From:	Peter Oakford, Deputy Leader and Cabinet Member for Finance, Traded and Corporate Services Zena Cooke, Corporate Director of Finance
To:	County Council – 26 May 2022
Subject:	Treasury Management quarterly update 2021-22
Classification:	Unrestricted

Summary:

This report provides a review of Treasury Management Activity 2021-22 to end February 2022

Recommendation:

Members are asked to note this report.

FOR DECISION

Introduction

1. This report covers Treasury Management activity for the 11 months to 28 February 2022.

2. Kent County Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires authorities to approve treasury management semi-annual and annual reports. This quarterly report provides an additional update.

3. The Council's Treasury Management Strategy for 2021-22 was approved by full Council on 11 February 2021.

4. The Council has both borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy. This report covers treasury activity and the associated monitoring and control of risk.

External context

5. The economic recovery from the coronavirus pandemic, together with higher inflation and higher interest rates were major issues over the period. The Bank of England (BoE)'s Monetary Policy Committee (MPC) held Bank Rate at 0.1% over the period April through November 2021 but increased it to 0.25% in December 2021 while maintaining its Quantitative Easing programme at £895 billion. The MPC raised Bank

Rate further to 0.5% in February 2022 and to 0.75% in March 2022 and agreed to begin unwinding its Quantitative Easing programme.

6. Estimates show that headline GDP increased by 1.0% in the fourth quarter of 2021 and the 2021 calendar year growth was estimated to be 7.5%. In Quarter 4 2021 household consumption made the largest positive contribution to growth. The level of quarterly GDP in Quarter 4 2021 is now 0.4% below its pre coronavirus level. In the quarter services and construction grew by 1.2% and 1.1% respectively while production fell by 0.4% compared to the previous quarter. The Council's treasury advisor's view is that growth held up better than expected towards the end of 2021 but the outlook for household finance is extremely challenging as real disposable incomes contract due to high inflation and tax rises.

7. The February 2022 headline rate of UK Consumer Price Inflation (CPI) beat expectations at 6.2%, up from 5.5% in January largely due to higher energy prices. This is the highest recorded CPI 12-month inflation rate since March 1992 when it stood at 7.1%.

8. Government initiatives supporting the economy came to an end on 30 September 2021 with the end of the furlough scheme. The most recent Labour Force Data shows that the labour market continues to recover; the three months to January 2022 shows a quarterly increase in the employment rate and a decrease in the unemployment rate. The unemployment rate decreased by 0.2 percentage points on the quarter to 3.9% and this has now returned to pre-coronavirus pandemic levels. However, economic inactivity has increased slightly on the quarter. The UK employment rate increased by 0.1 percentage points on the quarter to 75.6%. This is 1.0 percentage points lower than before the coronavirus pandemic (December 2019 to February 2020).

9. The European Central Bank maintained its base rate at 0% although inflation being above the Bank's target level is putting pressure on this position.

10. Ongoing monetary and fiscal stimulus together with rising economic growth supported equity markets over the period but higher inflation and the prospect of higher interest rates mixed with a new coronavirus variant ensured it was a bumpy period. The Dow Jones, FTSE 100 and 250 indexes rose in the period to the end of 2021 before falling back in 2022.

11. Inflation worries dominated bond yield movements over the period as initial expectations for transitory price increases turned into worries higher inflation was likely to persist for longer meaning central bank action was likely to start sooner and rates increase at a faster pace than previously thought.

12. The 5-year UK benchmark gilt yield began the financial year at 0.36% rising to 0.98% at the end of February 2022. Over the same period the 10-year gilt yield rose from 0.80% to 1.40% and the 20-year yield rose slightly from 1.31% to 1.38%.

13. 1-month, 3-month and 12-month SONIA bid rates averaged 0.25%, 0.31% and 0.63% respectively over the period.

Local context

14. At 31 March 2021 the Council had borrowed £854m and invested £502m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the capital financing requirement (CFR), while usable

reserves and working capital are the underlying resources available for investment. These are shown in the following table.

