



# THE AVALON FREEDOM PORTFOLIO

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### Freedom of choice

With the Freedom Portfolio you are free to invest your money the way **you** want to.

Through the Freedom Portfolio you can invest in **any** eligible unit trust, OEIC and investment trust through to UK equities, gilts and warrants.

With most investment products you are restricted to the investment manager's own funds or a specific range of fund links, but with the Freedom Portfolio you can invest in all the best performing funds in the market.

This means, for example, you can invest in the best UK, European and US funds whoever the fund manager even for brand new fund launches often not available on other platforms. As the choice is totally open there is no need to compromise, you really can have the 'best of the best'!

**Why accept anything less?**



## Value too

Avalon has negotiated substantial discounts, typically 4.0% to 5.0% (and in some cases the entire initial charge) with all the leading fund managers. These discounts mean that the initial cost of your investment and any future switches between funds is kept to a minimum.

## A summary of the benefits

- The choice of practically any of the leading investment companies in the UK as well as UK equities and gilts
- The ability to tailor portfolios by sector, by manager, by strategy or by a combination of any factors you choose
- Substantial discounts negotiated with most fund management groups making it possible to buy their units and switch between fund managers at low cost
- The sheer convenience of one statement to read and one point of contact, no matter how many investments you choose

**Quite simply, the Freedom Portfolio puts you in complete control of your investments.**

# THE FREEDOM PORTFOLIO FROM AVALON

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## Its aims

The Freedom Portfolio is a completely open choice investment product. It has been developed to give you a great deal of flexibility at low cost and ease the administrative burden of your investment.

### The benefits are:

- The opportunity to increase the value of your capital.
- Market-wide choice of virtually any unit trust, OEIC (Open Ended Investment Company), investment trust, UK equity or gilt.
- The ability to tailor your portfolio by sector, by manager, by strategy or by a combination of any factors you choose.
- The flexibility to switch investments whenever you want, whether to suit stock market conditions or in response to a change in attitude to risk, at very low cost.
- The convenience of one statement to read no matter how many investment companies you select and altogether much less paperwork.

## Your investment

You may invest in the Freedom Portfolio by a lump sum or monthly contribution. The investment limits are detailed overleaf. Alternatively, you can transfer existing Portfolios and then review your entire investment strategy.

## The risk factors

Past performance is not necessarily a guide to future performance and the value of your investment may fall as well as rise, and any income received in the form of dividends may fluctuate. You may not get back the full amount invested when the account is closed.

If you invest in investment trusts you should be aware that the share price will not always reflect the underlying net asset value of the investments in its portfolio. If the share price is higher than the net asset value per share this is known as a premium and if it is lower it is known as a discount.

Investment trusts may borrow money to invest in further investments for the trust. This is known as gearing and will enhance returns if the investments increase in value by more than the cost of borrowing the money, but will reduce overall returns from the portfolio if the assets do not grow by enough to cover the cost of the borrowing.

If assumed investment growth is not achieved, the effect of charges on your investment may be higher than projected.

If paying regular monthly contributions, please bear in mind that if contributions are not maintained you will be less likely to achieve the figure that was originally projected.

## YOUR QUESTIONS ANSWERED

### Who can open a Freedom Portfolio?

You must be at least 18 years of age.

### What is different about the Freedom Portfolio?

Most fund managers will only offer investment in their own range of funds. This means that if you want to spread your investments across a range of individual fund managers then you will have to deal with them separately, which is time-consuming and creates more paper work. With the Freedom Portfolio you can invest in any of the unit trusts, OEICs, investment trusts, UK equities and gilts you want and all via one plan manager.

### What are the investment limits?

**Minimum lump sum contribution  
£5,000  
(£1,000 per holding).**

Minimum lump sum top-up £1,000  
(£1,000 per holding).

**Minimum monthly payment £500  
(£100 per holding).**

Minimum monthly top-up £100  
(£50 per holding).

Cheques should be made payable to  
*Avalon Client Money Account.*

### Can I write the Freedom Portfolio in Trust?

It is possible to write the Freedom Portfolio using Avalon's standard Absolute Trust. The primary benefit of doing this is that there is no need to wait for Probate/Letters of Administration and payment can be made quickly to the remaining trustees.

The Portfolio should not be written in trust if it is to be used as security for a loan or if you may need the proceeds yourself at any time.

Please complete the appropriate application form when writing the Portfolio in Trust.

