KING & SHAXSON

Asset Management | Rewarding your Values

Cash Management Investments

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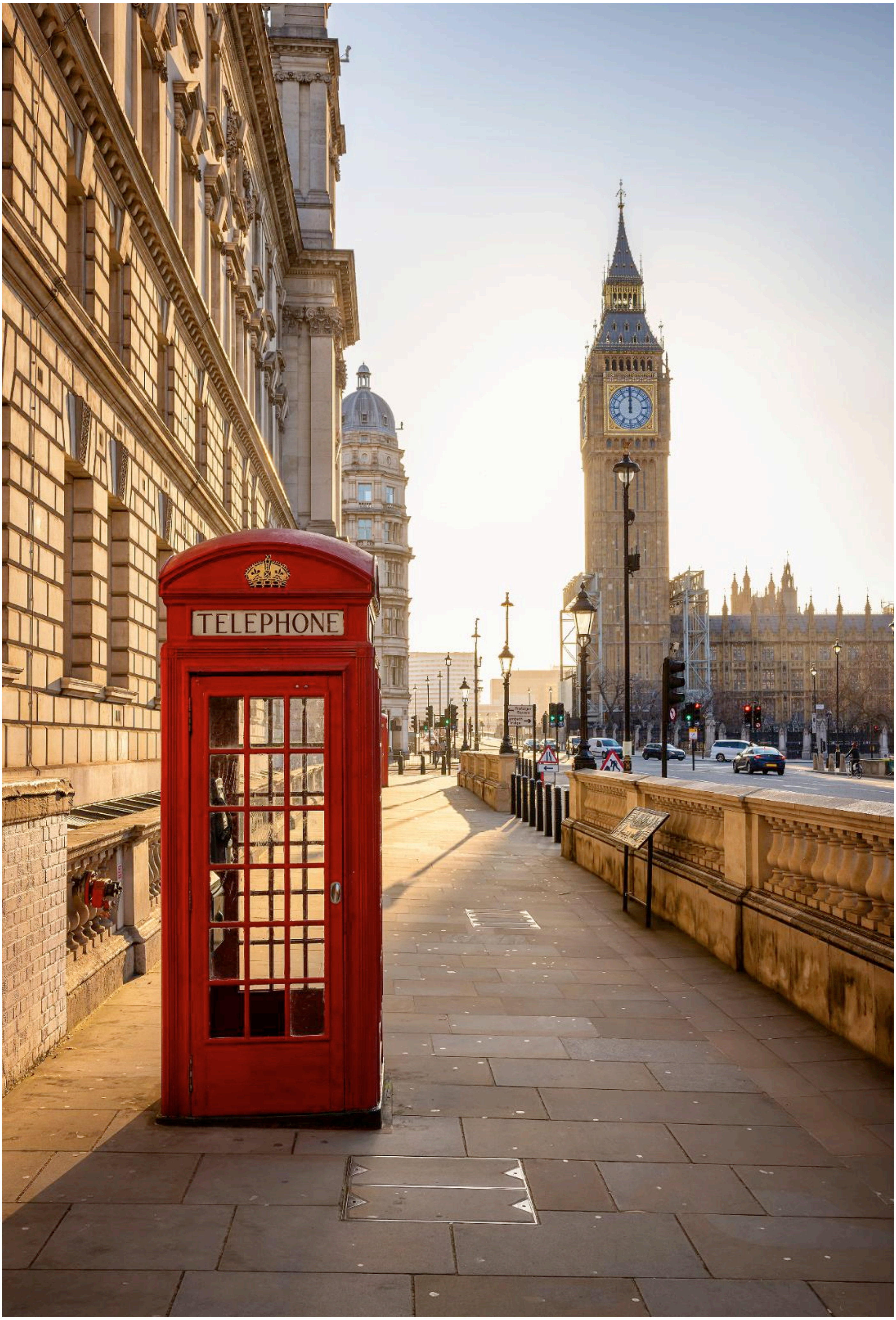

TELEPHONE

TREASURY BILLS

Treasury bills (T-Bills) are a UK government debt instrument issued by the Debt Management Office (DMO) via a weekly tender. They are a short-dated form of government debt, usually issued for one, three or six month durations. They are zero-coupon and are therefore issued at a discount, but any returns received are taxed as income.

- UK government security issued by the DMO, very low credit risk
- Extremely liquid securities, can be sold and settled on the same day
- Short term maturity dates helps to mitigate interest rate risk
- King & Shaxson are the only non-bank primary participant in the tender
- Lowest risk alternative to short term investment options such as call accounts, MMF's or cash
- Can be held in General Investment Accounts as well as ISAs and SIPPs

HOW DOES THE TENDER WORK?

Being a primary participant, King & Shaxson can tender directly on their client's behalf with the UK's Debt Management Office. The tender is held at 11am each Friday with settlement on the next business day. The results are published around 11:10am.