	31 Mar 2021 Actual £m
Loans CFR	1,033.4
External borrowing	-853.7
Internal borrowing	**179.7**
Less: balance sheet resources	-681.7
Treasury investments	**502.0**

15. Lower official interest rates have reduced the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Council pursued its strategy of keeping borrowing and investments below their underlying levels, known as internal borrowing, in order to reduce risk and keep interest costs low.

16. The treasury management position on 28 February 2022 and the change over the eleven months is shown in the following table.

	31 Mar 2021 Balance £m	**Movement £m**	**28 Feb 2022 Balance £m**	**28 Feb 2022 Rate %**
Long-term borrowing	853.7	**-27.5**	826.2	4.47
Total borrowing	**853.7**	**-27.5**	**826.2**	**4.47**
Long-term investments	261.8	+29.0	290.7	3.14
Short-term investments	105.4	-48.5	56.9	0.16
Cash and cash equivalents	135.0	-10.1	124.9	0.27
Total investments	**502.1**	**-29.6**	**472.5**	**2.05**
Net borrowing	**351.6**	**+2.1**	**353.7**	

Borrowing Update

17. CIPFA published a revised Prudential Code for Capital Finance in Local Authorities on 20 December 2021.

18. The Code took immediate effect and in order to comply with the Code, authorities must not borrow to invest primarily for financial return. The Code also states that it is not prudent for local authorities to make investment or spending decisions that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

19. Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to

refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure.

20. The changes align the CIPFA Code with the PWLB which prohibits access to authorities planning to purchase 'investment assets primarily for yield' except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

21. Kent County Council is not planning to borrow to invest primarily for commercial return and so is unaffected by these changes.

22. The Municipal Bonds Agency (MBA) is working to deliver a new short-term loan solution allowing local authorities in England to access short-dated, low rate, flexible debt. The minimum loan size is expected to be £25 million. Importantly, local authorities will borrow in their own name and will not cross guarantee any other authorities.

23. The UK Infrastructure Bank which is backed by HM Treasury has earmarked £4bn for lending to local authorities. There is an application and bidding process for these loans which is likely to favour environmental or regeneration projects. Loans will be available for qualifying projects at gilt yields plus 0.6%, which is 0.2% lower than the PWLB certainty rate. The first loan was made by this bank in October 2021 to Tees Valley Combined Authority.

24. During 2022-23 the Council will be making changes to its systems and processes in order to implement the revised reporting arrangements for the 2023-24 financial year which are consistent with the Prudential Code's new requirements.

Borrowing Strategy during the period

25. The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

26. In keeping with these objectives no new borrowing was undertaken and £27.5m of existing loans were allowed to mature without replacement. At 28 February the Council had total external debt of £826.2m.

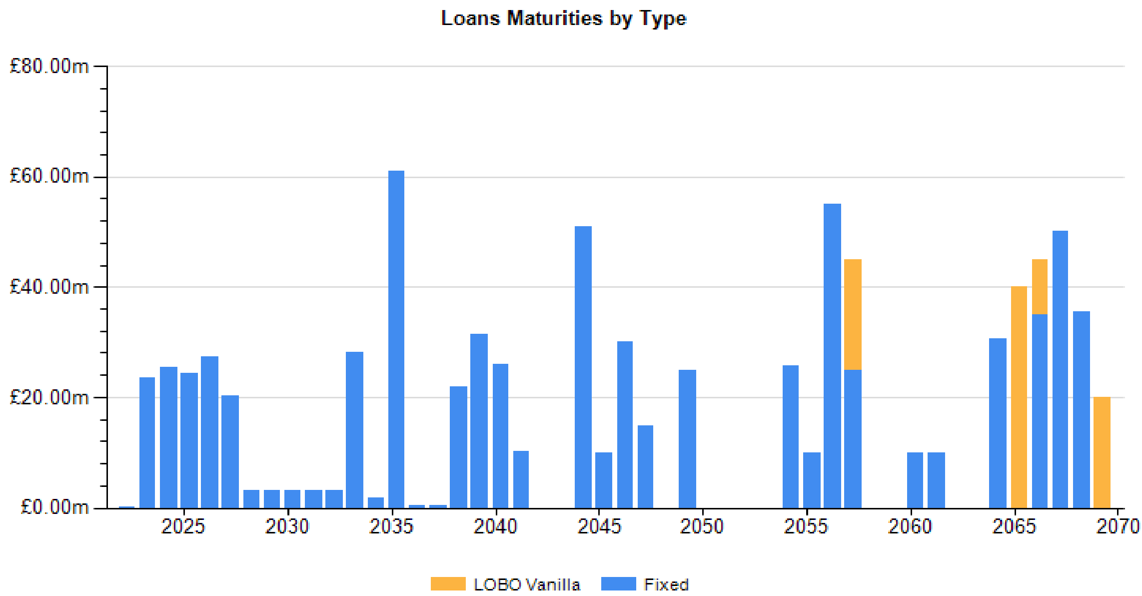
27. With short-term interest rates remaining much lower than long-term rates, the Council has considered it to be more cost effective in the near term to use internal resources or has borrowed short term loans instead. The Council's strategy has enabled it to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

