

Item: 7

Investments Sub-committee: 16 September 2021.

Temporary Loans.

Report by Head of Finance.

1. Purpose of Report

To advise of the status of the temporary loan portfolio as at 30 June 2021.

2. Recommendation

The Sub-committee is invited to note:

2.1.

The status of the temporary loan portfolio as at 30 June 2021, as detailed in section 3 of this report.

2.2.

That, for the period 1 April to 30 June 2021, the temporary loans portfolio made a return of £19,469.38 at an average interest rate of 0.25%.

The Sub-committee is invited to scrutinise:

2.3.

The temporary loans portfolio, detailed in sections 3 and 4 of this report, in order to obtain assurance that the Treasury Management Strategy is being adhered to by the Finance Service and the temporary loans portfolio is producing an acceptable rate of return.

3. Temporary Loan Portfolio

3.1.

The temporary loan portfolio as at 30 June 2021 totalled £28,802,028. Further details are provided in the Monthly Investment Analysis Review prepared by Link Asset Services, attached as Appendix 1 to this report.

3.2.

The following transactions have taken place since 30 June 2021:

- £2,000,000 deposit rolled forward with Santander at a rate of 0.58%.
- £2,000,000 invested with Santander at a rate of 0.58%.
- £900,000 recalled from BlackRock Institutional Cash Series Money Market Fund.

3.3.

The value of the temporary loans stood at £31,422,130 as at 31 July 2021.

4. Rate of Return

4.1.

For the period 1 April to 30 June 2021, the temporary loans returned an average interest rate of 0.25%, which equates to a return of £19,469.38.

4.2.

By comparison, the equivalent 90-day London Inter-Bank Offered Rate of 0.14% is considered to be the target.

4.3.

With inflation quoted at 2.5% for June 2021 based on Consumer Price Index (3.9% Retail Price Index), the return on temporary loans equates to a relative loss in value of 2.36% in real terms.

4.4.

The Council is part of an Investment Portfolio Benchmarking Group overseen by its Treasury Advisers, Link Asset Services, and comprising seven other Scottish Local Authorities, as follows:

- Aberdeen City Council.
- Aberdeenshire Council.
- Angus Council.
- Clackmannanshire Council.
- Midlothian Council.
- Perth and Kinross Council.
- Highland Council.

4.5.

An extract from the analysis report for the benchmarking group as at 30 June 2021, attached as Appendix 2 to this report, indicates that the Council is performing behind the weighted average rate of return of the benchmarking group and ahead of the Scottish Unitary Authorities.

5. Cash Balances

5.1.

Recurring slippage continues to be a feature within the approved capital programme. During financial year 2019/20, works valued at £14,356,000 were reprofiled into future periods. While this would ordinarily have defaulted into financial year 2020/21, a large proportion of this related to delays with the proposed new Kirkwall Care Facility and resulted in the overall slippage including a further £4,239,000 being reprofiled into future periods from financial year 2020/21. Accordingly, to date, a total of £18,595,000 of planned capital programme spend has been slipped or deferred by between 2 to 4 years.

5.2.

In addition to this, it should be noted that COVID-19 closedown measures have had an adverse impact on delivery of the capital programme for financial year 2020/21, with a total of £8,551,000 being recommended to the Policy and Resources Committee for slippage into 2021/22 and beyond. Not only does this impact on the cost of delivering the capital programme, it also delays the timescale over which the capital finance is required. Uncertainty over the timing of contract payments on capital projects results in additional cash balances being held over the short term. Although these surplus balances are re-invested, the shorter duration and uncertainty does impact on performance.

5.3.

On 26 March 2020, the Council borrowed £10,000,000 from the Public Works Loan Board, repayable on 25 March 2070, at an interest rate of 1.28%. This is regarded as an effective way for the Council to manage the risk of interest rate movements over the life of the capital programme by refinancing some debt managed internally, and recognising, for example, the approval of additional housing build projects as exceptions to the capital programme. This also provided short-term cashflow benefits at a time when the full cost of the COVID-19 crisis to the Council is unknown.

5.4.

To help put this into context, the main draw on cash balances remains that of the Council's approved five-year capital programme, with a planned spend of £78,629,000 which, after allowing for grant income, capital receipts and contributions, leaves a capital financing or borrowing requirement of £30,467,000. After adding back direct funding contributions from revenue resources and use of reserves, this equates to a net outflow of cash to the value of £39,224,000 over the current five-year period.

6. Corporate Governance

This report relates to the Council complying with its treasury management policies and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

7. Financial Implications

7.1.

