

Doing Business with Fidelity FundsNetwork

April 2012

**Incorporating
the Key Features
of the Fidelity
FundsNetwork ISA
and Investment
Fund Account**

For personal investors

Essential documents

We use several documents to provide you with key information about our **ISA**, **Junior ISA** and **Investment Fund Account**. They are designed to help you make an informed decision about investing. If you are in any doubt about the suitability of investments or services you may acquire through Fidelity, we recommend you consult an authorised financial adviser.

Doing Business with Fidelity FundsNetwork – this document

This document tells you about the types of funds and accounts you can invest in along with more general information covering topics such as **risk factors**, an explanation of charges, tax considerations and how your investments are administered. It also includes some fund-specific information relating to minimum investment levels and dealing times. This must be read together with the appropriate fund information which depending on the fund you choose would be the **Fund Specific Information** document or the **Key Investor Information Document (KIID)**.

Fund Specific Information document

Provides key information about each fund, such as the fund's objectives, risks and charges.

Key Investor Information Document (KIID)

The **KIID** is a short document containing the essential characteristics of an investment fund to help you understand the nature and the risks of investing. This will include the fund objectives, **risk factors**, charges, and performance history. The charges could be different from the charges you pay when investing through Fidelity.

More detailed information is available in the Fund Prospectus which you can obtain from the relevant **fund manager**.

Fund Range document

The majority of funds on **Fidelity FundsNetwork** can be held in every investment account that we offer. However, there are a few that cannot be held in all accounts. Our Fund Range document provides all of this detail along with details of our Service Fee and the relevant fund codes for placing your investment.



If you are investing through **Fidelity FundsNetwork** you can find **KIIDs**, **Fund Specific Information**, Client Terms and details of our charges at www.fidelity.co.uk/importantinformation

Fidelity Client Terms

The **Fidelity Client Terms**, which are governed by English Law, shall apply to your investment as soon as it is accepted.

The **Fidelity Client Terms** and all communications will only be available in English in the UK. All communications from us will be by letter or by telephone. You can contact us through our website and via secure/non-secure messaging as well.

Important information

The **Financial Services Authority (FSA)** is the independent financial services regulator. It requires us to give you this important information to help you decide whether our **ISA**, and/or **Investment Fund Account** is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

Please note that we are not required to assess whether or not our products and services are suitable for you. Therefore, you do not benefit from the protection of the rules of the **Financial Services Authority** on assessing suitability or appropriateness.

The information in this document is correct as at April 2012. Due to continuous development, information may change. For the latest information, please go to www.fidelity.co.uk/importantinformation

About Fidelity Fundsnetwork

Fidelity FundsNetwork is operated and backed by Fidelity Worldwide Investment. Fidelity is one of the UK's largest investment companies, which means you have the reassurance of knowing your investments are being administered by an independent and financially strong organisation.

Launched in 2000, **Fidelity FundsNetwork** was one of the pioneers in the development of investment platforms. Since then, we have grown strongly and have continuously enhanced our product range and services. We now:

- Serve over 1 million customers who have their investments with us
- Look after £34.4 billion on behalf of our customers*
- Offer over 1,200 funds from more than 70 leading **fund managers**
- Have a comprehensive selection of accounts, including **ISAs**, **Investment Fund Accounts**, a pension and investment bonds

*Source: Fidelity Worldwide Investment as at 31 December 2011.

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Helping you understand financial terms

Whilst we have tried to avoid technical language in this guide you may come across some unfamiliar terms. A summary document defining what these terms are can be found on our website www.fidelity.co.uk/financialterms

Helping you navigate your way through this document

We use a number of symbols to help you navigate your way through this document. Each symbol that appears in this document tells you where you can find further information.



Refer to another document. All our documents can be found on our website or you can request these from us by phone or by writing to us.



Refer to another section in this document for further detail.



Visit our website www.fidelity.co.uk for more information. If you do not have access to the internet, you can call us or write to us using the contact details provided later on.



Talk to your adviser if you work with one.

Aims

We provide a service that allows individual investors access to UK, regional and global stock markets through our available range of funds to invest in. Individual investors using this service should be looking to invest over the medium to long term, which we define as five years or more.

Our service provides access to more than 1,200 funds from over 70 providers. You can find the aims of individual funds in their KIID or Fund Specific Information document which can be obtained by visiting www.fidelity.co.uk or by calling us. You can find contact details at the end of this document.

We also give you the option to:

- Manage your investments in one place;
- **Switch** between funds;
- Receive an income from your investments.

In addition, you can choose to transfer or re-register your other **fund holdings** to us.



See the '**Re-registration information document**' for further details which you can find on our website at www.fidelity.co.uk Alternatively you can call us on **08457 100 456**.

Type of Accounts Available

You can invest in our fund range by opening an **Investment Fund Account, ISA or Junior ISA**.

Investment Fund Account: The **Investment Fund Account** gives you access to our range of funds. There is no limit on the amount you can invest in the **Investment Fund Account**.

ISA and Junior ISA: You can invest in two types of ISA or Junior ISA with us:

- A **Stocks and Shares ISA** which allows you to make tax efficient investments in our range of funds
- A **Cash ISA** which allows you to save tax efficiently in cash



For more information about the amounts you can invest in an **ISA** or **Junior ISA** each year, please see the 'Answering your questions' section.

ISA Cash Park: Our **Stocks and Shares ISA** also allows you to hold your money in cash temporarily through our ISA Cash Park facility. This aims to provide your money with a temporary shelter in times of market volatility, while also allowing it to continue benefiting from the tax advantages of an **ISA** or **Junior ISA**.



For more information, please see our 'Answering your questions' section.

Type of funds available

We offer three types of funds for you to invest in: **Unit Trusts, UK Open-Ended Investment Companies (OEICs), and Offshore funds**.

Unit Trusts: These onshore funds allow private investors to pool their contributions with others to form a fund. This fund is divided into units of equal value, and investors purchase units in the fund. The price of these units can go up and down.

UK OEICs: These onshore funds are similar to **Unit Trusts** but they are constituted as companies, which means the fund is divided into shares rather than units. Investors purchase shares in the company, and the price of the shares can go up and down.

Offshore funds: **Offshore funds** are similar to **UK funds**, but are based outside the UK and are subject to local legislation and tax regimes.

As a subset of offshore funds, we offer a range of exchange traded products: These are investment instruments that track the performance of an underlying asset or an asset index. Currently under the exchange traded products umbrella we offer you a range of Exchange Traded Funds (ETFs) and Exchange Traded Commodities (ETCs).

Please note that the Fidelity FundsNetwork service proposition for ETFs and ETCs differs from the standard market offering. Please refer to other sections of this document for additional information.

Your commitment

We ask you to invest an **initial lump sum** of at least £1,000 in each fund you choose (with the exception of the ones listed below) or £50 per fund if you are making regular monthly savings. Additional **lump sum** investments can normally be made from £250 per fund.

- The following funds have a lower minimum of £500 for the initial lump sum: all the funds in Fidelity's MoneyBuilder range, Standard Life Global Advantage, Virgin Income Trust and Virgin UK Index Tracking Trust.
- Most of Fidelity's **offshore funds** have a higher minimum of £1,500 for the initial **lump sum** and £500 for any additional **lump sums** when you invest in an **Investment Fund Account**.
- The Fidelity Portfolio Selector (FPS) funds have a higher minimum of £4,000 for the initial **lump sum**.

You will need to tell us if you change your address. If you move abroad, we may need to place restrictions on your account in accordance with regulations. These restrictions could affect your ability to make additional investments or **switch** funds within your account.



