

# Interest Rate Securities

November 2012

## DISCLAIMER

- Do Your Own Due Diligence
- Educational Material only
- NOT Investment Advice

# Two Broad Types

## **CORPORATE BONDS (CBs)**

**Like a LOAN to the company**

**Buy Units on-market**

**Regular Interest Payments**

**Three Sub-types of CBs :**

**Vanilla Style**

**Floating Rate Notes (FRNs)**

**Perpetuals**

**CB / FRN Prices are fairly stable  
even if the Underlying Stock rises  
or falls**

## **HYBRID SECURITIES**

**A cross between a SHARE and  
a BOND**

**Buy Units on-market**

**Price of a Hybrid WILL RISE OR  
FALL with Underlying Stock ..**

**More info @ ASX website:**

**[http://www.asx.com.au/products/  
types-of-interest-rate-securities.htm](http://www.asx.com.au/products/types-of-interest-rate-securities.htm)**

# Corporate Bonds & FRNs

**Vanilla style:** Bonds issued by companies that can be either secured or unsecured. They have a fixed maturity and coupon rate meaning that cash flows are known throughout the life of the bond & the face value is repaid at a fixed future date.

**Floating Rate Notes (FRNs):** Bonds that can be either secured or unsecured. FRNs pay a variable coupon amount, generally quarterly or semi-annually, which is referenced to a short-term benchmark rate such as the 90-day bank bill swap rate.

**Perpetuals:** Some FRNs are perpetual and have no specified maturity date. Without a fixed redemption date an investor may have to sell on-market (at a premium or discount to face value) to realise their investment. The issuer may have the right (but not an obligation) to redeem a perpetual; however, there can be no guarantee of this occurring.

Source: ASX website

# Some Quality CBs/FRNs on ASX

| ASX Code | Style      | Underlying       | Share Price<br>31/10/12 | Coupon<br>Structure | Grossed Yield<br>to Maturity | Maturity /<br>First Reset | Comments                              |
|----------|------------|------------------|-------------------------|---------------------|------------------------------|---------------------------|---------------------------------------|
| AGKHA    | FRN        | AGL Energy       | 103.30                  | BBR90 + 3.8 %       | ~ 7 %                        | 2019                      | BBR90 = Bank Bill Rate for<br>90 Days |
| ANZHA    | FRN        | ANZ Bank         | 103.60                  | BBR90 + 2.8 %       | ~ 6 %                        | 2017                      | FRN = Floating Rate Note              |
| AQHHA    | Sub.Notes  | APT P/ines       | 103.51                  | BBR90 + 4.5 %       | ~ 8 %                        | 2018                      |                                       |
| AQNHA    | FRN        | AMP Notes        | 104.10                  | BBR90 + 4.7 %       | ~ 5 %                        | 2014                      |                                       |
| BOQPC    | Pref Notes | Bank of Qld      | 92.50                   | BBR180 + 2.0 %      | ~ 6 %                        | 17/12/12                  |                                       |
| CTXHA    | Sub.Notes  | Caltex           | 105.25                  | BBR90 + 4.5 %       | ~ 8 %                        | 2017                      |                                       |
| CWNHA    | Sub.Notes  | Crown            | 103.60                  | BBR90 + 5.0 %       | ~ 8 %                        | 2018                      |                                       |
| NABHA    | Perpetual  | NAB Bank         | 71.40                   | BBR90 + 1.3 %       | N / A                        | Perpetual                 | Treat as Speculative                  |
| NABHB    | Sub.Notes  | NAB Bank         | 103.60                  | BBR90 + 2.7 %       | ~ 6 %                        | 2017                      |                                       |
| ORGHA    | Sub.Notes  | Origin<br>Energy | 103.80                  | BBR90 + 4.0 %       | ~ 8 %                        | 2016                      |                                       |
| WBCHA    | Sub.Notes  | WBC Bank         | 103.50                  | BBR90 + 2.7 %       | ~ 6 %                        | 2017                      |                                       |
| WOWHC    | Notes      | Woolworths       | 106.10                  | BBR90 + 3.25 %      | ~ 7 %                        | 2016                      |                                       |

