



Cash Alternatives

GENERATING ATTRACTIVE YIELDS WHILE
PROVIDING FINANCIAL SECURITY



Understanding Bond Market Dynamics: A Timely Investment Opportunity

One of the fundamental mechanics behind bond markets is that when interest rates go up, prices go down. This inverse principle has been evident in the Eurozone Government Bond markets in recent times. Following the ECB's decision to raise interest rates as part of its strategy to tighten monetary policy in the aftermath of the recent inflation shock, there have been significant impacts to the bond markets, with bonds experiencing a decline in prices, leading to higher yields.

This shift in the market represents a notable investment opportunity. Higher yields provide attractive returns for fixed-income investors, offering a viable option for enhancing not just return, but also in optimising investment portfolios. Take, for instance, the Irish 2027 Government Bond. When issued in 2020, ECB base rates were priced in at 0% (they were at -0.5%). However, the ECB deposit facility is currently 3.75%, which has led to this bond being valued at a price of 93.63. (Investors receive full par value back at maturity). The yield on this bond prices in at 2.59% (as of 01/08/24).

The current landscape for term deposits in the Irish market presents limited opportunities, with rates hovering around 2.5%. A significant consideration for investors is the illiquidity of these funds; typically, the investment must remain locked in the fixed-term deposit account for the entire period to earn the promised interest. This lack of flexibility can be a drawback for those seeking more dynamic investment options. In contrast, Irish Government Bonds offer significant liquidity, giving investors the flexibility to cash out at their discretion. This liquidity is a considerable advantage, as it allows for potential investors to respond to changing market conditions and personal financial needs.

Furthermore, Irish Government Bonds offer favourable tax treatment. Based on current revenue guidelines, any appreciation in the bond's value is tax-free, significantly enhancing their tax efficiency for both personal and corporate investors. Consider the example of the 2027 Irish Government Bonds. While the coupon rate of 0.2% is subject to taxation at the marginal income tax rate, the capital appreciation of these bonds remains exempt from Capital Gains Tax. This contrasts with term deposits, where the entire appreciation is subject to the Deposit Interest Retention Tax (DIRT) at a rate of 33%. This difference in tax treatment positions Irish Government Bonds as a more attractive option for those seeking tax-efficient investment opportunities.

In addition, Cantor Fitzgerald offers a suite of money market and cash fund products that provide competitive yields along with the benefit of daily liquidity. These products, though subject to Exit Tax, offer high yields and easy access to funds, presenting a viable alternative to the limited term deposit options available in Ireland. This flexibility and potential for higher returns make these products an appealing choice for both personal and corporate investors.

Over the next 12 months, market expectations suggest that the ECB may implement up to five further rate cuts (as at 06/08/24) to address the challenges of slowing economic growth. These anticipated rate reductions have already been partially priced into the bond market. However, if the ECB proceeds with these cuts, current bond prices are likely to rise, potentially eradicating the tax-efficient opportunities currently available.

At Cantor Fitzgerald, we recognize the unique window of opportunity that the current bond market presents. The anticipated rate cuts offer a prime moment for astute investors to capitalise on the favourable pricing and tax efficiency of Irish Government Bonds.

Disclaimer: Cantor Fitzgerald is not authorised to provide tax advice. We recommend that clients seek independent professional tax advice prior to making any investment decisions.

