JAMES HAY WRAP

One point of access to the whole of the market

James Hay

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Wrap

An altogether better way of managing your investments

As you will know only too well, successfully managing a modern portfolio of investments is not a simple matter of checking the share prices occasionally and calling your broker if you want to make a change.

Markets move faster than ever, and most investors have a number of assets such as unit trusts and other collective or structured investments. Moreover, specialised vehicles like ISAs, insurance bonds and pension arrangements are often 'black boxes' as far as the investor is concerned.

In fact, we estimate that running a typical portfolio can involve around twenty-six different points of contact for obtaining valuations, giving instructions and carrying them out. This piecemeal approach can make it impossible to pursue consistent investment strategies across the whole of your portfolio, and lack of timely information, or delays in implementing your decisions, can mean missed opportunities or increased levels of investment risk.

As a result, many investors find that, due to the time and effort involved, their Financial Advisers are only able to carry out portfolio reviews at relatively long intervals – and a great deal can happen between one review and the next.

Fortunately, however, those problems can now be a thing of the past.

James Hay Wrap is a revolutionary service that can simplify the management of your portfolio in a way never before possible – allowing you to get the most from your investments, and from the skills of your Financial Adviser. In fact, it can enable you to monitor and control every aspect of your total financial position at all times.

What is a Wrap?

A Wrap is an electronic investment platform which combines ease of management with exceptional flexibility and breadth of investment. Even assets held in tax-privileged investment products, such as ISAs and your pension plan can be monitored and managed, along with your other holdings, as part of a single, overall portfolio.

James Hay Wrap uses secure internet technology to make all the information about your investments available to your Financial Adviser at any time – and to allow Investment Centre transactions to be carried out online. So, you need never be out of the picture as to what is happening, and Wrap's powerful investment tools allow your portfolio to be valued and analysed at the press of a button.

This combination of timely analysis, investment scope – and the facility to act quickly on your behalf – can enable your Financial Adviser to provide you with a total wealth management service.

Wrap at a glance

- Your investments in one place
- Complete transparency
- Whole of market asset selection
- A single point of contact to deal with
- Simplicity and ease of management
- 24/7 investment monitoring
- Complete control
- A comprehensive strategy for your investments
- Closer and more precise management of investment risk
- More benefit from the skills of your Financial Adviser
- Avoid the need to pay dealing costs or transaction fees
- Opportunities to invest at a discount
- Minimal paperwork
- Total security.

James Hay – a partner for life

James Hay Wrap was launched in 2003, and was the first UK Wrap to be authorised by the financial services regulator.

Various levels of Wrap product are currently available in the UK – and their use is growing rapidly. However, the investment demands that you will need to make of your Wrap are likely to change during your life, possibly many times, so the provider you choose will need to be a partner for life that can meet all of them.

Which is why your Financial Adviser has recommended James Hay.

We are specialists

James Hay is the UK's leading specialist in self-managed solutions for clients who wish to control their investment and pension portfolios. We have the most robust systems and a strong record of innovation. Before launching James Hay Wrap we had already played a major role in the development of Self Invested Personal Pensions, of which we are one of the UK's largest providers. We currently administer over £10 billion of funds for more than 35,000 SIPP and Wrap clients.*

* As at 30 November 2009

We are impartial and 'whole of market'

We are not an insurance company or fund provider – and you will be able to choose any investments that the rules of the products permit from the whole of the market. In a very diverse field, we serve the needs of investors who want the assurance of knowing that they can enjoy all the freedom of choice they may require – with a Wrap provider who has no vested interest in which investments they pick.

Our approach is transparent

We believe that financial transparency is fundamental to a true Wrap service. Once your James Hay Wrap is established, you will normally pay only a single annual charge, based on the value of your investments. Any discounts that we obtain from Investment Centre fund providers are passed on in full to investors.

We help your Financial Adviser to give you more

The investment tools and intermediary support that we provide are designed to help your Financial Adviser to deliver a superior quality of service and advice. We have significantly enhanced the functionality of James Hay Wrap over the years since it was launched – and we are committed to ongoing investment in our systems and service to benefit you and your Financial Adviser. The technical expertise and professionalism of the James Hay team are confirmed by the many awards we have received from the intermediary industry on behalf of its clients.

Peace of mind

You can rest assured that assets are administered by one of the UK's largest and most experienced Wrap providers.

At last investing can really be about strategy

Because they are able to sit alongside your direct holdings held within your Investment Portfolio, the investments held in your ISA and pension plan can be managed in line with the overall strategy that you and your Financial Adviser have agreed – in order to meet the financial goals and objectives you have set for yourself, your family or your business.

