



ST. JAMES'S PLACE
WEALTH MANAGEMENT



Introducing the
ST. JAMES'S PLACE
INVESTMENT BOND

PARTNERS IN MANAGING YOUR WEALTH



The St. James's Place Investment Bond

– a flexible investment solution

The St. James's Place Investment Bond provides you with a single, simple route to invest a lump sum for the medium to long term.

Many investors depend on an income from their investments to meet everyday expenditure, but the level of income being paid on bank and building society deposit accounts, in many cases, is not enough. More importantly, because deposit accounts offer no prospect of capital growth, investors are rightly concerned that the income they receive will fail to keep pace with inflation.

The St. James's Place Investment Bond is designed to solve this problem, whether you are investing for capital growth, income or a combination of both. It offers access to a wide range of funds and fund managers as well as a range of benefits designed for simplicity and tax-efficiency.

Please be aware that equities do not have the same characteristics of a deposit with a bank or building society account, as the capital value and income may fall as well as rise.

Key benefits at a glance

- Access to our distinctive approach to investment management and a choice of fund management expertise that is unique in the UK
- Enables you to diversify your investment and spread your risk
- You have a flexible range of options to take a regular and attractive income
- Freedom to switch funds easily as your needs change
- Reduces administration to a minimum
- The ability to manage and reduce your personal liability to tax.

Meeting your investment needs

You may be investing capital to achieve growth or to provide you with an income, either now or at some time in the future. Whatever your needs, one of the most important requirements of successful investment is to combat the effects of inflation on the spending power of your money. Only that way will the money you've invested enable you to maintain your lifestyle in the years to come.

This means investing some of your wealth in longer term investments, such as stocks and shares or commercial property, which have the proven ability to deliver inflation-beating returns.

Choosing the right mix of investments to meet your requirements is a difficult and time-consuming task. That is why we recommend that most investors invest via pooled funds, to benefit from expert fund management and to ensure the necessary level of diversification to reduce risk.

The St. James's Place Investment Bond offers a comprehensive range of investment funds, providing capital growth and income options which can match the level of risk you wish to take.

Most importantly, it provides the flexibility to adapt your portfolio by switching funds as your needs change over time. This helps ensure that you are always invested in funds that are ideally matched to your changing objectives and circumstances. You may switch between funds at any time without any tax liability.

The St. James's Place Investment Bond has been designed so that you get the best value for money if you hold it for at least six years.

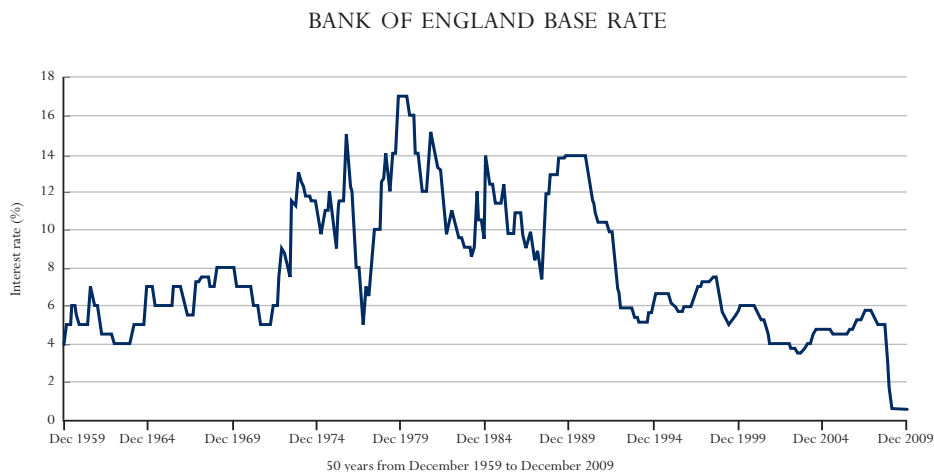
The limitations of bank deposits

We always encourage clients to retain sufficient money on deposit to cater for emergencies and other short-term needs. However, if you leave the majority of your capital on deposit over the medium to long term, there are three factors you need to consider:

- The low rate of interest currently available on deposits
- The impact of inflation on the future value of your capital
- Whether you are prepared to take a risk with part of your capital.

