.com).

For a review of your individual pension arrangements you should contact your usual adviser.

### Stakeholder Pensions

- 1) Stakeholder pensions were introduced on 6<sup>th</sup> April 2001.**
- 2) The last opportunity to combine carry back and carry forward was by 31 January 2002.**
- 3) The 'basis year' has been introduced for PPPs, which enables contributions above £3,600 to be made for up to 5 years after the basis year.**
- 4) Stakeholder pensions allow £3,600 pa contribution even for non-earners, so some may be able to increase pension in spouse's name.**
- 5) Web based dealing for Stakeholder Pensions is available from November on the clarity website [www.clarityglobal.com](http://www.clarityglobal.com).**

Under the Government's new "Defined Contribution" pension regulations, Stakeholder pensions became available on 6th April 2001. The same regulations have widened the scope of those eligible to take out pension arrangements and, indirectly, reduced the charges levied by pension providers.

Although, technically, a new type of pension arrangement, Stakeholder pensions are essentially the same as Personal Pension Schemes which have been available since July 1988. However, pension providers who want to offer access to their pension funds via Stakeholder policies as opposed to Personal Pension policies will have to meet certain criteria.

In particular: -

- Pension providers cannot charge more than 1% per annum of the funds under management.
- They must accept one off contributions, which can be as low as £20 gross.
- Transfers into and out of Stakeholder pension schemes must be without cost.

Personal Pension Schemes are not subject to the same standards. However, pension providers have risen to the challenge and many now meet or better the maximum Stakeholder Pension charge under their Personal Pension Schemes. Some 40 providers have registered Stakeholder Schemes. As a result, pension providers have had little choice but to reduce costs under Personal Pension Schemes in order to remain competitive.

Personal Pension Schemes can continue to set minimum contributions at higher than £20 although individuals are unlikely to view this as restrictive.

The selection criteria for pension arrangements is not whether a product is a Stakeholder pension or a Personal Pension as such but, as they have always been: -



- Investment options available.
- Manager's track record.
- The effect of charges for administration and fund management.

Stakeholder Pensions and Personal Pensions both now come under the new Defined Contribution regulations, effective 6th April 2001.

The main features of both types of pension are: -

- Eligibility has been widened considerably; UK residents under the age of 75 are now eligible for Stakeholder Pensions and Personal Pensions. Even children are now eligible for these pension arrangements.
- Up to £3,600 gross can be paid each year irrespective of earnings level. This has widened the scope to, again, include children but also non-working spouses and those in retirement.
- Individuals may continue to pay in excess of £3,600 each year if they have earnings to support higher contributions by reference to the existing scale of an age-related percentage of earnings.

Age at 6th April	Percentage
Under 35	17.5%
36 - 45	20%
46 - 50	25%
51 - 55	30%
56 - 60	35%
Over 61	40%

NB Earnings are capped. For example, the earnings cap for 2002/3 is £97,200.

- Contributions are now paid net of the basic rate of income tax. This includes contributions paid by the self-employed and non-taxpayers. For example, a non-taxpayer may contribute £2,808 net and the pension provider will claim £792 tax relief from the Inland Revenue to bring the total contribution to £3,600.
- Higher rate taxpayers can claim higher rate relief via their tax return. Tax relief is given to the Stakeholder Pension or Personal Pension policyholder, not the individual making the payment, if different. For example, individuals contemplating pension arrangements for family members should bear in mind that basic rate tax relief will be given at source, when the contribution is paid, but higher rate relief is not available to the individual. If appropriate, higher rate relief can be claimed by the family member concerned.
- Until 5th April 2001 individuals not paying the maximum contributions to Personal Pension Schemes each year could carry forward the unused allowance and use it up to six years later. Carry forward was abolished on 6th April 2001.



- The concept of a Basis Year has been introduced for those looking to pay in excess of £3,600 in a year. The Basis Year may be any previous tax year. The earnings in the Basis Year can be used to support the contributions in excess of £3,600 in the Basis Year itself and for the five tax years following using the age related percentage limits as set out above. For example, a 36 year old who earned £50,000 in 1998/9 would be able to make contributions to Stakeholder Pension or Personal Pension of up to £10,000 a year through to and including 2003/4. This is irrespective of earnings, if indeed any, in the subsequent tax years.
- The Basis Year can be changed at any time but individuals will need to provide evidence of earnings for the year selected.
- Furthermore, individuals whose earnings cease can use the Basis Year earnings (even if already five years old) to support pension contributions in the year of cessation and for a further five years post cessation. Individuals may wish to take advantage of this on retirement, however, it is important to realise that tax relief is given in the year of payment (or previous year if the payment is carried back) and whilst basic rate relief is given at source (by paying net) higher rate relief will only be available to higher rate taxpayers.
- Contributions paid in one tax year can still be carried back to the previous tax year provided that the election to do so is made before or at the same time as the payment itself and, in any event, by 31st January in the year of payment. For example, if you wish to make a payment in 2002/3 and carry it back to 2001/2 you will have to elect to do so by 31st January 2003.
- Non UK residents are not normally eligible for Stakeholder Pensions or Personal Pensions, however, if an individual is resident and ordinarily resident when the policy is taken out but subsequently moves abroad it is possible to carry on paying at least £3,600 gross and maybe more using the Basis Year to justify higher contributions. Individuals should bear in mind that only the basic rate relief is likely to be available.
- The Defined Contribution regulations have not changed the largely tax-free accumulation of pension funds or the timing of retirement (between ages 50 and 75) or the option to take 25% of the fund at retirement as cash, tax-free.
- Retirement Annuity Policies (personal arrangements taken out before 1st July 1988) are not affected by the new Defined Contribution regulations:
  - All contributions have to be supported by earnings.
  - Contributions are paid gross.
  - Carry forward is still available.
  - The election to carry back has to be made by 31st January in the year following payment.

Whilst many pension providers have cut charges on new policies it does not follow that similar changes have been made to policies taken out before 6th April 2001. Many Personal Pension providers have cut the cost on existing plans but by no means all. You should check the terms with your existing provider before adding payments to an existing policy. It may pay you to take out a new policy with the same company and possibly even transfer existing funds to a new policy to take advantage of lower ongoing charges.



As a general observation, most Retirement Annuity Policy providers have made no changes at all to the existing terms. Individuals holding such policies should take advice before closing these down. These policies allow individuals to invest considerably more in pensions than under the Defined Contribution regulations.