Of course, you will still have the freedom to pursue separate strategies for different segments of your portfolio – such as your pension investments – should you wish to do so. And your investment policy can also reflect your personal concerns and principles, which might include ethical or environmental considerations, or your confidence in the long-term prospects of specific technologies and sectors.

Wrap investment allows your Financial Adviser to take a holistic approach when giving advice – and makes it easy to update your strategies as your needs and objectives evolve. For example, changes in your family circumstances, or a move towards retirement, may affect what you want from your investments, or could alter the level of risk with which you are comfortable.

A whole of market choice of assets

With James Hay Wrap you can enjoy whole of market access to every type of permitted investment, stockmarket and fund provider permitted by the rules of the product. You can hold cash, individual shares and other securities, a wide range of collective and structured investments, and you can buy commercial property and land for your pension fund. A number of financial instruments and other specialised investments may also be available to you, depending on the product wrapper.

Invest for less and get a great deal more

You will not need to pay any Wrap dealing costs for buying and selling most types of investment – and online dealing for Investment Centre funds makes transactions quick and easy. What's more, our James Hay Investment Centre offers substantial discounts on many leading collective funds – and those available for pension or offshore investment include some that are not normally available to private investors.

Control of investment risk

Managing risk is probably the single most important key to successful and stress-free investment. With the investment scope of the James Hay Wrap at your disposal, and the advantage of total control, the level of risk within your entire portfolio can be controlled more easily – and with greater accuracy – than has ever been possible previously.

As well as allowing investments and sectors to be mixed and matched with greater precision, a Wrap dramatically reduces the work of administering your portfolio and implementing changes. This means that your Financial Adviser will be able to spend more time on monitoring, research and advising you on the most appropriate strategies for your investments.

Rapid response to market changes

24-hour online access, via the James Hay Wrap website, will allow your Financial Adviser to keep your entire portfolio under continuous review – and to make timely recommendations to capitalise on any new investment opportunities and to minimise the effects of any impending threats.

And, thanks to automation, your Investment Centre funds decisions can be implemented without delay, as strategic changes can be made across the board, altering the investment profile of your entire portfolio in a few keystrokes. For example, if you decide to pull completely out of the US market, your Financial Adviser will simply give the instruction once, instead of having to deal separately – and in different ways – with your Offshore Bond provider and pension provider, as well as any number of fund managers.

This ease of management, and the powerful aids that James Hay Wrap puts in the hands of your Financial Adviser, mean that your strategy can be 'turned on a sixpence' whenever the need may arise.

Simpler and easier in every way

Every aspect of investing is simpler and more trouble-free with Wrap. You don't need to keep records of your investments, because both James Hay and your Financial Adviser will provide you with consolidated reports on a regular basis or whenever one is required. And we will ease the burden of completing your annual tax return by providing you, each year, with all the information about your Wrap that you will need in a concise and convenient form.

Starting is easy. You will not have to sell or cash in your existing holdings to open a James Hay Wrap – as, depending on the type of investment, most assets can simply be re-registered or transferred to your Wrap.

How involved do you want to be?

If you are an experienced investor, James Hay Wrap will allow you to make the most of your skills; if you are not very experienced, don't worry – as you can choose the level of your day to day involvement. Working with your Financial Adviser, you can pick individual investments and funds, or you can outsource the investment selection to specialists by investing entirely in risk-rated or multi-manager funds. And, if you don't wish to be involved in the process at all, you can simply appoint an Investment Manager to run your portfolio on a discretionary basis, keeping to the predetermined level of risk that you lay down.

Wrap for your family…

Your Wrap can be for your assets alone, or it can be extended to include investments for your family. This will enable your Financial Adviser to create investment strategies designed to benefit the family as a whole, while taking account of the individual needs, financial goals and aspirations, of yourself and the individual members of your family who are participating in the Wrap.

…for a trust, or for your business

The benefits of James Hay Wrap are not confined to private investors. It can also benefit business users by making portfolio management much easier, saving valuable time and space – and improving security.

For example, if you are a solicitor involved in administering discretionary trusts, Wraps can greatly reduce the often excessive amount of work involved in a demanding, and often relatively poorly rewarded part of your business. You will be able to manage a number of trusts from your desktop – and you will no longer need to be responsible for keeping original documents or maintaining detailed records of individual investments. Access to offshore investments through a Wrap can also be especially beneficial in some cases.

Corporate Wraps offer similar advantages – and not only to investment companies, although streamlined administration, continuous monitoring and quick transactions are of special benefit to them. They can be equally attractive to organisations needing to invest cash outside their own business, as they will want to keep such investments separate from their general business assets.