Falling interest rates

With interest rates at their lowest levels in history, those relying on the interest from bank or building society accounts to supplement their income face a significant problem. Indeed, once tax and inflation are taken into account, for many their capital on deposit is at risk of losing money in real terms.



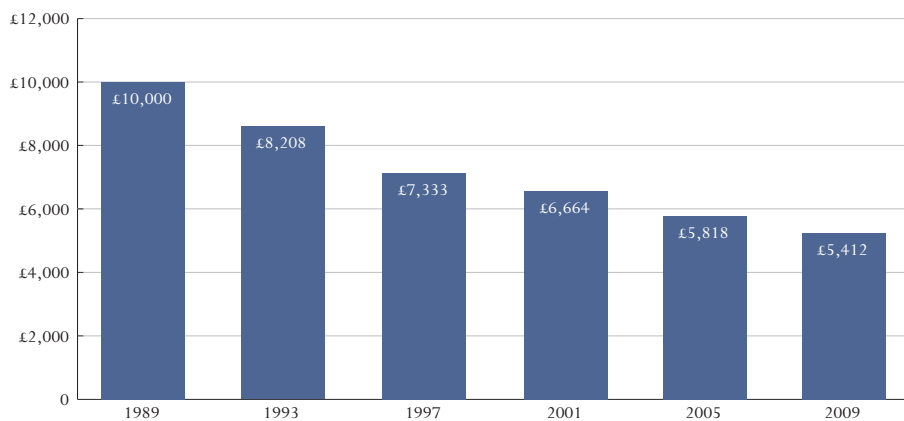
Source: Lipper Hindsight

No potential for growth

Furthermore, if you are spending the interest earned on deposit, the value of your capital won't change. Whilst this may appear acceptable, in reality the damaging effects of inflation will reduce the purchasing power of your money significantly.

The chart below shows how the spending power of £10,000 has been severely reduced over the last 20 years.

THE EFFECT OF INFLATION ON £10,000 OVER TIME



Source: Lipper Hindsight

Even in times of low inflation, wealth can be eroded significantly. For example, at an inflation rate of 2.5%, your money will lose almost 40% of its purchasing power over 20 years.

This is particularly significant when you consider that people are looking forward to longer retirements, as life expectancy increases. For some there may be the real prospect of outliving their capital.



Offering a higher income – with potential for growth

With the St. James's Place Investment Bond you can invest for the medium to long term in assets which will provide the level of income you require now, with the potential for enjoying increases in that income – and in the underlying capital – over the medium to long term.

Your choice of investment funds

St. James's Place funds are actively managed by carefully selected, independent fund managers, each of which has an exceptional record for long-term investment performance. Our distinctive approach to fund manager selection and monitoring gives you significant flexibility to control your investment risk.

Whether you are investing to accumulate or preserve capital, or to provide an income now or sometime in the future, we can create a portfolio of funds to match your objectives and attitude to risk. The range of funds includes broadly diversified Managed funds and Specialist funds investing in particular geographical areas or asset classes.

You may choose to invest in up to twenty funds.

MANAGED FUNDS

A Managed fund typically invests across a wide spread of different types of investment and geographical areas. Our Managed funds each have distinctive investment strategies, but together provide a blend of diverse, yet complementary fund manager styles.

SPECIALIST FUNDS

In addition to the Managed funds, we offer a diverse range of Specialist funds, which have a more specific investment focus. For example, these funds may invest in a particular geographical area such as the Far East, North America or Europe or in a particular type of investment such as corporate bonds, gilts, commercial property or cash. The Specialist range also provides funds to meet specific objectives for income provision and capital growth or preservation.

Creating your own portfolio

An important feature of the St. James's Place Investment Bond is that it offers flexibility to adapt to your changing needs and attitude to investment risk.

For example, in the early years of the investment your need might be for capital accumulation; then as you approach retirement it may be appropriate to adopt a more conservative strategy. In retirement, you may wish to switch the focus of your portfolio to provide supplementary income.

The St. James's Place Investment Bond allows you to adjust your mix of investments simply, cost-effectively and without any tax consequences. Whether you are a more conservative investor whose priority is high income with capital preservation, or whether you are looking for a rising income with the potential for capital growth to keep pace with inflation, or whether you wish to invest for maximum capital growth, the St. James's Place Investment Bond can be tailored to your requirements.

Deciding what combination of funds suits your circumstances and objectives is an important decision, which is why your St. James's Place Partner will take the time to understand fully your needs and the level of risk you are happy to take, to help you choose the right funds for you.