28. The Council continues to hold LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the period.

29. The Council's borrowing activity in the 11 months to 28 February 2022 is as follows.

	31 Mar 2021	2021-22	28 Feb 2022	28 Feb 2022	28 Feb 2022
	Balance	**Movement**	**Balance**	**Average Rate**	**Value Weighted Average Life**
	£m	**£m**	**£m**	**%**	**yrs**
Public Works Loan Board	449.6	-22.7	426.9	4.70%	15.77
Banks (LOBO)	90.0	0.0	90.0	4.15%	41.96
Banks (Fixed Term)	291.8	0.0	291.8	4.40%	36.59
Streetlighting project	22.3	-4.8	17.5	1.60%	11.08
Total borrowing	**853.7**	**-27.5**	**826.2**	**4.47%**	**25.88**

30. The maturity profile of the Council's outstanding debt as at 28 February was as per the following chart.



31. The following table shows the maturity profile of KCC debt in 5-year tranches.

Loan Principal Maturity Period	Total Loan Principal Maturing	Balance of Loan Principal Outstanding
Balance 28/02/22		£826,223,643
Maturity 0 - 5 years	£104,778,785	£721,444,859
Maturity 5 - 10 years	£3,322	£721,441,536

Maturity 10 - 15 years	£116,139,301	£605,302,236
Maturity 15 - 20 years	£97,702,236	£507,600,000
Maturity 20 - 25 years	£105,800,000	£401,800,000
Maturity 25 - 30 years	£25,000,000	£376,800,000
Maturity 30 - 35 years	£135,700,000	£241,100,000
Maturity 35 - 40 years	£20,000,000	£221,100,000
Maturity 40 - 45 years	£165,600,000	£55,500,000
Maturity 45 - 50 years	£55,500,000	£0
Total	£826,223,643	

Treasury management investment activity

32. CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

33. The Council holds significant investment funds representing income received in advance of expenditure plus balances and reserves and the average investment balances to date have amounted to £543.5m.

34. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

35. The Council continues to hold significant balances in money market funds as well as in bank call accounts which have same day availability. This liquid cash was diversified over several counterparties and money market funds to manage both credit and liquidity risks.

36. At 28 February 2022 the Council had no loans outstanding with other local authorities and at the present time has no plans to lend to other local authorities. Any request to borrow will be assessed in terms of our own cashflow requirements and within our effective lending policies and procedures.

37. During the 11 months the Council made loans totalling £8.0m to the no use empty loans programme, increasing the total lent as at 28 February to £14.1m, achieving a return of 1.5% which is available to fund general services.

38. The Council's investments during the 11 months to the end of February 2022 are summarised in the table below and a detailed schedule of investments as at 28 February 2022 is in Appendix 1.

