

February 2007

taking stock this ISA season

As tax-year end fast approaches, **Sophie Lenton** looks at why the proposed changes to ISAs will create huge potential for advice and why platforms are set to benefit.



Sophie Lenton
MultiFUNDS Marketing Manager

As the confidence in the investment markets rose in early 2006, so did the popularity of ISAs as tax-efficient savings vehicles. According to statistics published by HM Revenue & Customs, contribution levels last tax-year end reached their highest ever, with nearly £3.8 billion being subscribed into stocks and shares ISAs – up 18.3% on the year before.

ISA sales through Skandia MultiFUNDS have remained high throughout the year,

averaging 40% up on the previous year, and this increase looks set to continue.

A recent Skandia survey* showed that 97% of advisers believe there will be the same or more money invested in ISAs this tax-year end, potentially smashing last year's record high.

ISA promise

The Government's recent pre Budget report announcements regarding the future changes to ISAs has cemented the fact that they are here to stay – strengthening their use as long-term savings vehicles. Interest and activity in stocks and shares ISAs is likely to increase dramatically as a result of these changes.

The Chancellor's confirmation that cash ISAs will be able to transfer funds into stocks and shares ISAs (but not the other way around), creates an excellent opportunity for advisers to unlock some of the £120 billion cash ISA market, largely generated through unadvised sales of high street products. These changes are expected to be introduced in April 2008.

investing for the long term?

With all recent research suggesting that over the long term equity investments have delivered higher returns than other investment assets, the opportunities presented by the ability to transfer cash into stocks and shares ISAs without affecting annual investment limits is clear. But a look at recent tax-year end ISA flows implies that investors may not be fully utilising the long term potential of the stock markets.

The ISA net sales chart below shows how the most popular IMA sectors have performed over the three year period preceding the 2006 tax year end. The sectors are plotted on the chart according to their returns over the period and their relative volatility. The size of the circles represents the amount of net sales that went into these sectors during the last tax-year end (January to April 2006).

The figures show that low risk sectors have been the most popular, with over half of last year's ISA investments going

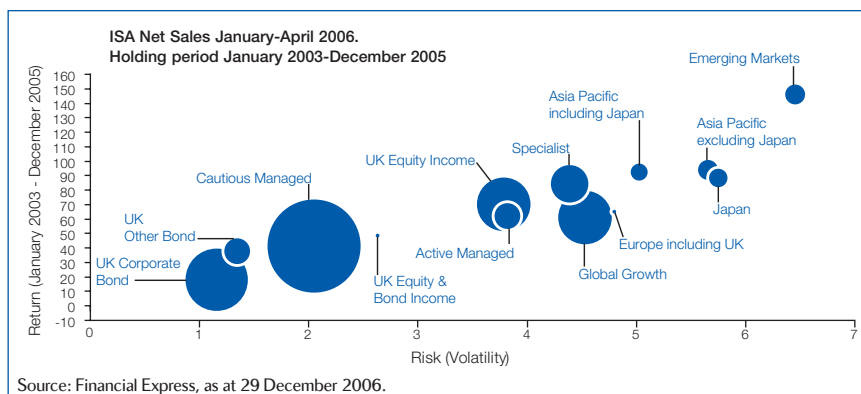
supporting you at tax-year end

We have created an ISA campaign support tool to help you take full advantage of tax-year end opportunities.

The tool enables you to produce your own tailor-made direct mail campaigns, with pre-populated application forms, client letters and fund specific information sheets, which can be sent to clients with our new light-weight A5 size Key Features document.

The tool allows you to select a portfolio of funds for your clients. This essentially provides a defined fund range for your clients, without necessarily giving them advice. The suggested text on the tool makes it clear to clients that you are not giving them advice; however you can edit this text to meet your own compliance requirements.

