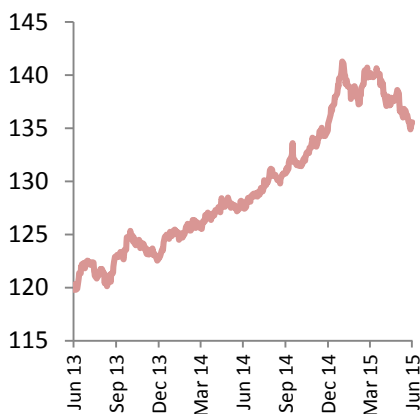


RETAIL BOND REVIEW No. 9

Weak quarter for the ORB

- FTSE ORB index fell by 3.1% over the quarter.
- Three new issues in the quarter raising £122m

ORB Index performance



Source: FTSE, Hardman & Co

- ORB Liquidity Revisited: in this edition we return to the topic of liquidity and examine how things have changed since our first examination of it.
- Overall liquidity remains good, with turnover of ORB dedicated issues typically ranging between 25% and 50%.
- Retail participation remains strong and continues to dominate trading on the electronic book and, to a lesser extent, for the ORB dedicated issues.
- Volumes traded on the electronic book continue to be a small proportion of ORB trading, with the majority happened through market makers.
- Reflecting the growing importance of this market to both retail investors and issuers, Hardman & Co has produced the following detailed report. This work has been undertaken by our Financials Analyst Brian Moretta.

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A range of source data for retail bonds traded on London Stock Exchange, in addition to further information on the ORB market, is available at:

www.londonstockexchange.com/retail-bonds

Introduction

This is the ninth issue of our regular publication on the retail bond market. Its aim is to offer a comprehensive periodic review of this growing market, as well as providing information on the performance of this security class and a reference on individual bonds within it. Each issue will also carry a feature article covering a topical issue. This edition explores liquidity.

About Hardman & Co

Hardman & Co is a research company based in London which has been established for nearly 20 years. We have a team of experienced investment analysts who provide research that is distributed globally. Research is undertaken on quoted and private companies as well as individual projects. We cover both equity and bond markets. Sector expertise includes: Agriculture, Building & Construction, Business Services, Education, Financial Services, Life Sciences, Media, Mining, Oil & Gas, Property, Technology and Retail Bonds. Research is only one part of the suite of services which we offer to enable investors and companies to engage with each other.

Brian Moretta, Financials Analyst

Brian has had a 20 year career in financial services, including over a decade as a fund manager. He started as a trainee actuary, but followed that with a spell in academia, where he completed his actuarial qualification and gained a PhD in Applied Probability. He then joined SVM Asset Management, where he specialised in analysing financial services companies. While there, Brian managed two traded endowment funds and an equity fund, worked on hedge funds and the quantitative risk management function. Since leaving SVM he has followed a pluralist lifestyle, mixing financial/investment consulting with spells lecturing on actuarial science and financial economics.

Contents

Feature Article: ORB Liquidity Revisited	Pg.4
Market Performance	Pg.9
Index Data Tables: Performance and volatility	Pg.9
Yield Curve: Big upward movement in yields	Pg.10
New Issues: 3 new issues this quarter	Pg.11
Significant Economic & Market News: Greece dominates	Pg.12
Glossary	Pg.13
Bond Statistics	Pg.14
Hardman Team	Pg.21

Feature Article: ORB Liquidity Revisited

Executive Summary

Using data from the London Stock Exchange we update our liquidity analysis from two years ago. Overall liquidity remains good and retail participation is strong. However the strong trends that were evident in 2013 are now absent and the market appears to be in more of a business as usual state.

Against our expectations, volumes on the electronic order book have not grown and it remains a small, but important, part of ORB.

Introduction

In our first quarterly review, which is now two years old, we examined liquidity on ORB and dispelled the myth it was a thin, illiquid market. We felt it was time to update our analysis, particularly in the light of the different market conditions that we have seen over the last few months.

As before, we have used data from the London Stock Exchange. They have improved the quality of their data collection and we use their data without any adjustments. The data now starts from 1 January 2013. For corporate bonds, which we again focus on in this article, this covers £13.8bn of value traded in 174,107 trades.

A word on nomenclature. Although strictly speaking the name ORB refers to the electronic order book, it has come to be used for the retail bond market as a whole. We will use ORB in that way, and use the terms 'on the order book' and 'non-order book' to refer to trading that takes place on and off the electronic order book respectively.

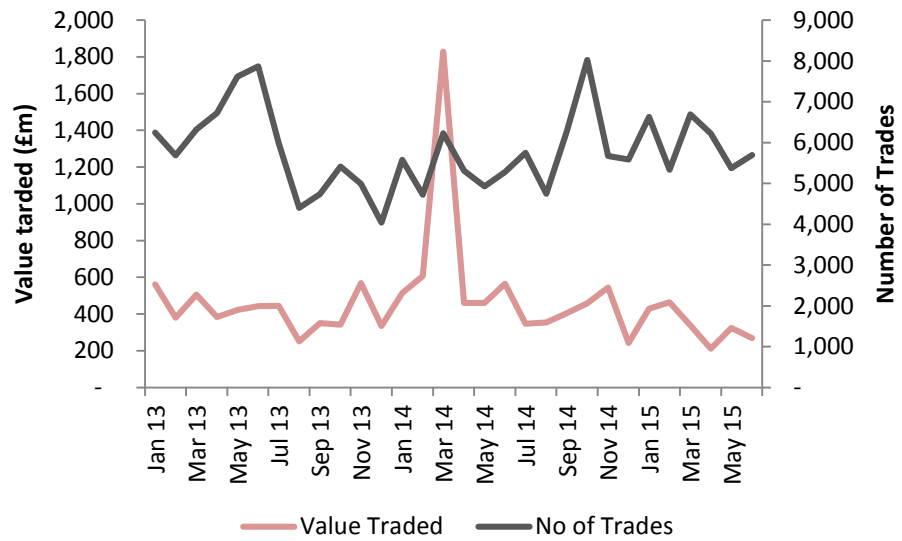
The gilt market is not the focus of this report, but it is worth a brief comment. At the time of our last article on the topic there had been rapid growth of gilt trading on the order book. We speculated that this could be the start of a virtuous circle that may lead to much gilt trading moving to the order book. So far we have been completely wrong on that. In 2013 volumes remained much stronger than they had been prior to then, but since then they have fallen away somewhat, with monthly trading volumes in the £1-10m value range. Overall 0.01% of gilt trades have taken place on the order book - less by value - and it remains a very small part of that market.

