

A guide to our Gilt Portfolio Service



If you're looking for a lower-risk way to grow your savings over a short period – while earning better returns than cash – our Gilt Portfolio Service could be the answer.

This service offers tax-efficient, fixed interest investing through a fully tailored discretionary portfolio of UK short-dated gilts. It's designed to deliver a competitive return on your investment.

With a highly flexible approach, we select individual gilts – choosing as many or as few as you need – with maturity dates that match your short-term goals. You can see an example of this in action on page 5, where we illustrate how three separate gilt investments can help achieve your financial objectives.



What is a short-dated gilt?

A gilt is a shorthand term for a government-issued, fixed interest bond. When you buy a gilt, you're effectively lending money to the government to help finance public spending. In return you receive regular interest payments until the bond matures and you get your original investment back. They're considered a comparatively low-risk investment.

A short-dated gilt is a type of UK government bond that is repaid in a relatively short time. 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've never failed to repay domestically issued debt. This makes them one of the most secure investment options available. However, as with all investments, the value of your portfolio and the income from it can go down as well as up – meaning you may get back less than you originally invested.

Gilts also offer a safer option for large sums, because they are backed by the UK government, rather than relying on the Financial Services Compensation Scheme £125,000 protection limit, which applies only to bank deposits.

What can I expect to earn from my investment?

Gilts pay a fixed interest rate, known as a coupon, which is paid twice a year. Current coupon rates range from 0.125% to 6% per year.

You could earn more, though. With our Gilt Portfolio Service, your returns aren't limited to these interest payments. At the moment, there's an additional opportunity to profit from price movements. Many gilts can be purchased for less than their face value, meaning that when they mature you receive the full amount from the government – resulting in a gain.

This opportunity exists because 2022 saw the worst-ever recorded drop in the fixed interest market, triggered by a historic rise in interest rates. 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're a UK taxpayer, there's an extra benefit: these gains are exempt from capital gains tax (CGT). This makes gilts particularly attractive for higher-rate taxpayers, as they can achieve more tax-efficient returns.



Is this service right for my needs?

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

- **Can invest a minimum of £100,000**
- **Would like a better return** than traditional mainstream banks or building societies offer
- **Are prepared to invest for at least two years**, but possibly longer, depending on your goals
- **Don't need to earn a regular income** from this investment and can wait until maturity to access your returns
- **Are comfortable with a low to moderate level of risk**, knowing you aim to protect your capital but accept some fluctuation
- **Are happy to hold a concentrated investment**, potentially in a single gilt or a small selection.

Why choose our Gilt Portfolio Service?

- **Expertise** – our investment team has over 40 years' collective experience and expertise in fixed-interest markets, with a strong track record
- **Direct access to gilts** – we purchase gilts directly, rather than via funds, so we can pick exactly the gilts that are right for you, at a competitive price
- **Tailored portfolio** – you'll have a unique portfolio of gilts, designed around your timeframes and maturing at different points.

How much can I invest?

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

How much tax will I have to pay?

For UK taxpayers, you'll pay your normal rate of income tax on any interest you earn from the gilts in your portfolio.

However, there's an added layer of tax-efficiency for higher-rate taxpayers, as capital gains on gilts are exempt from CGT.

That means that if you buy a UK gilt that's currently priced below its face value, and then keep it until its maturity date, you will make a profit – but won't need to pay CGT.

This can result in a net return that's significantly higher than most UK savings accounts – particularly those from high street banks or building societies.

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 that's designed around you and your needs.

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

Yes – you can reinvest in the Gilt Portfolio Service, if the market is still favourable. We might suggest a multi-asset portfolio, if that's a better fit for your needs at the time. You're also free to take your money out of the service.



Client success story: Nick and Charlotte

Nick and Charlotte recently sold part of their family farm, leaving them with £1m in their current account. They earmarked this for some important future expenses:

- **Paying off the mortgage on their holiday home in February 2028**, as their low fixed rate is due to end at that time
- **Buying a small flat for their daughter Julia in early 2029**, as she moves out of her student hall of residence
- **Taking a year's sabbatical in 2029**, when they plan to sail around the world after their daughter graduates.

Rather than leave the £1m in their current account, where it's 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 into a long-term account so, because of the current favourable climate for gilt investment, and the fact that they're 45% UK taxpayers, they decide to use our Gilt Portfolio Service.



Their Canaccord Wealth Investment Manager suggests dividing the £1m across three separate UK gilts with staggered maturity dates.

This makes sure they've got access to their funds exactly when they need them, while earning returns in the meantime:

Our recommendation

Gilt	Original amount invested (below face value of gilt)	Path to maturity date				Capital returned on maturity	Yield to maturity
		2026	2027	2028	2029		
A	£200,000	Coupon 0.125%		31/1/28		£214,247	4.16%
B	£420,000	Coupon 0.500%			31/1/29	£464,134	4.27%
C	£380,000	Coupon 0.875%				£426,536	4.32%
Total	£1,000,000					£1,104,917	4.27%

This illustration assumes they made the investment on 6 May 2026 and it excludes all fees.

Gilt holders 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

Expressed as an annualised return (as the gilts mature at different points), Charlotte and Nick would earn £6,321 pa in interest and £36,892 pa in capital uplift – implying a combined annual return of £43,212 pa.

As they pay no capital gains tax, this equates to a net total return of 4.04% after 45% income tax, which is equivalent to a gross taxable income return of 6.79%.

	Gross	Net
Annualised income return	£6,321	£3,476
Annualised capital return	£36,892	£36,892
Annualised total return	£43,212	£40,368
Total annualised net return		4.04%
Equivalent additional rate gross interest		6.79%

Glossary

Discretionary portfolio

A professionally managed portfolio 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

The fixed semi-annual interest payment on a gilt, expressed as a percentage of its face value.

Yield to maturity (YTM)

The total expected return on a bond if you hold it until maturity, assuming all interest payments are reinvested.

For more information on any other terms used in this document,
please see our glossary at canaccord-wealth.com/glossary.

Ready to talk?

Find out how we can help you achieve your investment goals, going above and beyond to deliver what you need. Get in touch with your usual Canaccord Wealth contact, or simply call one of our offices today.

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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.

This document is for information only and is not to be construed as a solicitation or an offer to purchase or sell investments or related financial instruments. This has no regard for the specific investment objectives, financial situation or needs of any specific investor.

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