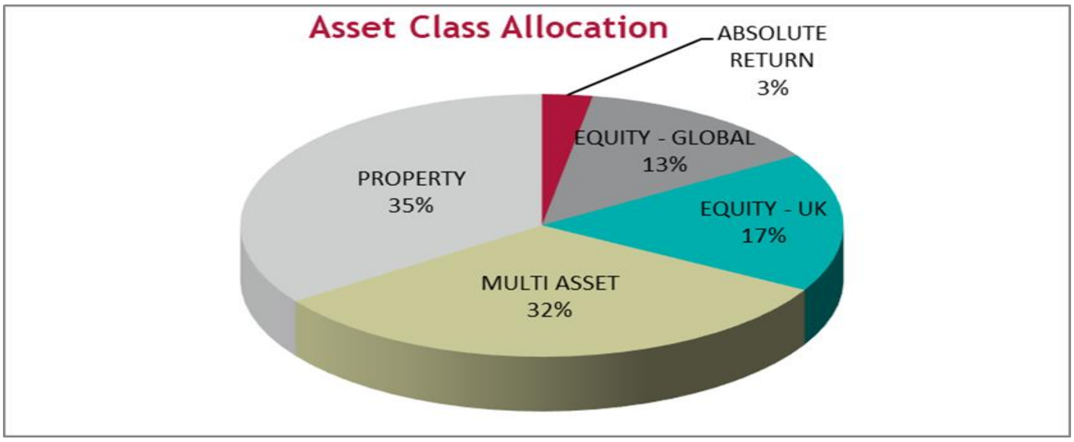
	31 Mar 2021	2021-22	28 Feb 2022	28 Feb 2022	28 Feb 2022
	Balance	**Movement**	**Balance**	**Rate of Return**	**Average Credit Rating**
	£m	**£m**	**£m**	**%**	
Bank Call Accounts	45.0	-34.4	10.6	0.08	A+
Money Market Funds	135.0	-20.6	114.3	0.29	A+
Local Authorities	51.0	-51.0	0.0		
Covered Bonds	79.7	11.3	91.0	0.88	AAA
DMO Deposits (DMADF)	9.4	40.5	49.9	0.17	AA-
Government Bonds	0.0	7.0	7.0	0.06	AA-
No Use Empty Loans	6.1	8.0	14.1	1.50	
Equity	2.1	0.0	2.1		
Internally managed cash	**327.4**	**-38.4**	**289.0**	**0.45**	AA
Strategic Pooled Funds	**174.7**	**8.8**	**183.5**	**4.43**	
Total	**502.1**	**-29.6**	**472.5**	**2.05**	