Overall Market Trends

Over the last thirty months 136 different corporate bonds have been traded on ORB, though with new issues and maturities the typical number at any one time is lower. Currently there are 109 bonds and only one of those had no trades in the last quarter. This represents a slight decline from two years ago, when there were 114 corporate bonds listed.

In Figure 1 we give an overview of the trades on ORB.

Figure 1: Total value traded and number of trades for corporate bonds on ORB

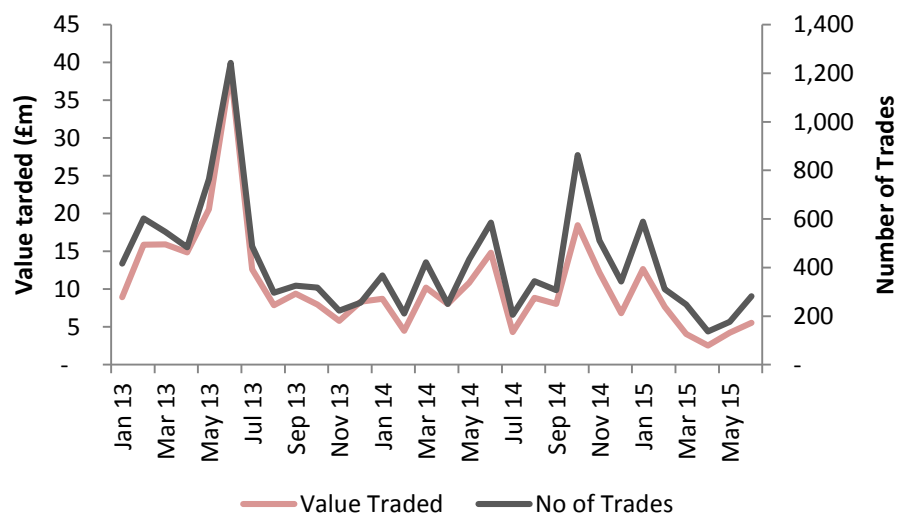


Source: London Stock Exchange, Hardman & Co

The first point to note that in March 2014 there was exceptionally large jump in the value traded. Only three bonds caused this spike, all from Lloyds Bank. This was part of a capital restructuring where the company launched a tender offer for ECNs (Enhanced Capital Notes). This led to £1.28bn of volume in those three bonds that month, leaving the balance at more normal levels.

Unlike in our last review there are no strong trends. The value traded each month has declined a little, with the last 6 months being somewhat weaker. Part of this can be attributed to a lower number of bonds. But the last few months has seen the longest period of price weakness since the inception of ORB, and that may be contributing to the weak volumes. Interestingly the number of trades has continued to remain at similar levels, suggesting retail participation is still strong and it is institution investors who are participating less.

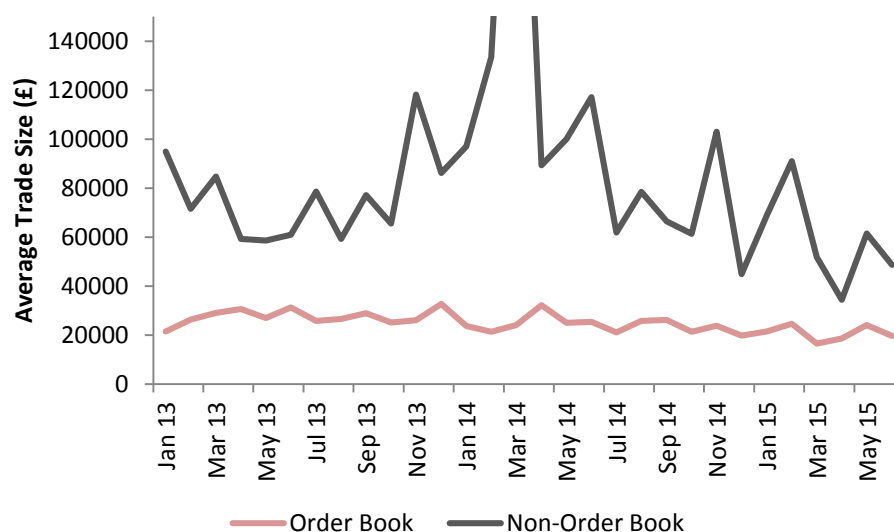
Figure 2: Total value traded and number of trades for corporate bonds on the order book



Source: London Stock Exchange, Hardman & Co

In Figure 2 we consider the trading on the electronic order book. As for gilts, June 2013 turned out to be a peak. However, corporate bond volumes have not fallen back quite as far as gilts did. Overall 2.3% of trading by value and 7.2% by the number of trades took place on the order book. It is notable that the value traded and number of trades track each other very closely, suggesting the investor mix has remained pretty constant.

Figure 3: Average trade size for on- and non- order book trades for corporate bonds on ORB



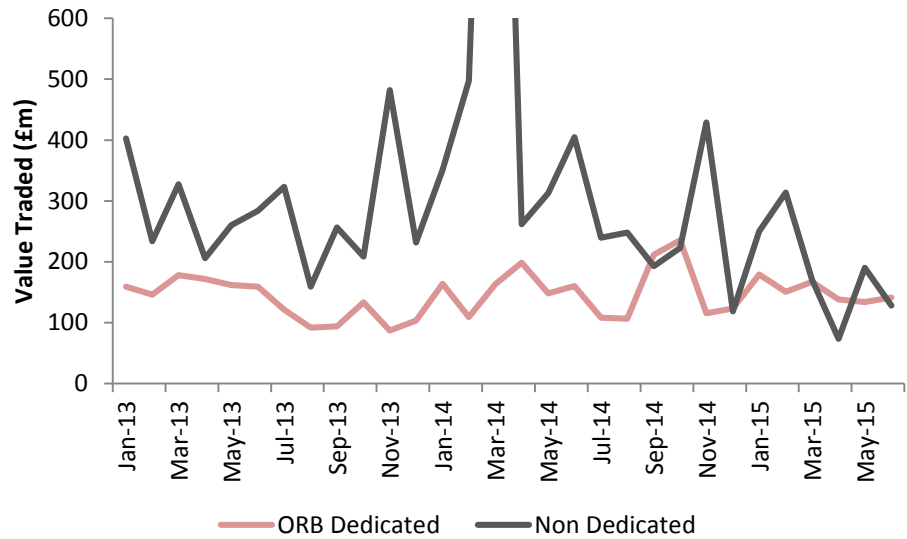
Source: London Stock Exchange, Hardman & Co

Figure 3 shows a continuation of the trend that we noted last time about trade sizes. Average trade sizes on the order book have remained reasonably steady, typically averaging £20-30,000 each month. Meanwhile non-order book trades have shown a less steady pattern. The first half of 2014 saw a higher average size, even outside the exceptional month of March. Since then it has resumed its decline and has averaged £60,000 in the first half of 2015. As retail trade sizes are typically much smaller than institutional ones, this supports our comment above about continued retail participation on ORB in 2015.