The all-embracing investment solution

Build your Wrap as you go

In order to preserve the conditions of investments with separate tax treatments – such as ISAs, Offshore Bonds and pension arrangements – your James Hay Wrap can have a number of internal divisions, or compartments, known as product wrappers. There are no extra charges for these product wrappers, so you simply start by opening one wrapper – your Investment Portfolio – and then add others to it, as you need them.

The Investment Portfolio – the hub of your Wrap

Every James Hay Wrap is built around an Investment Portfolio. This is the product wrapper for your core assets – in other words, all your investments except those which receive special tax treatment, because they are assets of an ISA, Offshore Bond or pension arrangement.

Broadly, your Investment Portfolio can hold most types of onshore financial investments recognised by the Financial Services Authority, which are described more fully on pages 15 – 18, except for pooled pension funds that are reserved for pension investors. The Investment Portfolio also includes a special bank account, for receiving and making payments into and out of your Wrap – and in which your cash will earn interest at a competitive rate.

The scope of the Investment Portfolio will enable you to mix and match your holdings – or fine-tune your investment strategies – quickly and easily. If necessary, you may also switch to a different balance of risk and potential reward at any time – and to control your new profile with maximum precision.

If you are investing as a trustee or on behalf of an organisation, then an Investment Portfolio is the only product wrapper that you will need, apart from perhaps an Offshore Bond. You can also use your Wrap's 'scratchpad' facility to record the values of other investments which Wrap cannot hold, such as buy-to-let property – the rental income from which may be paid into your Wrap, where it can either be reinvested or deposited in your Investment Portfolio bank account to earn interest.

You are not limited to a single Investment Portfolio. Additional Wraps can be opened, to hold investments earmarked for your children, grandchildren or other members of your family – or for a special purpose, such as providing school or university fees. This will make it simpler to operate special investment strategies and risk profiles for them.

ISA – tax-free returns that won't tie you down

The option to look for richer returns through tax-free investment is always attractive, and ISAs allow your investment to 'roll-up' without incurring any liability to income tax or capital gains tax (apart from tax deducted at source from dividends, which we are unable to claim back).

Once you have set up a James Hay Wrap Investment Portfolio for your core holdings, any existing ISAs that you have may be transferred into an ISA product wrapper, where they can be managed within the Wrap environment. You and your Financial Adviser will then be able to monitor them more closely, along with your other investments – and act promptly to switch any holdings as you both see fit.

You will be able to take advantage of your ongoing tax-free investment allowance, which is £10,200 a year, simply by adding a further ISA each year. However, do remember that the tax benefits will depend upon your individual circumstances and the government may alter or withdraw the tax benefits without notice.

It is probably worth considering the benefits of holding part of your Wrap portfolio in ISAs, particularly as an ISA has no set term, and can be cashed-in, either completely or partly, whenever it suits you. Also, you can put in occasional lump sums, or make regular payments, as you wish. So, as long as you keep within the annual limit, any income from your Investment Portfolio can be transferred straight into your current year's ISA, and put to work in a tax-efficient environment without delay.

Offshore Bond – tax-efficient investment with special opportunities for providing an income

The Offshore Bond allows you to take advantage of the opportunities for tax-efficient investment that are available offshore, while being able to manage the underlying investments together with the other parts of your portfolio.

Offshore Bonds don't suffer the tax liability on the underlying funds which applies to UK onshore bond investments. Instead, the fund can enjoy 'gross roll-up' subject to any irrecoverable witholding tax which may acrue on income. This allows you to defer tax until you take your profits.

As a UK resident, you are able to take annual withdrawals from Offshore Bonds of up to 5% of your original investment for 20 years, without any immediate liability to personal tax. The allowance is cumulative and any unused allowance for one year is carried forward for use in subsequent years.

This facility may be of particular interest if you have exceeded your lifetime allowance for pension investments (see the Wrap Technical Product Guide for more details) – or you expect to do so shortly. It means that Wrap Offshore Bonds offer an alternative way of building up money in a tax-efficient environment to provide you with additional income and flexibility when you decide to retire.

SIPP – your pension investments at your control

Ensuring that we will be able to enjoy the standard of living we would like when we retire is probably the ultimate reason for most personal investments. A Self-Invested Personal Pension allows you to take advantage of the tax privileges that are available to pension investors, by saving in a retirement fund that, like every other component of your James Hay Wrap, can be invested entirely in line with your wishes. The tax benefits of a SIPP are also considerable – as a UK resident, your allowable contributions can be up to 100% of your earnings and qualify for full income tax relief; investment income and growth within your fund will be free of most UK taxes; and, when you retire, you will in most cases, be able to take up to 25% of your accumulated fund as a tax-free cash sum.

