

What Investment

B E C A U S E M O N E Y M A T T E R S

NEW OFFERS

Our independent panel examines what the latest funds have to offer investors. Each product has been given a star rating, representing its overall value for money, based on cost, terms and conditions and investment potential

What ★★★★★ Investment

New offers – August 2010

Alliance Trust Monthly Income Bond Fund

Alliance Trust Monthly Income Bond Fund

The Alliance Trust Monthly Income Bond Fund is co-managed by Gareth Quantrill and Stuart Steven. At launch (15 June 2010), it was projected that the fund will be highly liquid and would generate an annual distribution yield of 6.3 per cent, paid on a monthly basis.

It is proposed that this will be achieved by investing in high-quality, investment-grade corporate bonds with actively managed interest rate risks. The fund's benchmark is iBoxx 5-15 Year Sterling Corporates Index.

The company says it aims to provide a balanced portfolio that will be diversified by sectoral weightings and geographical positioning. A secure level of income is promised, with the potential for capital growth.

Simon Brett says:



● Simon Brett is head of investments at Parmenion

The launch in June of the Monthly Income Bond Fund represents another investment offering from the fledgling Alliance Trust Asset Management, set up by CEO Katherine Garrett-Cox to leverage the strengths of her group.

Alliance Trust is a FTSE

100 investment trust company with substantial resources and experience to manage the assets of the trust. So why not leverage that expertise by launching an asset management company to run retail funds? The new bond fund joins five other UK, US and international equity funds.

Alliance Trust recruited a bond team of four from Scottish Widows Investment Partnership (SWIP) in 2009, to take the investment team at the trust to over 30 professionals. The bond team has more than 80 years' investment experience and represented the first time the trust had dedicated resource.

The Monthly Income Bond Fund will invest in investment-grade corporate bonds but can also invest in gilts. The portfolio will contain between 60 and 70 holdings. A particular attraction is the forecast yield of more than 6 per cent, paid monthly. With interest rates still so low, this may appeal to income-hungry investors, although there is some risk to capital.

The team from SWIP certainly has the right experience, and their research process



has been honed over a long period of time. Asset allocation and exposure to credit ratings start from a macroeconomic viewpoint, and the team can call upon the expertise of the in-house Economic Research Centre. In addition, there is liaison with their equity colleagues on company research for credit risk review.

At the individual bond level, risk is controlled by broad stock and industry sector level diversification. Emphasis is placed on avoiding problem credits. Overall control is imposed by the use of templates at each stage of the decision-making process.

With an appealing yield and given the experience of the team, this fund will be a welcome addition to the Alliance Trust range.



Minimum investment: £5,000
Initial charge: 5 per cent
Annual management fee: 1 per cent
Contact: www.alliancetrust.co.uk

This article has been written by *What Investment Magazine* and not by Alliance Trust Asset Management. Please note that the distribution yield is not guaranteed. The value of the fund and the income from it can go down as well as up. The annual management charge and the performance fee are charged to capital. This has the effect of increasing the distributions for the year and constraining the fund's capital performance to an equivalent extent. This article only contains brief information on the fund. For more information please see the Simplified Prospectus which provides more detailed information as well as the risks of investing into the fund. The Simplified Prospectus is available at www.alliancetrust.co.uk/assetmanagement. Alliance Trust Asset Management does not give financial or investment advice. If you are unsure as to whether the fund is suitable for you, please consult your financial or other professional adviser.