ORB Dedicated Issues

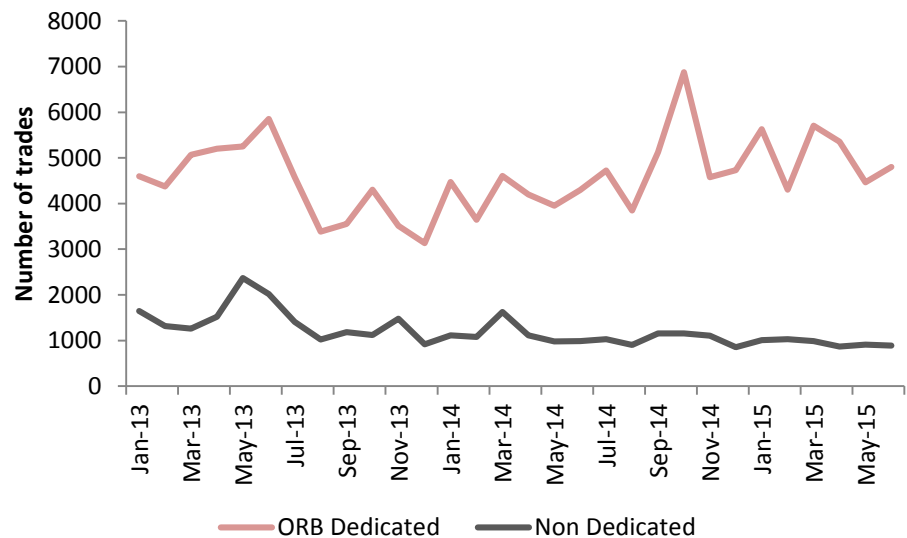
There have now been 50 corporate bonds issued onto ORB. The remainder of those listed were issued through more traditional methods. Most were moved onto ORB at its inception, with reduced minimum trade sizes, though a few have been moved onto it at later dates. This has led to contrasting investor bases; with the non dedicated bonds tending to have been sold to institutional investors, whereas the ORB dedicated issues have a much larger retail interest.

Figure 4: Value traded for ORB dedicated and non dedicated corporate bonds



Source: London Stock Exchange, Hardman & Co

Figure 5: Number of trades for ORB dedicated and non dedicated corporate bonds

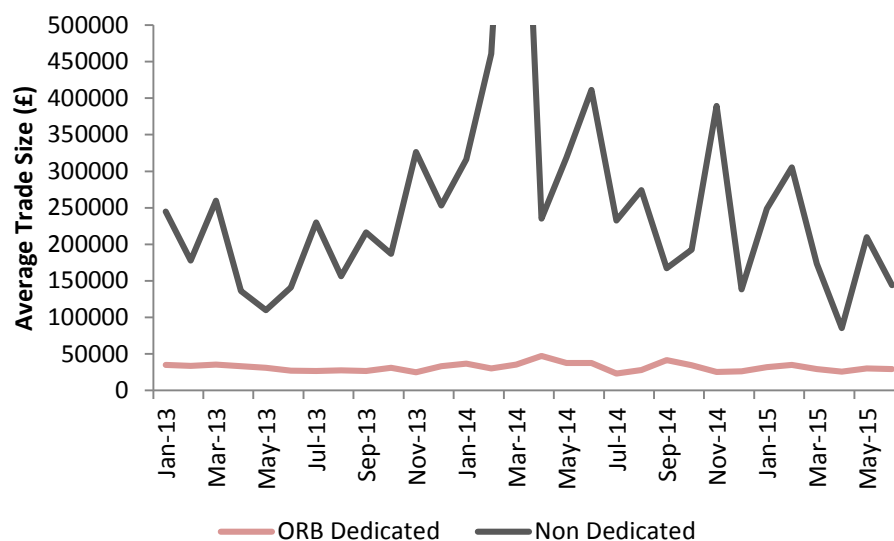


Source: London Stock Exchange, Hardman & Co

Figure 4 and Figure 5 compare the value traded and the number of trades for ORB dedicated and non dedicated bonds. Bear in mind there are slightly more of the latter, but the number of the former has been growing over this period.

We can see that the recent decline in value traded has been focussed on the non dedicated bonds. The value of ORB dedicated bonds traded has perhaps increased a little since the middle of 2013, supported by the slow growth in the number of bonds, but the trend is weak. The number of trades is much higher in the ORB dedicated bonds, and continues to trend up. This also reflects the greater retail interest.

Figure 6: Average trade size for ORB dedicated and non dedicated corporate bonds



Source: London Stock Exchange, Hardman & Co

The average trade size shows a more variable pattern. For ORB dedicated bonds the average has been reasonably consistent being mostly in the £28-£35,000 range, though higher and lower figures have occurred. For the non dedicated bonds there was a rough rising trend until early 2014, with a volatile decline since then. This might suggest the rise in retail interest relative to institutional investors goes back further than 2015.

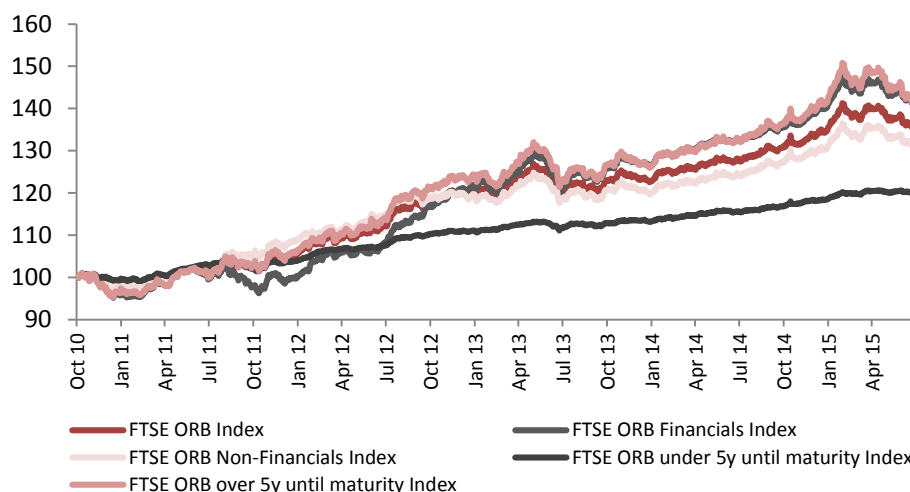
Conclusion

In *Retail Bond Review No 1* we showed all the liquidity trends were very positive for ORB, with volumes and retail interest both showing ongoing improvement. What has happened since then has been less exciting and we appear to have reached a 'business as usual' position. For the typical retail investor liquidity remains good. At the moment there seems to be slightly less activity from institutional investors, but that could be the usual variability that rising interest rates bring rather than any secular trend. Against our expectations the electronic order book has not continued to grow as a proportion of trading.