## UT/ISA Buy List

1. **Consider your ISA and unit trust choices from the attached list**
2. **Make sure you invest via the Transact Service (through clarity) to obtain full initial commission rebating and significant initial discounts. Forms sent in direct may not qualify**

### Methodology

The majority of financial planning relies upon the investment markets in some form or another to achieve the stated objective. In most cases money is placed within a product, such as a pension or ISA, to minimise the potential tax liabilities on the total return.

In the past most products have been purchased based upon name awareness, product design, cost and flexibility. While all of these are important, the ability of the fund management departments will make or break the financial planning idea. Therefore, the assessment of the fund management skills is important, which is based upon a number of steps: -

1. *First Step* - while past performance is no guide to the future, statistics are often used as the prime selection filter, but should not in itself preclude a fund. Our main criteria are: -
  - a) Fund Size – at least £50 million, except in the case of a new fund.
  - b) Cumulative Returns – the fund over most periods must show above average returns, in relation to the sector. Where there is a benchmark index the fund should also outperform this, such as the FTSE All Share Index fund for a UK Equity fund.
  - c) Segregated Returns – the fund over the last five individual years should outperform the sector in four out of the five years and the underlying index in the last three years out of five.
  - d) Volatility – the volatility of the fund should be within acceptable levels.

Attribution analysis is used to identify where the performance is coming from. This information helps us to assess the importance of the fund manager in the investment process.

2. *Second Step* - each fund has its own investment philosophy, which is the basis for the manager's investment process. The philosophy should be logical and transparent, so the investor can identify where the fund manager and the investment process will be adding value.



There are three areas, where the fund manager can add value: the first is asset allocation, second is sector selection and finally stock selection. In theory the process involving all three levels should reduce the volatility and enhance the chances of a consistent record. Generally stock picking funds, where value is only added at one level will have a higher level of volatility. While the fund manager can have a brilliant process, the manager must be seen to follow it.

3. *Third Step* - whatever the processes, consistency in the fund manager or the management team is important. The investment philosophy and the process will dictate the importance of the personnel. In some funds, the process is so robust that the individuals concerned are relatively unimportant.

In most cases personnel are key, especially amongst the funds, where stock picking is the main source of outperformance. Where there are changes, a review of the replacement manager must take place.

4. *Fourth Step* - assessment agencies rate the funds. Micropal's ratings are based upon past cumulative returns, with no assessment of the investment processes and personnel, so not very useful. There are others, where a qualitative view is taken, but agencies require payment by the fund manager. In some cases the fund manager will not pay for the rating.

#### Recommended List

<b>Sector</b>	<b>Fund</b>	<b>Risk Profile</b>
Balanced Managed	Invesco Perpetual World Income Deutsche Managed	Medium Medium
Active Managed	INVESCO Perpetual World Growth Newton Managed	Medium Medium
UK Equity	HSBC UK Index (All Share Tracker) INVESCO Perpetual UK Income & Growth Credit Suisse Income Newton Income Merrill Lynch UK Dynamic	Medium/High Medium/High Medium/High Medium/High Medium/High
Global Growth	INVESCO Perpetual International Core Newton International	High High
US	HSBC American Index Credit Suisse Transatlantic Govett US Opportunities	High High High
Europe	HSBC European Index Newton Continental European New Star European	High High High
Japan	Martin Currie Japan Growth HSBC Japan Index	High High
Far East (ex Japan)	Newton Orient HSBC Pacific Index	High High
Property	Norwich Union Property	Medium
Global Bond	Newton International Bond	Medium/High
Corporate Bond	INVESCO Perpetual Corporate Bond Old Mutual Corporate Bond	Medium/Low Medium/Low
High Yield Bond	New Star High Income Bond	Medium/High



Descriptions of these funds and providers are available via the website, [www.clarityglobal.com](http://www.clarityglobal.com).

Each buy note clearly identifies where the fund manager is adding value to the management process. In the case of newer funds, more emphasis is placed on the past records of the managers concerned.

#### Comparative Performance

Most individuals tend to concentrate on the Managed funds for their unit trust and ISA selections so that they do not have to worry about the asset allocation decisions themselves. Here are two tables which will help you to differentiate between the ones on offer.

Fund	Invesco Perpetual World Income	Deutsche Managed %	Newton Managed %	Invesco Perpetual World Growth	Invesco Perp Int Core %	Newton Intl Growth %
UK	46	55	46	61	34	9
Europe	11	13	14	13	23	29
US	8	6	6	12	25	35
Japan	0	4	3	6	11	7
Far East (ex Jap)	10	4	15	6	6	16
Bonds	24	13	9	0	0	0
Other	2	6	8	3.1	2	3

For further comparison of performance/charges: -



Fund	Invesco Perp World Income	Deutsche Managed	Newton Managed	Invesco Perp World Growth	Invesco Perp Int Core	Newton Intl Growth
Management	Active	Active	Active	Active	Active	Active
Initial Charge	0.25%	0.50%	0.00%	0.25%	0.25%	0.00%
Annual Charge	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Performance/(Quartile) 1 year to 1/10/02 <sup>1</sup>	-6.0% (1)	-17.44% (2)	-14.8% (2)	-15.2% (3)	-19.0% (2)	-20.6% (2)
Performance/(Quartile) 1 year to 1/10/01 <sup>1</sup>	-14.1% (1)	-23.35% (3)	-18.0% (1)	-20.3% (1)	-27.6% (1)	-33.7% (3)
Performance/(Quartile) 1 year to 1/10/00 <sup>1</sup>	11.8% (4)	10.07% (2)	19.9% (2)	17.0% (3)	16.1% (4)	32.8% (1)
Performance/(Quartile) 1 year to 1/10/99 <sup>1</sup>	26.0% (1)	14.15% (2)	25.7% (2)	36.8% (1)	31.2% (2)	28.9% (2)
Performance/(Quartile) 1 year to 1/10/98 <sup>1</sup>	-10.1% (4)	-12.63% (2)	-4.2% (2)	-	-8.8% (3)	-10.2% (3)
Annual Compound % over 5 years	-0.7%	2.10%	-1.1%	-	-5.3%	-5.3%
Micropal Rating <sup>2</sup>	4 Star	3 Star	5 Star	3 Star	3 Star	3 Star
Sector <sup>3</sup>	Balanced Managed	Balanced Managed	Active Managed	Active Managed	Global Growth	Global Growth
Volatility <sup>4</sup>	4.2	3.9	4.6	5.3	5.8	7.0

<sup>1</sup> Performance/Quartile figures are based on bid to offer, income reinvested. They show discrete performance for the year stated.