# Quality CBs/FRNs on ASX (cont'd)

*All Data is Approximate, and for EDUCATIONAL purposes only.*

*Please Do Your Own Research*

NOTE:

Other factors to consider in Choosing and Buying your Interest Rate Note investments include:

- Frequency of interest payments (eg .. quarterly /half-yearly)
- Franking Rate for the payments
- Next Ex-Entitlement Date

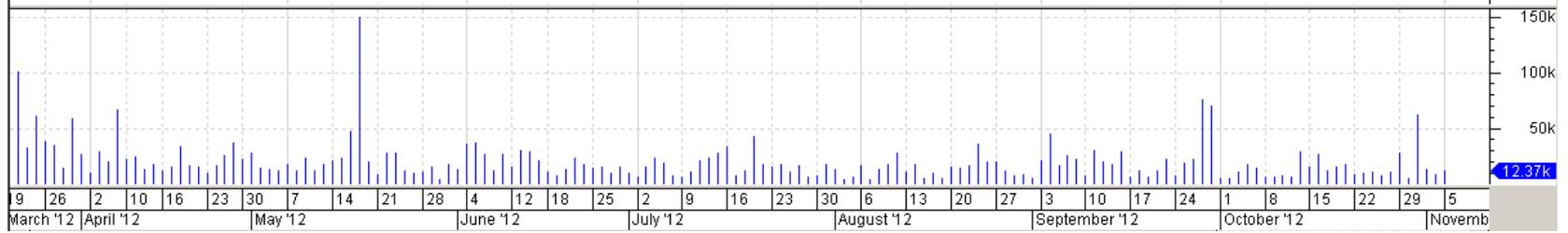
AGKHA Daily CI=104.000 O=103.600 H=104.000 L=103.450 +0.400 +0.39%