Externally managed investments

39. Because the pooled funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives are regularly reviewed.

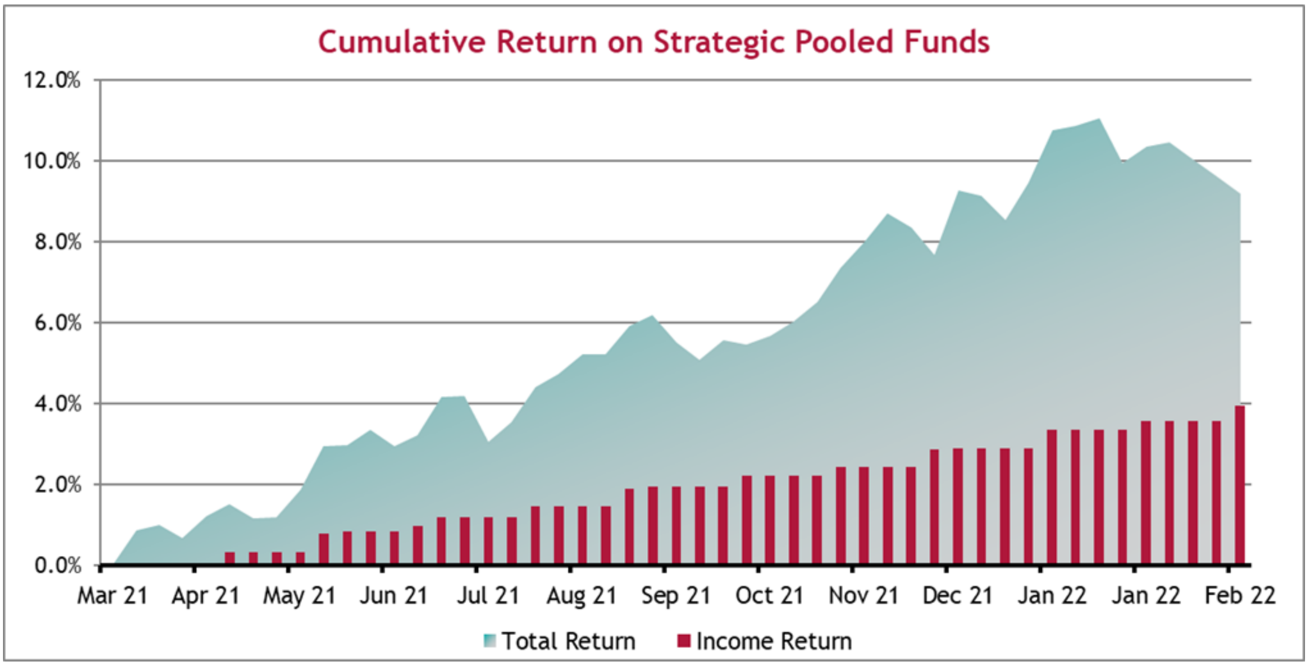
40. Strategic pooled fund investments are made in the knowledge that capital values will fluctuate however the Council is invested in these funds for the long term and with the confidence that over a three-to-five-year period total returns will exceed cash interest rates.

41. A breakdown of the strategic pooled funds by asset class is shown in the following chart



42. **Performance YTD:** The Council is invested in bond, equity, multi-asset and property funds. The improved market sentiment in the period to end February is reflected in equity, property and multi-asset fund valuations and, in turn, in the capital values of the property, equity and multi-asset income funds. The prospect of higher inflation and rising bond yields have however resulted in muted bond fund performance.