<sup>2</sup> Micropal rating is out of a possible 5 Stars and is based on 3 year performance

<sup>3</sup> Funds from differing sectors so be careful with direct comparisons

<sup>4</sup> Volatility is expressed as standard deviation of monthly returns over 36 months. The higher the figure; the higher the risk.....Source: Money Management: November 2002

## Unit Trust/ISA Transactions - CHECKLIST

The design of the Transaction Service is to facilitate your ISA/Unit trust investment at the most competitive initial charge rates possible. This is done with the minimum of administration on your part i.e. we try to remove the burden as much as possible.

It is extremely important that you make sure you invest via clarity if you wish to take advantage of the full discounting of initial commission as well as the discounts negotiated on your behalf. The full effect of these rebates effectively reduces the more usual 5.25% initial charge down to no more than 0.5%.

**WE ARE RECOMMENDING THAT INDIVIDUALS (AND FAMILY) INVEST VIA THE COFUNDS STRUCTURE FOR UNIT TRUSTS/ISAs. PLEASE NOTE, HOWEVER THAT CURRENTLY A NUMBER OF FUNDS ARE NOT AVAILABLE ON THE COFUNDS LIST. INVESTMENTS WITH CERTAIN HOUSES WILL NEED TO BE MADE THE "OLD" WAY I.E. VIA THEIR OWN APPLICATION FORMS. COFUNDS WILL ALSO NOT ACCEPT REGULAR INVESTMENT APPLICATIONS.**



- *Applications Forms* - these can be obtained from clarity's Administration Centre in Woking 01483-729393 email [enquiries@clarityglobal.com](mailto:enquiries@clarityglobal.com) or via the [www.clarityglobal.com](http://www.clarityglobal.com) website
- *Cheques* - make these out to Cofunds or the respective investment houses direct (not to clarity).
- *Personal Investment* - ISA rules are similar to PEPs in that the investor must be one of the names on the account. For unit trusts there is no such restriction.
- *Completed Forms* - send these back to clarity at our new Administration Centre which is Stadium House, 73 Walton Road, Woking, Surrey GU21 5DW.
- *Discounts/ Commission Rebates* - it is important to send forms back to clarity to ensure that the lower charges apply. We have had some applications sent in direct in the past where the investment house refused to amend the terms retrospectively. In most cases the savings are around 5% of the monies invested so please take care!
- *Proof of Identity* - apart from the application and cheque, the only piece of information we need from you is two forms of identity (to allow us to comply with the Money Laundering Regulations 1993). We need your driving licence or passport plus proof of address (utility bill, bank statement etc). If you have made an investment with us in the past and have already presented proof of identity then there is no need to provide it again. **Please note that without this documentation your investment may be delayed.**

Please remember that the Transact Service is extended to all members of the family: spouses, partners, children (must be over 18 for an ISA) plus aunts, uncles etc. Our objective is to make life as straightforward, and cost efficient, as possible for you and your family when considering ISA investments. **If you are sending in an ISA form for a relative then please attach a covering note/memo so we can refer to you as the "link individual" to that person.**

You are, of course, at liberty to use whichever transaction facility you wish. However, it would be wise to check that the terms are as competitive as offered here. We go to great lengths to rebate all initial commission and negotiate aggressively for discounts on your behalf. clarity makes no income on the initial investment. **Also, please remember that we can transact virtually any unit trust/ISA investment on favourable terms: it doesn't have to be one from the Buy List above.**

The only area where you will see reference, on any subsequent statements of investments, relating to payments to us, is with respect to "renewals". This is not an initial charge but a payment back to the registered agent i.e. clarity in this case, to cover "servicing" costs. The payment is normally a fraction of a percent and is a constituent part of the annual management fee already applied i.e. it is not an additional charge on your investment. With PEPs and ISAs in particular, if an agent chooses not to take renewals then the investment house simply absorb it as extra profit.

### Risk Warnings

Please note that the value of these investments and the income from them may go down as well as up. Past performance is not necessarily a guide to future performance.



It is common for funds to carry an initial charge of approximately 5%. This is reflected in the spread between the offer (buying) and bid (selling) prices. The performance figures used in this Newsletter have been calculated on a bid to bid basis rather than an offer to bid basis. This is because reinvested commission and discounts significantly reduce the charges. Where there is a residual initial charge, actual performance will be reduced as bid to bid assumes a nil initial charge. Where investments are made in overseas markets, there is an additional risk of losses through currency fluctuation.

Please consult the Key Features document, which is sent with any application forms, before investing, for a full expression of charges.

## **Cofunds**

### **Introduction to Cofunds**

We are suggesting all future deals are placed through the "Cofunds" dealing platform. This allows access to the existing range of funds on similar or better terms. It also enables consolidation of all your existing unit trust, ISA and PEP holdings in one place, together with consolidated valuations using Morningstar's 'X-Ray' analysis to show the overall geographical, style and sector allocations of your portfolio. If interested, you can deal now on this basis.

Please note that Martin Currie, Baillie Gifford and a number of HSBC funds are currently not available via Cofunds.

### **Who owns Cofunds?**

Cofunds is jointly (25% each) owned by Gartmore, Jupiter, Threadneedle and M&G.

### **What is Cofunds?**

Cofunds offers an administration service that allows you to hold all of your fund investments in one place, whether held directly or in ISAs and PEPs. You can spread your investment across a wide range of funds from the UK's leading investment providers. You can also track your investments through one combined valuation statement, and alter your portfolio as your needs change, quickly and easily. All of these services are available at no extra cost to you.

The benefits of investing via Cofunds include:

- **Consolidation.** The Cofunds platform can be used to consolidate your entire fund portfolio whether held directly or within ISAs and PEPs. Existing ISAs and PEPs can be transferred using a new process called re-registration.

By using re-registration, existing investments do not have to be sold by your previous plan manager and reinvested by Cofunds, thereby avoiding any initial charges, but a charge for this service may be made by your existing fund manager in some cases. Furthermore, you are never at risk of any market fluctuations since your investment is never out of the market.



