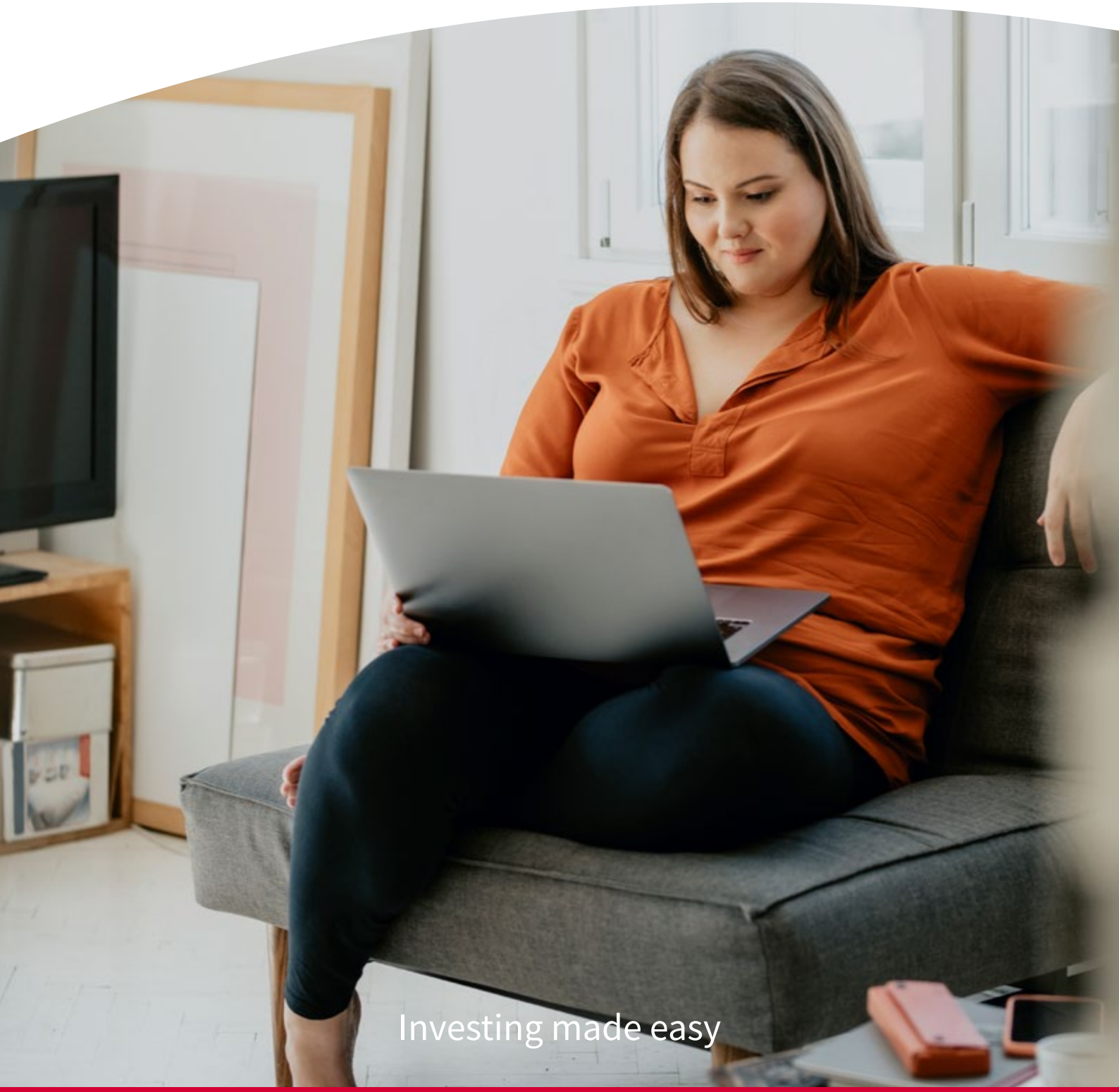
AJBell Investcentre

AJ BELL GILT MANAGED PORTFOLIO SERVICE (MPS)

Client guide



Only available through professional intermediaries.
Ask your financial adviser for more information.