The Treasury Policy Statement is being adhered to by the Finance Service and is producing an acceptable rate of return.

7.2.

The effective management and control of risk are prime objectives of the Council's treasury management activities, with priority given to security and liquidity when investing funds.

8. Legal Aspects

Section 69 of the Local Government (Scotland) Act 1973 empowers a local authority to lend and invest surplus funds on a temporary basis where it is calculated to facilitate or is conducive or incidental to the discharge of any of their functions.

9. Contact Officers

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10. Appendices

Appendix 1: Link Asset Services Monthly Investment Analysis Review for June 2021.

Appendix 2: Link Asset Services Investment Portfolio Benchmarking Analysis for June 2021.



Orkney Islands Council

Monthly Investment Analysis Review

June 2021

Monthly Economic Summary

General Economy

Although the Flash (i.e., provisional) UK Manufacturing PMI fell to 64.2 in June from the record high 65.6 figure posted in May, this still signalled the second strongest pace of growth in the sector since the measure began. Expansions in both output and new orders were recorded as demand continued to surge following the loosening of the COVID-19 lockdown. Likewise, the Flash Services PMI fell to 61.7 in June from 62.9 in May, with new order growth remaining close to May's record high despite a continued decline in exports. The rate of job creation in the services sector, meanwhile, was near the record posted seven years ago. As a result, the Flash Composite PMI (which incorporates both sectors), fell to 61.7 in June from 62.9 in May, which was still one of the strongest figures in the series' history. The Construction PMI (which is released one month behind), meanwhile, rose to 64.2 in May from 61.6 in April. Overall new order volumes increased the most since the survey began just over 24 years ago and the rate of job creation was the fastest since July 2014.

Buoyed by the unwinding of the third national lockdown, April GDP data showed that the UK economy grew by 2.3% m/m, compared to March's 2.1% m/m gain. Quarterly data, meanwhile, confirmed that output contracted by 1.6% during the first quarter of 2021 and remained 6.1% below the level reached just prior to the pandemic in Q1 2020. Trade data revealed that a 2.5% jump in exports caused the UK's trade deficit to fall to £0.9 billion in April compared to a downwardly revised £2 billion in March.

The UK's unemployment rate fell to 4.7% in the three months to April, compared to 4.8% in the previous period and in line with market expectations. Within the data, it was notable that employment in fact rose by 113,000 in the three months to April to 32.49 million – posting its second gain since March 2020 – leaving the employment rate 1.4% below its pre-pandemic level. More timely claimant count data for May also suggested that the number of people who claimed unemployment benefits during the month fell by 92,600 to 2.5 million, the biggest decline since November 1996. Finally, average weekly earnings (including bonuses) rose by 5.6% y/y in the three months to April compared to an upwardly revised 4.3% y/y rise previously. Excluding bonuses, average weekly earnings also rose by 5.6% in the three months to April, compared to a 4.6% rise in the three months to March.

UK inflation, as measured by the Consumer Price Index, rose to 2.1% y/y in May from 1.5% y/y in April and above market forecasts of 1.8%. This is the first time since July 2019 that the measure has been above the Bank of England's 2% target. The biggest upward contributions came from clothing, motor fuel, recreational goods and meals & drinks consumed out. On a monthly basis, consumer prices outperformed forecasts of a 0.3% rise by rising 0.6% in May, the same as the figure posted in the previous month. Despite the rise in inflation, the Monetary Policy Committee voted to maintain its current monetary policy stance at its June meeting. The only dissenting voice came from Andy Haldane who completed his term on the Committee this month. The minutes of the meeting, meanwhile, suggested that the Committee believes that higher-than-expected inflation is transitory and will ease by the end of the year. The next MPC meeting will be the last chance for the Committee to end the current quantitative easing programme prematurely.

Retail sales, meanwhile, rose 24.6% y/y in May compared to a 42.4% y/y rise in April, below market expectations of a 29% gain. This abnormally high figure was due to the impact of the first national lockdown depressing sales in May 2020, thus setting an abnormally low base for comparative purposes, just as it did with April's record rise. On a monthly basis, sales declined 1.4% during May following a 9.2% rise in April, as food store purchases and online orders both fell, amid rapidly rising cases of the Delta variant of COVID-19 despite