### What investments are available to me?

The Freedom Portfolio offers you a huge range of investments to choose from – consisting of any of the UK's best-performing OEICs, unit trusts and investment trusts through to UK equities, gilts and warrants. Please note that you cannot subscribe to investment trust shares or equities on a monthly basis through the Freedom Portfolio.

### Is there any liability to Income Tax and Capital Gains Tax?

Dividends received from holdings in the account have a non-refundable tax credit, which is deemed to satisfy the basic rate taxpayer's liability in full. You may be liable to Income Tax at a higher rate. This will depend on your individual circumstances. The selling and buying of holdings when switching or the sale of holdings to make a withdrawal may be liable to Capital Gains Tax. Gains realised within the underlying funds that you have selected are exempt from Capital Gains Tax. Interest on cash held on deposit may also be liable to Income Tax at a higher rate and is paid net of tax at 20%.

### Can I change my mind about investing in the Freedom Portfolio?

If you have received advice prior to applying for the Freedom Portfolio, then you will have 14 days from receipt of your acknowledgement letter in which to change your mind. Full details are in the Terms and Conditions.

### How can I keep track of my investment?

On-line valuations are available at any time by logging on to [www.avaloninvestment.com](http://www.avaloninvestment.com). Please phone 01666 501710 to obtain your user name and password.

We will also send you a full statement every six months. This single summary statement will detail every transaction since the previous one and also provide a current value for each of your investments and a total valuation of your Portfolio (as at 5 April and the 5 October each year). Ad hoc transactions resulting from a request by you (e.g. change of investment choice) will be confirmed by us in writing, showing full and clear details of the transaction.

You may opt out of receiving paper statements by ticking the relevant box on the application form or phoning us on 01666 501710.

Alternatively you may obtain a current valuation at any time by phoning Avalon on **01666 501710**. You can also find the selling price for unit trusts and OEICs and the mid-market price for shares in *The Financial Times* and *The Daily Telegraph*. These prices form the basis of valuations.

## YOUR QUESTIONS ANSWERED

### What about changing my investment choice?

With the Freedom Portfolio switching between funds is easy to do and Avalon makes no charge. Whilst the fund management companies may make a charge for purchasing units in their funds, we have agreed terms to ensure that the cost to you is kept to a minimum. There are additional costs associated with the purchase of investment trusts, UK equities and gilts such as stockbroker dealing charges and stamp duty.

We will sell investments held in your Freedom Portfolio within two business days of receiving your written instructions. We will use the proceeds to buy another investment of your choice. Please note however, that we do not provide advice on which investments to select and strongly recommend that you consult your independent financial adviser for advice.

### Can I receive an income?

There are 2 ways to receive income from your Freedom ISA. Either by payment of dividend distributions or by sale of assets held. The big difference between the two methods is that with the latter, you will know how much income you will be receiving when the income due date arrives.

It is important to remember that in the case of dividend income, Avalon will deduct any charges due prior to payment, in order to avoid selling assets to raise any outstanding fees due.

However, where a fixed income has been elected, Avalon will always sell assets to raise any ongoing costs associated with the ISA.

Income from your account can be taken on a quarterly, half-yearly or yearly basis.

It is important to remember that funds may not pay dividends as regularly as you would like to receive your income, and in times of poor stock market performance may not pay a dividend at all. We strongly recommend that you discuss the suitability of your fund selection to produce the income you require and frequency of payment with your financial adviser.

Please note that there are dealing costs associated with the cancellation of shares and your capital may be eroded if the level of income exceeds growth. We recommend you consult your financial adviser before considering this method of taking an income.

### What about taking the benefits?

#### Partial encashments

You can partially encash your Freedom Portfolio at any time you like by writing to us. The minimum part encashment is £500 and you must have at least £2,500 in your account (£1,000 in any one holding) at all times for it to remain open.

#### Total encashment/transfer

To terminate your account we ask that you notify us in writing. Full details are available in the Terms and Conditions. There are no penalties for encashing your Freedom Portfolio.

### What are the charges?

Avalon will make the following charges

#### Initial charge

0.25% of lump sum investment  
0.50% of monthly investment

These charges will be deducted from your subscription, leaving the rest to be invested.

If you have been given advice your financial adviser will make a charge for this service, either by way of a fee or by commission. Commission will be added to the initial charge.

Should you transfer a holding to Avalon *in specie* then we may need to sell assets to meet the initial charges.

If you invest in investment trust shares, equities or gilts VAT may be payable on all or part of the initial charge.