5/11/2012  



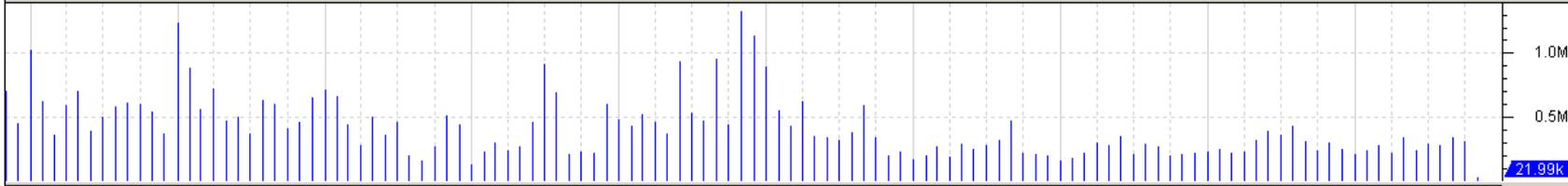
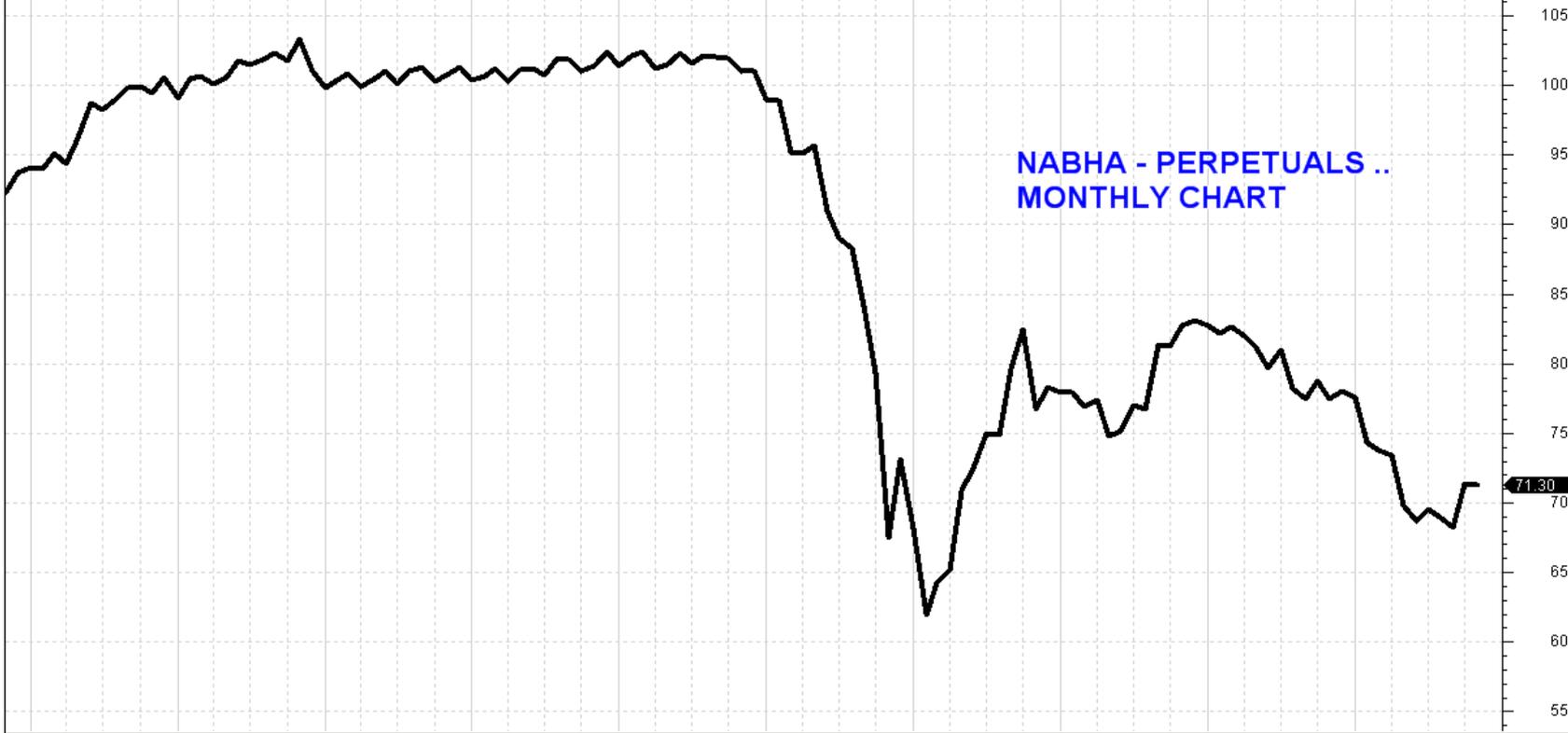
ANZHA Daily Cl=103.750 O=103.701 H=104.000 L=103.701 +0.050 +0.05%

5/11/2012



NABHA Monthly CI=71.300 O=71.399 H=71.500 L=71.100 -0.100 -0.14%

2/11/2012



Oct 2002 | Jan 2003 | Apr 2003 | Jul 2003 | Oct 2003 | Jan 2004 | Apr 2004 | Jul 2004 | Oct 2004 | Jan 2005 | Apr 2005 | Jul 2005 | Oct 2005 | Jan 2006 | Apr 2006 | Jul 2006 | Oct 2006 | Jan 2007 | Apr 2007 | Jul 2007 | Oct 2007 | Jan 2008 | Apr 2008 | Jul 2008 | Oct 2008 | Jan 2009 | Apr 2009 | Jul 2009 | Oct 2009 | Jan 2010 | Apr 2010 | Jul 2010 | Oct 2010 | Jan 2011 | Apr 2011 | Jul 2011 | Oct 2011 | Jan 2012 | Apr 2012 | Jul 2012 | Oct 2012

71.30

21.99k

WOWHC Daily CI=106.480 O=106.001 H=106.490 L=106.000 +0.379 +0.36%

5/11/2012