With no clear trends we hesitate to make any strong predictions, but liquidity on ORB still appears to be reliable and we see no reason why that shouldn't continue.

Market Performance

Figure 7: ORB Total Return Indices from inception (1/10/10=100)



Source: FTSE, Hardman & Co

The second quarter of 2015 saw weakness across the ORB as bond yields largely rose. The biggest movements were seen in April and June, with May being roughly flat. As the yield curve moves below show, the biggest yield movements were at the long end of the curve and with these bonds being more sensitive too it is no surprise that short dated bonds were much the best performers.

Index Data tables

Performance & Volatility – Total Return (GBP)

Index	No Issues	Nominal £bn	Performance to 30/6/15 (%)			
			3M	12M	2yr	4yr
			FTSE ORB Index	92	22.47	-3.14
FTSE ORB Financials Index	51	10.36	-3.24	6.46	16.48	41.97
FTSE ORB Non-Financials Index	41	12.12	-3.06	5.45	10.79	29.87
FTSE ORB under 5y until Maturity Index	43	8.77	-0.62	3.56	7.15	16.69
FTSE ORB over 5y until Maturity Index	49	13.70	-4.58	6.77	15.57	41.94

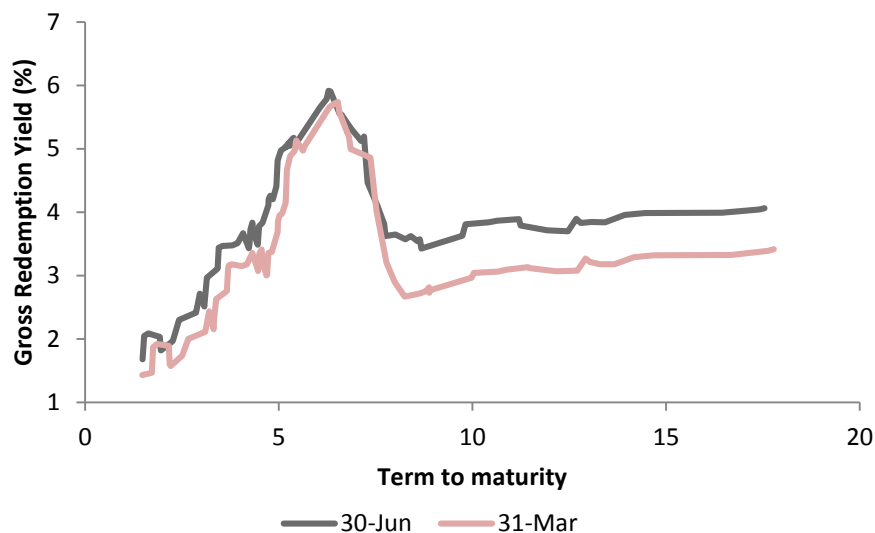
Index Characteristics

Index	Gross redemption yield (%) *			Modified Duration *		
	3mths ago	Now – 30/6/15	change	3mths ago	Now – 30/6/15	change
	FTSE ORB Index	3.09	3.69	0.60	7.01	6.68
FTSE ORB Financials Index	3.31	3.90	0.59	7.52	7.11	-0.41
FTSE ORB Non-Financials Index	2.87	3.48	0.61	6.58	6.31	-0.27
FTSE ORB under 5y until Maturity Index	2.10	2.65	0.55	2.90	2.78	-0.12
FTSE ORB over 5y until Maturity Index	3.26	3.88	0.62	9.32	8.98	-0.35

*See glossary

Yield Curve

Figure 8: Yield curves for bonds in the FTSE ORB Index



Source: FTSE, Hardman & Co

The second quarter of 2015 saw a change in the direction of yield changes. Since *Retail Bond Review No. 1* yield curve movements have generally shown reducing interest rates, albeit at times with very small movements. This quarter has seen a reversal of that trend with increases in yields across almost the whole yield curve.

The majority of this move has been driven by changes in risk free rates, with gilt yields increasing by 60-70bps in the ten to fifteen year term range. It can be seen that the shorter end saw much smaller movements. Credit risk had mixed effects, with most longer bonds seeing a slight widening. On the other hand the three highest yielding stocks – Enquest, Premier Oil and Eros International – saw a reduction in their yields. The first two were no doubt seeing the benefit of a slight improvement in the oil price.

The shape of the curve is influenced by the variety of credit qualities available in the market. Broadly in the 5-10 year range there is a much greater GRY spread, suggesting a greater variety in credit quality. The main article in *Retail Bond Review No 2* looked at this in more detail.

New Issues

*Three news issues
in Q2*

The second quarter saw three new issues. A couple were smaller than has been the norm recently and the total raised was £122m. This brings the total amount raised during 2015 to £282m. Notably there have now been 50 new issues on ORB, raising a total of £4.6bm.

Figure 9: New corporate bond issues 1/4/15 to 30/6/15

Company	Date Listed	Issue Size (£m)	Maturity Date	Coupon
Provident Financial plc	9 Apr 2015	60	9 Oct 2023	5.125%
Retail Charity Bonds plc	1 May 2015	27	30 Apr 2025	4.4%
Wasps Finance plc	14 May 2015	35	13 May 2022	6.5%

Source: London Stock Exchange

Provident Financial are now the most frequent issuer on ORB, with this being their fifth bond, though it has been two years since their last issue. The amount raised was lower than previous issues reflecting weaker current funding needs and the issue was closed early.

The Retail Charity Bonds issue was the second under their programme, and this one was on behalf of Hightown Praetorian & Churches Housing Association Limited, a social housing provider which provides housing and support to vulnerable people in Hertfordshire, Bedfordshire and Buckinghamshire. Initially it was launched with a fund raising target of £10m, but closed ten days early after raising £27m. The money will be used to build new homes.

The third issuer was a new one to ORB. Wasps Finance is a vehicle for Wasps Rugby Club. They have recently moved to Coventry and now operate out of the Ricoh Stadium. The money raised is secured on the stadium and will mostly be used to pay down existing debt to give the club a solid footing going forward. Like the other bonds above it reached its target early and was oversubscribed, but scaled back some investors rather than raising extra money.