There will be charges levied by the fund managers in the purchase of your investments. Full details are available on request.

#### Annual charge

0.5% p.a. +VAT

There are other annual management charges levied by the fund managers. Any renewal commission will be added to the annual charge.

For example:

- Avalon charge 0.5% + VAT
- renewal commission 0.5%
- typical fund manager's charge 1.0%
- = total charge of just over 2.0%

Further details about charges can be found in the Terms and Conditions.

### How are the account charges met?

Annual charges are met from dividend income. We will also hold 2% of your total investment value as cash on deposit, in order to meet ongoing account charges. If there is not enough cash in your account to meet these charges we will sell units/shares to meet the shortfall.

## YOUR QUESTIONS ANSWERED

### How much will advice cost?

Your adviser will give you details about the cost. The amount will depend on the size of your investment and in the case of regular monthly payments the period for which you make them.

### How will charges and expenses affect my investment?

We have negotiated reductions in charges with most of the major unit trust providers in the country to keep the cost to you to a minimum.

To demonstrate the effect that charges could have on your investment we have taken five example funds and applied all relevant charges to a lump sum investment of £5,000.

**It is important to note that these example funds are purely for illustrative purposes and may or may not be the most suitable fund/s for your circumstances.**

We do not offer advice about which fund/s you should invest into. The funds that you choose may have different charges that will ultimately affect what you might get back.

In all examples we have assumed an initial commission rate of 3% and 0.5% renewal commission payable to your adviser.

**The figures in these tables are not guaranteed, they are purely used for the purpose of demonstrating the effect of charges and expenses on an investment.**

All figures as at 31/01/08.

<b>Schroder</b>		<b>Strategic Bond (Acc)</b>							
<b>Gross yield 0% (at 31/01/08)</b>		The effect of charges and expenses on lump sum and monthly savings investments assuming a growth rate of 6% a year is set out below							
		<b>Lump Sum Investment of £5,000</b>				<b>Regular Savings plan of £500 per month</b>			
At end of year		1	3	5	10	1	3	5	10
Investment to date	£5,000	£5,000	£5,000	£5,000	£5,000	£6,000	£18,000	£30,000	£60,000
Effect of deductions to date	£291	£558	£875	£1,943	£300	£1,355	£3,113	£11,501	
Withdrawals paid to date	-	-	-	-	-	-	-	-	-
What you might get back	£5,300	£5,955	£6,691	£8,954	£6,193	£19,717	£34,912	£81,632	

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £1,943. Putting it another way, if the growth rate were to be 6% a year, which is in no way guaranteed, this would have the effect of reducing it to 3.4% a year.

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £11,501. Putting it another way, if the growth rate were to be 6% a year, which is in no way guaranteed, this would have the effect of reducing it to 3% a year.

<b>M&amp;G</b>		<b>Recovery A (Acc)</b>							
<b>Gross yield 0% (at 31/01/08)</b>		The effect of charges and expenses on lump sum and monthly savings investments assuming a growth rate of 6% a year is set out below							
		<b>Lump Sum Investment of £5,000</b>				<b>Regular Savings plan of £500 per month</b>			
At end of year		1	3	5	10	1	3	5	10
Investment to date	£5,000	£5,000	£5,000	£5,000	£5,000	£6,000	£18,000	£30,000	£60,000
Effect of deductions to date	£303	£624	£1,004	£2,268	£301	£1,451	£3,445	£13,172	
Withdrawals paid to date	-	-	-	-	-	-	-	-	-
What you might get back	£5,300	£5,955	£6,691	£8,954	£6,193	£19,717	£34,912	£81,632	

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £2,268. Putting it another way, if the growth rate were to be 6% a year, which is in no way guaranteed, this would have the effect of reducing it to 3% a year.

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £13,172. Putting it another way, if the growth rate were to be 6% a year, which is in no way guaranteed, this would have the effect of reducing it to 2.6% a year.

<b>Artemis</b>		<b>Income (Inc)</b>							
<b>Gross yield 4.26% (at 31/01/08)</b>		The effect of charges and expenses on lump sum and monthly savings investments assuming a growth rate of 6% a year is set out below							
		<b>Lump Sum Investment of £5,000</b>				<b>Regular Savings plan of £500 per month</b>			
At end of year		1	3	5	10	1	3	5	10
Investment to date	£5,000	£5,000	£5,000	£5,000	£5,000	£6,000	£18,000	£30,000	£60,000
Effect of deductions to date	£342	£660	£1,029	£2,226	£346	£1,565	£3,546	£12,388	
Withdrawals paid to date	£211	£625	£1,030	£2,005	£249	£1,483	£3,681	£13,254	
What you might get back	£5,087	£5,290	£5,525	£6,291	£5,944	£18,173	£30,921	£65,650	

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £2,226. Putting it another way, if the growth rate were to be 6% a year, which is in no way guaranteed, this would have the effect of reducing it to 2.9% a year.