Some managers do not yet offer direct registration of ISA/PEP (although re-registration is possible for unit trusts/OEICs in all cases). As such, any transfers would be deemed as a sale and reinvestment so you have both costs of sale/repurchase to bear in mind as well as the fact that you might be out of the market for a few days in the changeover.

Once your investments are consolidated, we can track and monitor your entire portfolio, and provide you with up-to-date valuations.

- **Choice.** You can select and mix within your portfolio from more than 540 funds from over 40 leading fund managers. So you still select from exactly the same funds; it is just that you hold them under the Cofunds structure for simplicity.
- **Convenience.** Track all of your investments through one combined valuation statement, sent half yearly.
- **Control.** The flexibility to alter your portfolio as your needs change. Once invested with Cofunds you can quickly and easily move between funds offered by different fund providers.
- **Cost.** Cofunds makes no extra charge for its services. The only charges you pay are for the funds in which you invest. The terms we offer for a direct investment with a particular manager are mirrored by the Cofunds system. This way the charges are always at least as good as the ones we have already negotiated for our clients.

#### Which managers are available?

Please see the attached chart for a list of the fund managers currently available under Cofunds. Please note that Martin Currie, Baillie Gifford and a number of HSBC funds are not currently available on Cofunds, although some of these are planning to join Cofunds later in the year.

#### Can I transfer existing unit trusts, ISAs and PEPs?

The attached table details the fund managers available under Cofunds. Any non-ISA or non-PEP holdings (i.e. unit trusts and OEICs) can be re-registered in the Cofunds name by completing the Cofunds re-registration form, for no charge.

However, the position is slightly more complex for ISA and PEP holdings. The table details those fund managers ISAs and PEPs that can be transferred to Cofunds 'in specie', i.e. simply re-registered without sale and repurchase of the underlying holdings. Where this is possible, the second column details if a charge is applicable for the re-registration.

If it the fund managers do not allow in specie transfer, the third column details the initial charge applied on repurchase of the holding by Cofunds. This, and the risk of being 'out of the market' for a few days whilst sale and repurchase took place, would need to be considered carefully before transferring holdings.

One additional point is that you need to check if any exit penalties apply to any companies from whom you intend to transfer. For example, M&G charge a transfer penalty from their Corporate Bond fund within 5yrs (if commission was taken on original investment) and 2yrs (if no commission was taken). Some others house charge penalties but very few.



### Can I pay on a regular basis into Cofunds?

You are able to make monthly savings into ISA plans held with Cofunds. However, Cofunds does not as yet accept monthly savings into unit trusts, so beware not to transfer those monthly savings plans that you wish to continue.

### So what's in it for Cofunds?

Cofunds argue that they effectively provide part of the administrative process on behalf of fund managers. For this, they agree a proportion of the annual management fee with the fund managers on the list. This means that you, the investor, are charged exactly the same annual management fee for all the funds otherwise the system would not work.



## Cofunds - ISA/PEP transfer charges

August 2002

Fund Manager	Can be re-registered (transferred in specie)?	Charge for re-registration	Cofunds initial charge for wrapped cash transfer (all initial commission rebated) %
Aberdeen	Yes		nil
ABN AMRO	Yes		nil
Aegon	Yes		nil
Artemis	Yes	£50 + VAT per product (not per fund)	nil
AXA	Yes		2.00
Baring	Yes		0.15
Britannic	Yes		nil
BWD Rensburg	Yes		nil
Close OEICs	Yes		1.00 - 2.00
Close UTs	No		1.53 - 4.76
Credit Suisse	Yes		nil
Deutsche	Yes		0.00 - 0.1477
Dresdner RCM	Yes		nil
Edinburgh	Yes	£30 + VAT per product, plus £30 per fund	nil - 1.76
F&C	Yes		nil
First State	Yes	£30 per fund per transfer	nil
Framlington	Yes	Bid to bid + 0.50% for stock transfers	nil - 0.76
Friends Provident	Yes		1.44 - 2.44
Gartmore	Yes		0.49
Govett	No		nil
Henderson	No		nil
HSBC	No		nil
Insight (Clerical Medical)	Yes		nil
INVESCO Perpetual	Yes	Accepts full transfers only	nil
Investec	Yes		nil
ISIS	Yes		1.53
JPMorgan Fleming	Yes		nil
Jupiter	Yes		0.99
Lazard	Yes		nil
Legal & General	Yes		nil
Legg Mason	Yes		nil
Liontrust	No		nil
Lloyd George	No		nil



M&G	No		nil
MFS International	Yes		nil
<b>Fund Manager</b>	<b>Can be re-registered (transferred in specie)?</b>	<b>Charge for re-registration</b>	<b>Cofunds initial charge for wrapped cash transfer (all initial commission rebated)</b>
Martin Currie	Yes		nil
Merrill Lynch	Yes		nil - 0.15
Morley	Yes		nil
New Star	Yes		1.25 - 2.25
Newton	Yes		nil
Norwich Union	Yes		nil
Norwich Union Property Trust	Yes		4.76
Old Mutual	Yes		nil
Rathbone	Yes	cash only basis, sell at bid and buy back at creation	0.85 - 2.21
Rothschild (Five Arrows)	Yes		nil
Royal & Sun Alliance	No		1.76 - 2.00
Sarasin	Yes		1.00
Schroder	No		nil
Societe Generale	Yes	Bid to bid + 0.50% per fund per transfer	nil
Standard Life	No		nil - 0.39
Threadneedle	Yes		Nil

#### Notes

1. All fund groups can re-register direct fund holdings, but only those funds marked above additionally offer ISA & PEP re-registration.
2. Charges for re-registration based upon Cofunds information.



## **Equitable Life – Update**

Readers of the Sunday newspapers (28<sup>th</sup> and 29<sup>th</sup> September) will have seen speculation on the future solvency of Equitable Life and this is obviously concerning for existing policyholders. Policyholders will once again be wondering whether or not to surrender their policies or wait until the maturity of their policy to take their benefits.

With profits policyholders who request a surrender value now will face a deduction of 20% of their policy value, maturing policies are subject to a deduction of 10%. It is unlikely that these penalties will be reduced or withdrawn in the foreseeable future but they could be increased if the Equitable experiences renewed pressure from policyholders withdrawing funds.