There was another offer open during the quarter from International Personal Finance. This would have been their second ORB issue, but the offer was withdrawn on 8th April citing insufficient demand from investors to ensure adequate liquidity in the secondary market.

Significant Economic and Market News

Greek crisis coming to a head?

Headlines over most of the last quarter have been dominated by the Greek situation. At the time of writing, although the situation is somewhat unclear, a deal looks to have been patched together. Negotiations between the Syriza government and the Troika of EC, IMF and ECB have gone terribly. The political differences appear to have been compounded by personality clashes and the new Greek government spending so much effort on negotiations that they haven't properly started to run the country. At the time of writing a new agreement appears to be in place, but the situation remains in flux.

With this very uncertain backdrop global bond markets have seen something of a reversal. Despite the ECBs quantitative easing efforts, movements have generally been more dramatic within the EU than elsewhere. In Germany negative yields remain for maturities under four years but the ten year yield is up to nearly 1%, having flirted with turning negative in the previous quarter. Some of the countries which suffered during the crisis have seen volatility in their bond yields, but the impression is more of general concern rather than the expectation of contagion.

Timing of US rate rise still unclear

The US economy appears to remain on the cusp of allowing a rate rise, but not quite getting there. Employment generally continues to improve, and there may be some signs of wage growth. First quarter GDP was negative though and consumer inflation remains low. Meanwhile the US bond market was not immune to the global weakness, with 10 year yields rising from 1.9% to 2.4% over the quarter, effectively giving a mild tightening of monetary policy. Market expectations remain for a fund rate rise this year, but that will still depend on how the data comes out.

UK in a holding position

The main news in the UK has been political, with the Conservatives winning a majority in the election in May. From a bond investors perspective the most significant aspect of their policies is the plans to run a tight fiscal position over the course of the parliament. This is likely to further reduce pressure on the Bank of England to raise its base rate. Inflation in April turned negative for the first time since 1960. Although it returned to positivity in May, at 0.1%, it is clearly weak. The latest BoE minutes showed unanimity about keeping rates on hold and cited repercussions over overseas events. Clarity on Greece would appear to be a necessary, but not sufficient, condition before a rate rise.

Nevertheless, there is a feeling that a rate rise will be on the agenda soon. Both corporate and government bonds sold off during the quarter, with the FT reporting it as the worst quarter since its records began in 1999. The 10 year gilt yield rose from 1.6% to 2.0%. Some bond funds have moved to protect themselves in case the weakness provokes investors to redeem, with Aberdeen Asset Management setting aside a \$500m credit line. It is fair to say the market mood remains cautious.

ORB has gained another supporter in the shape of Credo Capital plc. They have been, a member of London Stock Exchange since 2003 and have started trading on ORB and OFIS. The Exchange has moved to support the charity bond initiative by announcing it will waive admission fees for ORB listing.

Glossary:

Flat (running) yield: The interest earned expressed as a % of the price paid for the asset. Note that this ignores the capital gain or loss inherent by buying the asset at a price greater than or lower than the eventual redemption price (see Gross Redemption Yield).

Gross Redemption Yield: The annual interest rate at which the present value of all future payments on a bond equals its current price. It takes into account any capital gain/loss incurred as well as the coupon payments.

Modified Duration: the average time of future payments, weighted by their present value. It is a measure of interest rate sensitivity, with higher values denoting greater sensitivity.

Bond Statistics as of 30th June 2015

Fixed Rate ORB Corporate Bonds (alphabetically by issuer)

Name	ISIN	Maturity Date	Coupon Value	Next Coupon	Period of Coupon	Price	Flat Yield %	GRY (%)	Duration (years)	Liquidity (£)
A2D FUNDING II PLC A2D FUND.26	XS1103286305	30 Sep 26	4.5	30 Sep 15	6 month	101.875	4.42	4.33	8.87	2020978
A2D FUNDING PLC A2D FUND. 22	XS0975865949	18 Oct 22	4.75	18 Apr 15	6 month	105	4.52	3.99	6.22	2281728
ALPHA PLUS HOLDINGS PLC ALPHA PLUS 19	XS0853358801	18 Dec 19	5.75	18 Dec 15	6 month	105.885	5.43	4.33	4.00	859961
ANGLIAN WATER SERVICES FINANCING PLC ANG.W.S.F.5.25%	XS0211684831	30 Oct 15	5.25	30 Oct 15	12 month	101.12	0.00	1.82	0.33	8068668
ANGLIAN WATER SERVICES FINANCING PLC ANGLIANWTR6.875	XS0089553282	21 Aug 23	6.625	21 Aug 15	12 month	127.8	0.00	2.76	6.47	75288
ANHEUSER-BUSCH INBEV NV AB INBEV 6.50%	BE6000183549	23 Jun 17	6.5	23 Jun 16	12 month	109.675	5.93	1.49	1.91	2265261
AVIVA PLC AVIVA 6.125%36£	XS0138717441	14 Nov 36	6.125	14 Nov 15	12 month	108.475	0.00	5.44	12.40	3395440
B.A.T. INTERNATIONAL FINANCE PLC B.A.T.IF6.375%	XS0182188366	12 Dec 19	6.375	12 Dec 15	12 month	117.55	5.42	2.18	3.93	263607
BARCLAYS BANK PLC BARCLAYS.5.75%	XS0134886067	14 Sep 26	5.75	14 Sep 15	12 month	111.525	5.16	4.42	8.38	4411063
BEAZLEY PLC BEAZLEY 5.375%	XS0827693663	25 Sep 19	5.375	25 Sep 15	6 month	104.1	5.16	4.35	3.80	3139162
BRITISH TELECOMMUNICATIONS PLC BR.TEL.5.75%BDS28	XS0097283096	07 Dec 28	5.75	07 Dec 15	12 month	120.425	4.78	3.78	9.82	8307865
BRITISH TELECOMMUNICATIONS PLC BR.TEL.8.625%	XS0052067583	26 Mar 20	8.625	26 Mar 16	12 month	127.375	6.77	2.43	4.09	1707823
BRITISH TELECOMMUNICATIONS PLC BRIT.TEL.NTS16	XS0123682758	07 Dec 16	7.5	07 Dec 15	12 month	109.705	0.00	0.69	1.37	3005125
BRUNTWOOD INVESTMENTS PLC BRUNTWOOD 6%	XS0947705215	24 Jul 20	6	24 Jul 15	6 month	106.125	5.65	4.68	4.35	1498446
BURFORD CAPITAL PLC BURFORD 22	XS1088905093	19 Aug 22	6.5	19 Jul 15	6 month	104.6	6.21	5.79	5.72	2542205
CLS HOLDINGS PLC CLS HDGS 19	XS0820711215	31 Dec 19	5.5	30 Dec 15	6 month	102.175	5.38	5.02	4.05	1630699
DAILY MAIL & GENERAL TRUST PLC DMGT.5.75%18	XS0170485204	07 Dec 18	5.75	07 Dec 15	12 month	110.745	5.19	2.44	3.14	191299
EASTERN GROUP EAST.GP.8.5%2025	XS0058209106	31 Mar 25	8.5	31 Mar 16	12 month	142.095	5.98	3.36	7.37	66572
EASTERN POWER NETWORKS PLC EAST.POWER5.75%	XS0187202303	08 Mar 24	5.75	08 Mar 16	12 month	118.885	4.84	3.22	7.12	125479