Contents

What is a gilt?	3
What benefits do gilts offer?	4
Why are gilts interesting right now?	5
Who's the AJ Bell Gilt MPS designed for?	6
What could your investment returns be?	7
How much does it cost?	7
What are the risks?	8
Who will manage the money?	8
Important information	8
Jargon buster	9

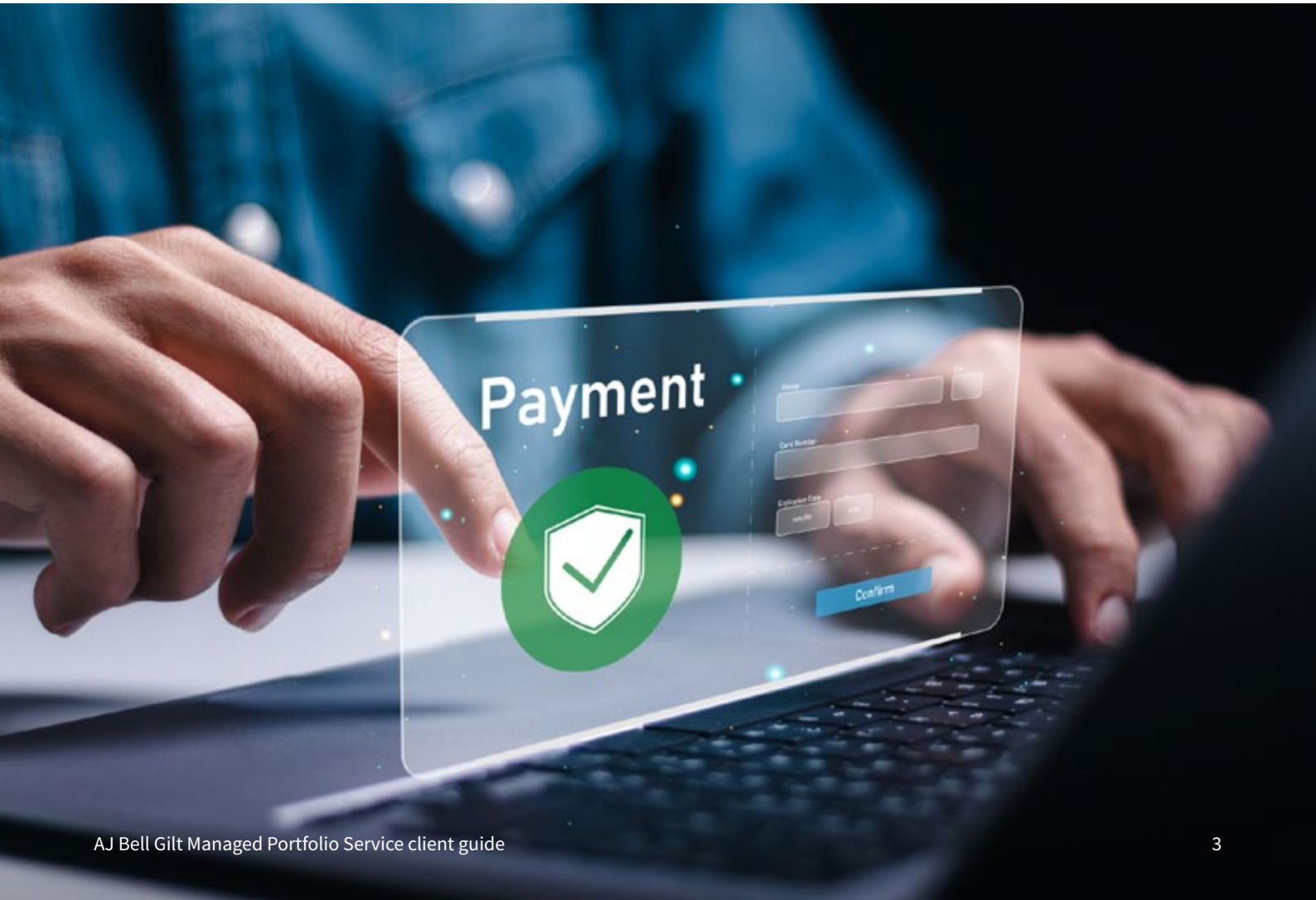
This guide aims to help you fully understand our AJ Bell Gilt Managed Portfolio Service (MPS). It's a range of investment portfolios that's available exclusively through professional intermediaries – so if you do still have unanswered questions after reading this guide, please contact your financial adviser for more details.

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.

When you invest in a gilt, it promises to pay you a fixed rate of interest, known as a coupon, every six months. When the gilt matures, you receive 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. Thanks to the availability of daily dealing, gilts are easily tradable and highly liquid investments.

We know investing in gilts can come with a lot of confusing terms. That's why we've put a jargon buster at the end of this document, if you need to refer to it.



What benefits do gilts offer?

Gilts offer several advantages that make them an attractive option for investors.

1 **Stability and security**

The UK Government has never defaulted on the bonds it issues, meaning gilts held to maturity are a particularly low-risk way to achieve stable returns.