Those who bid below the highest accepted yield, will receive full allocation. Those who bid above the highest accepted yield, will not receive any T-Bills. Bids at the highest accepted yield will be scaled back.

This allows King & Shaxson's clients to gain access to the primary market where you can often receive better rates.

GILTS

A gilt is a UK Government liability denominated in sterling, issued by HM Treasury and listed on the London Stock Exchange.

The term 'gilt' or 'gilt-edged security' is a reference to the original gilt-edged certificates issued by the government to evidence this high quality debt. This is a reflection of the fact that the British Government has never failed to make interest payments or principal payments on gilts as they fall due.

Conventional gilts are the simplest form of UK government bond and constitute the largest proportion of the gilts in issue.
A conventional gilt is a liability of the government under which it guarantees to pay the holder of the gilt a fixed cash payment (coupon) every six months until the maturity date, at which point the holder receives the final coupon payment and return of principal.

The price of a conventional gilt is quoted in terms of price per £100 face value. Whilst gilt prices are quoted per £100 nominal. Gilts can be traded in units as small as a penny.

Being a government-backed product, they provide a high level of security to investors.

Utilising Treasury Bills & Gilts

Given their liquidity, ie how easy it is to buy and sell, as well as the security they offer, cash portfolios managed with King & Shaxson Asset Management will largely consist of UK Government Debt.

Depending on each client's personal situation, other forms of debt can be utilised, which offer the ability to diversify a portfolio and gain access to fixed and floating rate debt over a range of durations.

More about these types of investments can be found further on in this brochure.

FRNs

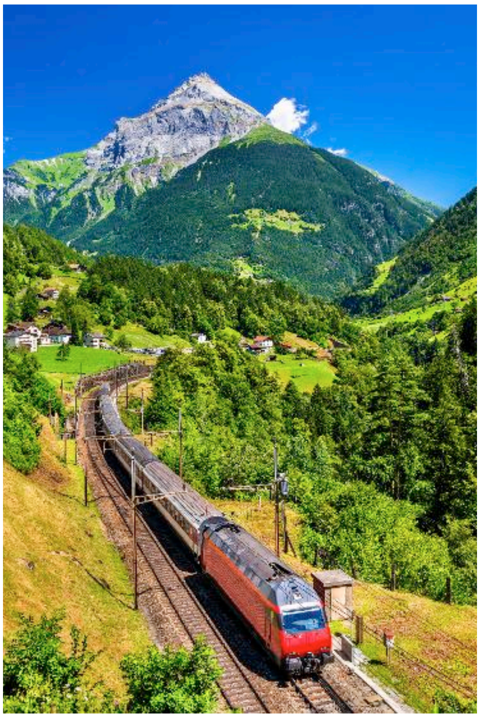
A Floating Rate Note (FRN) is a bond with a floating or variable rate of interest, which re-fixes over a reference rate, for example: SONIA.

A sterling-denominated FRN will normally pay its coupon every 3 months, which accrues daily at a set margin over the O/N SONIA rate. This margin is called the re-fix (or quoted margin). The re-fix spread is determined at the time of the issue and will remain the same throughout the life of the investment.

For example, if an FRN re-fix spread at issuance is 30 bps over the O/N SONIA rate which is 4.00% for each day of the ensuing coupon period, then the FRN's coupon for the first period will be 4.30%.

FRNs are therefore used as a way of managing interest rate risk, as an investor is only exposed to overnight interest rate fluctuations. They can be used to protect against a rise in interest rates whereas a fixed rate bond will benefit from a fall in interest rates. The value of an FRN is judged by its discount margin (DM), which is the perceived risk margin for that issuer over the benchmark for the remaining life of that particular FRN.

SUPRANATIONAL BONDS



Supranational bonds are highly rated, usually AAA-rated and issued by international entities in which the share capital is owned and guaranteed by all involved. They were formed to raise capital to promote growth and development. They can be issued as both fixed and floating rate bonds.

They are beneficial to include in a portfolio due to the security that they can provide. They are liquid and can be traded easily within the market, adding another layer of protection to diversified portfolios. Supranational bonds are a subsection of a much wider universe of bonds, collectively known as SSA (Supranational, sub-sovereign, agencies).

COVERED BONDS

Covered bonds can be issued as fixed or floating bonds. They are backed by a package of underlying loans, which are used as collateral for the bond.

The bond issue will be over collateralised, meaning that the underlying pool of assets is greater than the principal amount of the issued bond.

By collaterising the issue, this will lower the creditor's overall exposure to default risk, in turn enhancing the credit rating of the bond. This is why the issue of a covered bond is usually rated AAA, sometimes higher than the rating given to the issuer.

These are used by investors due to the credit quality of the product and the security they can offer. They are an effective way of managing risk when included in a diversified portfolio.