Please see the **Fidelity Client Terms** to find out more. These are available on our website www.fidelity.co.uk

Risk factors

Any investment carries risks. We refer to these as 'risks applicable to all funds'. There are also some risks that are specific to certain funds. You should read all these warnings before making any investment decisions.

Risks applicable to all funds

You should be aware of the following risks which relate to all the funds available on **Fidelity FundsNetwork**.

Value of investing: The value of investments and any income can fall, so you could get back less than you invested.

Investments are long term: Investments should be regarded as long term and are not suitable for money which may be needed in the short term. You should always have a sufficient cash reserve.

Returns are not guaranteed: What you receive when you sell your investment is not guaranteed. It depends on how your investments perform and the charges.

Inflation: Inflation will reduce the real value of your investments in future. If your investment grows by less than the rate of inflation it will have less buying power in the future.

Taxation and tax relief: Levels of taxation and tax relief are subject to change.

Market risk: External factors can cause an entire **asset class** to fall in value – in other words the value of all shares or bonds could fall at the same time.

Regular deductions: If you make regular withdrawals from your investment or sell units to pay for your adviser's remuneration, this will reduce your capital over time if the fund's growth does not compensate future withdrawals.

Risks Specific to certain funds



For risk information specific to individual funds, please refer to the fund's **KIID** or **Fund Specific Information** which you should read alongside this document to make your investment decisions.

More detailed information is available in the Fund Prospectus which you can obtain from the relevant **fund manager**.

Charges and expenses

There are charges for using the Fidelity FundsNetwork service. Additionally there are charges applied for the investments you hold. Please refer to the Fund Specific Information document where available or the KIID and our Fund Range document for the specific charges for your chosen investments. Please note ETFs and ETCs follow a different charging structure that is detailed below.

Fund charges

The charges listed in this section are those you will typically pay to the **fund manager**. You should read a fund's **KIID** or our **Fund Specific Information** for further details of charges.



See the **'Contact us'** section to find out how you can get in touch with us.

Initial

There are a range of methods that **fund managers** may use to value their funds. You should be aware that these pricing methods can result in deductions when you buy or sell your investments.



More detailed information is available in the **Fund Prospectus** which you can obtain from the relevant **fund manager**.

Dual priced funds: Dual priced funds have two different prices, a price you buy at (known as the offer price) and a price you sell at (known as the bid price). This is a charge for joining the fund and will be a percentage of the total amount invested.

When you buy units within a dual priced fund you will pay the "offer" price. When you sell units they will be sold at the "bid" price.

The difference between bid and offer prices also includes the initial charge, so the offer price, which you buy at, is normally higher than the bid price. We refer to any spread over and above the fund's initial charge as the **"additional bid-offer spread"**.

The size of the spread will differ between funds. Funds investing in **asset classes** with higher dealing costs (e.g. commercial property, certain corporate bonds, smaller companies or emerging markets) will tend to have larger spreads.

The size of the spread changes daily as the difference between the buying and selling price of the underlying assets change.

To find out whether the fund you are investing in may have an additional bid-offer spread applied you can visit www.fidelity.co.uk/fundprices (dual priced funds will show a price under both Buy and Sell) or call us on the number provided at the end of this document. For actual details of the bid-offer spread you should refer to the fund's KIID where available or the fund provider's Full Prospectus.

Single swinging priced funds: Single swinging pricing is where a fund has one price at which you buy and sell shares on any given day. The single price quoted daily can be swung higher or lower at the discretion of the **fund manager** in order to counteract the effect of dealing costs on the fund. This swing can also be referred to as a dilution adjustment.

Dilution levy: Instead of operating a swinging single price, some **fund managers** will use a single price for buying and selling units in the fund but will levy an additional charge on investors. This is to protect existing investors from the costs (charges and taxes) of buying and selling assets that the fund is invested in.

Exchange Traded Product Dealing Fee (ETF Dealing Fee)

Dealing fee for ETFs and ETCs: As ETFs and ETCs are traded on the London Stock Exchange a dealing fee of 0.1% applies every time an ETF or ETC is bought or sold. This includes regular monthly investments, any reinvestments of dividends, withdrawals and switches. In addition this also applies to any lump sum investments. This is a charge levied by the broker for trading these instruments and is built into the price achieved. This charge is deducted directly by the broker at the time of the trade. A detailed breakdown of this charge is shown on your contract notes.



More detailed information is available in the **Fund Prospectus** which you can obtain from the relevant **fund manager**.

Ongoing

Annual management charge (AMC): This is an ongoing charge that contributes to the management of the fund and associated administration costs. The charge depends on the funds you have invested in and is taken as a percentage of your **fund holdings**.

Additional expenses: **Fund managers** may charge an additional expense to cover costs such as fees for registrars, auditors and regulators.

Please note that some funds may display the AMC and additional expenses as the Total Expense Ratio (TER). For funds with a **KIID**, charges information is disclosed differently as ongoing charges will represent the annualised ratio of total costs relating to the fund's assets.

Please note for ETFs and ETCs the underlying providers will deduct an AMC and other expenses, which in total is known as the TER. This TER number varies based on the strategy and is levied by the underlying provider within the strategy.

Performance fee (or charge): Some funds are subject to a **performance fee**, which is taken from the fund by the **fund manager** in addition to the **annual management charge** when the fund exceeds pre-defined performance targets. The fee is shown as an annual percentage (from 10% to 20%), of any returns the fund achieves above that performance target.

Typically the performance target will relate to the fund outperforming a target rate or benchmark, however the precise calculation method will vary depending on the fund. For some funds a performance fee may apply even if the fund falls in value.

The **KIID** or **Fund Specific Information** shows which funds charge **performance fees**. It is important that you understand how this charge will apply to your chosen fund.



We strongly recommend that you refer to the **Fund Prospectus** for further information on how a **performance fee** is calculated.

Our service charges

Initial

The initial charge on your investment contributes to the cost of setting up your investment. This fee will vary and depends on the fund you choose and whether you have a financial adviser.

In cases where we are providing a service to you directly (i.e. there is no financial adviser involved) the amount retained by us ranges from 0% up to 5.5% of the value of your investment.

In circumstances where you have a financial adviser this fee ranges from 0% to 2.5% of the value of your initial investment. Your adviser may however make additional charges.

Ongoing

Service Fee: A percentage based annual charge is paid to us by you in return for providing custodian, administrative and support activities associated with your investment. These activities include the safeguarding of your holding, servicing transactions, the provision of reporting and statements, and access to our call centre.

For many funds the **Service Fee** is paid in full by the **fund manager** (full details are available on request), as part of the **AMC**, but where this is not the case we will collect the outstanding amount owed to us from the holdings within your account by unit deduction. Typically the unit deduction will be taken from the largest holding in your account.

The Fund Range document and Fund Specific Information documents show the investment funds where all or a proportion of the Service Fee will be collected from your account and the rate that applies to that investment fund.

The rate of the **Service Fee** depends upon the type of fund you choose, the annual management charge applied and whether you have a financial adviser.

In circumstances where you have a financial adviser, the **Service Fee** is typically 0.25% per year, of the fund value. For further information regarding what your adviser receives please see the relevant section below.

In cases where Fidelity is providing a service to you directly (i.e. there is no financial adviser involved), the Service Fee retained by **Fidelity FundsNetwork** is typically up to 0.75% per year. In such instances, Fidelity supports you via our own website and customer service teams plus you are able to access Direct-only offers and services.

The maximum Service fee retained by **Fidelity FundsNetwork** will be no more than 1% per year. For example, if you are a direct client and invested £10,000 and the fund value did not change we would typically charge a Service Fee of £75 per year. If you have an adviser we would typically charge a Service Fee of £25 per year.