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £12,388. Putting it another way, if the growth rate were to be 6% a year, which is in no way guaranteed, this would have the effect of reducing it to 2.3% a year.

## YOUR QUESTIONS ANSWERED

## FURTHER INFORMATION

<b>Gartmore</b>	<b>European Select Opportunities (Acc)</b>							
<b>Gross yield 0% (at 31/01/08)</b>	The effect of charges and expenses on lump sum and monthly savings investments assuming a growth rate of 6% a year is set out below							
	<b>Lump Sum Investment of £5,000</b>				<b>Regular Savings plan of £500 per month</b>			
At end of year	1	3	5	10	1	3	5	10
Investment to date	£5,000	£5,000	£5,000	£5,000	£6,000	£18,000	£30,000	£60,000
Effect of deductions to date	£291	£558	£875	£1,943	£300	£1,355	£3,113	£11,501
Withdrawals paid to date	-	-	-	-	-	-	-	-
What you might get back	£5,300	£5,955	£6,691	£8,954	£6,193	£19,717	£34,912	£81,632

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £1,943. Putting it another way, if the growth rate were to be 6% a year, which is in no way guaranteed, this would have the effect of reducing it to 3.4% a year.

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £11,501. Putting it another way, if the growth rate were to be 6% a year, which is in no way guaranteed, this would have the effect of reducing it to 3.1% a year.

<b>Standard Life</b>	<b>Global Index Linked Bond R (Acc)</b>							
<b>Gross yield 0% (at 31/01/08)</b>	The effect of charges and expenses on lump sum and monthly savings investments assuming a growth rate of 6% a year is set out below							
	<b>Lump Sum Investment of £5,000</b>				<b>Regular Savings plan of £500 per month</b>			
At end of year	1	3	5	10	1	3	5	10
Investment to date	£5,000	£5,000	£5,000	£5,000	£6,000	£18,000	£30,000	£60,000
Effect of deductions to date	£328	£591	£905	£1,962	£344	£1,483	£3,320	£11,860
Withdrawals paid to date	-	-	-	-	-	-	-	-
What you might get back	£5,300	£5,955	£6,691	£8,954	£6,193	£19,717	£34,912	£81,632

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £1,962. Putting it another way, if the growth rate were to be 6% a year, which is in no way guaranteed, this would have the effect of reducing it to 3.4% a year.

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £11,860. Putting it another way, if the growth rate were to be 6% a year, which is in no way guaranteed, this would have the effect of reducing it to 2.9% a year.

### Documents for inspection

We can obtain copies of the Scheme Particulars of the underlying funds and their Annual Report and Accounts on request. We reserve the right to make a charge for providing this service.

### Governing Law

The Terms and Conditions of the Portfolio are governed by the law of England and Wales.

### Where can full details of the Freedom Portfolio be found?

Full details are available in the Terms and Conditions of business included in this brochure.

### What do I do if I have a complaint about the account?

If you wish to complain about any aspect of the service you have received, please contact the Compliance Officer at Avalon.

If your complaint is not dealt with to your satisfaction then you may refer the matter to the FSA Ombudsman Bureau, South Quay Plaza, 183 Marsh Wall, London E14 9SR. Making a complaint will not prejudice your right to take legal proceedings.

If you make a valid claim against Avalon and we are not able to meet our liabilities you may be covered by the Investor's Compensation Scheme, details of which are available on request.

This Key Features document is issued by:  
Avalon Investment Services Ltd  
Registered No: 3792386, England  
Registered Address: 2 Market Place,  
Tetbury, Gloucestershire, GL8 8DA

Authorised and Regulated by the FSA

# TERMS AND CONDITIONS

## 1. Definitions

- 1.1** A Portfolio is an Avalon Freedom Portfolio. The Avalon Freedom Portfolio allows investment into any unit trust, OEIC, investment trust, UK equity or gilt.
- 1.2** A Transaction Statement is a written record giving details of a transaction(s).
- 1.3** A Transaction may be any change to the Portfolio, or a change recording new or different circumstances of the Portfolio holder.
- 1.4** References to 'we', 'us', 'our' or 'Avalon' is Avalon Investment Services Ltd.
- 1.5** The FSA is the Financial Services Authority or its successor.
- 1.6** Reference to 'You' or 'the investor' shall mean the beneficial owner of the Portfolio.
- 1.7** An Investment is units or shares in any collective investment scheme or a company including investment trusts, gilts, warrants or other direct equity holdings available on the UK stock market that we permit.