The publicity was the result of the leaking of a document suggesting that the Equitable Life board were preparing to declare the society insolvent and appoint receivers. The Society has denied this. In itself, the idea that the Equitable would have made preliminary approaches to one or more insolvency practices is not surprising. The decline in stockmarkets has pushed the Society close to its solvency margins in the past and some sort of contingency plan would be expected.

There are two issues that are perhaps more important than alleged boardroom discussions. The first of these is the actual likelihood that the Equitable will become insolvent.

In June 2002, Equitable estimated that it would risk breaching its statutory solvency requirements if the FTSE 100 index fell below 4,000. This index now stands below 3,800, suggesting the Equitable may face renewed difficulty. However, following pressure from the Financial Services Authority, the society imposed harsher penalties on savers wishing to withdraw money from the with profits fund. At this stage the society had already reduced the equity exposure of the with profit fund to 15%, and this was continued to the stage where we estimate Equitable equity exposure to be between 5% and 10%. These changes will have reduced the level at which the society would become insolvent. Equitable itself continues to maintain that it is solvent, and the FSA has not issued any comment beyond reassurance that the insurance sector as a whole could withstand further stockmarket falls.

Secondly, it is worth considering what redress would be available to policyholders in the event of Equitable Life passing into receivership.



The initial stage following the FSA declaring the society insolvent would be for the Financial Services Compensation Scheme (FSCS) to draw together the assets of the Society and distribute these between the policyholders. Assuming there was a shortfall, the FSCS would then evaluate compensation payable. The FSCS offers compensation equal to 100% of the first £2,000 and 90% of the remaining value based on the value of accumulated annual bonuses and guarantees. However, there is no precedent for the failure of a with profits fund, and the terms of any compensation would inevitably be subject to court action. A particular concern would be over the treatment of terminal bonus.

Overall, the recent press speculation has not added anything valuable to the debate, but will inevitably have reduced the confidence Equitable policyholders have in the Society. If policyholders wish to discuss this matter further, they should contact their usual clarity adviser or email [enquiries@clarityglobal.com](mailto:enquiries@clarityglobal.com).



## **Buy to Let Property, and the alternatives.**

- 1. Investors should be aware of the trends affecting the buy to let and commercial property markets.**
- 2. The latest figures show significant regional variations in house prices and rental income**
- 3. Property should be considered as part of the overall portfolio as long as the individual investor is aware of the risks of investment.**
- 4. Investors should consider the taxation consequences of an investment.**

### **Buy to Let**

Since the late 1990's there have been an increasing number of investors seeking to purchase residential property specifically to let out. This has proved attractive to many people who trust "bricks and mortar" investment more than the stockmarket, and reflects the view of many that buying their own home has been their most successful investment.

This strategy has been successful for many investors and there are more private landlords than ever before. Many of these new landlords took advantage of a general relaxation of lending requirements and low fixed rate deals to borrow up to 85% of their property's purchase price.

There are signs, however, that the market for buy to let property may have peaked. The boom began in a period when there was a severe shortage of quality property available to rent. Rental yields on flats in London were comfortably in excess of typical mortgage repayments and landlords could rely on a steady supply of prospective tenants. However, the popularity of buy to let has brought a large amount of new property to the market and put rental yields under pressure. This situation has been aggravated by the general economic slow down, and increased redundancies.

Over recent years the rapidly rising price of property has compensated for falling rent levels, but there are indications that the rate of price increases is beginning to drop, especially in the London and the South East. This will focus the minds of landlords in connection with the levels of rent, and the length of void periods between tenants, and in some areas net yields are falling below the required mortgage repayments. There is a risk that property placed on the market by disillusioned landlords will destabilise the prices of typical buy to let properties such as one and two bed flats in accessible locations.

Within London and the South East the case for the purchase of buy to lets has weakened considerably, although local factors will mean that the concept may retain its attractions in other areas. Prospective landlords should consider the following factors:

- Falling rental yields, lengthening void periods and increasingly choosy tenants.
- The prospect of medium term interest rate rises.
- Income tax on rent and Capital Gains Tax on the eventual sale of the property.
- Poor liquidity as properties generally have to be bought and sold as whole units, rather than being divisible into smaller parts. Any sale or purchase is likely to be a lengthy process and additional costs such as stamp duty, legal costs and estate agents fees should be considered.



- Managing agents fees of up to 15% of rent should be considered unless the considerable trouble and inconvenience of finding a tenant and managing the property is to be undertaken personally.

For the personal investor, there are several options that can be considered as alternatives to direct property ownership.

## **Alternatives**

### Direct Equity

An investor could purchase the shares of a property company such as Land Securities or Slough Estates. Please note that this is not a recommendation as clarity is not authorised to give investment advice in connection with direct equities. These companies own and manage large portfolios of commercial property, but as company shares the price is determined by a variety of factors, rather than purely the value and yield of the property owned.

### Unit Trust/OEICs

There are several unit trust type funds which invest in commercial property. One of the largest of these is the Norwich Union Property Fund, which is worth around £560 million. This Fund invests about 70% of its assets in direct property comprising retail, industrial and office accommodation. The remainder of the Fund is invested in property shares and cash.

The advantage of this approach is that it gives the investor exposure to a diversified portfolio of large commercial properties, but also allows the investment to be realised at short notice with none of the difficulty or uncertainty of direct property sale, although managers do reserve the right to delay sales in exceptional circumstances.

Alternatively, there are a wide variety of specialist property investment schemes available, offering different levels of risk and reward potential. At the lower risk end of the spectrum are Ground Rent Trusts, which invest in a property freehold rights. These ground rents are usually quite secure, although capital values are unlikely to increase rapidly.

### Investment Trust/Limited Liability Partnership

There are a number of investment trust and partnership based property funds which run on similar lines to their unit trust cousins in terms of the portfolio but add the extra element of gearing. Some have simple gearing by borrowing typically 65 to 70%, others take this further and divide shares into capital and income shares. This latter approach increases the gearing ratio (and hence risk) to as much as 7 to 8 times in some cases. You must therefore be wary about risks with such investments.

### Commercial Property Schemes

More growth potential can be obtained from the many specialised commercial property schemes available, often developed to finance specific portfolios of property. We are trying to put together a syndicate of private individuals who might be interested but investment minimums are likely to be about £500,000.