Fund manager registration fee: We receive a quarterly fund registration fee from fund managers in respect of each fund offered on Fidelity FundsNetwork. This is to cover certain running costs. Those funds with lower running costs may typically be charged £100 per fund, per quarter. Those funds with higher running costs may be charged up to £250 per fund, per quarter.

As part of our agreement with each fund manager we also provide a limited range of optional administration services available at an additional cost. These costs are incurred and charged as and when those services are used (e.g. mailing investors about funds' name or objectives changes). Full details of what fund providers pay us is available on request.

ISA Cash Park: Each year we receive an annualised rate of 0.4% of the value of any holdings you have in the ISA Cash Park from the Royal Bank of Scotland.

Transactional

Switching: If you are switching between funds rather than making a new investment, you will normally pay a switching fee of 0.25% instead of the initial charge. This will also be the case if you are moving money from the ISA Cash Park into a fund. For Exchange Traded Products the dealing charge of 0.1% will also apply in addition to the switching fee.

If you are **switching** into a fund with no initial charge, then there will be no **switching** fee.

For **investment fund accounts**, if you are **switching** from a fund with no initial charge then when you first **switch** into a fund that does have one you will pay the initial charge rather than the **switching** fee.

Exit charge: We do not currently charge you for cashing in the majority of funds you hold with us, or for transferring or re-registering your assets away from us. We may introduce this charge in the future. Note that exchange traded products are subject to an ETF Dealing Fee when they are sold.

Foreign exchange service charges: Foreign exchange transactions required to handle client purchases/redemptions may be aggregated and will be carried out by Fidelity's central treasury department.

Fidelity will make a service charge for these transactions as described below. This charge will be incorporated into the exchange rate provided.

Transaction per fund rate:

- Up to \$50,000: 1%
- \$50,000 to \$150,000: 0.5%
- Over \$150,000: 0.25%

The effect of charges on your investment

The total charges deducted for each fund will reduce what you get back from your investment.

You will get back more than you invested if the investment performance is greater than the charges.

Examples of the effect of charges

Performance can't be guaranteed but if we assume a growth rate for each fund, we can give you examples of how the charges will affect what you might get back. These are shown in the following tables.

We have assumed you invest £1,000 and your money grows at 6% a year (7% inside an **ISA**). Please remember this is not guaranteed.



Please see our 'Answering your questions' section for further information.

**Example growth fund where the service fee is paid in full by the fund manager
(for illustrative purposes only)**

Maximum initial charge outside ISA	4.50%
Maximum initial charge inside ISA	4.50%
Annual management charge	1.50%
Other expenses	0.11%
Lump sum	£1,000
Monthly savings plan	None
Monthly withdrawals	None

An example of the effect of charges and expenses on an ISA investment

At end of year	Investment to date	Effect of charges to date	Withdrawals	What you might get back at 7.0%
1	£1,000	£64	£0	£1,000
3	£1,000	£110	£0	£1,110
5	£1,000	£167	£0	£1,230
10	£1,000	£368	£0	£1,590

In this example, charges would reduce the amount your investment grows each year by 2.2%. Putting it another way, this would have the effect of bringing the illustrated investment growth down from 7.0% to 4.8%.

An example of the effect of charges and expenses on an Investment Fund Account

At end of year	Investment to date	Effect of charges to date	Withdrawals	What you might get back at 6.0%
1	£1,000	£64	£0	£996
3	£1,000	£107	£0	£1,080
5	£1,000	£159	£0	£1,170
10	£1,000	£335	£0	£1,450

In this example, charges would reduce the amount your investment grows each year by 2.2%. Putting it another way, this would have the effect of bringing the illustrated investment growth down from 6.0% to 3.8%.

Please note that the above examples do not include any additional bid-offer spread.

**Example income fund where the service fee is not paid in full by the fund manager
(for illustrative purposes only)**

Maximum initial charge outside ISA	4.50%
Maximum initial charge inside ISA	4.50%
Annual management charge	0.75%
Other expenses	0.11%
Service Fee*	0.75%
Lump sum	£1,000
Monthly savings plan	None
Monthly withdrawals	None

* This is the rate that will be applied to your holdings in addition to the Annual Management Charge.

An example of the effect of charges and expenses on an ISA investment

At end of year	Investment to date	Effect of charges to date	Income paid out	Withdrawals	What you might get back at 7.0%
1	£1,000	£62	£25	£0	£974
3	£1,000	£100	£76	£0	£1,010
5	£1,000	£142	£129	£0	£1,050
10	£1,000	£268	£271	£0	£1,160

In this example, charges would reduce the amount your investment grows each year by 2.2%. Putting it another way, this would have the effect of bringing the illustrated investment growth down from 7.0% to 4.8%.

An example of the effect of charges and expenses on an Investment Fund Account

At end of year	Investment to date	Effect of charges to date	Income paid out	Withdrawals	What you might get back at 6.0%
1	£1,000	£62	£25	£0	£965
3	£1,000	£97	£74	£0	£985
5	£1,000	£136	£125	£0	£1,000
10	£1,000	£244	£258	£0	£1,050

In this example, charges would reduce the amount your investment grows each year by 2.2%. Putting it another way, this would have the effect of bringing the illustrated investment growth down from 6.0% to 3.8%.

Please note that the above examples do not include any additional bid-offer spread.

Answering your questions

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Investing with Fidelity

• Can I invest through Fidelity FundsNetwork?

Yes, if you are resident in the UK and aged 18 years or over. Please note this age limit includes our **Cash ISA**. Investment into a **Junior ISA** can be made on behalf of UK resident children who are under the age of 18 who do not have a Child Trust Fund.

• How much can I invest?

Investment Fund Accounts

There is no maximum amount you can invest in an **Investment Fund Account** but there are minimum levels.



These are outlined in the 'Your commitment' section.

ISAs

The ISA limit for the 2011/2012 tax year is £10,680. You can invest the whole amount in a Stocks and Shares ISA, or up to £5,340 in a Cash ISA with the balance (up to £10,680) in a Stocks and Shares ISA. Tax years run from the 6th April to 5th April the following year.

Currently, annual limits are linked to the Retail Price Index (RPI) and in the 2012/13 tax year will be £11,280. Of this, £5,640 can be invested in a Cash ISA.

Once you have fully used your ISA allowance, any withdrawals you make cannot be reinvested back into your ISA until the next tax year.

You may open both a Stocks and Shares ISA and Cash ISA with one provider or with two different providers. However, if you choose to use two providers, it is your responsibility to ensure you keep within the annual limits.

Junior ISAs

Junior ISA limits for the 2011/2012 and 2012/2013 tax years are £3,600.

You can choose how you split the investment amount between the Stocks and Shares ISA and the Cash ISA although the maximum amount invested between both the Stocks and Shares ISA and the Cash ISA cannot exceed £3,600 in any one tax year.

• How can I open an account?

Investment Fund Accounts, ISAs and Junior ISAs

Your first investment can usually be made by post, by phone, or online at www.fidelity.co.uk. However, you cannot invest over the phone in Fidelity's range of **offshore funds** outside an **ISA**.

If you open an **Investment Fund Account** by phone or online, you must sign the registration document which accompanies your confirmation note and return it to us. Until we receive this document, you will not be able to cash in your investment or **switch** it to another fund. You can also open an account by transferring an existing ISA to **Fidelity FundsNetwork**, however this service is not currently available for **Junior ISAs**.

• How can I pay?

Investing online

When you invest a **lump sum** online, you can pay for your investments straight away by using your debit card. Alternatively, a cheque can be sent, but we will not be able to open your investment until it has cleared. Please see the section below for more details about paying by cheque.

You can also set up a **monthly savings plan (MSP)** online. All you have to do is provide your bank account details and we will tell you when the Direct Debit has been set up and the date we will collect your payment each month. You can increase, decrease (subject to minimum levels) or stop your monthly contributions at any time. Instructions will be processed within 5 days of being received, but may not take effect until after the next collection date for the **monthly savings plan**.

