



# Gilt Model

Structured gilts. Smarter income

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# What is a Gilt?

Gilts are government bonds – a type of debt instrument that HM Treasury issues to fund government spending. Once issued, gilts are listed and traded on the London Stock Exchange. Thanks to the availability of daily dealing, gilts are easily tradable and highly liquid investments.

Each gilt promises to pay the holder a fixed cash payment, known as a coupon, every six months until its maturity date.

When the gilt matures, its holder receives one final coupon payment, as well as the return of the 'principal'.

The principal is the price the gilt was issued at. It's also known as the 'par price' and is £100.

## Characteristics of Gilt Portfolios

Below are some key characteristics of our Gilts portfolios, which are constructed with short-dated gilts (i.e. gilts that will mature within the next 3 years).



### Safe

Consists of effectively default risk free bonds (UK government bonds). The UK government is rated AA by rating agencies.



### Low Volatility

Not managed to a particular volatility target but bonds will have a short time to maturity and so will be very stable in price relative to other bonds and to equities.



### Tax Efficient

Capital gains from direct gilt holdings are exempt from UK tax. While coupons may be taxable, our bias toward low-coupon gilts means the majority of the return is shielded from income tax.



### Focus on capital gains over income

The strategy is not built around income. We target gilts with low coupons trading well below par, where the dominant return comes from capital appreciation – realised tax-free at maturity.



### Accessible

No minimum investment or lock-up period.

## What are the Risks?

Gilts can be seen as lower-risk investments because they're backed by the UK Government – which has never failed to repay domestically issued debt. This gives you a high degree of capital security.

The portfolio does carry some reinvestment risk though. This can be defined as the risk that money earned from an investment can't be reinvested at a comparable rate to the current rate of return. For example, it might not be possible to reinvest coupon payments from bonds into another security with a comparable yield.

Gilt prices will fluctuate and are exposed to a degree of interest rate risk. So, the actual discounts to par may change over time if the interest rates are expected to fall.

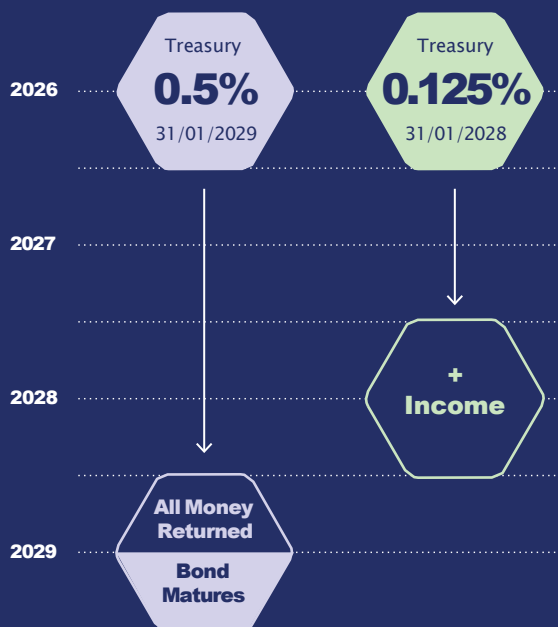
Conversely, prices may fall if interest rates increase. However, investors will still be able to benefit from the capital gains tax exemption when they invest below par and hold until the redemption date.

It is possible to redeem at any time, but if you need to disinvest from the portfolio before all issues have matured, there's a risk that you may get back less than you invested.

This is because gilt prices are subject to fluctuations before the issue reaches its maturity date. You should always discuss and agree any disinvestment prior to maturity with your financial adviser.

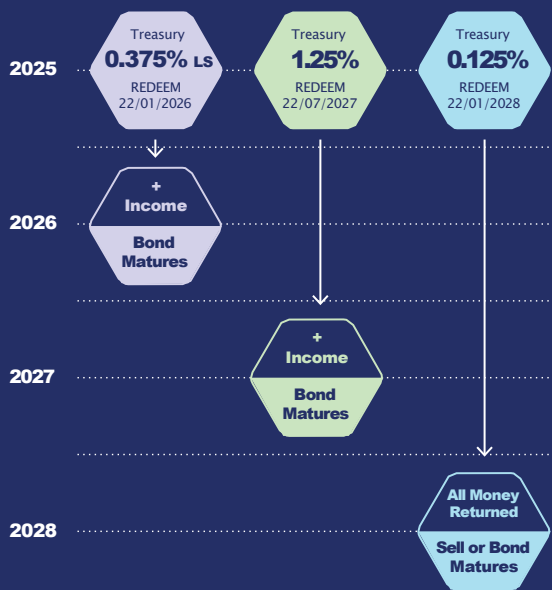
### Bespoke Bullet – 10/2029

- Require an income payment in 2 years
- Require the principal income by January 2029



### Bespoke Ladder – 10/2028

- Require an income payment annually with a larger principal income in 4 years



# Gilt Service

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## About this Service

- > The Gilt Model Portfolio Service provides transparent, low-cost access to UK government bonds, managed directly on platform for individual clients. Portfolios are constructed using laddered or bulleted gilt structures to deliver defined outcomes with precision and control.
- > Laddered portfolios aim to balance yield and reinvestment risk by spreading maturities evenly over time, while bulleted portfolios target a single maturity date to align with known cashflow needs.
- > Every portfolio is bespoke to the client, with maturity profiles, income distribution and duration actively managed within a discretionary framework.

## Objectives

- > Preserve Capital
- > Outperform Inflation
- > Reduce Uncertainty

## Income

DEPENDENT  
ON SOLUTION

## MPS Charge

**0.15%**

## Asset Allocation

Direct Gifts – 100%

## Ideal CRP Role

**Income Requirements in Retirement:** The solution can be used to create a reliable income stream that covers day-to-day living costs and planned lifestyle spending. The Gilt MPS can be used for income needs, a large purchase, or for other specific spending needs such as gifting.

**Capital Preservation:** As the focus of the solution is to hold bonds until they mature, the Gilt MPS has a very low level of real risk. Client may face adverse outcomes if they exit the plan prematurely.

# Discuss Your Investment Needs With Us

If you are a financial adviser seeking to find out more about our services, please contact us by any of the methods below or visit our website: [binarycapital.co.uk](http://binarycapital.co.uk)



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