2 **Predictable income**

Gilts pay coupons twice a year, offering investors a predictable income stream.

3 **Capital preservation**

Gilts help preserve capital when held to maturity, making them suitable for investors who are looking to protect their wealth.

4 **Tax benefits**

Gilts are free from capital gains tax, which can be especially beneficial for higher-rate taxpayers. We'll go into more detail on this below.

Why are gilts interesting right now?

Lower prices

For a decade interest rates were at historic lows, so the Government issued gilts that have very low coupon (interest) payments and which are now available at relatively short terms to maturity. When interest rates rose sharply in 2022, the price of those gilts already in issue fell dramatically, and many are still trading below the price that the Government will redeem them at, known as the par value – £100. The closer that a gilt gets to its maturity date, the closer the price will get to that £100 value. This is known as the 'pull to par'.

Lower tax

Gilt coupons are paid six-monthly and are subject to income tax at your marginal tax rate. However, there's no capital gains tax to pay when the gilts are sold or redeemed. The combination of low coupons and low issue prices presents an opportunity, because the bulk of the return will come in the form of tax-free capital gains at redemption, with much smaller taxable interest payments. You'd need to generate significantly higher returns in cash and cash-like investments – whose returns come mainly from taxable income payments – to achieve the same net returns.

i | Tax treatment depends on individual circumstances, and rules may change.

There are only limited numbers of the gilts where this combination of factors exist, so we've designed a range of portfolios that will allow you to access the opportunities for positive outcomes they present.



Who's the AJ Bell Gilt MPS designed for?

We've designed it for people who want a low-risk way to generate higher returns than they'd get from cash or cash-like investments via a General Investment Account (GIA).

Minimum investment amount

The recommended minimum investment amount for this service is £10,000. We don't enforce any minimum account values, but the returns you could expect from a smaller portfolio might be disproportionately affected by the cost of the service and other product charges.

How long should I invest for?

There's no minimum recommended time horizon; it is up to you (with your adviser) to decide how long to invest within the Gilt MPS portfolios. Gilts are highly-liquid investments that can be sold before they mature. However, remaining invested – and reinvesting the returns you receive – gives the best opportunity to maximise both the investment opportunity, and the capital gains tax exemption on offer.

We've designed a range of seven 'invest and forget' portfolios that allow you to step along a 'maturity ladder' across various time horizons, right up until the point where the investment opportunity still makes sense, given the tax exemption.

Each portfolio provides access to a number of gilt issues that have been selected for their relatively short-term time horizon to maturity, low coupon rates, and the fact that they're priced at a 'discount to par'. The table below shows the individual gilts held in each portfolio, their weighting, and the date the portfolio matures.

	Maturity date	Gilt MPS Final Maturity 2026*	Gilt MPS Final Maturity 2027	Gilt MPS Final Maturity 2028	Gilt MPS Final Maturity 2029	Gilt MPS Final Maturity 2030	Gilt MPS Final Maturity 2031	Gilt MPS Final Maturity 2032
0 3/8% Treasury Gilt	22/10/2026	99.00%	49.00%	33.00%	25.00%			
1 1/4% Treasury Gilt	22/07/2027		50.00%	33.00%	25.00%	25.00%		
0 1/8% Treasury Gilt	31/01/2028			33.00%	25.00%	25.00%	25.00%	
0 1/2% Treasury Gilt	31/01/2029				24.00%	24.00%	24.00%	24.00%
0 3/8% Treasury Gilt	22/10/2030					25.00%	25.00%	25.00%
0¼% Treasury Gilt	31/07/2031						25.00%	25.00%
1% Treasury Gilt	31/01/2032							25.00%
Cash		1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**Soft closed to new investment*

What could your investment returns be?

The example below shows what the returns could be for a higher income taxpayer, whose marginal tax rate is 40%, when compared to what can be earned from a fixed-term cash deposit. The 'tax equivalent yield' in the last line of the table shows the return an investor would have to achieve from investing the same amount in investments that provide all returns as taxable income payments, i.e. cash and cash-like investments, with a similar risk profile. Each Gilt MPS portfolio will seek to invest in available gilts that have relatively low coupons, that should also have relatively larger 'discounts to par'.

The example assumes that each issue is held through to a maturity of one year, allowing most of the return to come from the capital gain (free of capital gains tax). Any income received from a gilt's coupon is still taxable at an individual's marginal tax rate.

Please note that this is an illustrative example and not an illustration of either the actual issues that are invested within an AJ Bell Gilt MPS or the returns that an investment should be expected to generate.