All online investments must be made in sterling.

Investing by phone or post

You can pay for your **lump sum** investments by cheque or debit card. Please see the section below for more details about paying by cheque.

If you want to open a **monthly savings plan** by post, you will need to complete the direct debit mandate section of the application form. We will tell you when the Direct Debit has been set up and the date we will collect your payment each month.



If you would like to set up a monthly savings plan for an existing investment, you can find the relevant form online at www.fidelity.co.uk

You can increase, decrease (subject to minimum levels) or stop your monthly contributions at any time. Instructions will be processed within 5 days of being received, but may not take effect until after the next collection date for the monthly savings plan.

Phone and postal applications for Fidelity's **offshore funds** can be made in currencies other than sterling. If you want to do this, you will need to make payment by bank transfer net of all bank charges. We can provide details of the bank account to use on request.



Please turn to the 'Contact us' section to find out how you can get in touch with us.

Paying by cheque

Personal cheques should be made payable to Fidelity. The account name on the cheque must be the same name as the person who is making the investment - we do not accept third-party cheques on any investments, unless they are submitted under a power of attorney or as payment for investment into a **Junior ISA**.

Banker's drafts or building society cheques must be endorsed by the bank or building society with its stamp, and your name and address must be on the back of the cheque.

- **What types of offshore funds are available?**

Société d'Investissement À Capital Variable (SICAV):

A type of open-ended investment fund (OEIC) common in Western Europe. These funds are subject to local regulations. This can also include various ETFs.

Irish domiciled OEICs and Unit Trusts: Types of Investment funds, including open-ended investment funds, which are subject to Irish regulations. This can also include various ETFs.

ETCs are debt securities designed to track a specified commodity such as precious metals and futures. ETCs invest in or track a commodity or basket of commodities.

ETFs: A type of open-ended collective investment schemes that are listed on stock exchanges. ETFs are bought and sold like ordinary stocks through brokers or financial advisers. The underlying assets can be either "physical" (such as company shares) or "synthetic" (in which case the assets are complex financial instruments, usually issued by an investment bank). The assets are often held by a custodian.

ETCs: A type of **debt securities** designed to track a specified commodity such as precious metals and futures. ETCs invest in or track a commodity or basket of commodities. Like ETFs, the underlying assets can be either physical or synthetic.

There are a range of unique characteristics and risks associated with ETFs and ETCs which investors should understand before investing.

Exchange traded products can generate further revenue by lending holdings to other institutions. The other institution will pay for the loan and part of this payment will be made into the exchange traded products and part retained by the ETF product provider. If the other institution were to fail, and the exchange traded product is unable to recover its holdings, investors would suffer a loss. Exchange traded products have policies which attempt to reduce this possible risk (e.g. by spreading stock lending across several institutions).

ETFs and ETCs aim to replicate the performance of an index or commodity. However, there are certain factors that need to be taken into account that would lead to a deviation from the performance of the underlying index or commodity. This difference is often referred to as tracking error.

A tracking error can work both to an investor's detriment or advantage. Usually it works against investors as factors such as charges would detract from the returns generated and lead to underperformance compared to the index. There are several other factors that could lead to tracking errors and, while not exhaustive, some of these may be:

- **Charges** - The ETF or ETC providers will levy an annual charge for managing the exchange traded product. These charges will detract from performance and would lead to a deviation away from the index or commodity price.
- **Cash holdings** - ETFs and ETCs may hold small cash buffers within the fund. These could be held to help liquidity or could be dividend payments that have been received as cash. These cash holdings would not be exposed to the underlying asset and will thus lead to performance deviations. Unlike charges, the impact of cash holdings can be both negative or positive depending on the return generated by the underlying asset class.

- **Index changes** - index providers (e.g. FTSE, or Dow Jones) will periodically make changes to the underlying index constituents. This change has to be reflected by an ETF provider. As this change is reactive the timing difference could lead to potential performance deviation.
- **Optimisation approach** - As an index is a broad market replication, it can at times include securities that are difficult to obtain or deal in. This tends to occur more in emerging markets or less liquid markets. Optimisation is a technique for building an index-based portfolio using only a subset of the securities in the index. This will lead to performance varying from the full index.

Fidelity FundsNetwork at present only offers ETFs and ETCs traded on the London Stock Exchange. However, many of the indices an ETF might track are open outside the London Stock Exchange hours. As a result, the ETF is trading during periods when the underlying index is closed. This can result in a disparity between the daily performance of the ETF and the index being tracked.

Please note that at present Fidelity FundsNetwork does not offer any ETCs or ETFs that make use of synthetic instruments.

For additional information on ETFs and ETCs please refer to the provider's prospectus. Also please note that the Fidelity FundsNetwork service proposition for ETFs and ETCs differs from the standard market offering. Please refer to other sections of this document for additional information.

In view of their complexity, it is recommended that you seek financial advice before investing in ETFs and ETCs.

- **What about tax?**

UK residents are subject to the UK taxation regime as set by **HM Revenue & Customs (HMRC)**.

All UK funds are subject to the UK taxation regime.

All **offshore funds** are subject to their local tax regimes, and returns to UK residents are subject to the UK taxation regime.



You can find detailed tax information in the 'Taxation' section.

Investment Fund Accounts

You may be required to declare income or any capital gains on your tax return.

Any sale of units (or ETFs and ETCs), including switches, could trigger a capital gains liability.

Offshore funds (including ETFs and ETCs) are subject to local tax rules. If you are a basic rate taxpayer, you will have nothing further to pay. If you are a higher rate or additional rate taxpayer, you may be liable to additional income tax.

Dividends are paid net of basic rate tax but with a 10% tax credit - they are paid net of a 10% tax deduction. If you are a basic rate taxpayer, you will have nothing further to pay. If you are a higher rate or additional rate taxpayer, you may be liable to additional income tax.

Offshore funds are subject to local tax rules, but tax on the gains and income you receive from the funds is set by **HMRC**. The tax you may have to pay is dependent on the status according to the fund under UK taxation law. If you require further information on the tax treatment of these funds, please contact us.

ISAs and Junior ISAs

You do not have to pay tax on income or any capital gains arising from your **ISA** investments. This means you do not need to declare your **ISA** investments on your tax return.

Interest distributions are paid net of basic rate tax. We will reclaim this on your behalf and apply it to your **ISA**.

Dividend distributions are taxed at the rate of 10% and this is not reclaimable.

Interest on money held in an **Stocks and Shares ISA** including **ISA Cash Park** is paid net of 20% HMRC interest charge which is not reclaimable. Higher rate tax payers are not liable for any additional charge. A **Junior ISA** is not liable to this flat rate charge.

• **What price will I get when I buy or sell units/shares?**

For most funds, we will carry out your instructions on the day we receive them, as long as they arrive before the **dealing cut-off time**.

Unless shown in the 'Fund dealing cut-off' section, funds are priced at 12 noon and the dealing cut-off is 11am.

Fund prices are set on a forward-pricing basis which means the price is determined at the next valuation point and you will not know in advance the exact price you will pay. As the value of the fund can move up or down this affects the price of each unit or share. The price may also take into account trading costs.

Please note that in the event of a fund pricing more frequently than once a day, we will only use the provider's main valuation point. Deals received after the relevant cut-off point will get the next available price.

We may apply an early cut-off time on certain public holidays such as Christmas Eve and New Year's Eve where this is imposed by fund managers. Any deals received after a revised cut-off will receive the next available price.

For **offshore funds**, additional public holidays in a fund's country of registration may affect your ability to place deals on those days.

