

Fixed Interest List

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About Fixed Interest

Inside this issue:

At the start of the year one of the key questions hanging over all bond markets was when would interest rates start rising again after being cut to historic low levels. It seemed likely rates would begin to rise in the USA sometime this year but here we are half way through the year and there is no sign of any movement. In fact recent weak data coming out of the USA and the UK suggest we are unlikely to see any change for the foreseeable future.

Inflation has now fallen for the second month running with CPI showing 3.2% down from 3.4% and RPI down to 5% from 5.1%. Whilst not huge movement it is significant that this trend was anticipated by the Monetary Policy Committee who have indicated no change in interest rates in the short term.

The new Conservative led coalition government has delivered its emergency budget where we see tax rises and spending cuts but the headline increase in VAT to 20% will not come in until January 2011. Spending cuts will likely dampen growth prospects thus ensuring interest rates stay lower for longer.

At a time when the Department for National Savings are reducing their rates of return, investors can look at Gilts, Corporate Bonds and selected Preference Shares which all offer opportunities to secure better yields than cash deposits but of course all marketable securities will fluctuate up and down as market conditions change.

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>
Treasury Stock 2015	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%	6.20	2.23	129.07
Treasury Stock 2017	Feb/Aug		8.75%	6.30	2.70	138.80
Treasury Stock 2018	Mar/Sept		5%	4.39	2.94	113.98
Treasury Stock 2021	Jun/Dec		8%	5.65	3.39	141.67
Index Linked Stock 2016	Jan/July	Index Linked	2.5%	2.16	0.18	307.14
Index Linked Stock 2020	Apr/Oct	Index Linked	2.5%	2.14	0.77	308.62
Index Linked Stock 2024	Jan/July	Index Linked	2.5%	2.14	1.07	267.50

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>
Santander UK	8.625% Non-Cumulative Preference Shares	8.65	99.75
Aviva	8.75% Cumulative Irrd. Preference Shares	7.81	112
RSA Insurance Group	7.375% Cumulative Irrd. Preference Shares	7.23	102
Standard Chartered	7.375% Non-Cumulative Preference Shares	6.86	107.5

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>
Nationwide Building Society	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%	90.5	8.01	05/12/21
Manchester Building Society		6.75%	88.88	7.59	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>
BOC 2016	Gases	BBB+	6.5%	29 Jan	5.65	3.42	115.07
Standard Chartered (call 11/05/16)	Bank	BBB+	8.103%	11 May	7.56	6.45	107.25
Legal & General (call 01/04/19)	Insurance	A-	5.875%	1 Apr 1 Oct	7.08	8.70	83
BAT International Finance 2019	Tobacco	BBB+	6.375%	12 Dec	5.70	4.71	111.92
Tesco 2019	Retail	A-	5.5%	13 Dec	5.05	4.27	108.96
British Telecom 2020	Telecoms	BBB+	8.625%	26 Mar	7.25	5.90	118.92
National Grid Transco 2024	Utilities	A-	5.875%	2 Feb	5.44	4.98	107.97
Procter & Gamble 2030	Personal Care	AA-	6.25%	31 Jan	5.32	4.79	117.41
Vodafone 2032	Telecoms	A-	5.9%	26 Nov	5.63	5.44	104.88

Unit Trusts / OEICs

<i>Stock</i>	<i>Income</i>	<i>Flat Yield(%)</i>	<i>Mid Price (p)</i>
M & G High Yield Corporate Bond Fund Class A Inc	Monthly	5.66	46.75
Invesco Perpetual Corporate Bond Fund Inc	Half Yearly	5.39	80.31

Exchange Traded Funds

<i>Stock</i>	<i>Income</i>	<i>Flat Yield(%)</i>	<i>Mid Price</i>
iShares Sterling Corporate Bond Shares	Quarterly	6.02	£119.34

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 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 19th July 2010.

Please confirm the price before dealing.