Name	ISIN	Maturity Date	Coupon Value	Next Coupon	Period of Coupon	Price	Flat Yield %	GRY (%)	Duration (years)	Liquidity (£)
ENQUEST PLC ENQUEST 22	XS0880578728	15 Feb 22	5.5	15 Aug 15	6 month	77.85	7.07	10.44	5.34	4031641
ENTERPRISE INNS PLC ENTER INNS 2018	XS0163019143	06 Dec 18	6.5	06 Dec 15	6 month	106.635	6.10	4.44	3.12	3505335
EROS INTERNATIONAL PLC EROS INT 21	XS1112834608	15 Oct 21	6.5	15 Oct 15	6 month	97.825	6.65	7.05	5.17	2509292
EUROPEAN INVESTMENT BANK EIB 3% 2015	XS0497463777	07 Dec 15	3	07 Dec 15	12 month	101.5	2.96	-0.41		6892570
EUROPEAN INVESTMENT BANK EURO.I.BK.16	XS0602217159	07 Dec 16	3.25	07 Dec 15	12 month	103.325	0.00	0.91	1.41	12668043
EUROPEAN INVESTMENT BANK EURO.IV.8.75	XS0055498413	25 Aug 17	8.75	25 Aug 15	12 month	116.675	0.00	0.89	1.94	2341889
FIRSTGROUP PLC FIRSTGROUP6.125	XS0181013607	18 Jan 19	6.125	18 Jan 16	12 month	110.175	5.56	3.05	3.23	2986405
GE CAPITAL UK FUNDING GE CAP.UK 18	XS0381559979	06 Aug 18	6.75	06 Aug 15	12 month	114.85	5.88	1.77	2.76	7294723
GE CAPITAL UK FUNDING GE CAP.UK 33	XS0340495216	18 Jan 33	5.875	18 Jan 16	12 month	130.25	4.51	3.53	11.98	753692
GE CAPITAL UK FUNDING GE CAP.UK5.625%	XS0297507773	25 Apr 19	5.625	25 Apr 16	12 month	113.2	4.97	1.99	3.53	2168300
GKN HOLDINGS PLC GKN 6.75% BDS19	XS0103214762	28 Oct 19	6.75	28 Oct 15	12 month	115.84	5.83	2.80	3.78	698824
GLAXOSMITHKLINE CAPITAL PLC GLAXOSMSC 5.25%	XS0140516864	19 Dec 33	5.25	18 Dec 15	6 month	121.425	4.32	3.68	12.67	2310214
HAMMERSON PLC HAMMERSON 6%26	XS0184639895	23 Feb 26	6	23 Feb 16	12 month	122.735	4.89	3.41	8.30	467432
HAMMERSON PLC HAMMERSON 7.25%28	XS0085732716	21 Apr 28	7.25	21 Apr 16	12 month	136.535	5.31	3.63	9.29	308196
HAMMERSON PLC HAMMERSON6.875%	XS0109514538	31 Mar 20	6.875	31 Mar 16	12 month	119.555	5.75	2.45	4.20	354334
HELICAL BAR PLC HELICAL B.20	XS0942129957	24 Jun 20	6	24 Dec 15	6 month	105.05	5.71	4.90	4.39	1375933
HSBC BANK PLC HSBC BK.5.375%	XS0174470764	22 Aug 33	5.375	22 Aug 15	12 month	108.2	4.97	4.69	11.78	2647854
HSBC BANK PLC HSBC BK.6.5%NT2	XS0088317853	07 Jul 23	6.5	07 Jul 15	12 month	117.3	5.54	3.94	6.28	1244706
ICAP PLC ICAP 5.50%	XS0805454872	31 Jul 18	5.5	31 Jul 15	6 month	105.925	5.19	3.48	2.82	2331784
IMPERIAL TOBACCO FINANCE PLC IMP.TOB.FIN.6.25%	XS0180407602	04 Dec 18	6.25	04 Dec 15	12 month	113.15	5.52	2.21	3.11	323117
INTERMEDIATE CAPITAL GROUP PLC INT.CAP.GRP	XS0716336325	21 Dec 18	7	21 Dec 15	6 month	107.85	6.49	4.58	3.15	599149
INTERMEDIATE CAPITAL GROUP PLC INT.CAP.GRP20	XS0818634668	19 Sep 20	6.25	19 Sep 15	6 month	106.6	5.86	4.86	4.48	1682919
INTERMEDIATE CAPITAL GROUP PLC INT.CAP.GRP23	XS1200576699	24 Mar 23	5	24 Sep 15	6 month	99.775	5.01	5.10	6.41	10098374
INTERNATIONAL PERSONAL FINANCE PLC INTER.PERS.20	XS0919406800	08 May 20	6.125	08 Nov 15	6 month	101.995	6.01	5.73	4.24	4160420
LADBROKES GROUP FINANCE PLC LADBROKES GP.22	XS1066478014	16 Sep 22	5.125	16 Sep 15	6 month	100.475	5.10	5.11	6.03	4666133