For **ETFs and ETCs**: All ETFs and ETCs currently offered through Fidelity FundsNetwork trade via a third party broker on the London Stock Exchange. While the underlying ETFs and ETCs price in real time, Fidelity FundsNetwork will aggregate all deals and only trade once a day. More detail on dealing cut-off times and pricing points can be found in the section 'Fund Dealing cut-off times'. Please note regardless of the time you submit your trade before the daily dealing cut off time, the price that you get is determined by the price the third party broker achieves when they place Fidelity FundsNetwork's aggregate daily trade, along with dealing costs.



You can find the dealing times for each fund in the section 'Fund Dealing cut-off times'.

• **Where can I find the latest prices?**

You can check fund prices by visiting www.fidelity.co.uk/fundprices or calling our customer services team. Also, many fund prices are published in the financial press.

• **Will I receive an income from my investments?**

Investment Fund Accounts

Funds that pay income do so either as **dividends** or **interest**. You can choose to have this income paid to you or reinvested back into your account.

If you choose to receive the income, you will need to complete an income mandate form. We will make payment within ten days of receiving monies from the **fund manager**. Before the income is paid out, it is held in a cash account and you will not receive any **interest** on it.

Payments are made by Direct Debit to your nominated bank/building society account.

You can find out how often your chosen fund pays out an income by reading the Fund Prospectus or contacting us using the details at the end of this document.

ISAs and Junior ISAs

Dividends and **interest** from all the funds in your **ISA** are brought together every month and paid out as a single amount. This means that if you hold the same fund inside and outside an **ISA**, you may receive the income payments on different days.

What's more, if your funds pay income less frequently than once a month, you will only receive **ISA** income payments in the months that we have **dividends** or **interest** to pay out to you.

Any income accrued in a **Junior ISA** will be re-invested as income accrued can not be withdrawn until the account holder has reached the age of 18.

Before income is paid out from your **ISA**, it is held in a cash account and you will not receive any interest on it.

• **What if I need some of the money held in my investments?**

If you require money from your investments on a regular basis, we offer a service called a monthly withdrawal plan. To take out a monthly withdrawal plan you will need to submit the relevant application form to us.

Investment Fund Accounts

You can cash in all or part of your investment at any time without paying an exit penalty.

ISA and Junior ISAs

If you cash in all or part of your investment, you will not pay any exit fee – but you will lose that part of your **ISA** allowance.

No withdrawals can be made from a **Junior ISA** until the account holder has reached the age of 18.

• What documentation will I receive after I invest?

For **lump sum** investments, you will be sent a confirmation note showing details of your investment. We do not issue share certificates, so you should keep this safe as a record of your transaction.

If you set up a **monthly savings plan**, you will receive a letter confirming that the plan has been set up and telling you the monthly collection date.

We will not send you confirmation of each monthly investment after that, although full details will appear on your statements.

We will also send you a statement and valuation at least once a year. This will be posted to you, unless you choose to receive your documents online through our website. Please visit www.fidelity.co.uk to find out more.

• How can I find out how my investments are doing?

You can sign up to our online account management service where you can view an up-to-date valuation of your holdings.

Alternatively, you can call our customer services team who will be able to provide you with details over the phone or you can ask us to send you a valuation by post.



See the 'Contact us' section to find out how you can get in touch with us.

• If I choose an adviser what will Fidelity FundsNetwork pay them?

If you have an adviser they may receive an initial commission payment from us. We pay this out of the initial charge that is applied when you make your investment. Depending on what you have agreed with your adviser, we may also pay them either ongoing commission or an adviser ongoing fee.

We pay ongoing commission out of the distribution fee that we receive from fund providers, and you will not pay any extra to cover it.

If you choose to pay an adviser ongoing fee through **Fidelity FundsNetwork**, the ongoing commission we would have paid your adviser will be offset against the adviser ongoing fee you have agreed with your adviser.

The amount paid will depend on the size of your investment and the length of time you invest it for.

Your adviser will tell you how much they will receive.

Additionally **Fidelity FundsNetwork** may provide your adviser with other non-monetary benefits such as training, marketing literature, conferences, IT facilities and invitations to business-related events. We can provide you with full details of actual benefits provided on request.

• Will Fidelity FundsNetwork receive any other payments?

Additionally **Fidelity FundsNetwork** may receive non-monetary benefits from **third parties**, such as invitations to business-related events. We can provide you with full details of the benefits received from the provider of your chosen funds on request.

• Can I cancel my investment?

You may cancel your investment if you are a resident of the United Kingdom (which doesn't include the Channel Islands or the Isle of Man) and you make a new investment or fund **switch** as a result of receiving investment advice.

Fidelity does not give investment advice. As some advisers operate on an execution-only basis, we will assume that you have not received advice from anyone, unless you tell us that you have.

You have 14 days to cancel your investment, which starts when the deal is placed. If you decide to cancel an **ISA** within this period, you will not lose your **ISA** allowance.

If you invest through our **monthly savings plan**, or use our phasing option for **lump sum** investments (which gradually invests your money for you over a six-month period), the right to cancel will only apply when you start the savings plan or make your initial **lump sum** investment.

If you decide to cancel your investment, we will repay your money minus any fall in the value of your investment. For higher-risk funds, a fall could be substantial. You will have to repay any amounts already paid to you under the contract.

If you decide not to cancel, you will still be able to withdraw your money whenever you want. However, we will not refund any charges you have paid.

Please note that in the event that a Junior ISA is cancelled or voided, the original monies will be returned directly to the child by cheque.

• How do I cancel my investment?

If you want to cancel, you should write to: **Cancellations Department, Fidelity worldwide Investment, Oakhill House, 130 Tonbridge Road, Hildenborough, Kent TN11 9DZ**, giving details of the investment that you would like to cancel. You must include the deal/transaction reference as specified on your confirmation of transaction.

New investments

If your investment was made by debit card, **cancellation** monies will be refunded back to the same card. All other **cancellation** payments will be made by electronic transfer to bank details you have provided or by cheque, payable to yourself.

Switches

A **switch** involves the sale of an original holding and purchase of a new holding. The right to cancel only applies to the purchase of the new holding. The sale of the original holding will still take place. If you cancel a **switch** relating to an **Investment Fund Account**, we will return the proceeds of your original investment back to you.

If you cancel a **switch** relating to an **ISA**, you'll need to tell us whether you want us to:

- Invest the proceeds into a different fund (please provide fund code and fund name)
- Return the proceeds to you. This means you will lose the tax benefits of the investment and some or all of your ISA allowance.

If your instruction does not specify one of these options, we will place the money into our **ISA Cash Park** until you contact us.



Please read on further for more detail on our **ISA Cash Park**.

ISA transfers

An ISA transfer involves the sale of the original holding with the previous provider and purchase of the new holding with the new provider within the ISA wrapper. The right to cancel only applies to the purchase of the holding with the new provider. The sale of the original holding with the previous provider will still continue.

If you are cancelling a transfer to us from another **ISA** manager, you must confirm whether:

- You require a cheque payable to your previous **ISA** manager or another **ISA** manager. You are responsible for passing the cheque on to the **ISA** manager.
- You wish the money to be paid to you. If you select this option, you will lose all future tax benefits associated with the sum. It cannot be reinstated into an **ISA**, though you can still invest it if you have any **ISA** allowance remaining in the tax year.
- You would like to invest the proceeds into a different fund (please provide fund code and fund name).

Additional investor information

• Can I switch from one fund to another?

Yes. You can **switch** from one fund to another within the account you hold. There may be a charge associated with any **switches** you make.



See the 'Charges and expenses' section for more information.

• How can I cash in my investment?

You can cash in all or part of your investment at any time without paying an exit penalty.