Over the last year the commercial property market has mirrored the economy in general, as demand for industrial and manufacturing accommodation remains weak and the market for office space suffers from over-supply in London and the South East. Demand for retail property has remained firm, especially for larger property sizes. The commercial property market has not been as badly affected by the economic slowdown as it was at the end of the 1980's because there has been much less speculative construction and there is consequently less over capacity. This factor is likely to mean that occupier demand will increase rapidly in line with any economic recovery, but the yield will remain subdued in the short term.

For investors who still see opportunities in the residential property market, perhaps due to factors affecting specific localities, there are still attractive financing deals available. Such investors must be aware of the general trends affecting the buy-to-let landlord, and be prepared to accept the higher level of risk that this entails. For investors who are not prepared to accept this level of risk property may still be an appropriate investment, but held through a unit trust or other collective investment scheme.

#### Useful Sources of Information

- **ARLA** – [www.arla.co.uk](http://www.arla.co.uk)
- **Halifax House Price Index** – [www.halifaxgroupplc.com](http://www.halifaxgroupplc.com)
- **Nationwide House Price Index** – [www.nationwide.co.uk](http://www.nationwide.co.uk)
- **Up My Street** – [www.upyourstreet.co.uk](http://www.upyourstreet.co.uk)
- **Property Finder** – [www.propertyfinder.co.uk](http://www.propertyfinder.co.uk)
- **FPD Savills** – [www.fpdsavills.co.uk](http://www.fpdsavills.co.uk)
- **HM Land Registry** – [www.landreg.gov.uk](http://www.landreg.gov.uk)
- [www.hometrack.co.uk](http://www.hometrack.co.uk)
- **“Assured and assured shorthold tenancies” The Department of the Environment, Transport and the Regions (DETR) publication** – 0870-1226236
- **“A guide to Property Income”** Inland Revenue Leaflet IR150
- [www.buytolet.co.uk](http://www.buytolet.co.uk)
- **Morley Fund Management Quarterly Property Strategy**,  
[www.morleyfm.com/property/prop\\_str.doc](http://www.morleyfm.com/property/prop_str.doc)



## **Bonds – A Safer Option**

- 1. In summary bonds are a less volatile haven in troubled times, but do need to be treated with caution.**
- 2. Investors should ensure that they consider the impact of inflation and interest rates risks.**
- 3. Investors should spread their risks and keep an eye on changing economic climates.**

As equity markets have declined relentlessly since the middle of the year 2000, it is unsurprising that investor interest in the alternatives has increased. Traditionally, the alternative for investors not wishing to retreat fully into cash has been the bond markets and this has certainly held true over the last year, and Fund managers in this asset class have received record cash inflows.

However, whilst “Bonds” are often referred to as if they formed a single, homogeneous asset class, this is certainly not the case.

The lowest risk class of bond is that issued by a government with a first class credit rating, or similar non-governmental bodies (such as the world bank). Gilts issued by the UK Government fall into this category, and if you held a Gilt from issue to its eventual maturity this would be considered a very low risk investment. However, for investors buying and selling a Gilt during it’s lifetime there is the real possibility of incurring a capital loss.

The principal determinants of Gilt prices are interest rates and inflation. A rise in interest rates reduces the attractiveness of the fixed interest payment from the Gilt, which therefore falls in value. Inflation erodes the future value of the eventual capital repayment on maturity; therefore high or increasing inflation causes Gilts to fall in value.

Additionally, almost all Gilts are currently trading at a premium, meaning that the price is greater than their eventual maturity value of 100 pence. This is caused by the wide differential between the high fixed interest payment of the Gilt and lower prevailing interest rates. This creates a “built in” capital loss, which is allowed for in the published “redemption yield”.

Clearly we are currently in a period of historically low interest rates and subdued inflation. Both these factors have supported Gilt values, which stand close to a 30 year high. Increasing interest rates or inflation concerns would be expected to lead to falling Gilt prices, although the great demand and very limited supply helps to support Gilt prices.

Bonds issued by listed companies work in exactly the same way as Gilts (or other government bonds), although they offer higher yields in return for the increased risk compared to Gilts, with the additional factor being the risk of default. Companies need to generate earnings in order to meet interest payments on their bonds, and therefore the likelihood of default is highly dependant on the financial strength of the company concerned. Standard and Poors rate bond issuers on a scale starting at “AAA” for the companies with the greatest strength to “C” for those facing the imminent risk of bond default.



These categories are grouped into two broad bands. Bonds rated “AAA”, “AA” etc, down to “BBB” are termed investment grade, whilst those rated “BB” down to “C” are speculative grade. This distinction is important as investment grade bonds behave in a similar way to Gilts, with interest rates and inflation being the main determinants of price movements. Demand for investment grade bonds has also been increased by the requirements of the accounting standard FRS17, which will lead to pension fund managers allocating increased amounts to this asset class.

For speculative grade bonds, high yield bonds, company performance and capital strength are the main factors, with interest rates and inflation playing a smaller role. High yield corporate bonds have suffered along with equity markets as the effects of earnings weakness and valuation revisions drive down asset values. The price of high yield bonds is much more dependant on the perceived risk of the issuing company than on macro-economic factors. During the past two years many companies have suffered credit downgrades, resulting in rapid falls in the value of bonds issued. This has led to bond fund managers increasingly using company analysis in the same way as equity fund managers, when they may have previously relied much more on macro-economic analysis.

So, therefore, the main risks to the corporate bond markets are the continued weakness of company earnings and continuing credit downgrades. Any signs that inflation were returning and interest rates were to rise would exacerbate the situation. A further risk is that the effects of high demand for higher quality corporate bonds could lead to insupportably high bond prices and a future correction.

So, bonds are a safer-haven in troubled times, but do need to be treated with caution. Over emphasis on Gilts will limit returns and leave the investor exposed to future rises in interest rates. Direct investment in Gilts will remain the best way of securing a known return for the most conservative investor.

Quality corporate bonds may become over priced through demand, and are likely to produce single digit investment returns, much of which will be in the form of income. However, an environment of low inflation and lower economic growth may mean that equities struggle to perform significantly better than this.

Modest economic growth and issues of corporate profitability & solvency will also affect high yield corporate bonds. Managers of high-yield funds will aim to spread risks, and avoid bonds likely to be subject to credit concerns. However, it is an area that the greatest gains are likely to be made by those prepared to take the necessary degree of risk.