## 2. Appointment

- 2.1** We are authorised and regulated by the FSA and bound by the rules of the FSA.
- 2.2** We provide portfolio management and administration as permitted by the FSA on a non-discretionary basis.
- 2.3** When we accept your application(s) Avalon will manage Portfolio money and Investments as a Portfolio and otherwise as set out in this agreement.

## 3. General

- 3.1** You must provide us with any information we may require to enable us to carry out our duties. In particular, you need to tell us of any change of address.
- 3.2** We do not provide advice about our products or allowable investments. You must seek suitable advice from an independent financial adviser.
- 3.3** There may be circumstances which require us to review these Terms and Conditions and the charges being made. In this event, we will write to you advising you of any amendments to these Terms at least one month prior to the changes taking effect.
- 3.4** Any instructions received from you must be in a form acceptable to us and must bear your authority for the instruction to be valid.
- 3.5** We reserve the right to sell investments if there is insufficient cash to meet the amount of any costs or charges.
- 3.6** Value Added Tax will be levied on all appropriate expenses and charges.
- 3.7** Whilst we will always make every effort to meet the service standards detailed in these Terms and Conditions, Avalon cannot be held responsible for third party delays (such as the processing of sale and purchase transactions for units/shares by fund management companies) that fall outside of our control.
- 3.8** We will not commit you to a financial obligation to add to the investments within the Portfolio either by borrowing or committing you to a contract, the performance of which may not be possible without such an additional payment. We do not have authority to commit any of the assets of the Portfolio to any obligation to underwrite any issue or offer for sale of securities.
- 3.9** In accordance with the Markets in Financial Investments Directive (MiFID) which became effective on 1 November 2007, we are required to inform you that you are categorised as a Retail Client. As a Retail Client you will benefit from the greatest level of protection available under the regulatory system.
- 3.10** Subject to certain qualifying criteria you have the right to amend your categorisation but this will affect the level of statutory protection provided by Avalon. If you do elect to change category, Avalon has the right to decline to provide the service on that basis.

## 4. Starting the Portfolio

- 4.1** Your Portfolio will be set up when we receive your correctly completed application and cheque for the contribution or when all of our requirements have been met if this is later. We reserve the right to refuse your application.

**4.2** The minimum lump sum contribution is £5,000. The minimum top up to this figure is £1,000. The minimum contribution that can be allocated to any one fund is £1,000. The minimum monthly subscription payment is £500. The minimum top up to this figure is £100. The minimum monthly contribution that can be allocated to any one fund is £100. The minimum amount that can be left in the Portfolio is £2,500. We reserve the right to amend these figures from time to time.

**4.3** We will send you an acknowledgement letter normally within two working days of receipt of your Portfolio application. If you have received advice regarding the suitability of the Portfolio this letter will contain a cancellation notice which gives you the right to change your mind. If you do not wish to proceed with your Portfolio the cancellation notice must be signed and returned to us within fourteen days of receipt. This right of cancellation does not apply if the application was submitted on an execution only basis i.e. without advice.

**4.4** If you decide to cancel your Portfolio, we will return your payments to you once they have cleared. If investments have already been purchased and their value has fallen when we receive your cancellation notice you will not receive the full amount invested and cancellation will occur in accordance with Section 9 of these Terms and Conditions.

**4.5** The amount of your contribution used to purchase units or shares in the Investment(s) of your choice will be the full contribution amount less a sum to cover the initial charge payable to Avalon which will include any commission due to your independent financial adviser. If, for any reason, the instructions are unclear or illegible, the contribution will be held as cash until clarification is received.

**4.6** We will send you written confirmation of the Investments you have purchased with your initial contribution in our Welcome Pack. All records relating to transactions that have occurred in your Portfolio will be held for a minimum of seven years.