43. The following chart tracks the returns earned on the pooled funds over the 11 months to end February 2022.

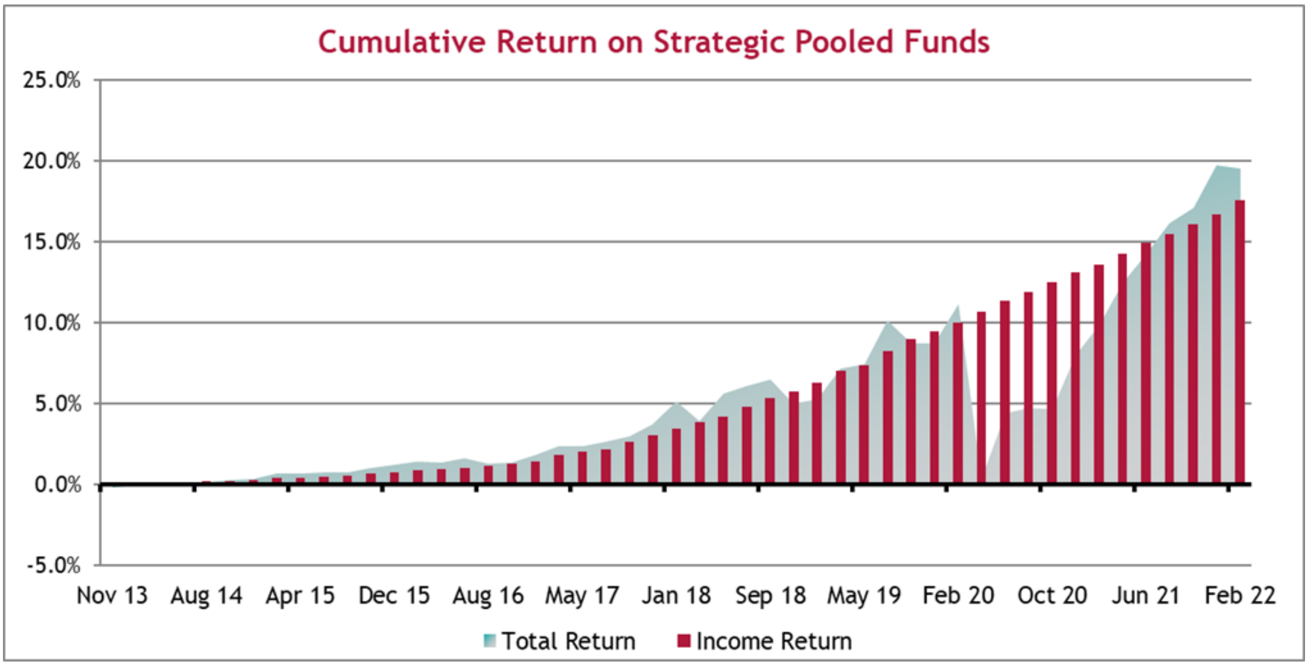


44. Details of the change in capital values and income earned is shown in following table.

		31 Mar 2021	2021-22	28 Feb 2022	28 Feb 2022	28 Feb 2022
Investment Fund	**Book cost**	**Market Value**	**Movement**	**Market Value**	**11 months return**	**11 months return**
					Income	**Total**
	£m	**£m**	**£m**	**£m**	**%**	**%**
Aegon (Kames) Diversified Monthly Income Fund	20.0	20.17	-0.53	19.64	4.53	2.29
CCLA - Diversified Income Fund	5.0	4.95	0.09	5.04	7.34	9.15
CCLA – LAMIT Property Fund	60.0	57.09	7.88	64.96	3.54	16.58
Fidelity Global Multi Asset Income Fund	25.0	24.67	-0.83	23.84	3.86	0.50
M&G Global Dividend Fund	10.0	12.26	0.97	13.23	1.96	10.16
Ninety One (Investec) Diversified Income Fund	10.0	10.11	-0.52	9.59	3.52	-1.57

Pyrford Global Total Return Sterling Fund	5.0	5.00	0.05	5.05	1.36	2.28
Schroder Income Maximiser Fund	25.0	19.39	1.50	20.89	7.13	14.87
Threadneedle Global Equity Income Fund	10.0	10.86	0.34	11.19	2.73	5.83
Threadneedle UK Equity Income Fund	10.0	9.59	0.49	10.09	2.82	7.96
Total Externally Managed Investments	**180.0**	**174.7**	**9.83**	**183.53**	**3.94**	**9.20**

45. **Performance since inception:** KCC initially invested in pooled funds in 2013. By the end of February 2022 the pooled funds had achieved a total income return of £36.03m, 17.58% cumulative return, with a rise in the capital value of the portfolio of £3.99m, 1.95%. We are long term investors and invested for income to support the Council's services. The following chart tracks the returns earned on the pooled funds over the period from inception.



Investment benchmarking at 31 December 2021

46. The Council's treasury advisor, Arlingclose, monitors the risk and return of some 127 local authority investment portfolios. The metrics over the 9 months to 31 December 2021 have been extracted from their quarterly investment benchmarking.

47. As shown in the table below the risk within the Kent internally managed funds has been consistent throughout the 9-month period while being lower than that of other local authorities. The lower risk within the Kent portfolio reflects the lower Bail-in exposure which has reduced further during the 9 months. The income return has fallen reflecting reduced rates payable on our cash investments.

Internally managed investments	Credit Score	Credit Rating	Bail-in Exposure %	Weighted Average Maturity (days)	Rate of Return %
Kent - 31.03.2021	3.76	AA-	53	146	0.21
Kent – 31.12.2021	**3.34**	**AA**	**41**	**158**	**0.24**
Similar LAs	4.23	AA-	47	1,457	0.33
All LAs	4.64	A+	66	16	0.10

48. The following table shows that overall, KCC's investments in strategic pooled funds are achieving a strong income return compared with that of other local authorities. The returns do not take account of the further improvement in the financial markets in the 3 months to 31 March 2022.