Further information on our range of funds, fund managers and portfolios of funds is available on request. Please ask your St. James's Place Partner for more details.

How your St. James's Place Investment Bond can provide an income

Your investment provides a range of options to meet the need for regular payments to supplement your income.

- You can take a quarterly income, based on the income generated by the assets in the funds.
- If you need a regular and predictable level of income, you can specify the amount you need, payable monthly, quarterly, half-yearly, yearly or even on a termly basis to meet costs such as school fees.

You have full flexibility to change between these options at any time.

You should bear in mind that the level of income generated by the funds will vary depending on their objectives and the assets in which they invest. If you make withdrawals in excess of the income generated by the assets in the fund, this will result in an erosion of the capital growth in the funds. If the income and capital growth from your investment, after tax and charges, is less than the withdrawal amount, the value of your investment will fall.

Whilst you are able to withdraw the income generated from any fund you select, there are particular assets and funds that are particularly suited to meeting the need for supplementary income.

Your St. James's Place Partner will be able to guide you on the blend of investments appropriate to meet your income needs and attitude to risk, but the asset classes outlined overleaf would typically form part of a diversified income strategy.



Equities

Historically, investing in equities has offered the best prospects for rising income and capital growth to combat the effects of inflation. By investing in equities you are purchasing a part of the real economy and, as the economy grows over time, company profits tend to grow in the same way. An improvement in profits allows companies to increase the dividends paid to shareholders, which means that the income received from equity investments can increase over the longer term.

Equities can be volatile in the short term and do not provide the security of capital which is characteristic of a deposit with a bank or building society, therefore an investment in equities can fall as well as rise. However, their long-term track record makes equities an important part of a diversified income portfolio.

Commercial Property

Investment in commercial property, such as offices, warehouses and retail outlets, offers the benefit of both the rental income and the prospect of capital growth through increases in the property values. The commercial property sector has provided an attractive and consistent level of income over the long term, exceeding that offered by equities and cash. Many commercial property leases permit upward only rental reviews, providing the scope for rising income over time.

Property values can fall, but historically, commercial property has proved less volatile than equities.

Corporate Bonds

Investing in corporate bonds is a way of lending money to companies and receiving an attractive level of interest, or income, in return. Income from corporate bonds tends to be higher than that offered by deposit accounts and they can offer a greater level of security when compared to equities. However, changes in interest rates and inflation can impact on their capital value.

The level of income and the scope for capital growth (and loss) will also depend on the risks associated with investment in the bonds offered by different companies, although these risks can be managed by investing in a diversified portfolio. Higher-yielding bonds will typically be issued by companies whose financial position is less secure.



Drip-feed your investment

A further benefit provided by the St. James's Place Investment Bond is the automatic fund transfer facility. This provides a solution for investors wishing to move their money into or out of the market over a period of time, perhaps to ease concerns about whether now is the right time to invest or to adopt a more conservative strategy as you approach retirement. You can specify the frequency and period over which funds are switched into or out of a more cautious fund, for example a cash deposit fund.

Full details of this facility are available from your St. James's Place Partner.

Life cover

Your St. James's Place Investment Bond automatically includes an element of life cover which is based on the value of your investment.

If the life assured (or the youngest life assured if there are more than one) is aged less than 70 when the Bond starts, the death benefit is 101% of the value at the date of death of the last life assured. Otherwise, the death benefit is 101% of the value at the date of death less any early withdrawal charge which would have applied had the investment been cashed in on that date.

How your St. James's Place Investment Bond is taxed

If you are resident in the UK for tax purposes, you may have a personal Income Tax liability on any chargeable gains arising under the Bond. Income Tax may be due at a rate based on the difference between the basic and higher rates of tax, depending on your individual circumstances. Bonds are normally exempt from Capital Gains Tax.

A chargeable gain may arise after a 'chargeable event', which is any of the following circumstances:

- Death of the life or lives assured, where this gives rise to benefits under the Bond
- Total withdrawal
- Assignment for money or money's worth
- Partial withdrawals or certain partial assignments, where the amount withdrawn, including quarterly distributions of income, or assigned exceeds the 5% allowance (see below).