## 5. Cash

- 5.1** Account money will be segregated from our other funds and held in a designated client account with HSBC or with any other authorised institution that we nominate.
- 5.2** In accordance with The Financial Services (Client Money) Regulations 1991 (as amended) interest shall be paid on cash balances held as a result of these Terms and Conditions. Any interest shall be paid after deduction of tax subject to the relevant tax legislation and regulations at the time. Interest on Portfolio money shall be credited to your Portfolio at the relevant Barclays published rate.
- 5.3** The interest payable to you will not be less than the minimum deposit rate publicly offered by Barclays at the time. Any interest due will be credited to your account every 6 months.
- 5.4** If you have instructed us to sell part or all of your Investments but have not provided us with instructions as to where the cash is to be reallocated, then we will hold the sale proceeds as cash.
- 5.5** We will retain a cash balance of 2% of the value of your Portfolio at all times in order to meet our charges. Any cash held in the Portfolio in excess of this figure will be distributed or reinvested in accordance with your instructions.

## 6. Investments

- 6.1** We will invest money held in the Portfolio in Investments specified by you or your authorised financial adviser.
- 6.2** We are required to seek to achieve the best possible result for you when dealing with any order to buy or sell financial instruments and to set out arrangements for this purpose in a "trade execution policy".
- We are required to consider various factors when deciding how best to deal with orders from clients. These include price, cost, speed, likelihood of execution and settlement, size, nature and other relevant matters. As we have classified you as a Retail Client we will usually consider price and cost to be the most important factors for you.

However, for orders relating to shares in the Funds, the only method available for dealing is to transmit them to the appropriate fund manager for execution: the fund management group will be deemed to be the "execution venue" for these purposes. Where there is only one execution venue that we can use in practice to deal with your orders, we will have to use that venue regardless of the impact of the execution factors listed above.

When it is necessary to buy or sell shares in Investment Trusts for you, these orders will generally be transmitted to, or executed with Citi Quilters. Due to the relatively illiquid nature of the shares, our preference and policy will always be to transmit orders to, or execute orders with, Citi Quilters. Consequently, we believe that they are best placed to provide us on a consistent basis with a competitive market price and the required level of liquidity.

We will monitor the effectiveness of the arrangements mentioned above and implement any necessary changes to our trade execution policy from time to time. This will involve reviewing whether using other means to route orders would be feasible and would generate a better result for you.

Please note, any specific instructions from our customers as to how their orders are dealt with may prevent us from taking the steps that we have designed to obtain the best possible result in the circumstances.

By agreeing to these Terms and Conditions, you will be giving:

- your prior express consent to the execution of orders outside a "regulated market" or a "multilateral trading facility" (as those terms are defined in the FSA Rules) where this is appropriate; and
- your consent to our best execution arrangements as summarised above.

Details of our best execution arrangement are included within our Trade Execution Policy which is available upon request.

**6.3** We are not required to assess the suitability of the investment or service provided or offered to you and, as a result, you will not benefit from the protection of the FSA Rules on assessing suitability. Therefore, we will not assess whether:

- the investment or service meets your investment objectives;
- you are able financially to bear the risk of any loss that the investment or service may cause; or
- you have the necessary knowledge and experience to understand the risks involved.

**6.4** We may act as principal and match transactions to buy and sell being made on your behalf. In these instances, we will be entitled to keep any profit arising from the dealing spread on each Investment. We will not however, arrange to carry out for you any business in which we have any other material interest, or in which we are aware another party connected with us has such an interest, without first disclosing that interest to you and getting your consent.

**6.5** On receipt by us of a properly completed application form, the initial specified Investments will be purchased for your Portfolio within five working days. In the event of cheques being returned from your bank or building society unpaid, we will make a charge of £20 to cover the dealing costs associated with this transaction.

**6.6** In the case of regular monthly subscriptions, contributions will be collected on the 1st of the month or closest working day. Investments may not be purchased until 10 working days have passed from the day of collection to enable funds to clear prior to dealing. Investment trusts and equities cannot be purchased on a monthly basis.

**6.7** The number of units or shares in an Investment will be determined by dividing the unit or share price by the amount available for investment. If the holding cannot be held as fractions of a unit or share then any residue of the amount available for investment will be held as cash within the Portfolio in accordance with 5.2.

**6.8** We shall tell you of any changes to any Investment in the Portfolio resulting from a take-over or other offer where rights or similar benefits arise.

# TERMS AND CONDITIONS

**6.9** Where exceptional circumstances apply (for example, where no accurate price is available) then we may defer any transaction involving buying or selling an Investment to the earliest business day we consider to be appropriate and reasonable.

**6.10** We will collect dividends, interest on account money and other distributions for the Portfolio.

**6.11** Unless any cash received by us for dividends after the plan commences, is to be paid to you, then it will be reinvested into the same investments.