We will carry out your instructions on the day we receive them, as long as this is before the **dealing cut-off time**. However this may be affected by public holidays both in the UK and, for offshore funds, in the country of registration.

Payment is normally by direct credit to your personal bank or building society, unless prior agreement has been obtained from us for a cheque payment.

If you are redeeming an **ISA**, we will not proceed with the transaction until the method of payment has been confirmed and full bank details have been provided.

No withdrawals can be made from a **Junior ISA** until the account holder has reached the age of 18.

If a monthly saving collection takes place while processing your request, we will require a new instruction to sell the remaining amount.

If you place your instruction over the telephone, we will need to send you a renunciation form and the process will not begin until you have signed it and returned it to us.

If you are investing on a monthly basis, please give us at least five business days to cancel your direct debit.

Payment will be made to you once proceeds are received by Fidelity from the relevant fund provider (if you are cashing in an investment in a non-Fidelity product) or from the custodian (in the case of a Fidelity product). Fidelity may also pay you an amount equal to the expected sale proceeds in advance of receiving them, in which event the proceeds will be due and payable to you

at the time of payment by Fidelity. If Fidelity does so, then (i) the proceeds will be recovered by Fidelity on receipt from the provider/custodian; and (ii) you agree that if the provider/custodian fails to pay the proceeds to Fidelity then you will repay Fidelity the amount paid to you in advance.

• Can I take regular withdrawals from my investments?

You can arrange to take regular withdrawals from your investments on a monthly, quarterly, semi-annual or annual basis. Payment will be made to your bank account within seven business days of the specified withdrawal dates.

No regular withdrawals can be made from a **Junior ISA**.

• Can I hold cash in a Stocks and Shares ISA?

You cannot invest in cash funds within a **Stocks and Shares ISA**. However, you may temporarily hold cash within a **Stocks and Shares ISA** in the **ISA Cash Park** service for an **ISA** or **Junior ISA**. The **ISA Cash Park** is not available within a **Cash ISA**.

• What is the ISA Cash Park?

The **ISA Cash Park** service is designed to provide you with a temporary shelter in times of market volatility, or a way to secure your **ISA** allowance for the current tax year until you have selected suitable investments.

Cash can only be held in a **Stocks and Shares ISA** for the purpose of investing in qualifying stocks and shares investments, so the **ISA Cash Park** should not be seen as a longer term investment choice. **HMRC** may require us to return the cash to you if you do not invest it. This would mean you would lose that proportion of your **ISA** allowance and the tax benefits associated with it.

The minimum initial **lump sum** investment in the **ISA Cash Park** is £1,000. You cannot set up a **monthly savings plan** into **ISA Cash Park**.

Money within the **ISA Cash Park** will be held by The Royal Bank of Scotland on behalf of Fidelity. If we receive your instruction before midday, we will place the deal into the **ISA Cash Park** that day. If we receive it after midday, the deal will be placed on the following day.

You will start to earn **interest** on the fourth business day after a deal is placed into the **ISA Cash Park**. **Interest** is accrued daily and paid monthly. For the latest **interest** rates, please visit www.fidelity.co.uk

You will continue to earn interest up to the day that a deal is placed to move money out of the **ISA Cash Park**.

Fidelity will retain some of the **interest** earned, typically at a rate of 0.4% of the balance. This rate may be higher depending on the total amount deposited with The Royal Bank of Scotland. We can provide you with full details on request.

• ISA Cash Park – how do I apply?

If you are investing online or over the phone, please follow the normal process to invest in the **ISA Cash Park**. If you are investing by application form, simply write CAPA in the Fund Code column and **ISA Cash Park** in the Fund Name column of the **ISA** application form.

You can invest in ISA eligible funds at the same time as investing in the ISA Cash Park. The total investment cannot exceed the overall limit of £10,680 for an ISA in the 2011/2012 tax year and the overall limit of £11,280 in the 2012/13 tax year and £3,600 for a Junior ISA.

You can only use the **ISA Cash Park** to hold money temporarily until you have made your investment decision.

- [Can I change my Cash ISA to a Stocks and Shares ISA?](#)

Yes. You can transfer money held in a **Cash ISA** to a **Stocks and Shares ISA** by completing the relevant application form and returning it to us.

Please note that if you choose to transfer money from a **Cash ISA** to a **Stocks and Shares ISA**, you will not be able to move the money back to a **Cash ISA** at a later date.

- [Can I change my Stocks and Shares ISA to a Cash ISA?](#)

No. You cannot transfer money held in a **Stocks and Shares ISA** to a **Cash ISA**.

- [Can I move funds held in an Investment Fund Account into an ISA?](#)

Yes. **Fidelity FundsNetwork** offer an **OEIC to ISA** transfer online service for moving existing **Investment Fund Account** holdings held on **Fidelity FundsNetwork** into a **Stocks and Shares ISA** for an ISA only. This service is not available for a **Junior ISA**. A switching charge will apply, as outlined in the 'Charges and expenses' section.

However, you can instruct us to cash in your investment and use the proceeds to buy funds within an **ISA**. If you do not already have an **ISA** with us for the current tax year, you will also need to complete an **ISA** application form.

- [What happens if Fidelity FundsNetwork becomes insolvent?](#)

Financial Administration Services Limited, who operates the **Fidelity FundsNetwork** service, is covered by the **Financial Services Compensation Scheme (FSCS)**.

You may be entitled to compensation from the scheme if we are unable to meet our financial obligations, but this will depend on the type of investment you made and the circumstances of the claim. Investments in offshore funds, including ETFs and ETCs, are not covered by the FSCS.

The maximum compensation is £50,000 per claimant.

- [What happens if The Royal Bank of Scotland plc becomes insolvent?](#)

Money paid into the **ISA Cash Park** will be deposited with The Royal Bank of Scotland plc (RBS) by Financial Administration Services Limited.

RBS is a member of the **FSCS**, and money paid into the **ISA Cash Park** is a protected deposit for the purposes of this Scheme. If RBS were to fail, the **FSCS** can pay compensation up to a limit of £85,000 to each eligible claimant.

The compensation limit of £85,000 applies to all the accounts that the eligible claimant holds with RBS (whether they are a single or joint account holder). This means that if RBS were to fail and the eligible claimant had deposits exceeding £85,000 with RBS, the amount over £85,000 would not be covered by the Scheme.

For further information about compensation arrangements, please refer to the **FSCS** website www.fscs.org.uk

- [How do I make a complaint?](#)

If you would like to make a complaint, you should write to us.

We can give you full details of the procedure we have set up for dealing with complaints. If you are not satisfied with our response, you can take your complaint to the **Financial Ombudsman Service (FOS)**.



See the 'Contact us' section to find out how you can get in touch with us.

- [What is my customer category?](#)

The **FSA** requires us to put our customers into groups so that we can treat them according to their level of knowledge about investments. These groups are:

- retail client
- professional client
- eligible counterparty

We treat all customers who invest in the products described in this document as retail clients. It gives you the greatest level of protection under the regulations and ensures you get full information about your investments.

Taxation

Fund taxation

All returns from the funds (including ETFs and ETCs) are net of any taxes they are required to pay on the investments they undertake. In addition the taxation of funds (including ETFs and ETCs) will be subject to local tax legislation. The fund (including ETFs and ETCs) will pay any taxes it is required to out of the fund and there are no additional taxes taken from returns to investors, except as detailed below.

UK OEICs and Authorised Unit Trusts

Funds will each be subject to corporation tax at 20% on the net chargeable income after deducting allowable expenses.

Dividends from companies are received with a 10% notional tax credit and no further tax is payable by the fund on that income.

Funds are exempt from UK capital gains tax on the disposal of investments held within them.

