

# Fixed Interest List

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### About Fixed Interest

Searching for an attractive income return remains a difficult choice for most investors. As we struggle to achieve a reasonable return from Banks and Building Societies investors can look at fixed rate returns through Gilts, Bonds and Preference Shares.

The UK base rate has been at 0.5% for almost twelve months and there is no sign of a change in the foreseeable future. UK inflation has risen sharply in recent months and the Bank of England expects further increase in the short term but Mervyn King the Bank's governor confidently expects inflation will quickly fall back below the 2% target later in the year.

The Bank remains cautious on the UK's prospects for growth even though the official GDP figures indicated that the economy has come out of recession.

Fears of a sovereign debt crisis spreading beyond Greece have pushed gilt edged prizes down and the yield on ten year gilts is above 4%. Preference shares and bonds offer higher returns. We remain cautious of the PIBS market.

The Fixed Interest list is produced regularly as a guide to prices. Fixed interest stocks present a risk to investors, albeit the gilt market is generally regarded as low risk. Outside of this sector fixed interest stocks are currently regarded as medium risk. Remember accrued interest is added to the purchase price of stocks such as Gilts, PIBs and Corporate Bonds. Discount is obtained where possible for unit trusts/OEIC selections and it must always be borne in mind that even though all fixed interest instruments are regarded as medium risk, security prices can go down as well as up.

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## Gilts

GRY = Gross Redemption yield, your total return if you hold the gilt to redemption

<i>Stock</i>	<i>Interest</i>	<i>Description</i>	<i>Coupon</i>	<i>Flat Yield (%)</i>	<i>GRY (%)</i>	<i>Mid Price (p)</i>
<b>Treasury Stock 2015</b>	Jun/Dec	Issue of British Government Securities. Gilts are the most secure form of marketable investment, as the Government will never default on the interest or capital repayments.	8%	6.36	3.12	125.72
<b>Treasury Stock 2017</b>	Feb/Aug		8.75%	6.55	3.63	133.45
<b>Treasury Stock 2018</b>	Mar/Sept		5%	4.61	3.78	108.35
<b>Treasury Stock 2021</b>	Jun/Dec		8%	5.95	4.16	134.37
<b>Index Linked Stock 2016</b>	Jan/July	Index Linked	2.5%	2.28	0.76*	291.61
<b>Index Linked Stock 2020</b>	Apr/Oct	Index Linked	2.5%	2.22	1.21*	290.71
<b>Index Linked Stock 2024</b>	Jan/July	Index Linked	2.5%	2.18	1.30*	254.50

\*Real Return at 3% Inflation (RPI)

## Preference Shares

Company Issued Shares with high rates of return. The smaller the company the greater the risk element.

<i>Stock</i>	<i>Description</i>	<i>Flat Yield (%)</i>	<i>Offer Price (p)</i>
<b>Santander UK</b>	8.625% Non-Cumulative Preference Shares	7.84	110
<b>Aviva</b>	8.75% Cumulative Irrd. Preference Shares	7.54	116
<b>RSA Insurance Group</b>	7.375% Cumulative Irrd. Preference Shares	7.06	104.5
<b>Standard Chartered</b>	7.375% Non-Cumulative Preference Shares	6.78	108.75

## Permanent Interest Bearing Shares

<i>Stock</i>	<i>Description</i>	<i>Coupon</i>	<i>Mid Price</i>	<i>Flat Yield (%)</i>	<i>Call Date</i>
<b>Nationwide Building Society</b>	Permanent Interest Bearing Shares / Perpetual Bonds issued by building society with higher rates of return. These carry a greater risk element than Gilts.	7.25%	88.50	8.19	05/12/21
<b>Manchester Building Society</b>		6.75%	88	7.67	13/04/30

## Eurosterling Bonds

Company Issued Bonds with higher rates of return. The higher the return the greater the risk element. Dealing in Bonds is subject to liquidity and a proportion of capital may be lost if the bond is sold before the redemption date. Bonds usually pay interest once a year.

<i>Stock</i>	<i>Description</i>	<i>Credit Rating</i>	<i>Coupon</i>	<i>Yearly Int.</i>	<i>Flat Yield (%)</i>	<i>GRY (%)</i>	<i>Mid Price (p)</i>
<b>BOC 2016</b>	Gases	BBB+	6.5%	29 Jan	6.25	5.62	103.93
<b>Standard Chartered (call 11/05/16)</b>	Bank	BBB+	8.103%	11 May	7.75	7.05	104.5
<b>Legal &amp; General (call 01/04/19)</b>	Insurance	A-	5.875%	1 Apr 1 Oct	7.25	8.97	81
<b>BAT International Finance 2019</b>	Tobacco	BBB+	6.375%	12 Dec	5.94	5.33	107.26
<b>Tesco 2019</b>	Retail	A-	5.5%	13 Dec	5.26	4.85	104.5
<b>British Telecom 2020</b>	Telecoms	BBB+	8.625%	26 Mar	7.42	6.29	116.28
<b>National Grid Transco 2024</b>	Utilities	A-	5.875%	2 Feb	5.70	5.48	103.08
<b>Procter &amp; Gamble 2030</b>	Personal Care	AA-	6.25%	31 Jan	5.55	5.15	112.62
<b>Vodafone 2032</b>	Telecoms	A-	5.9%	26 Nov	5.72	5.57	103.18

## Unit Trusts / OEICs

<i>Stock</i>	<i>Income</i>	<i>Flat Yield(%)</i>	<i>Mid Price (p)</i>
<b>M &amp; G High Yield Corporate Bond Fund Class A Inc</b>	Monthly	5.72	46.44
<b>Invesco Perpetual Corporate Bond Fund Inc</b>	Half Yearly	5.42	79.35

## Exchange Traded Funds

<i>Stock</i>	<i>Income</i>	<i>Flat Yield(%)</i>	<i>Mid Price</i>
<b>iShares Sterling Corporate Bond Shares</b>	Quarterly	5.96%	£116.99

## Pilling Ideal Portfolio Higher Income

<i>Investment Aim</i>
To provide a higher level of income than ten year gilt yields and a capital performance consistent with the FT Fixed Interest Index from a portfolio of Unit Trusts, OEICs, Funds and Investment Trusts investing in UK and overseas fixed interest and property investments. For further information please telephone the Investment Managers on 0161 832 6581.

## **Eurosterling Bonds & PIBs**

### **Points to Bear in Mind**

#### **Denominations**

Eurosterling Bonds and PIBS can only be purchased in round amounts of £1000 and upwards.

#### **Credit Rating**

Top is the ultra-safe AAA followed by AA+, AA, AA-, A+ A, A- then it moves to BBB+. We would suggest anything less than BB be treated very carefully.

#### **Coupon / Income Payment Date**

Eurobonds normally pay interest once each year. You should note that the further the purchase date is away from the interest payment date the more interest you will have to add to the purchase price. Gilts and PIBS pay interest twice a year and interest is paid gross without deduction of tax. However some Eurosterling Bonds in the USA will suffer withholding tax.

#### **Income Yield**

This is income expressed as a percentage of your investment that you would receive at the guide price. Please bear in mind a good rule of thumb is that the higher the yield, the higher the level of risk you are undertaking.

#### **Redemption Yield**

This is your annual return, should you hold the bond to redemption, being income combined with any capital gain / loss.

#### **Redemption Date**

This is the date the bond is repaid at par (100p). Please note that for PEPs & ISAs a bond must have at least five years left to run.

**Please note that prices and therefore yields  
do change as the market fluctuates.**

**Prices are from 11th February 2010.**

**Please confirm the price before dealing.**