**6.12** Your existing Investments may be changed at any time by way of a switch. Any request to switch must be made in a form acceptable to Avalon. We will sell units or shares held in your Portfolio within two business days of receiving your instructions. We will use the proceeds of the sale to buy the new Investments of your choice. Please note, we can only buy new assets once funds have been received from the fund management companies.

## 7. Custody

**7.1** All Investments held in the Portfolio shall be separately designated and be registered investments in the name of Avalon Investment Services (Nominees) Ltd, or any other nominee that we appoint. Avalon Investment Services (Nominees) Ltd is not itself authorised under the Financial Services Act 1986 but we accept responsibility for its acts and omissions.

**7.2** We may not lend to a third party the document of title held by or on behalf of us and money may not be borrowed on your behalf against the security of these documents.

**7.3** You have agreed that the investment in your Portfolio will be registered in the same name as those of other clients. As a result, as part of normal settlement procedures where investments are pooled, the Investments in your Portfolio may be used with those of other customers to settle various transactions. The Investments in your Portfolio will not necessarily be immediately identifiable by separate certificates and, if we were to become insolvent, you might encounter delays in recovering your assets, and possibly an increased risk of loss if there is a shortfall.

## 8. Taking an income

**8.1** On receipt of a written authority from you to Avalon, regular cash amounts may be taken from the Portfolio either by:

a) A payment of an amount equal to a dividend distribution realised from an income producing investment. Any income paid will equal the amount of cash held in the Portfolio at the payment date less any outstanding charges on the account.

Or

b) A regular payment of an amount specified by you, realised by the cancellation of units or shares from specified Investments.

**8.2** Regular income and income distributions are paid by direct credit to the bank or building society account of your choice. They can be taken on a quarterly, half yearly or yearly basis. The minimum fixed income amount for any single payment is £500. Avalon reserves the right to amend this figure from time to time.

**8.3** All payments will occur on the 28th of the month (or the nearest working day following this date) in which your payment becomes due.

**8.4** Where dividend income is requested, it is the Account holder's responsibility to ensure that the funds selected provide dividend payments at the frequency requested. If the fund managers of the underlying investments do not pay dividends frequently enough to enable payment on the basis you have requested Avalon cannot be held responsible.

**8.5** The minimum residual fund remaining after a withdrawal taken by unit cancellation must total at least £2,500 with a minimum holding in any one fund of at least £1,000. We strongly recommend you consult either your Independent Financial Adviser or Avalon before considering taking an income via share cancellation.

**8.6** Income requests must be received at least ten working days prior to payment of the first payment due date.

## 9. Encashing your Portfolio

**9.1** You may encash or partially encash your Portfolio at any time on receipt by us of written instructions.

**9.2** We will sell Investments within two working days of receiving your instructions using the prevailing prices of your investments at the time. We can only send payment when monies have been received from the fund management companies. This will take up to 15 working days.

**9.3** The minimum part encashment amount is £500. The minimum residual fund holding following an encashment must be at least £2,500 with at least £1,000 in any one fund.

**9.4** We will be entitled to close your Portfolio should the fund value fall below the minimum specified in 9.3.

**9.5** Whilst there is no charge for transferring a Portfolio in cash to another provider, Avalon will impose a charge of £25 for each line of stock that is to be re-registered, when an in-specie transfer is requested. This charge will be taken from any residual cash on the account or from sale of assets.

**9.6** When Avalon closes an Account or transfers the Account to an alternative fund manager, it will sell assets and pay away the proceeds to bring the account to a zero balance. If the accounts continue to receive cash (in the form of dividends and interest payments) these will be forwarded in accordance with the original encashment instructions (but see 9.7)

**9.7** If the cash to be forwarded in 9.6 is less than £5 Avalon will not make payment.

## 10. Charges

**10.1** Initial charges - Portfolio level

*Freedom Portfolio:*

0.25% of initial subscription.

0.50% of monthly subscription.

Commission: If you have been given advice, your financial adviser will make a charge for this service. This is typically 3% of the subscription amount and will be added to the initial charge.

If you invest in investment trust shares or equities there will be an additional charge of 0.6% levied on the lump sum subscription.

*Investment level:*

Many unit trust managers operate a buying and selling price for the purchase and sale of units. This is known as the spread. The market makers who buy and sell shares also operate a 'spread' (the difference between the buying price of the shares and the sale price). Shares purchased will be subject to stamp duty. Stockbroker commission equal to 0.5% of the purchase value will also be paid subject to a minimum of £30. These rates may be subject to change.