You can withdraw up to 5% of the original amount of each investment into the Bond, every policy year, for 20 years, without any immediate Income Tax liability. This 5% allowance is cumulative, in that any unused allowance for a particular policy year can be carried forward and set off against a subsequent partial withdrawal. This means, for example, that after 20 years has elapsed for each investment, up to 100% of the original investment can be withdrawn without incurring an immediate liability to Income Tax.

Where a partial withdrawal from (or certain partial withdrawal of) the Bond exceed the 5% allowance in any individual policy year, or exceed the cumulative amount brought forward, the excess is a chargeable gain, which may give rise to a higher rate Income Tax liability.

It may be possible to use the Bond to limit any Inheritance Tax liability by using a suitable trust.*

Further details on the taxation of Investment Bonds can be obtained from our 'Tax Guide for UK Investors', a copy of which is available on request, or by contacting your St. James's Place Partner.

* Trusts are not regulated by the Financial Services Authority.

Taxation of the funds

The taxation of the funds is handled by us and is taken into account in the unit prices. The investment income and realised capital gains (after allowing for inflation) of the funds are charged to tax at a rate which is equivalent to 20%.

To protect the interests of all plan holders, a reserve is deducted from the unit price in respect of unrealised gains. This is currently equal to 20% of the unrealised gains, but may change from time to time reflecting the anticipated realisation of these gains.

Any part of the funds invested in Government securities will not be subject to Capital Gains Tax within the funds.



About our charges

The cost of managing the investments is charged to the funds each year and reflected in the unit price. These costs include our annual management charge, currently 1.5%, the fee paid to the Investment Manager plus various additional costs (audit fees, custody fees etc). The amount of additional cost varies from fund to fund and full details of the costs for the funds you have selected are set out in your personalised illustration.

There is no initial charge, however there is an early withdrawal charge on withdrawals in excess of 5% a year or if you cash in one or more of your individual contracts within six years of making the investment, as shown in the following table.

NUMBER OF COMPLETE YEARS SINCE INVESTMENT	CHARGES AS A PERCENTAGE OF BID VALUE OF UNITS
Less than 1 year	6%
1 year	5%
2 years	4%
3 years	3%
4 years	2%
5 years	1%
6 years or more	No charge

As you can see, providing you hold your Bond for a period of at least six years from the date of investment, there will be no early withdrawal charge on any withdrawals after this time. And, of course, the longer you hold your Bond, the greater the prospect of achieving your long-term investment objectives.

If you make partial withdrawals in excess of the cumulative 5% yearly allowance, a partial withdrawal charge will apply.

If you elect to receive the quarterly distribution of the income generated by the underlying funds, we will not deduct a withdrawal charge even if the level of this withdrawal is greater than the 5% yearly allowance.

More details of the charges applicable to your Bond may be found in the Terms and Conditions booklet and on your personalised illustration.

Answers to questions you may have

Is there an age limit?

No, there is no maximum age limit. Furthermore, investment can be made on behalf of a child from the age of three months. Investment can be in a single name, or in joint names in the case of husband and wife.

How much can I invest?

The minimum investment is £5,000 and there is no upper limit. You can make additional investments providing they are at least £5,000.

Can I switch between funds?

You may switch between the various funds at any time, but if you are switching out of the Property fund we may delay your switch for up to six months. You can have up to two switches free a year. After that, further switches will incur a small administration cost. This is a valuable and cost-effective facility as the cost of altering a portfolio directly invested in stocks and shares could be considerable.

How can I follow the progress of my investments?

The prices of the funds are published daily on our website www.sjp.co.uk. The relevant price is the lower of the two prices quoted for each of the life funds. Alternatively, you can get a valuation of your investment at any time by contacting your St. James's Place Partner.

Helping you secure your financial future

The St. James's Place Investment Bond is one of a comprehensive range of financial products and services we provide our clients. Your St. James's Place Partner will be pleased to answer any questions you have about this or any other of our products.



Our guarantee

The St. James's Place Wealth Management Group guarantees the advice given by its representatives when recommending any of the products and services provided by companies in the group.



ST. JAMES'S PLACE
WEALTH MANAGEMENT

Members of the St. James's Place Wealth Management Group are authorised and regulated by the Financial Services Authority.
The St. James's Place Partnership and the title 'Partner' are the marketing terms used to describe St. James's Place representatives.
St. James's Place UK plc: Registered Office St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire, GL7 1FP, United Kingdom
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