Name	ISIN	Maturity Date	Coupon Value	Next Coupon	Period of Coupon	Price	Flat Yield %	GRY (%)	Duration (years)	Liquidity (£)
LEGAL & GENERAL FINANCE PLC LEG&GEN.5.875%	XS0121464779	11 Dec 31	5.875	11 Dec 15	6 month	125.725	4.67	3.80	11.40	89095
LLOYDS BANK PLC LLOYDS 5.375%	XS0517466198	07 Sep 15	5.375	07 Sep 15	6 month	100.975	0.00	0.17	0.19	227371
LLOYDS BANK PLC LLOYDS BK 5.50%	XS0604804194	25 Sep 16	5.5	25 Sep 15	6 month	104.435	5.27	1.84	1.19	2125240
LLOYDS BANK PLC LLOYDS BK. 25	XS0503834821	22 Apr 25	7.625	22 Oct 15	6 month	126.8	6.01	4.30	7.34	12714165
LLOYDS BANK PLC LLOYDS BK.40	XS0543369184	17 Sep 40	6.5	17 Sep 15	12 month	139.125	4.67	4.01	14.32	14797340
LLOYDS BANK PLC LLOYDS BK.9.625%	XS0043098127	06 Apr 23	9.625	06 Oct 15	12 month	135.15	7.12	4.21	6.01	1463706
LONDON POWER NETWORKS PLC LONDON POW.27	XS0148889420	07 Jun 27	6.125	07 Jun 16	12 month	124.225	4.93	3.59	9.13	24358
LONDON STOCK EXCHANGE GROUP PLC LON.STK.EX21	XS0846486040	02 Nov 21	4.75	02 Nov 15	6 month	107.185	4.43	3.51	5.53	5650622
NATIONAL GRID ELECTRICITY TRANSMISSION PLC NAT.GRID 5.875%	XS0094073672	02 Feb 24	5.875	02 Feb 16	12 month	122.535	4.80	2.87	7.02	1174947
NATIONAL GRID ELECTRICITY TRANSMISSION PLC NAT.GRID6.50%£	XS0132735373	27 Jul 28	6.5	27 Jan 16	12 month	133.76	4.86	3.28	9.34	916951
NATIONAL GRID GAS PLC NAT.GRD.G 6%	XS0141704725	07 Jun 17	6	07 Jun 16	12 month	109.25	5.49	1.12	1.88	300352
NESTLE FINANCE INTERNATIONAL LTD NESTLE FIN 23	XS0860561942	30 Nov 23	2.25	30 Nov 15	12 month	98.65	2.28	2.43	7.65	2098750
NORTHUMBRIAN WATER FINANCE PLC NTHNBN.WTR.6%17	XS0139335029	11 Oct 17	6	11 Oct 15	12 month	109.705	5.47	1.62	2.12	391554
PARAGON GROUP OF COMPANIES PLC PARAGON GP20	XS0891023086	05 Dec 20	6	05 Sep 15	6 month	103.725	5.79	5.24	4.46	1202779
PARAGON GROUP OF COMPANIES PLC PARGN 6.125%	XS1018830270	30 Jan 22	6.125	30 Dec 15	6 month	104.125	5.88	5.44	5.40	3106530
PLACES FOR PEOPLE CAPITAL MARKETS PLC PLACES PEO 5%	XS0635014177	27 Dec 16	5	27 Dec 15	6 month	104.7	4.78	1.78	1.45	16281128
PREMIER OIL PLC PREMIER OIL20	XS0997703250	11 Dec 20	5	11 Dec 15	6 month	93.775	5.33	6.47	4.79	5416977
PRIMARY HEALTH PROPERTIES PLC PRIMARY HLTH 19	XS0795445823	23 Jul 19	5.375	23 Jul 15	6 month	103.125	5.21	4.55	3.64	2160783
PROVIDENT FINANCIAL PLC PROV.FIN 23	XS1209091856	09 Oct 23	5.125	09 Oct 15	6 month	103.475	4.95	4.67	6.80	NA
PROVIDENT FINANCIAL PLC PROV.FIN 7.5%	XS0605672558	30 Sep 16	7.5	01 Sep 15	6 month	104.5	7.18	3.79	1.19	1830397
PROVIDENT FINANCIAL PLC PROV.FIN 7% 17	XS0762418993	04 Oct 17	7	04 Oct 15	6 month	105.525	6.63	4.44	2.10	4645071
PROVIDENT FINANCIAL PLC PROV.FIN6%21	XS0900863084	27 Sep 21	6	27 Sep 15	6 month	105.075	5.71	5.10	5.24	1780652

Name	ISIN	Maturity Date	Coupon Value	Next Coupon	Period of Coupon	Price	Flat Yield %	GRY (%)	Duration (years)	Liquidity (£)
PROVIDENT FINANCIAL PLC PROVIDENT 7.00%	XS0496412064	14 Apr 20	7	14 Apr 15	6 month	111.375	6.29	4.39	4.13	331964
PRUDENTIAL PLC PRU.6 7/8%2023	XS0083544212	20 Jan 23	6.875	20 Jan 16	12 month	126.835	5.42	2.87	6.17	801500
RETAIL CHARITY BONDS PLC RETAIL CB21	XS1066485902	29 Jul 21	4.375	29 Jul 15	6 month	102.05	4.29	4.03	5.31	286536
RETAIL CHARITY BONDS PLC RETAIL CB25	XS1200788369	30 Apr 25	4.4	30 Oct 15	6 month	99.55	4.42	4.51	8.02	NA
ROLLS-ROYCE PLC ROLLS-R 7.375%	XS0112487482	14 Jun 16	7.375	14 Jun 16	12 month	105.875	0.00	1.16	0.96	847142
ROYAL BANK OF SCOTLAND PLC ROY.BK.SC.20	GB00B3N3WC23	01 Feb 20	5.1	01 Feb 16	12 month	108.05	4.72	3.18	4.14	809992
SAFEWAY PLC SAFEWAY 6.00%	XS0140144204	10 Jan 17	6	10 Jan 16	12 month	105.75	5.67	2.11	1.47	5235839
SAFEWAY PLC SAFEWAY 6.125%	XS0093004736	17 Dec 18	6.125	17 Dec 15	12 month	110.5	5.54	2.88	3.14	100945
SCOTTISH POWER UK PLC SCOT.PWR.UK8TE%	XS0073359548	20 Feb 17	8.375	20 Feb 16	12 month	110.7	7.57	1.66	1.56	95323
SEGRO PLC SEGRO 6%19	XS0179346274	30 Sep 19	6	30 Sep 15	6 month	114.32	5.25	2.44	3.79	0
SEGRO PLC SEGRO. 6.25%	XS0093802055	30 Sep 15	6.25	30 Sep 15	12 month	100.92	0.00	2.43	0.25	1257640
SEGRO PLC SEGRO.5.75	XS0221324154	20 Jun 35	5.75	20 Jun 16	12 month	127.165	4.52	3.79	13.25	30321
SEGRO PLC SEGRO.6.75	XS0107099466	23 Feb 24	6.75	23 Aug 15	6 month	126.425	5.34	3.25	6.80	1725775
SEGRO PLC SEGRO5.50%	XS0221323693	20 Jun 18	5.5	20 Jun 16	12 month	110.355	4.98	1.88	2.82	233934
SEVERN TRENT UTILITIES FINANCE PLC SEVERN T.6.125%	XS0094475802	26 Feb 24	6.125	26 Feb 16	12 month	121.9	5.03	3.19	7.03	88879
SEVERN TRENT UTILITIES FINANCE PLC SEVERN T.6.25%BD	XS0097777253	07 Jun 29	6.25	07 Jun 16	12 month	128.69	4.86	3.60	10.21	571907
SMITHS GROUP PLC SMITH IND 7.25%	XS0111725049	30 Jun 16	7.25	30 Jun 16	12 month	106.375	6.82	0.77	0.99	882017
SSE PLC SSE.5.875%	XS0095371638	22 Sep 22	5.875	22 Sep 15	12 month	119.13	4.93	2.90	5.97	123149
ST.MODWEN PROPERTIES PLC ST.MODWEN 19	XS0841076465	07 Nov 19	6.25	07 Nov 15	6 month	107.275	5.83	4.44	3.86	1442358
TESCO PERSONAL FINANCE PLC TESCO PF 5.2%	XS0591029409	24 Aug 18	5.2	24 Jul 15	6 month	102.6	5.07	4.35	2.89	2211977
TESCO PERSONAL FINANCE PLC TESCO PF 5%	XS0780063235	21 Nov 20	5	21 Nov 15	6 month	102.9	4.86	4.44	4.77	4838303
TESCO PLC TESCO 6%NT29	XS0105244585	14 Dec 29	6	14 Dec 15	12 month	106.275	5.65	5.36	9.90	516174
TESCO PLC TESCO5.50% NT19	XS0159013068	13 Dec 19	5.5	13 Dec 15	12 month	107.36	5.12	3.67	3.97	2058911
TOYOTA MOTOR CREDIT CORPORATION TOY.MTR.17	XS0595707570	07 Dec 17	4	07 Dec 15	12 month	106.425	3.76	1.30	2.32	1573503