Yield to maturity 3.49%	1.25% coupon	One-year fixed rate term 4.10%
Face value	£100,000	£100,000
Purchase value (market price)	£97,050	£100,000
Capital gain	£2,235	£0
Income	£1,250	£4,100
Yield (total return) as £	£3,485	£4,100
Income taxed at 40%	-£300	-£1,440
After tax return as £	£3,185	£2,660
After tax yield as %	3.19%	2.66%
Tax equivalent yield	5.01%	2.66%

Source: AJ Bell Investments. Illustrative example, tax equivalent yield on one-year gilt, for a 40% taxpayer, considering a £500 interest allowance. Coupon example based upon annualised return from a UK Treasury 1.25% Gilt 22/07/2027 as at 27/02/2026 and held to maturity.

Using the above example, an investment in the fixed rate cash example would have to make 5.01% to be equivalent to the return from a gilt, considering the tax paid by a higher rate taxpayer. This is referred to as the 'tax equivalent' or 'pre-tax' yield.

How much does it cost?

We firmly believe that high charges are one of the biggest threats to investment returns. That's why our Gilt MPS carries an investment management charge of just 0.10% p.a., which is lower than many of our competitors. Please remember that additional charges, such as platform costs, also apply.

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 gilts into another security, or cash, that returns the same rate or better.

Gilt prices will fluctuate and are exposed to movement in interest rates, so the actual discounts to par will reduce over time if 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.

You can redeem at any time, but if you need to disinvest from a Gilt MPS 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 adviser.

Who will manage the money?

AJ Bell was established in 1995 and has grown to become one of the UK's largest investment platforms, with £126 billion of assets under administration and 796,000 customers. We launched AJ Bell Investments in 2016, with the purpose of designing and managing a range of simple, transparent, low-cost investment solutions that deliver good customer outcomes.

Our highly experienced and respected Investments Team has £9.5 billion of assets under management for clients, and it is this same team that manages the AJ Bell Gilt MPS.

Jargon buster

This jargon buster is here to help you feel good investing by explaining some of the complex terms that come with investing in gilts.



Capital gains tax – a form of tax you pay on the profit made by selling certain types of investment. However, any gains made from the sale of a gilt are exempt from this form of tax. Please see https://www.gov.uk/capital-gains-tax/rates for current UK rates.



Coupon – a fixed cash payment made every six months, usually detailed as an annual percentage in the name of a gilt. For example, if you purchased a 5% gilt for £100, you would receive a coupon of £2.50 every six months.



Discount – refers to situations where a gilt is trading 'below par', effectively when the price of the bond falls below £100.



Marginal rate – the amount of income tax you pay, depending on your earnings. The income generated by the coupon payments made from a gilt are subject to this type of tax. Please see https://www.gov.uk/income-tax-rates for current UK rates.



Maturity date – the date a bond effectively 'expires'. On this date, the issuer is obliged to distribute the final coupon payment, as well as repaying the principal amount.



Principal – the price the gilt was issued as, also known as 'par'. This is always £100.



Tax equivalent yield – this is the 'pre-tax' yield that an investment must offer when compared to an investment where all, or some, of the gains are tax exempt. In the case of gilts, any capital made from the investment is tax-free. For example, a tax-exempt investment may generate £100 of gain on a £1,000 investment (yield of 10%). On the other hand, a taxable investment may generate £110 of gain (gross yield of 11%) but is subject to a marginal rate of 40%, meaning the net gain is £66. Therefore, the tax-exempt investment has a tax equivalent yield of 16.67%, as this is the return a taxable investment would need to generate in order to deliver the same net return.



Yield – the annual rate of return on a bond, calculated by dividing the coupon payment by the bond's current market price. This is expressed as a percentage. Therefore, when prices rise, the yield falls, and vice versa.

Important information

The projected returns shown may vary according to the tax treatment of your investment. If you pay tax on this investment, your returns may be lower. Tax treatment depends on your personal circumstances, and the rules can change at any time in the future.

Please contact your adviser for more information or to ask questions about the AJ Bell Gilt Managed Portfolio Service.

This brochure provides general information about the AJ Bell Gilt Managed Portfolio Service. It should not be read or construed as investment advice. It is your adviser's responsibility to assess your circumstances and make a personal recommendation that's suitable for your needs.

We do not offer advice, so it's important you understand the risks. If you're unsure please consult a suitably-qualified financial adviser.

Past performance is not a guide to future performance and some investments need to be held for the long term.

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AJB/GMPS/CG/20261022