

Fixed Interest List

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Pilling & Co
Henry Pilling House
Booth Street
Manchester
M2 4AF

Tel 0161 832 6581 Fax 0161 832 0815
Web www.pilling.co.uk

About Fixed Interest

Inside this issue:

Economic conditions have certainly improved over the last twelve months and the outlook for inflation has shifted sufficiently to cause the Governor of the Bank of England to revise his forecast, which suggested inflation would dip down in the second half of this year. Mervyn King now suggests inflation will remain above the government target until 2012.

After seventeen months of base rate at 0.5% there is no sign of interest rates changing in the short term, although one of the nine Monetary Policy Committee member has voted to start increasing rates in the belief that the economy is sufficiently strong and inflation is creeping higher.

In fact the last three months inflation figures have shown a slight decrease with CPI down to 3.1% and RPI down to 4.8%.

Corporate results coming through for the first half of 2010 have by and large shown that the worst of the recession and financial crisis is behind us. As a result we have seen corporate bonds and preference share prices steadily improving.

Whilst the short term economic outlook is challenging, as the government introduces severe spending cuts which may result in higher unemployment, sterling is benefiting as the new coalition government is seen as a safe pair of hands. We have seen gilt edged stock prices moving higher and index linked stocks benefit from the prevailing relatively high rate of inflation.

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%	6.13	1.93	130.45
Treasury Stock 2017	Feb/Aug		8.75%	6.22	2.42	140.61
Treasury Stock 2018	Mar/Sept		5%	4.31	2.65	115.97
Treasury Stock 2021	Jun/Dec		8%	5.53	3.11	144.59
Index Linked Stock 2016	Jan/July	Index Linked	2.5%	2.19	-0.18	312.19
Index Linked Stock 2020	Apr/Oct	Index Linked	2.5%	2.10	0.52	314.32
Index Linked Stock 2024	Jan/July	Index Linked	2.5%	2.09	0.84	273.95

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	8.41	102.5
Aviva	8.75% Cumulative Irrd. Preference Shares	7.68	114
RSA Insurance Group	7.375% Cumulative Irrd. Preference Shares	7.16	103
Standard Chartered	7.375% Non-Cumulative Preference Shares	6.56	112.5
General Accident	7.875% Cumulative Irrd. Preference Shares	7.61	103.5

<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%	88.38	7.64	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	5.59	3.14	116.36
Rolls Royce 2016	Aerospace	A-	7.375%	14 June	6.14	3.45	120.15
Scottish Power 2017	Utility	A-	8,375%	20 Feb	6.6	3.61	126.87
Legal & General (call 01/04/19)	Insurance	A-	5.875%	1 Apr 1 Oct	6.83	8.17	86
BAT International Finance 2019	Tobacco	BBB+	6.375%	12 Dec	5.55	4.35	114.77
Tesco 2019	Retail	A-	5.5%	13 Dec	4.94	3.98	111.25
National Grid Transco 2024	Utilities	A-	5.875%	2 Feb	5.31	4.72	110.67
Procter & Gamble 2030	Personal Care	AA-	6.25%	31 Jan	5.19	4.58	120.44
Vodafone 2032	Telecoms	A-	5.9%	26 Nov	5.39	5.11	109.42

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	5.51	47.48
Invesco Perpetual Corporate Bond Fund Inc	Half Yearly	5.19	82.51

Exchange Traded Funds

<i>Stock</i>	<i>Income</i>	<i>Flat Yield(%)</i>	<i>Mid Price</i>
iShares Sterling Corporate Bond Shares	Quarterly	5.77	£123.35

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 18th August 2010.

Please confirm the price before dealing.