Offshore Funds (including ETFs and ETCs)

Luxembourg based SICAVs

Non ETF funds are subject to *taxe d'abonnement* at a rate of 0.05% per year (0.01% for cash and currency funds) based on the Net Asset Value of the fund.

ETFs formed as Luxembourg SICAVs are not subject to tax in Luxembourg, including *tax d'abonnement*.

Irish domiciled funds

In general, funds are not subject to Irish tax on their relevant income or gains, however payments from non-ETF funds to Irish resident, or ordinarily tax resident, investors are subject to Irish dividend withholding tax.

Payments from Irish domiciled ETFs are not subject to Irish dividend withholding tax, but Irish resident, or ordinary resident, investors are required to pay Irish taxes in lieu of the withholding they would otherwise have suffered.

ETC

In general are not subject to any taxes on income or capital gains in the jurisdictions in which they are domiciled.

Investor taxation

As a UK resident you are subject to the UK taxation regime as set by **HMRC**.

UK OEICs and Authorised Unit Trusts

You may be liable to capital gains tax on the sale of your shares if your net chargeable gain exceeds the annual exemption. UK

Stamp Duty Reserve Tax (SDRT) could be chargeable on the value of surrenders and transfers in the fund at the current rate of 0.5%.

Where income is paid it will be paid as either as a dividend or as interest depending on the type of fund. These income distributions are subject to income tax and your position is the same whether your distribution is re-invested or paid to you.

- Where a fund pays dividend distributions these are accompanied by a notional 10% tax credit.
- If you are a basic-rate tax payer, you will not have any further tax to pay on dividend distributions. If you don't pay tax you cannot reclaim the tax credit on dividend income.
- If you are a higher-rate and/or additional rate taxpayer you will be liable to further tax on the grossed up dividend, depending on your individual circumstances.
- Where a fund pays interest distributions these are paid after a deduction of 20% UK income tax.
- If you are a basic-rate tax payer there is nothing further to pay on interest distributions.
- If you don't pay tax you can reclaim the tax deducted on interest distributions from HMRC.
- If you are a higher-rate or additional rate tax payer you maybe liable for additional amounts of UK income tax depending on your individual circumstances.

Offshore Funds

There are currently two tax regimes in operation for offshore funds: distributing and reporting. For further details of which regime is applicable to individual offshore funds please contact Fidelity directly. Please note as currently ETFs and ETCs are treated as offshore funds for UK tax purposes in the hands of the end investors the information will also apply to them. However, the UK tax treatment of ETCs in particular may be subject to change, which could affect your investment in the future, and the position outlined here is based on information provided by the ETC issuers. An alternative approach by HMRC to that outlined by the ETC issuers could result in returns from trading ETCs in particular being subject to income tax rather than capital gains tax.

The ongoing tax liabilities are determined by both your individual circumstances and the continued status of the offshore fund or exchange traded investment. If you are unsure of your tax liabilities you should consult a qualified tax advisor.

It should be noted that even in the UK, not all tax laws and regulations treat ETCs as offshore funds, in particular for the purposes of the ISA regulations and the EU Savings Directive, and some differences may arise as a result in relation to information provided to tax authorities under those regulations.

There are currently two regimes in place: distributing/non-distributing funds and reporting/non-reporting funds. The reporting/non-reporting regime came into effect on 1 December 2009 to replace the other regime. A transition period is in place for funds with accounting periods that include that date, until 31 May 2012, after which only the reporting/non-reporting regime will exist.

Distributing/non-distributing funds

Distributions are subject to different tax treatments in the hands of investors according to whether the fund satisfies the 'qualifying investments test', set by HMRC, during the accounting period to which the distribution relates.

The qualifying investment test is satisfied if the proportion of the assets of the fund invested in 'debt-related securities' (e.g. bonds and other instruments which generate a return in the form of 'interest') did not exceed 60% at any time during the accounting period to which the distribution relates.

- Where a fund has satisfied the qualifying investments test, distributions are deemed to be paid net in the same way as UK dividends i.e. with a notional 10% tax credit (calculated as 1/9th of the actual distribution paid).
 - If you are a basic-rate tax payer, you will not have any further tax to pay on dividend distributions. If you don't pay tax you cannot reclaim the tax credit on dividend income.
 - If you are a higher-rate and/or additional rate taxpayer you will be liable to further tax on the grossed up dividend, depending on your individual circumstances.
- Where a fund has failed the qualifying investments test, distributions are treated as interest income and subject to income tax at the appropriate rate
 - If you don't pay UK tax no UK tax will be payable.
 - If you are a basic-rate tax payer, you will be liable for 20% UK income tax on the distribution.
 - If you are a higher-rate and/or additional rate taxpayer you will be liable to pay 20% UK income tax on the distribution and, depending on your individual circumstances, you maybe liable for additional amounts of UK income tax.

If you fall within the charge to UK corporation tax you will generally be exempt from tax on foreign dividends paid. However, if the fund making the distribution fails the qualifying investments test for the relevant accounting period, the distribution will be treated as interest income in the hands of corporate investors and subject to tax accordingly.

If you sell shares in an offshore fund (including ETFs and ETCs) which has been certified by HMRC as a 'distributing fund' throughout the period you held the shares, the same capital gains rules apply as for UK OEICs and Unit Trusts.

However, if you sell shares in a fund which has not been certified as a distributing fund, the gain will be liable to corporation or income tax as an offshore income gain rather than to capital gains tax.

Reporting/non-reporting funds

Distributions from offshore funds (whether reporting funds or not) are subject to different tax treatments in the hands of investors according to whether the fund satisfies the 'qualifying investments test' during the accounting period to which the distribution relates.

The qualifying investment test is satisfied if the proportion of the assets of the fund invested in 'debt-related securities' (e.g. bonds and other instruments which generate a return in the form of 'interest') did not exceed 60% at any time during the accounting period to which the distribution relates.

- Where a fund has satisfied the qualifying investments test, distributions are deemed to be paid net in the same way as UK dividends i.e. with a notional 10% tax credit (calculated as 1/9th of the actual distribution paid)
 - If you are a basic-rate tax payer, you will not have any further tax to pay on dividend distributions. If you don't pay tax you cannot reclaim the tax credit on dividend income.
 - If you are a higher-rate and/or additional rate taxpayer you will be liable to further tax on the grossed up dividend, depending on your individual circumstances.
- Where a fund has failed the qualifying investments test, distributions are treated as interest income and subject to income tax at the appropriate rate
 - If you don't pay UK tax no UK tax will be payable.
 - If you are a basic-rate tax payer, you will be liable for 20% UK income tax on the distribution.
 - If you are a higher-rate and/or additional rate taxpayer you will be liable to pay 20% UK income tax on the distribution and, depending on your individual circumstances, you maybe liable for additional amounts of UK income tax.

If you have shares in a fund (including ETFs and ETCs) which has submitted an election to HMRC to be treated as a 'reporting fund' you will be subject to tax on the greater of any actual cash distribution received or the 'total reportable income' attributable to your holding for the relevant accounting period. Any amount in excess of the actual cash distribution will be taxed on the same basis as any cash distribution made by the fund. If you sell shares in an offshore fund which has elected to be treated as a 'reporting fund', the same capital gains rules apply as for UK OEICs and Unit Trusts (with a deduction for any amounts already taxed as 'reportable income').

If you hold shares in non-reporting funds, you will be subject to income tax only to the extent that you receive cash distributions from the fund. However, if you sell shares in a fund which has not elected to be treated as a 'reporting fund', the gain will be liable to corporation or income tax as an offshore income gain rather than to capital gains tax. Losses on funds which have not elected for 'reporting status' cannot be taken into account to offset such gains.