	Rate of Return – Income only %	Total Rate of Return %
Strategic Funds at 31.12.2021		
Kent	**4.17**	**10.00**
Similar LAs	3.75	9.20
All LAs	3.68	9.16
Total Investments at 31.12.2021		
Kent	**1.72**	**5.51**
Similar LAs	1.03	2.82
All LAs	0.66	1.95

Forecast outturn

49. The forecast return on the Council's investment portfolio is £7.7m, 1.6%, which is used to support services in year.

50. The forecast average rate of debt interest payable in 2021-22 is 4.5%, based on an average debt portfolio of £840m.

Compliance

51. The Corporate Director of Finance reports that all treasury management activities undertaken during the quarter complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

Treasury Management Indicators

52. The Council measures and manages its exposures to treasury management risks using the following indicators.

53. **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its internally managed investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	**Actual 28 Feb 2022**	**Target**
Portfolio average credit rating	AA	AA

54. **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	**Actual 28 Feb 2022**	**Target**
Total cash available within 3 months	£155m	£100m

55. **Interest rate exposures**: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	**Actual 28 Feb 2022**	**Upper Limit**
One-year revenue impact of a 1% rise in interest rates	£1.5m	£10m
One-year revenue impact of a 1% fall in interest rates	-£898K	-£10m

56. **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

	Actual 28 Feb 2022	**Upper limit**	**Lower limit**
Under 12 months	0.00%	100%	0%
12 months and within 5 years	12.68%	50%	0%
5 years and within 10 years	0.00%	50%	0%
10 years and within 20 years	25.88%	50%	0%
20 years and within 40 years	34.68%	50%	0%
40 years and longer	26.76%	50%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

57. **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	Actual	**Limit**	**Limit**	**Limit**
Price risk indicator	**28 Feb 2022**	**2021/22**	**2022/23**	**2023/24**
Principal invested beyond year end	£300m	£300m	£300m	£300m

Recommendation

58. Members are asked to note this report.

Nick Buckland
Head of Pensions and Treasury
Nick.buckland@kent.gov.uk
Ext: 03000 413984
April 2022

Appendices:

1 Investments as at 28 February 2022

2. Glossary of local authority treasury management terms

Appendix 1

Investments as at 28 February 2022

1. Internally Managed Investments

1.1 Term deposits, Call accounts and Money Market Funds

Instrument Type	Counterparty	Principal Amount £	Interest Rate	End Date
Treasury Bills	DMO	6,997,906	0.060%	09/05/22
Total Treasury Bills		**6,997,906**		
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	15,400,000	0.070%	15/03/22
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	19,500,000	0.095%	25/04/22
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	15,000,000	0.370%	25/03/22
Total DMADF		**49,900,000**		
Call Account	National Westminster Bank plc	2,768,000	0.01%	
Call Account	Santander UK plc	6,800,000	0.12%	
Call Account	Lloyds Bank plc	1,000,000	0.01%	
Total Bank Call Accounts		**10,568,000**		
No Use Empty Loans		**14,080,091**	1.50%	
Registered Provider	**£10m loan facility – non utilisation fee**		0.40%	31/03/23
Registered Provider	**£5m loan facility – non utilisation fee**		0.40%	16/06/23
Money Market Funds	LGIM GBP Liquidity Class 4	19,758,838	0.274%	
Money Market Funds	Deutsche Managed GBP LVNAV Platinum	19,990,081	0.307%	
Money Market Funds	Aviva Investors GBP Liquidity Class 3	19,976,743	0.267%	
Money Market Funds	Aberdeen GBP Liquidity Class L3	19,601,320	0.272%	
Money Market Funds	Federated Hermes Short-Term Prime Class 3	14,997,321	0.309%	
Money Market Funds	HSBC GBP Liquidity Class F	1,452	0.221%	
Money Market Funds	Northern Trust GBP Cash Class F	19,999,529	0.289%	
Total Money Market Funds		**114,325,284**		
Equity and Loan Notes	Kent PFI (Holdings) Ltd	**2,135,741**		n/a