We would suggest that you spread your risks, and keep an eye on the changing economic climate.

For a full description of the mechanics of the bond markets, and performance figure for bond funds, see [www.bondfundsonline.com](http://www.bondfundsonline.com).



## Cash Investments

For those looking for simple deposit recommendations, here is a list of what is currently available.

<i>Company</i>	<i>Notice</i>	<i>Size of Deposit</i>			<i>Notes</i>
		<i>£10,001</i>	<i>£25,001</i>	<i>£50,001</i>	
Alliance & Leicester 0845 964 5660	None	4.15%	4.15%	4.15%	All transactions via Premier Current Account
Abbey National <a href="http://www.abbeynational.co.uk">www.abbeynational.co.uk</a>	None	4.40%	4.40%	4.40%	Internet a/c. Variable bonus (currently 0.5%) for 6 months.
Birmingham Midshires 0800 169 1543	None	4.20%	4.20%	4.20%	Telephone a/c. Min. transaction £500.
Goldfish <a href="http://www.Goldfish.com">www.Goldfish.com</a>	None	4.05%	4.25%	4.25%	Internet a/c but also by post/phone. Int paid monthly.

Notes :

1. The interest is payable annually (except Goldfish paid monthly).
2. The rates are variable and can change without notice.
3. These rates are not necessarily the most competitive amongst all building societies, but do represent the major institutions.



## **Suitability & Affordability**

It is possible to invest in these funds using the Transact Service. This Service does not offer any advice as to the suitability or affordability of the funds for individual investors although it does give guidance on the funds to consider. Individuals wishing to make investments through this Service should approach clarity for details.

Any investments transacted as a result of this Newsletter will be treated as a Direct Offer investment unless the investor indicates that specific advice has been given.

Individuals utilising the One to One Service may request specific advice as to the suitability and affordability of particular funds. The One to One Service may also include recommendations of funds in sectors not included here.

## **Risk Warnings**

Please note that the value of these investments and the income from them may go down as well as up. Past performance is not necessarily a guide to future performance.

It is common for funds to carry an initial charge of approximately 5%. This is reflected in the spread between the offer (buying) and bid (selling) prices. The performance figures used in this Newsletter have been calculated on a bid to bid basis rather than an offer to bid basis. This is because reinvested commission and discounts significantly reduce the charges. Where there is a residual initial charge, actual performance will be reduced as bid to bid assumes a nil initial charge. Where investments are made in overseas markets, there is an additional risk of losses through currency fluctuation.

Please consult the Key Features document, which is sent with any application forms, before investing, for a full expression of charges.



## APPENDIX A

### INTRODUCTION TO YOUR ADVISERS

#### clarity

*“What is conceived well is expressed clearly, and the words to say it will arrive with ease”*

#### Our Philosophy

This quote used in our brochure embodies every aspect of our business in servicing the financial needs of our clients. clarity is there to understand what you want, explain all the investment options in simple “English” and help you implement the chosen solution at the minimum possible cost.

We apply a no nonsense approach, with great emphasis on clear understanding and transparency. At the end of the day, the management of money is fundamentally simple, so why make it complicated?

#### Our Future

clarity was originally conceived and created to meet the needs of the partners of legacy PW and other professional partnerships. In the competitive environment we live in, clarity recognises the need to build a long-term relationship to create your trust in us. Our objective is to work in "partnership" with our clients to make the best use of your money with those decisions now and into the future.

Our only business is the provision of financial advice to individuals within partnerships and companies, as well as private clients. Our success is dependent upon our ability to deliver consistent financial advice to those clients over the long term.

#### Your Team

clarity has dedicated a team of advisers. Each team member will have responsibility for an individual client and will be their main contact. Having said that, we apply a policy of "double cover" so that a second adviser is briefed to allow cover for holidays, sickness etc. In fact, we work in teams of 2 advisers and 1 administrator/assistant for this reason.

The team members are: -

**Angus Jones** – was an employee with PW for four years where he developed for legacy PW partners the service you have now. His background is firmly in investment and tax having also worked for over four years for the financial services division of a senior investment management company in the City. He has advised clients for many years in all the aspects of investment, tax and pensions.

**Direct Line 07930-418290** email [angus.jones@clarityglobal.com](mailto:angus.jones@clarityglobal.com)

**Claire Davies-Evans** – worked for a number of years at PwC dealing with High Net Worth individuals. Claire is familiar with all levels of planning covering tax, pensions and investment for both UK based and overseas individuals.

**Tel 020-7556-7170** email [claire.davies-evans@clarityglobal.com](mailto:claire.davies-evans@clarityglobal.com)



**Glyn Bolton** – spent a number of years at Capel Cure Sharp and then 4 years at Kleinwort Benson. He has been involved in detailed work on group pension arrangements and investment issues.

**Tel 020-7556-7170** email [glyn.bolton@clarityglobal.com](mailto:glyn.bolton@clarityglobal.com)

**Ken Chapman** - Ken Chapman has a wealth of experience of dealing with High Net Worth individuals. He is qualified in Taxation and in Financial Planning and holds the ATII qualification. Ken started his career in the Inland Revenue and has advised wealthy clients at a number of private client firms including Capel Cure Myers, Robson Rhodes and was head of financial planning at Deloitte and Touche. He is a previous editor of the Butterworths guide to Financial Planning and currently writes the chapters on Insurance and Pensions for Tolleys Estate Planning.

**Tel 020 7556 7170** email [ken.chapman@clarityglobal.com](mailto:ken.chapman@clarityglobal.com)

**Andrew Jones** - Andrew Jones has worked in the investment business for 9 years, latterly at Blick Rothenberg and Deloitte & Touche Private Clients. Andrew is qualified to give advice on all Pensions and Investment issues. He is additionally responsible for clarity's investment monitoring and investment fund selection process.

**Tel 020 7556 7170** email [andrew.jones@clarityglobal.com](mailto:andrew.jones@clarityglobal.com)

**Claire Middleton** – worked for 5 years at PricewaterhouseCoopers, qualifying as a Chartered Accountant and dealing with the financial affairs of High Net Worth individuals. Claire has dealt with advice to clients in all aspects of investments, tax and pensions.

**Tel 020-7556-7170** email [claire.middleton@clarityglobal.com](mailto:claire.middleton@clarityglobal.com)

**Richard Hill** – is our paraplanner who has been involved with looking after the financial affairs of High Net Worth Individuals for many years. He provides support to the advisers and is responsible for ensuring that service standards are maintained.

