Canaccord Genuity
Wealth Management

Our Gilt Portfolio Service at a glance

If you are looking for better-than-cash returns on your savings, over a short period but with a relatively low risk profile, our Canaccord Genuity Wealth Management (CGWM) Gilt Portfolio Service could well be the answer.

It offers tax-efficient fixed interest investing through a fully tailored discretionary portfolio (see Glossary on page 8) of UK short-dated gilts, and is designed to achieve a competitive return on your investment.

The service is highly flexible, as we select individual gilts – as many or as few as you need – with maturity dates that match your short-term goals and plans. The case study example on pages 6 and 7 shows how we might use four separate gilt investments to achieve this.

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What is a short-dated gilt?

A gilt is simply a shorthand term for a government-issued fixed interest bond. These are issued by the government to help finance public spending, and are considered a comparatively low-risk investment.

A short-dated gilt is a conventional (not index-linked) bond with a relatively short time left before the government is due to repay the face value (see opposite). Our Gilt Portfolio Service invests only in these short-dated bonds plus a small amount of cash, so your money will never be tied up for longer than you want.

Will my money be safe?

Gilts are issued by the UK government, and they have never failed to repay domestically issued debt, so your capital is as secure as possible. However, as with all investments, the value of your portfolio and the income from it can go down as well as up and you may not get back the amount originally invested.

Also, unlike savings deposits, there is no £85,000 cap on Financial Services Compensation Scheme (FSCS) protection. That means you can invest £10m in a gilt and not have to spread your savings around – as you would have done if you wanted to enjoy the equivalent protection as someone investing £85,000 in a UK savings account.

What can I expect to earn from my investment?

Gilts pay a semi-annual coupon (see Glossary on page 8), currently between 0.125% and 6% per year.

However, with your Gilt Portfolio Service investment you should expect to earn more than simply the coupon. Interest payments are just part of the reason for investing in gilts at the moment. You can also expect to make a profit by buying a gilt at less than its face value and then receiving the full value from the government when it matures.

Because of the historic rise in interest rates, 2022 saw the worst-ever recorded drop in the fixed interest market. The price of gilts and bonds fell so far that, in some cases, their market price is still well below their face value. This allows you to make a profit when the gilt or bond is redeemed at the end of its term.

If you are a UK taxpayer, this creates an opportunity to make capital gains without paying capital gains tax (CGT), creating particularly attractive gross returns for higher-rate taxpayers.

Is this service right for my needs?

You could benefit from investing in the Gilt Portfolio Service if you:

- Can invest a minimum of £100,000
- Would like a better rate of return than from a traditional mainstream bank or building society
- Are in a position to leave your money invested for at least two years, but possibly for longer, depending on what you want to achieve
- Do not need to earn a regular income from this investment but can wait until the maturity date/s to get your returns
- Are comfortable with the level of risk required – i.e. you don't want to lose capital within the timeframe, but accept there may be some small to moderate risk
- Are happy to accept a greater than usual concentration of your capital within a single gilt issue (or very few).

Why should I choose the Gilt Portfolio Service from CGWM?

- Our investment team has over 40 years' collective experience and expertise, plus a strong track record, in investing in fixed interest markets
- We can access a range of gilts directly, rather than having to invest in gilts via funds, so we can pick exactly the gilts and timeframes that are right for you, and at a competitive price
- We can build a unique portfolio of gilts, designed around your timeframes and maturing at different points.

How much can I invest and how much tax will I have to pay?

You can invest any amount from £100,000 upwards. There is no maximum limit.

You will pay your normal rate of income tax on any interest you earn from the gilts in your portfolio.

However, if you're an additional rate taxpayer and buy a UK gilt that's currently priced below its future redemption value (face value or par value), and then keep it until its maturity date, you will make a profit – but you won't need to pay CGT.

This is because any uplift in capital on a gilt investment is free of CGT for UK individual investors, providing a useful tax-mitigation benefit (particularly for higher-rate tax payers).