1.2 Bond Portfolio

Bond Type	Issuer	Adjusted Principal £	Coupon Rate	Maturity Date
Fixed Rate Covered Bond	Leeds Building Society Bonds	4,202,100	1.29%	17/04/23
Fixed Rate Covered Bond	Bank of Scotland - Bonds	4,366,598	1.71%	20/12/24
Fixed Rate Covered Bond	Bank of Scotland - Bonds	6,794,066	0.43%	20/12/24
Floating Rate Covered Bond	Santander UK - Bonds	5,000,649	0.73%	16/11/22
Floating Rate Covered Bond	Lloyds - Bonds	2,500,909	0.57%	27/03/23
Floating Rate Covered Bond	Lloyds - Bonds	2,501,213	0.57%	27/03/23
Floating Rate Covered Bond	Lloyds - Bonds	5,002,142	0.57%	27/03/23
Floating Rate Covered Bond	Nationwide Building Society -	4,501,504	0.63%	12/04/23

	Bonds			
Floating Rate Covered Bond	Nationwide Building Society - Bonds	5,581,003	0.63%	12/04/23
Floating Rate Covered Bond	Bank of Montreal - Bonds	5,001,669	0.65%	17/04/23
Floating Rate Covered Bond	Nationwide Building Society - Bonds	3,995,371	1.10%	10/01/24
Floating Rate Covered Bond	Santander UK - Bonds	2,001,344	0.88%	12/02/24
Floating Rate Covered Bond	TSB Bank - Bonds	2,501,679	1.37%	15/02/24
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	1,804,007	0.86%	03/10/24
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	9,035,734	0.86%	03/10/24
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	5,043,787	0.94%	30/01/25
Floating Rate Covered Bond	Bank Of Nova Scotia Bonds	5,126,053	1.10%	14/03/25
Floating Rate Covered Bond	Canadian Imperial Bank of Commerce - Bonds	5,151,065	1.11%	15/12/25
Floating Rate Covered Bond	National Australia Bank - Bonds	5,151,865	1.11%	15/12/25
Floating Rate Covered Bond	Bank of Nova Scotia	720,939	1.42%	26/01/26
Floating Rate Covered Bond	Yorkshire Building Society - Bonds	3,008,642	0.68%	18/01/27
Floating Rate Covered Bond	Yorkshire Building Society - Bonds	2,003,956	0.68%	18/01/27
Total Bonds		**90,996,295**		

Total Internally managed investments	**289,003,317**

2. Externally Managed Investments

Investment Fund	Book Cost	Market Value at	11 months return to	
	£	28-February-22	28-February-22	
		£	Income	Total
Aegon (Kames) Diversified Monthly Income Fund	20,000,000	19,642,976	4.53%	2.29%
CCLA - Diversified Income Fund	5,000,000	5,043,510	7.34%	9.15%
CCLA - LAMIT Property Fund	60,000,000	64,961,520	3.54%	16.58%
Fidelity Global Multi Asset Income Fund	25,038,637	23,841,353	3.86%	0.50%
M&G Global Dividend Fund	10,000,000	13,226,117	1.96%	10.16%
Ninety One (Investec) Diversified Income Fund	10,000,000	9,592,778	3.52%	-1.57%
Pyrford Global Total Return Sterling Fund	5,000,000	5,047,216	1.36%	2.28%
Schroder Income Maximiser Fund	25,000,000	20,893,047	7.13%	14.87%
Threadneedle Global Equity Income Fund	10,000,000	11,193,248	2.73%	5.83%
Threadneedle UK Equity Income Fund	10,000,000	10,086,388	2.82%	7.96%
Total External Investments	**180,038,637**	**183,528,153**	**3.94%**	**9.20%**

3. Total Investments

Total Investments	**£472,531,470**