To start using the ISA campaign support tool, visit www.skandia.co.uk and click on SkandiaWrap.



a highly rated choice of funds

Skandia provides you with access to a broad range of funds from which you will be able to select a suitable ISA portfolio choice for your clients. To aid your fund selection we have created an up-to-date definitive list of the top rated funds available through Skandia MultiFUNDS using a points based system.

into the Cautious Managed (36%) and UK Corporate Bond (17%) sectors. This is despite returns for these sectors being fairly modest compared to some of the other sectors.

Of course risk management is crucial, but by avoiding sectors with higher risk profiles altogether, investors may have ultimately missed out on higher returns. A solution for clients wanting to reduce their risk but capture some performance upside could be to consider regular savings within a diversified portfolio.

We believe that the investment options and e-business tools provided by fund platforms provide advisers with the necessary solutions to create suitable portfolios for clients' needs.

popularity of platforms

The Skandia survey showed that more advisers are turning to platforms to provide the necessary choice and flexibility for their clients. A staggering 99% of advisers said they would place the same or more money with platforms this coming tax-year end.

The time saving efficiencies and value for clients that platforms can bring are widely known. However, before choosing a platform it is important to consider:

- e-commerce tools available at both pre and post sale
- charging structure – cost efficient switching for the client
- product flexibility and long-term value
- range of available income options
- levels of service
- availability of client and adviser helpdesks/extranet sites
- regional presence and support.

For more information on tax-year end, visit our dedicated website at www.skandia.co.uk/isatye

Fund	Score
Invesco Perpetual High Income	100.0
Invesco Perpetual Income	100.0
Rensburg UK Select Growth	100.0
Invesco Perpetual Monthly Income Plus	93.4
Jupiter High Income	93.4
Fidelity Special Situations	93.4
Old Mutual UK Select Mid Cap	93.4
Merrill Lynch UK Smaller Companies	93.4
New Star European Growth	93.4
M&G Global Basics	91.8
Old Mutual Corporate Bond	86.8
Jupiter Income	86.8
Merrill Lynch UK	86.8
Merrill Lynch UK Special Situations	86.8
Jupiter Financial Opportunities	86.6
Merrill Lynch Gold & General	86.6
Invesco Perpetual Corporate Bond	85.1
New Star Fixed Interest	82.6
Jupiter UK Growth	80.2
Merrill Lynch UK Dynamic	80.2
Fidelity European	80.2
Schroder US Smaller Companies	80.2
Artemis Income	76.0
Henderson Preference & Bond	73.6
M&G Managed Growth	73.6
Schroder UK Mid250	73.6
JPM US	73.6
UBS US Equity	73.6
Schroder European Alpha Plus	73.6
JPM Emerging Markets	73.6
Jupiter Merlin Balanced Portfolio	73.6
New Star Sterling Bond	71.9

how we did it

OBSR, Citywire and S&P Ratings

A	8 points
AA	16 points
AAA	24 points

Financial Express Crown Ratings

1 👑	8 points
2 👑	16 points
3 👑	24 points

S&P Manager Stars

1 ★	5 points
2 ★	10 points
3 ★	15 points
4 ★	20 points
5 ★	25 points

The scores are calculated by adding the five ratings for each fund on the above basis (Financial Express Crown Ratings are not applied to the Specialist Sector). The total score is divided by the maximum available (121 or 97 for Specialist Sector funds) to arrive at a percentage rating. The S&P 'V' (Volatility) sub ratings are ignored, as these are applied solely to Fixed Interest Funds.

As you can see the Skandia Self Select range offers you access to some of the most highly rated funds in the industry.

Full explanations of the fund ratings are available on page 23.

This list includes only those funds submitted for analysis or falling within the rating criteria used by these agencies. Other funds may be suitable for a particular investor.

www.skandia.co.uk

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Issued by Skandia MultiFUNDS Limited Registered number: 1680071 England Registered Office: Skandia House, Portland Terrace, Southampton, SO14 7EJ, United Kingdom Authorised and regulated by the Financial Services Authority FSA Register number 165359
Skandia MultiFUNDS (Nominees) Limited Registered number: 2124535 England Registered Office as above