This does not apply to OEICs as they are single priced investments although purchases are subject to a preliminary charge. To prevent large purchases or sales adversely affecting existing investors, OEIC fund managers sometimes apply a dilution levy to large purchases and sales. This will be paid into the fund to protect long term investors. The dilution levy for a fund will be calculated by reference to the costs of dealing in the underlying investments of that fund, including any dealing spreads, commission and transfer taxes.

**10.2** Annual charges - Portfolio level

*Freedom Portfolio:*

We will take 0.5% (+VAT) each year of the fund value of your Portfolio (using the selling price of the investments plus any cash held in the Portfolio). This will be taken proportionately on 28 January, April, July and October, or nearest preceding working day

and will be subject to VAT. You may also be charged for any ongoing advice provided, in the form of renewal commission, normally 0.5% of the fund value each year.

*Investment level:*

This is a variable charge levied by fund managers. Details of annual management charges for specific Investments are available on request. There are also other management charges levied by the fund managers. Full details of annual management charges for specific Investments are available on request.

**10.3** Annual charges are met from dividend income and the cash reserve of 2%. If there is not enough cash in your Portfolio to meet these charges we will sell units to meet the shortfall from time to time.

**10.4** Any clients investing in Investments that attract renewal commission from the fund management companies will have that commission reinvested to offset its annual management charge.

## 11. Statements

**11.1** If you have not opted out on the application form, we will send you a statement every six months as at 5th April and 5th October showing the investments and value of your Freedom Portfolio and all transactions that have occurred over the statement period.

**11.2** You have the right to decline paper statements and view on-line valuations at [www.avaloninvestment.com](http://www.avaloninvestment.com) (password required).

## 12. Voting rights and Reports

**12.1** We will not exercise voting rights for Investments held unless we receive written instructions from you.

**12.2** If you send us a written request we will arrange for you to receive annual reports and scheme particulars or any other material issued by the companies to shareholders and unit trust managers to unit holders. We will also arrange for you to attend and vote at shareholders/unit holders meetings on receipt of a written request.

**12.3** We reserve the right to make a charge to cover any administration costs incurred in complying with Section 12 of these Conditions.

## 13. Law

**13.1** These Terms and Conditions will be governed by the law of England and Wales.

## 14. Complaints

**14.1** We have established rules and procedures for the handling of complaints in accordance with regulations laid down by the FSA. Any complaint should be made in writing to us at our head office marked for the attention of the Compliance Officer. If you are not happy with the way in which your complaint is handled, then you have the right to refer the matter to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR.

Avalon Investment Services Limited is authorised and regulated by the FSA. Registered in England number 3792386. Registered Office 2 Market Place, Tetbury, Gloucestershire GL8 8DA.

### Please remember: -

Your Freedom Portfolio is intended as a long-term investment and if you withdraw you may not get back what you originally invested. You also need to understand that the value of your investments can go down as well as up.



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## How to apply

**To apply for your Avalon Freedom Portfolio please read through this brochure, including the Key Features and Terms and Conditions.**

- Study the application form and fill it out to the best of your knowledge.  
There is a checklist on the form to help you do this.
- Be sure to include a cheque for the amount you wish to invest, made payable to Avalon Client Money Account. Where you are investing money using a banker's draft or building society cheque please ensure your name is clearly shown.
- If you are investing a monthly amount then please remember to complete the Direct Debit instruction. Due to money laundering regulations please also ensure evidence is attached which confirms the monthly subscription is drawn from your personal account. Suitable evidence includes a certified copy of a bank statement or a cheque drawn on this account.
- If you have any problems completing the application form or any questions concerning this product you can speak to your Independent Financial Adviser or call us direct on **01666 501710**.

Thank you for your interest in our product. You might like to know that we also offer the Freedom ISA with the same great features as the Freedom Portfolio (but with tax saving benefits).

Please telephone us or speak to your Independent Financial Adviser for more details.

Avalon is the trading name of Avalon Investment Services Ltd,  
Registered Address: 2 Market Place, Tetbury, Gloucestershire GL8 8DA  
Registered number: 3792386 England Authorised and Regulated by the FSA  
E-mail: [enquiries@avaloninvestment.com](mailto:enquiries@avaloninvestment.com)  
Internet: [www.avaloninvestment.com](http://www.avaloninvestment.com)