If you fall within the charge to UK corporation tax you will generally be exempt from tax on foreign dividends. However, if the fund making the distribution fails the qualifying investments test for the relevant accounting period, the distribution will be treated as interest income in the hands of corporate investors and subject to tax accordingly.



If you are uncertain about the tax implications of offshore investment you should speak to your tax adviser.

Fund Dealing Cut-Off Times

Unless shown in the table below, funds are priced at 12 noon and the dealing cut-off time is 11am.

Fund	Pricing time	Dealing cut-off time
Exchange Traded Products:	3.00pm***	1.30pm**
Allianz RCM Dynamic Growth Fund	11.59pm	4.00pm**
Architas Dynamic Multi Asset Passive Fund Architas Growth Asset Passive Fund Architas Reserve Multi Asset Passive Fund	12.00 noon	11.00am
Architas Multi-Manager Diversified Protector 70 Architas Multi-Manager Diversified Protector 80	12.00 noon	3.30pm previous day*
All other Architas funds	8.00am	4.00pm previous day*
Aviva Investors Multi-Asset Fund I Aviva Investors Multi-Asset Fund II Aviva Investors Multi-Asset Fund III Aviva Investors Multi-Asset Fund IV Aviva Investors Multi-Asset Fund V	2.00pm	1.00pm**
Aviva Investors Balanced Fund of Funds Aviva Cautious Fund of Funds Aviva Growth Fund of Funds	9.00am	4.00pm previous day*
Aviva Investors Diversified Assets Fund Aviva Diversified Strategy Fund Aviva UK Index Tracking Fund	5.00pm	4.00pm**
Baillie Gifford (all funds)	10.00am	4.00pm previous day*
Barclays High Income Portfolio Class A Barclays Income Plus Portfolio CI A Inc Barclays Income Plus Portfolio CI A Acc	12.00 noon	4.00pm previous day
Barclays US Alpha Fund B Inc Barclays Europe (ex-UK) Alpha A Inc Barclays Europe (ex-UK) Alpha B Inc Barclays Sterling Bond B Inc Barclays UK Lower Cap Fund B Inc Barclays US Alpha Fund A Inc Barclays UK Alpha Fund B Inc Barclays UK Alpha Fund A Inc Barclays UK Lower Cap Fd A Inc	1.00am	4.00pm previous day*
Barclays Wealth Global Markets 1 CL B Inc Barclays Wealth Global Markets 1 CL B Acc Barclays Wealth Global Markets 2 CL B Inc Barclays Wealth Global Markets 2 CL B Acc Barclays Wealth Global Markets 3 CL B Inc Barclays Wealth Global Markets 3 CL B Acc Barclays Wealth Global Markets 4 CL B Acc Barclays Wealth Global Markets 5 CL B Acc	11.00pm	1.00pm**
City Financial Strategic Gilt Fund	10.00am	4.00pm previous day*
Close Escalator 100	10.30am	4.00pm previous day*
Close – all other funds	12.00 noon	4.00pm previous day*
Fidelity – OEICs, unit trusts and recognised offshore currency funds	12.00 noon	12.00 noon
Exception: where an investment into the Fidelity Cash Fund is paid for by cheque, instructions received before the dealing cut-off will receive the next business day's price		
Fidelity SICAV funds (except those listed below)	5.00pm	5.00pm**

* For deals received by fax, or for redemptions placed via the web, the dealing cut-off time for these funds is 12.00 noon on the previous day.

** For deals received by fax, or for redemptions placed via the web, the dealing cut-off time for these funds is 12.00 noon.

*** For Exchange Traded Products, the actual pricing time may vary as deals are traded on a stock exchange by an executing broker.

Fund	Pricing time	Dealing cut-off time
Fidelity ASEAN	5.00pm	12.00 noon
Fidelity Asian Aggressive		
Fidelity Asian Bond		
Fidelity Asian High Yield		
Fidelity Asia Pacific Dividend		
Fidelity Asia Pacific Property		
Fidelity Asian Special Situations		
Fidelity Australia		
Fidelity China RMB Bond		
Fidelity China Focus		
Fidelity China Consumer		
Fidelity China Opportunities		
Fidelity Emerging Asia		
Fidelity Euro Cash		
Fidelity Euro Stoxx 50		
Fidelity Greater China		
Fidelity India Focus		
Fidelity Indonesia		
Fidelity Japan		
Fidelity Japan Advantage		
Fidelity Japan Dividend Growth		
Fidelity Japan Smaller Companies		
Fidelity Korea		
Fidelity Malaysia		
Fidelity MoneyBuilder European Index		
Fidelity Pacific		
Fidelity Singapore		
Fidelity Smaller Companies		
Fidelity South East Asia		
Fidelity Taiwan		
Fidelity Thailand		
Fidelity US Dollar Cash		
Fidelity – any SICAV fund held within an ISA	5.00pm	12.00 noon
Franklin Templeton – offshore (all funds)	9.00pm	4.00pm
Henderson Multi-Manager Active	4.00pm	3.00pm**
Henderson Multi-Manager Managed		
Ignis MultiManager funds	10.40pm	2.00pm**
Ignis UK Property Fund	2.00pm	1.00pm**
J O Hambro Capital Management - Continental European, European, European Select Value, Japan and UK Growth Funds	11:30am	4:00pm previous day*
L&G Global 100 Index	3.00pm	2.00pm**
L&G Global Health & Pharmaceuticals Index		
L&G Global Technology Index		
L&G International Index		
L&G North American		
L&G US Index Trusts		
Octopus UK Absolute Equity	7.00am	4.00pm previous day*
Octopus (all other funds)	10.00am	4.00pm previous day*
Pimco – offshore (all funds)	12.00 noon	4.00pm previous day*
Prudential Defensive Portfolio	12.00 noon	4.00pm previous day*
Prudential Cautious Portfolio		
Prudential Cautious Growth Portfolio		
Prudential Balanced Portfolio and Adventurous Portfolio		
PSigma Dynamic Multi Asset Fund Acc	8.00am	4.00pm previous day*

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Fund	Pricing time	Dealing cut-off time
Russell (all funds)	7.00am	4.00pm previous day*
Scottish Widows High Income Bond Fund	2.00pm	11.00am
Scottish Widows Share Classes HIFML	12.00 noon	4.00pm previous day*
Scottish Widows (all other funds)	8.00am	4.00pm previous day*
Smith & Williamson – offshore (all funds)	11.59pm	4.00pm
Standard Life (all funds)	7.30am	4.00pm previous day*
SWIP High Yield Bond Fund	2.00pm	1.00pm**
SWIP European Corporate Bond	8.00am	4.00pm previous day*
SWIP European Global		
SWIP Global SRI		
SWIP Japanese		
SWIP North American		
SWIP Pan-European Smaller Companies		
SWIP UK Smaller Companies		
Threadneedle UK Property Fund II Acc	2:00pm	1:00pm **
Threadneedle UK Property Fund II Inc		
Threadneedle UK Growth Fund Acc		
Threadneedle European ex UK Growth Fund		
Threadneedle UK Equity Income Fund Inc		
Threadneedle UK Corporate Bond Fund Inc		
Threadneedle Managed Portfolio 3 Inc		
Threadneedle Managed Portfolio 4 Acc		
Threadneedle Managed Portfolio 5 Acc		
Threadneedle Managed Portfolio 6 Acc		
Threadneedle Managed Portfolio 7 Acc		
TM Darwin Multi Asset Fund Acc, TM Darwin Multi Asset Fund Inc	12.00 noon	4.00pm previous day *
UBS Global Emerging Markets Equity Fund	2.00pm	1.00pm**
Virgin (all funds)	5.00pm	4.00pm**
Williams De Broe – offshore (all funds)	5.00pm	3.00pm

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