**Tel 020-7556-7170** email [richard.hill@clarityglobal.com](mailto:richard.hill@clarityglobal.com)

**Linda Marsh** – is an administrator. Linda particularly supports Angus and Claire Middleton. Linda is FPC1 qualified. Please channel any administrative queries to Linda Marsh in the first instance.

**Tel 01483-729393** email [linda.marsh@clarityglobal.com](mailto:linda.marsh@clarityglobal.com)

**Sarah Wood** – has joined as an administrator. Sarah particularly supports Claire Davies-Evans and Glyn. Please channel any administrative queries to Sarah Wood in the first instance.

**Tel 01483-729393 e-mail** [sarah.wood@clarityglobal.com](mailto:sarah.wood@clarityglobal.com)

All members of the advisory team have successfully completed professional exams within the Securities Institute, Institution of Taxation and/or Chartered Insurance Institute. Their combined knowledge is designed to cover all aspects of personal finance.



## **Offices**

**London Office:** 75 Cannon Street, London EC4N 5BN.  
**Tel: 020-7556-7170**

**Administration Centre:** Stadium House, 73 Walton Road, Woking, Surrey GU21 5DW  
**Tel 01483-729393**

## **Technological Developments**

We are innovative in using the Internet and e-mail to deliver the service to you. For example, we have developed an electronic questionnaire, to avoid you having to complete one from scratch when we come to review your finances in a year's time: all we do is send back the last electronic copy for you to update.

Our Webpage has now been launched as is available via [www.clarityglobal.com](http://www.clarityglobal.com). The website will allow access to more direct transactions of ISAs and unit trust and stakeholder pensions through our clarityTRANSACT service.



## APPENDIX B

### TERMS OF BUSINESS

#### Regulator's Statement

**Those who advise on life assurance, pensions and unit trust products are EITHER independent advisers, OR representatives of one company. Your adviser is independent and will act on your behalf in advising you on life assurance, pensions or unit trusts products. Because your adviser is independent, he or she can advise you on the products of different companies.**

clarity is regulated by the FSA and is bound by its rules. The address for clarity is: 75 Cannon Street, London EC4N 5BN. Tel 020-7556-7170

#### Services

We offer advice on life assurance, pensions, unit trusts, investment trusts and securities, both readily realisable and not readily realisable. We are authorised to manage portfolios without discretion.

We also offer advice in certain areas not covered by the Financial Services Act (1986) including: term assurance, mortgages, medical insurance, long term care, disability insurance, Tessa and National Savings. These areas are not covered by the Act and hence THERE IS NO COMPENSATION SCHEME FOR THESE INVESTMENTS.

#### Records

You have a right to inspect copies of contract notes, vouchers and entries in our books or computerised records relating to your transactions. We keep records of our business transactions for at least six years.

#### Complaints

If you should have any complaint about the advice you receive or a product, which you have bought, then please write to the Compliance Officer at the address above.

#### Investors' Compensation Scheme

If you make a valid claim against clarity in respect of the investments we arrange for you and we are unable to meet our liabilities in full, then you may be entitled to redress from the Investors' Compensation Scheme. Details of the cover provided by the Scheme are given in a leaflet, which we will send you on request.

#### Independence

We offer independent financial advice, but occasions can arise where we, or one of our other customers, will have some form of interest in business, which we are transacting for you. If this happens, or we become aware that our interests or those of one of our other customers, conflicts with your interests, we will inform you and obtain your consent before we carry out your instructions.

#### Instructions

When we have arranged investments, for which you have given instructions, we will not give you any further advice unless you request it, but will be glad to advise you at any time you ask us to do so.

We require our clients to give us instructions in writing to avoid possible disputes. We will, however, accept oral instructions provided they are subsequently confirmed in writing.



You, or we, may terminate our authority to act on your behalf at any time without penalty, subject to contract. Notice of this termination must be given in writing..

### Charges and Commission

We normally charge fees at the rates set out in our attached fee schedule as amended in writing and notified to you from time to time. We will notify you in writing before we carry out any chargeable work, explaining how much it will be.

We generally do not derive income from commission, however, in some cases it is unavoidable. Should initial commission be paid to us in respect of transactions in life assurance, unit trusts, other regulated collective investment schemes, investment trust companies' shares held in a PEP or regular savings scheme, then we shall tell you the amount of that commission payable to us on any such investment. Any renewal commission, however, will be retained by clarity.

### clarity DOES NOT HANDLE CLIENT MONEY

We never accept cheques made out to us, unless it is a cheque in settlement of charges or disbursements for which we have sent you a bill, nor do we handle cash.

### Documents

We will make arrangements for all your investments to be registered in your name unless you first instruct us otherwise in writing. We will forward to you all documents showing ownership of your investments as soon as practicable after we receive them. Where a number of documents relating to a series of transactions is involved, we normally hold each document until the series is complete and then forward them all to you in one batch.

### UK Money Laundering Regulations (1993)

We are obliged to conform with the UK Money Laundering Regulations which require financial institutions to confirm the identity and place of residence of each investor. This may require sight of certain documentation and/or checking with a credit reference agency, the electoral roll or directory enquiries in order to verify your details. A credit reference agency may record the search. We take no responsibility for any delay in investing where money laundering verification is needed.

### Confidentiality

It may be necessary for external professional advisers to inspect our records. We will not pass information relating to you to another party without your prior consent unless we are legally obliged to do so.

### Data Protection

We are required to demonstrate to the FSA that we "know our client". Through this process we may request "sensitive data" from you e.g. your state of health. If you agree to provide this information, we will take this as your explicit consent to the processing of such information. Your "Data" will be put onto clarity's database/manual records and held, processed, disclosed and used by us and third party product providers in servicing our/their relationship with you, including identity and money laundering checks. If you do not agree to this storage, use and disclosure, please write to the Data Protection Officer, clarity Limited., Stadium House, 73 Walton Road, Woking, Surrey, GU21 5DW.

clarity Limited and third party product providers may use and analyse your personal data, including the nature of your transactions to give you information by post, telephone, fax or e-mail about our/their products and services and those of selected third parties which may be of interest to you. If you do not wish to be contacted for marketing purposes please write to the Data Protection Officer, at the above address.