

TREASURY MANAGEMENT – FURTHER STRENGTHENING OF CORPORATE GOVERNANCE THROUGH AMENDMENT OF THE TREASURY
MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2009/10

Approved Non-Specified Investments

A maximum of 60% of core funds may be held in aggregate in non-specified investments

<u>Investment</u>	<u>(A) Why use it.</u> <u>(B) Associated risks.</u>	Repayable/ Redeemable within 12 months?	Minimum sovereign, credit, individual and support rating, except for UK banks afforded a support rating of 1 in anticipation of HMG support. Note The counter party must also be assigned a positive duration limit in the Sector matrix.	Capit al Expe nd -iture	Circumstance of use It is expected that core funds will be returned to the fund manager. As a consequence the in- house team is not expected to invest other than in call, fixed term and money market funds with duration of less than one year during 09/10.	Max % of core funds. (The aggregate of all classes must not at any time exceed 60%)	Maximum duration of investment
Fixed term deposits with UK government and Local Authorities with maturities of more than 364 days.	(A) High security although LAs not credit rated. (B) Interest rate risk	No	Sovereign rating AAA Government backed.	No	In-house.	The combined limit shall be 20%	Up to 2 years.
Fixed term deposits with banks and building societies with maturities of more than 364 days.	(A) High security. (B) Interest rate risk.	No	Sovereign rating AAA AA-, Individual B, Support 2	No	In-house and external cash fund manager(s).	0%	More than 2 years
Fixed term deposits with variable rate and variable maturities, including callable deposits, range trades and	(A) High security. (B) Interest rate risk.	No	Sovereign rating AAA AA-, Individual B, Support 2	No	In-house and external cash fund manager(s).	10% 0%	Up to 2 years. More than 2 years.

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snowballs of more than 364 days.							
Certificates of Deposit with banks and building societies with maturities of more than 364 days.	(A) (i) High security. (ii) Although in theory tradable, are relatively illiquid. (B) (i) 'Market or interest rate risk': Yield subject to movement during life of CD, which could negatively impact on price of the CD.	Yes	Sovereign rating AAA AA-, Individual B, Support 2	No	In-house on a 'buy & hold basis' and fund manager(s).	20%	2 years.
UK government gilts with maturities of more than 364 days.	(A) (i) Excellent credit quality. (ii) Very Liquid.	Yes	Sovereign rating AAA	No	In-house on a 'buy & hold basis' and fund manager(s).	50%	5 years

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	<p>(iii) If held to maturity, known yield (rate of return) per annum ~ aids forward planning. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk.</p> <p>(B) (i) 'Market or interest rate risk': Yield subject to movement during life of sovereign</p>						

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	bond, which could negatively impact on price of the bond i.e. potential for capital loss.						
Bonds issued by a financial institution that is guaranteed by the United Kingdom Government (as defined in SI 2004 No 534) with maturities of more than 364 days.	(A) (i) Excellent credit quality. (ii) relatively liquid. (although not as liquid as gilts) (iii) If held to maturity, known yield (rate of return) per annum, which would be higher than that on comparable gilt ~ aids forward planning,	Yes	Sovereign rating AAA Counter party rating AAA	No	In-house on a 'buy & hold basis' and fund manager(s).	15%	5 years.

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	<p>enhanced return compared to gilts. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (B) (i) 'Market or interest rate risk: Yield subject to movement during life of bond, which could negatively impact on price of the bond i.e. potential for capital loss. (ii) Spread versus</p>						

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	gilts could widen.						
Bonds issued by multilateral / supranational development banks (as defined in SI 2004 No 534) with maturities of more than one year <i>Custodial arrangement required prior to purchase</i>	As above.	Yes	Counter Party AAA	No	In-house on a 'buy & hold basis' and fund manager(s)s.	25%	5 years
Collective Investment Schemes structured as Open Ended Investment Companies (OEIC) in the form of:	(A) (i) High security. (ii) Although in theory tradable, are relatively illiquid. (B) (i) 'Market or	Yes	Sovereign rating AAA AA-	No	In-house subject to advice from treasury adviser and fund manager(s)s.	10%	5 years

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Bond Funds Gilt Funds	interest rate risk': Yield subject to movement during life of bond, which could negatively impact on price of the bond i.e. potential for capital loss.						