This will enable you to achieve a total net-of-tax return (income plus capital growth) significantly above the equivalent net-of-tax return currently available from most UK high street bank or building society savings deposits.

What fees will I need to pay?

Our fee is 0.25% per year of the initial amount invested, plus VAT. This is a low fee for a tailored portfolio service aligned to your needs.

If I don't have a specific use for the money when a gilt matures, can I reinvest it?

Yes – you can either reinvest in the Gilt Portfolio Service if the market is still favourable, or we can suggest a multi-asset portfolio if that is more suitable for your needs at the time or you can take your money out of the service.

Case study:
Nick and Charlotte

Nick and Charlotte have recently sold part of their family farm, and have £1m in their current account, which they have ringfenced for various forthcoming events:

- In two years' time, they want to pay off the mortgage on their holiday home, as their low fixed rate is due to end then
- In early 2027, they want to buy a small flat for their daughter Julia, as she will be starting her third year at Exeter university and will need to move out of her hall of residence
- The year after that, when Julia graduates, they want to take a year's sabbatical and sail around the world.

Rather than leave the £1m in their current account, where it is earning limited interest and falling in value in real terms (due to inflation), they decide to invest it. They don't want to lock it in to a long-term account so, because of the current favourable climate for gilt investment, and the fact that they are 45% taxpayers, they decide to use our Gilt Portfolio Service.

Our recommendation

Their CGWM Investment Manager suggests dividing the money among four separate UK gilts:

Gilt	Original amount invested (below face value of gilt)	Path to maturity date					Gross coupon earned	Capital returned on maturity	Yield to maturity
		2024	2025	2026	2027	2028			
A	£250,000	Coupon 0.625%	07 Jun				£1,537	£259,797	4.65%
B	£250,000	Coupon 0.125%		30 Jan			£527	£266,763	4.19%
C	£250,000	Coupon 0.375%		22 Oct			£2,343	£273,358	4.24%
D	£250,000	Coupon 0.125%				31 Jan	£1,271	£287,518	4.04%
Total	£1,000,000						£5,678	£1,087,436	4.36%

This illustration assumes investment was made on 29 May 2024 and excludes all fees.

Holders of the gilt receive a fixed cash interest (or coupon) payment every six months until maturity, at which point the holder receives the final coupon payment and the return of the face value of the gilt.

The outcome

Averaged out by year (over three years), Charlotte and Nick will earn £3,342 p.a. in interest and £41,785 p.a. in capital uplift – a total return of £45,127 p.a.

As they pay no capital gains tax, they receive a net total return amount of £43,623 p.a. after 45% income tax, which is equal to **an annual return of 7.93%** on their investment.

	Gross	Net
Annualised income return	£3,342	£1,838
Annualised capital return	£41,785	£41,785
Annualised total return	£45,127	£43,623
Total annualised net return		**4.36%**
Equivalent additional rate gross interest		**7.93%**

Discover our **can-do** approach

To find out more about how we go above and beyond to understand your individual investment needs and aspirations – and help you achieve them – get in touch with your usual CGWM contact, or simply call one of our offices. We'll be delighted to answer your questions and provide details of our Gilt Portfolio Service.

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Glossary

Discretionary portfolio

A discretionary portfolio is one where your Investment Manager builds and runs the portfolio on your behalf, without needing to ask your permission each time they want to make an adjustment.

Coupon

A coupon is the semi-annual interest rate paid on a gilt, expressed as a percentage of the face value. It is calculated from the gilt's issue date until the date it matures, and paid every six months and then a final coupon payment will be made on the maturity date.

Yield to maturity

Yield to maturity is the total return (coupon plus capital growth) expected from a gilt if the gilt is held until it matures. It is expressed as a percentage.

Important information

Investment involves risk. The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. The investments described in this document may not be suitable for all investors. The tax treatment of all investments depends upon individual circumstances and the levels and basis of taxation may change in the future Investors should make their own investment decisions based upon their own financial objectives and financial resources and, if in any doubt, should seek advice from an investment adviser.

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