In fact, you won't even need to stop working to begin drawing the benefits that you have built up, and you will be able to take an income directly from your SIPP investments. You can take your pension in this way for life, although it is likely that, on reaching 75, you will prefer to sell the assets of your SIPP, and use the proceeds to buy an annuity, as this will avoid some potentially unattractive tax consequences on your death.

Because your pension savings could remain invested throughout your retirement as well as during your working life, it is almost certain that your needs and circumstances will change at least once during the life of your SIPP. Full control through your Wrap will allow you and your Financial Adviser to adapt your investment strategies to meet all of these changes as they occur.

Another advantage of having a SIPP within your Wrap is that you will be able to consolidate the value of any pension benefits that you have built up in other schemes or with previous employers. As well as bringing all your pension savings under your investment control, this will simplify your pension position and could mean cost savings that can be used to boost your fund.

For some people, the most valuable aspect of a SIPP is the fact that it can hold commercial property and land. Commercial property can be a good investment for pension assets, as it should provide a rising level of long-term income.

To make property investment more accessible, SIPP holders can borrow up to 50% of their SIPP fund's value in order to purchase a property. This flexibility can be especially helpful to people who would like to use their SIPPs to buy their firm's existing or new premises, either alone or by pooling resources with their co-partners or directors.

Plus – control of your total financial position

While the investments that can be held inside your James Hay Wrap may be an important part of your overall financial situation, it is unlikely that they represent the entire picture. We have already mentioned buy-to-let property – a popular investment over recent years, which cannot be held within the Wrap itself, but whose value can be recorded and updated manually, using a feature known as the 'scratchpad'.

Your Wrap's scratchpad is, in fact, a powerful facility that can enable you to monitor and review the whole of your financial position, with the help of your Financial Adviser, on an ongoing basis. For example, it can include the values of:

- Your home
- Your business, or your interest in a business
- A second home, holiday property or timeshare
- Any other property you own
- Bank and building society accounts that are outside your Wrap
- Outstanding mortgages and loans
- Loans you have made that are outstanding
- Works of art, antiques, jewellery.

Many of these values will be approximate but, if you wish to do so, recording and updating them within your Wrap will give you a complete overview of your wealth position, and place you and your Financial Adviser in the best position to manage all of your assets to the best possible advantage. **Until recently, this level of total wealth management service was available only to investors of multi-million pound portfolios.**

A world of investment at your disposal

Your James Hay Wrap gives you access to an exceptionally wide range of assets, with the whole of the investment market to choose from. And, if you wish to choose collective investments, the large number of funds that are available through our 'fund supermarket', the James Hay Investment Centre, will enable you to buy them on particularly favourable terms.

While the scope available to you is considerable, it is important to remember that the various product wrappers within your Wrap are subject to different regulatory constraints. These govern the types of asset that they can hold and may affect the choices that you are able to make in practice.

Whole of market investments

Shares and other individual securities

Depending on which Wrap products you have you may be able to invest directly in stock exchange securities that are offered on any recognised stock exchange anywhere in the world.

If your Wrap product can hold transferable securities, these may include:

- Equities, permanent interest bearing shares (PIBs) and convertible stocks
- Debentures and other loan stock
- Gilts and overseas government securities
- Shares on the Alternative Securities Market (AIM)
- Investment trusts and venture capital trusts (VCTs)
- UK real estate investment trusts (REITs)
- Warrants for equities
- Exchange traded funds (ETFs) and depositary interests.

Collectives and other investments

If your Wrap product can hold collective investments, derivatives and other financial instruments these may include:

- Unit trusts – (including tax-exempt unauthorised unit trusts if investing via a SIPP)
- Open ended investment companies (OEICs) and undertakings for collective investment in transferable securities (UCITS)
- Insurance company managed funds and unit linked funds
- Offshore funds (for the Wrap Offshore Bond)
- Futures and options, certificates of differences
- Traded endowment policies
- Structured products
- Cash.

How can I invest directly?

You can invest on the London Stock Exchange, and some overseas exchanges, very easily – and usually free of charge – by using the Abbey Stockbrokers' execution only sharedealing service which is available with your James Hay Wrap. The service offers an online dealing facility, to streamline the investment process, and there will be no stockbroking fees for your first 50 transactions in any year.