Name	ISIN	Maturity Date	Coupon Value	Next Coupon	Period of Coupon	Price	Flat Yield %	GRY (%)	Duration (years)	Liquidity (£)
TULLETT PREBON PLC TULLETT 5.25%	XS0859261520	11 Jun 19	5.25	11 Dec 15	6 month	104.9	5.01	3.93	3.61	2253451
UBS AG UBS 16	XS0440316635	20 Jul 16	6.375	20 Jul 15	12 month	105.325	6.05	1.22	0.99	2827168
UNILEVER PLC UNILEVER 4.750%	XS0434423926	16 Jun 17	4.75	16 Jun 16	12 month	107.2	4.43	1.01	1.91	345385
UNITE GROUP PLC UNITE GRP 20	XS0856594642	12 Jun 20	6.125	12 Jun 15	6 month	105.22	5.82	4.98	4.34	2428484
UNITED UTILITIES WATER LIMITED UTD WTR. 5.375%	XS0168054673	14 May 18	5.375	15 May 16	12 month	110.32	4.87	1.65	2.72	256967
UNITED UTILITIES WATER LIMITED UTD WTR.5.625%	XS0159728236	20 Dec 27	5.625	20 Dec 15	12 month	121.275	4.64	3.49	9.39	314091
VODAFONE GROUP PLC VODAFONE 5.90%	XS0158715713	26 Nov 32	5.9	26 Nov 15	12 month	117.32	5.03	4.45	11.49	1741100
VODAFONE GROUP PLC VODAFONE NTS25	XS0181816652	04 Dec 25	5.625	04 Dec 15	12 month	115.85	4.86	3.76	8.12	2322818
WASPS FINANCE PLC WASPS 22	XS1221940510	13 May 22	6.5	13 Nov 15	6 month	102.6	6.34	6.12	5.61	NA
WESSEX WATER SERVICES FINANCE PLC WESSEX 5.375%	XS0214275785	10 Mar 28	5.375	10 Mar 15	12 month	119.225	4.51	3.47	9.68	182283
WESSEX WATER SERVICES FINANCE PLC WESSEX W.S.5.75	XS0178489844	14 Oct 33	5.75	14 Oct 15	12 month	126	4.56	3.76	12.14	399713
WORKSPACE GROUP PLC WORKSPACE 6%	XS0832324981	09 Oct 19	6	09 Oct 15	6 month	105.675	5.68	4.57	3.79	1021544

Source; London Stock Exchange, FTSE, Hardman & Co.

Definitions

Data as of 30/6/2015 except liquidity:

Next Coupon – date next coupon will be paid.

Flat Yield – coupon rate as percentage of price.

GRY – Gross Redemption Yield.

Liquidity – Average monthly value traded over 2nd quarter of 2015. New issues are NA.

Non-Standard Corporate Bonds on ORB (alphabetically by issuer)

Name	ISIN	Maturity Date	Coupon Value	Coupon Type	Next Coupon	Period of Coupon	Price	Flat Yield (%)	GRY (%)	Duration (years)	Liquidity (£)	Note
COVENTRY BUILDING SOCIETY COVENTRY.6.092%	GB00B177CL57	Irredeemable	6.092	Fixed	29 Dec 15	6 month	102.75	5.93	5.928	17	6,496,983	Irredeemable
LEGAL & GENERAL GROUP PLC LEGAL&GEN.5.875	XS0189013823	Irredeemable	5.875	Fixed	01 Oct 15	6 month	105.68	5.56	5.557	18	536,895	Irredeemable
NATIONAL GRID PLC NAT.GRID BD 21	XS0678522490	06 Oct 21	1.25	Variable	06 Oct 15	6 month	111.95	0.00			5,117,897	Index-linked
PLACES FOR PEOPLE CAPITAL MARKETS PLC PLACES PEO 1%	XS0731910765	31 Jan 22	1	Variable	31 Jul 15	6 month	105.98	0.00			992,063	Index-linked
SEVERN TRENT PLC SEVERN T.22	XS0796078193	11 Jul 22	1.3	Variable	11 Jul 15	6 month	107.08	0.00			1,491,112	Index-linked
STANDARD CHARTERED BANK STAN.CH.BK5.375	XS0222434200	Irredeemable	5.375	Fixed	14 Jul 15	12 month	103.93	5.17	5.167	19	1,233,521	Irredeemable
TESCO PERSONAL FINANCE PLC TESCO PF 1%	XS0710391532	16 Dec 19	1	Variable	16 Dec 15	6 month	102.60	0.00			2,556,143	Index-linked

Source; London Stock Exchange, FTSE, Hardman & Co.

THIS DOCUMENT IS THE SEVENTH IN A SERIES ASSESSING DEVELOPMENTS IN THE ORB MARKET. IF YOU HAVE ANY TOPICS YOU WOULD LIKE HARDMAN & Co TO FOCUS ON IN THE NEXT ISSUE, PLEASE CONTACT US ON research@hardmanandco.com.

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