The underlying loans of a covered bond remain on the balance sheet of the issuer. Therefore, even if the issuer becomes insolvent, investors holding the bonds may still receive their scheduled interest payments from the underlying assets of the bond, as well as the principal amount on maturity.

CORPORATE BONDS

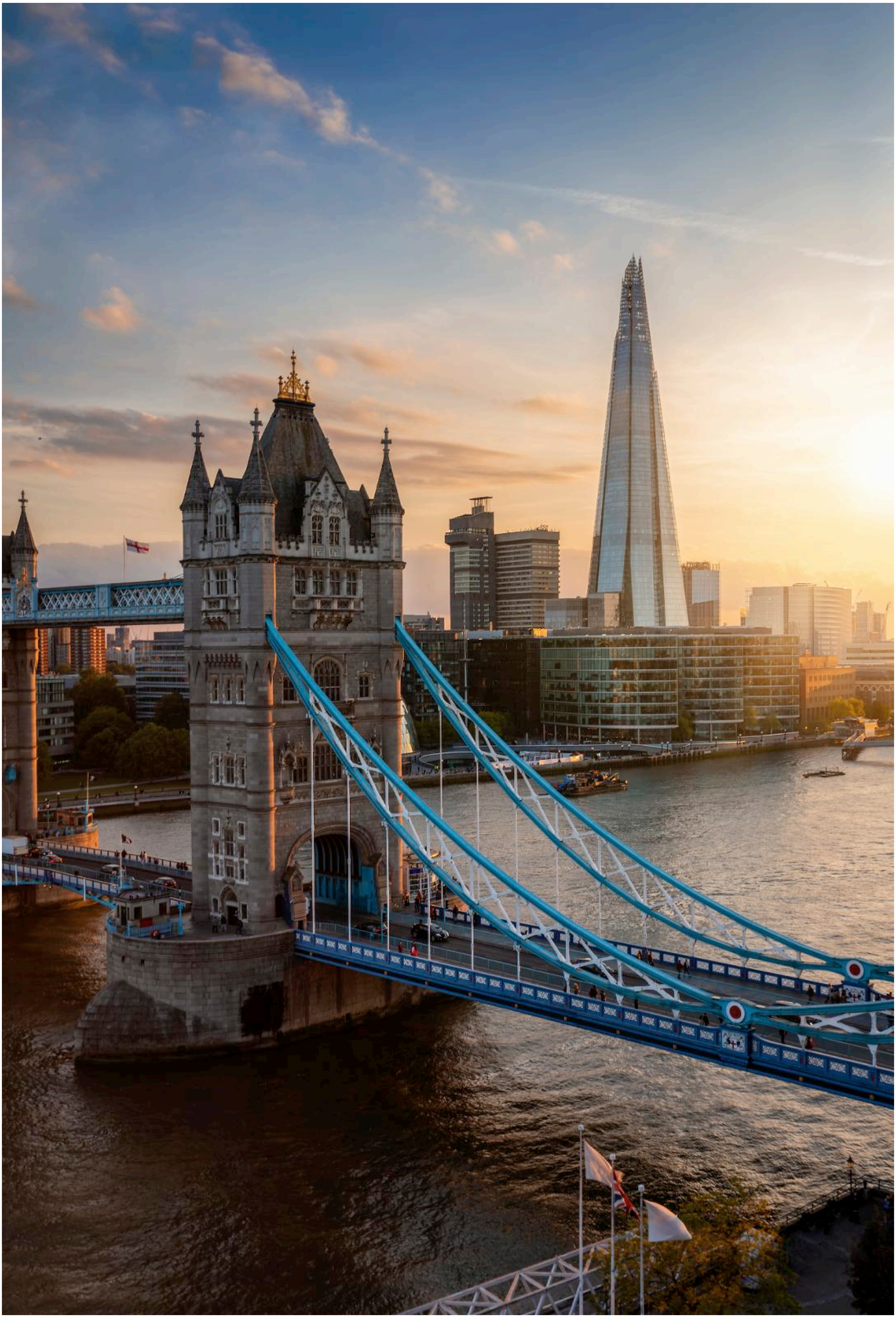
Large corporate institutions can issue bonds to raise capital. A corporate bond will offer an alternative to the usual financial names.

Corporate bonds are active on the secondary market and are typically issued by household names that people are aware of. This brings with it, a sense of security. Paired with liquidity, they can be an effective tool in a diversified portfolio.

FINANCIAL BONDS

Very similar to corporate bonds, financial bonds are issued by financial institutions to raise capital. They are issued by banks and building societies with maturities available from 6 months out to 40+ years.

Investors tend to use these as an alternative to CDs, as they can potentially offer a yield pick-up on the comparable CD issue level. They provide access to rare names who do not normally fund in the deposit market.



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