Investment Opportunities in Cash Funds and Bonds

Holding Name	Holding Type	Exposure	OCF	Term	Objective	Yield to Maturity	Annual Distribution Yield	Document Links	Other Points
Cantor Fitzgerald Ireland Primesaver Monthly Rolling 100% Protected Bond	Senior SG Issuer Bond with 100% capital guaranteed by Société Générale, which also holds additional security over a segregated UCIT's eligible collateral pool	Provides exposure to Short-Term Euro reference rate less 1.00%	Charges of 1% p.a. (0.65% p.a. to Cantor & 0.35% p.a. to Société Générale) No Annual Account or Dealing Fees apply to Primesaver investments	Open Ended accessible monthly	The Objective is to increase invested capital by compounding it daily at the ESTR Rate less a 1% spread. This is a solution designed for investors seeking alternatives to traditional money market investment, by offering a return in addition to a full capital protection at redemption.	Variable ESTR rate -1% , current yield net of charges = 2.664% as at (13/08/24)	Nil	Brochure Kid Document Homepage ISIN: XS2781245845	Tax Treatment CGT Tax ESMA Rating 2 Redeemable monthly with 1 weeks' notice (or T+5 if >=€10m) (Notice required on the 5th of every month) Minimum Investment: €100,000
Cantor Fitzgerald Cash Fund Fund Size €237m	RIAIF Retail Investor Alternative Investment Fund	Diversified exposure to very short maturity Government & Corporate bonds	0.45%	Open Ended	The Cantor Fitzgerald Cash Fund is designed to provide capital security for pension fund investors approaching retirement. It may also be used as a short-term "safe haven" by investors in times of market uncertainty. The Fund promotes a range of environmental and social characteristics and is categorised as Article 8 in accordance with SFDR.	3.50% Weighted Average Maturity 70 Days	Nil	Factsheet Kid Document Homepage Sedol BVFMFW4	Tax Treatment Fund Exit Tax ESMA Rating 1 Access Daily Traded Minimum Investment: €50,000
iShares € Ultrashort Bond UCITS ETF (Accum) Fund Size €4.95bn	UCITS ETF	Diversified exposure to very short maturity fixed and floating rate Corporate bonds issued in Euro	0.09%	Open Ended	The Fund seeks to track the performance of an index composed of Euro denominated investment grade corporate bonds.	3.86% Weighted Average Maturity 146 Days	Nil	Factsheet Kid Document Homepage Sedol BP6L8X0	Tax Treatment Fund Exit Tax ESMA Rating 1 Access Daily Traded Minimum Investment: €50,000
JPM EUR Standard Money Market VNAV Institutional (Accum) Fund Size €10.465bn	UCITS Fund	Diversified exposure to very short maturity global Government & Corporate bonds	0.21%	Open Ended	The Sub-Fund seeks to achieve a return in the Reference Currency in excess of Euro money markets whilst aiming to preserve capital, consistent with prevailing money market rates, and maintain a high degree of liquidity.	3.67% Weighted Average Maturity 98 Days	Nil	Factsheet Kid Document Homepage Sedol BL2F1B7	Tax Treatment Fund Exit Tax ESMA Rating 1 Access Daily Traded Minimum Investment: €50,000

Investment Opportunities in Cash Funds and Bonds

Holding Name	Holding Type	Exposure	OCF/TER	Term	Full Bond Name & Details	Yield to Maturity	Annual Coupon	Indicative Price	Other Points
1yr German Govt Bond	Govt Bond	Germany	n/a	Open Ended to 1yr	Germany 0.0% 10-OCT-2025	2.61%	Nil	97.02c	Return Subject to CGT Minimum Investment: €50,000
2yr German Govt Bond	Govt Bond	Germany	n/a	Open Ended to 2yrs	Germany 0.0% 15-AUG-2026	2.28%	Nil	95.53c	Return Subject to CGT Minimum Investment: €50,000
3yr Irish Govt Bond	Govt Bond	Ireland	n/a	Open Ended to 2yrs	Government of Ireland 0.2% 15-MAY-2027	2.39%	0.20%	94.19c	Coupon subject to Income Tax Capital Gain exempt from CGT Minimum Investment: €50,000
7yr Irish Govt Bond	Govt Bond	Ireland	n/a	Open Ended to 7yrs	Government of Ireland 0.0% 18-OCT-2031	2.45%	Nil	84.00c	Capital Gain exempt from CGT Minimum Investment: €50,000

Source: Bloomberg 12/08/2024. Please Note: Annual Account Fees apply. Dealing commissions apply.

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WARNING: Past performance is not a reliable guide to future performance.

WARNING: The value of your investment may go down as well as up. You may get back less than your invest.



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