Alternatively, if you require a wider investment scope and need specialist investment advice, then you will also have the option of appointing an Investment Manager on a discretionary basis to manage your portfolio on your behalf.

If you wish to invest in other types of asset, such as life assurance bonds or collective investments that are not available through the James Hay Investment Centre, then James Hay will complete the purchases on your behalf.

Commercial property

There are a number of ways to benefit from investment in commercial property.

If you have a Wrap SIPP you can invest directly, by buying property and land, which can be held within your SIPP fund. To help you take advantage of this facility, the regulations allow your SIPP to borrow, within specified limits, in order to fund the purchase. If you are in business, owning your firm's premises through your pension fund, either alone or together with your partners or fellow directors, will mean that the rent you pay will directly increase the value of your retirement provision.

If you are not a SIPP investor or you have insufficient funds in your SIPP to buy a property, you may wish to consider alternative ways of investing in the property market. Property company shares, property unit trusts and real estate investment trusts are all available through your James Hay Wrap.

Investing at a discount through the James Hay Investment Centre

Collective investments allow you to spread risks and to benefit from the specialised professional knowledge and skills of the managers. While you can buy any funds you wish for your Wrap, choosing from the wide range available through the James Hay Investment Centre can enable you to invest more easily, and more profitably.

The Investment Centre offers a selection of more than 1,200 collective investments from over 50 leading fund managers and specialist providers. By using it you can benefit from a number of important advantages including:

- Competitive price discounts – so you will pay far less than by buying directly from the managers
- Access to many pension funds for your SIPP that are not normally available to private investors
- Choice of UK and overseas funds
- Fast and safe online dealing
- No Wrap transaction charges
- Same day execution of orders if trading online
- Next day switching between funds to keep your money fully invested.

What kinds of collective investments are available?

The funds available to you through the James Hay Investment Centre include unit trusts, OEICs, pooled pension funds and institutional funds.

Unit trusts

Unit trusts will need no introduction, but the range available is wide, including property unit trusts, risk rated funds and multi-manager funds.

OEICs

Open ended investment companies, known as OEICS, are hybrid investment funds combining some features of an investment trust with those of a unit trust. OEICs issue shares and use their capital to invest in other companies, but are open-ended, so that the manager simply issues more shares when demand rises, and cancels shares when it falls. As with a unit trust, the price of an OEIC share is based on the value of the fund's underlying assets, but without a bid/offer spread, so there is normally one price for both buying and selling.

Risk rated funds

To help investors pick investments that meet their risk requirements, a number of managers now offer funds which seek to maximise returns from a portfolio in which investment risk is kept to a defined level, such as 'cautious', 'adventurous', etc. 'Multi manager' funds are frequently risk rated.

Funds of funds

Funds of funds spread your investment more widely by investing exclusively in holdings of other funds, often those specialising in particular sectors or geographical regions and economies. The manager is also able to pick funds on the strength of their performance record, and sell them if it declines. There is therefore an element of additional charging built into a fund of funds – although this may be compensated for by the depth of management gained.

Multi manager funds

A multi manager fund also benefits from a double layer of management skills but, instead of investing in other funds, the multi manager contracts-out the management of different sectors in the portfolio to leading specialist fund managers, so that the fund's performance can benefit from their individual strengths and track records. Contracts are reviewable and managers who underperform in their sector are replaced. Many multi manager funds are also risk rated.

Pooled pension funds

Pooled pension funds are run by major insurance companies, mainly for the trustees of company pension funds that are too small or don't wish to manage their own investments. Because they usually aim for a reliable flow of income, as well as capital growth, gilts tend to feature strongly in their portfolios, and several hold property.

Some pooled pension funds are available to individual pension investors but many are not.

Institutional funds

These are available to corporate investors and pension fund managers, and may be available as trustee investments. They are not available to individual investors except through financial institutions such as James Hay.

You can transfer existing assets to your James Hay Wrap

In many cases you will be able to transfer investments that you already own into your James Hay Wrap account:

- Your **Investment Portfolio** can accept existing stocks and shares, unit trusts/OEICs and other third-party held products, such as life assurance bonds
- The **Offshore Bond** is unable to accept investments other than cash from a sterling bank account
- The **ISA** is able to accept transfers from your existing providers
- The **SIPP** component is able to accept transfers of investments from your existing pension providers.

Important Information

Any taxation information contained in this guide is based on our interpretation of current legislation and HM Revenue & Customs practice. Please remember that current tax benefits may change in the future.

Notes

How to Contact Us

Call Enquiries on:

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Lines are open 9am to 5pm Monday to Friday. To help us improve our service we may record or monitor calls.

Visit our website:

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