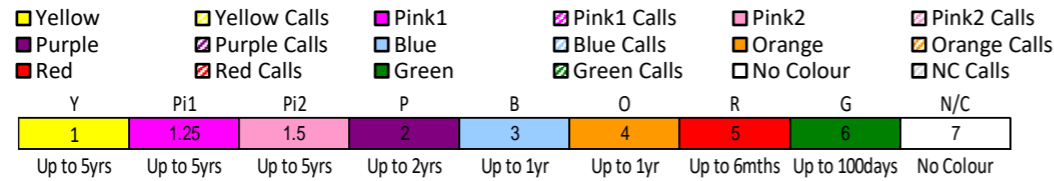
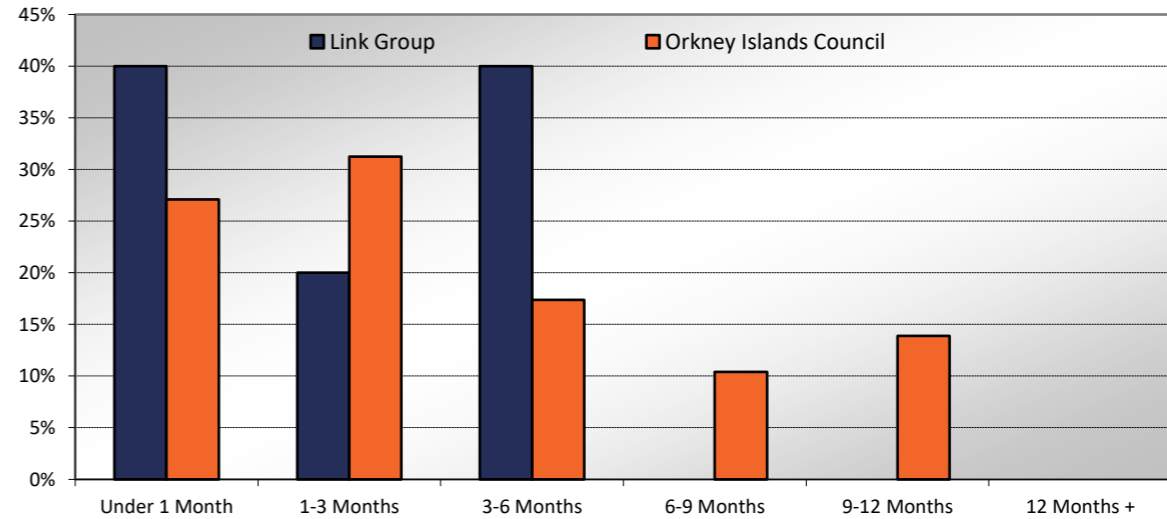
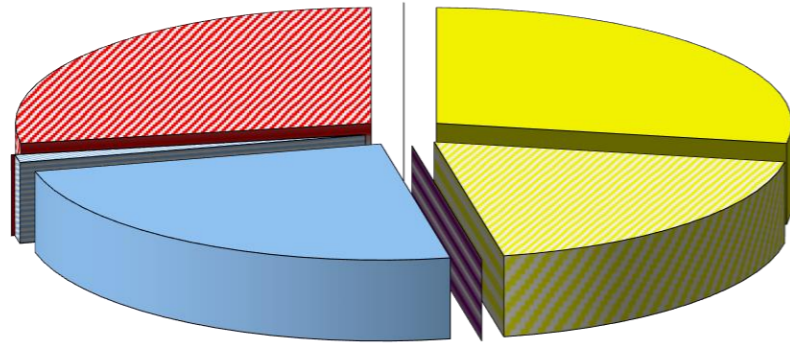
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Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default
The Royal Bank of Scotland Plc (RFB)	302,028	0.01%		Call	A	0.000%
MMF Aberdeen Standard Investments	3,100,000	0.01%		MMF	AAAm	
MMF BlackRock	2,400,000	0.00%		MMF	AAAm	
Santander UK PLC	2,000,000	0.58%		Call15	A	0.002%
Santander UK PLC	2,000,000	0.58%		Call44	A	0.006%
Highland Council	5,000,000	0.18%	02/12/2020	02/09/2021	AA-	0.004%
Bank of Scotland Plc (RFB)	2,000,000	0.05%		Call77	A+	0.010%
Santander UK PLC	2,000,000	0.58%		Call180	A	0.023%
National Westminster Bank Plc (RFB)	3,000,000	0.14%	30/03/2021	30/12/2021	A	0.024%
National Westminster Bank Plc (RFB)	3,000,000	0.14%	09/06/2021	09/03/2022	A	0.033%
National Westminster Bank Plc (RFB)	1,000,000	0.16%	19/05/2021	18/05/2022	A	0.042%
Warrington Borough Council	3,000,000	0.10%	09/06/2021	08/06/2022	AA-	0.022%
Total Investments	£28,802,028	0.20%				0.016%

Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

Portfolio Composition by Link Group's Suggested Lending Criteria



Portfolios weighted average risk number = **2.62**

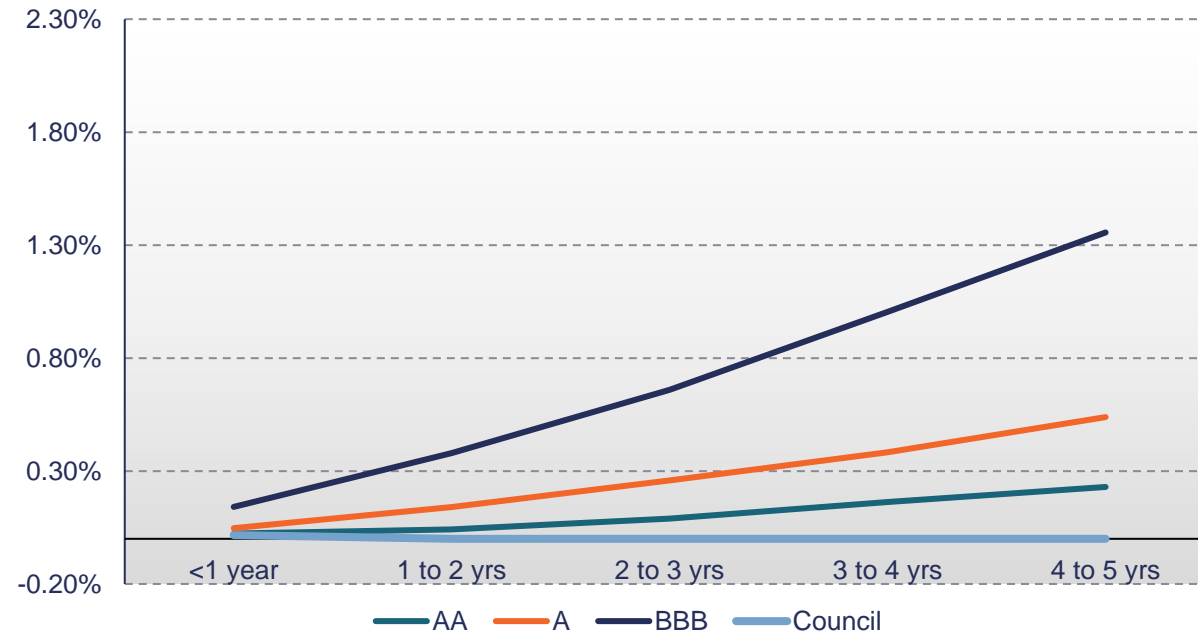
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/USDBFs	
									WAM	WAM at Execution
Yellow	46.87%	£13,500,000	40.74%	£5,500,000	19.10%	0.09%	100	182	169	308
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	25.35%	£7,302,028	4.14%	£302,028	1.05%	0.14%	223	275	232	287
Orange	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Red	27.78%	£8,000,000	100.00%	£8,000,000	27.78%	0.45%	79	79	0	0
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£28,802,028	47.92%	£13,802,028	47.92%	0.20%	125	177	198	298

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Investment Risk and Rating Exposure

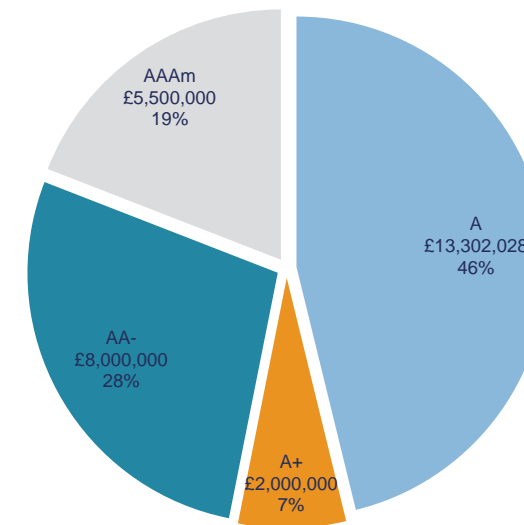
Investment Risk Vs. Rating Categories



Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.02%	0.04%	0.09%	0.16%	0.23%
A	0.05%	0.14%	0.26%	0.38%	0.54%
BBB	0.14%	0.38%	0.66%	1.01%	1.36%
Council	0.02%	0.00%	0.00%	0.00%	0.00%

Rating Exposure



Historic Risk of Default

This is a proxy for the average % risk for each investment based on over 30 years of data provided by Fitch, Moody's and S&P. It simply provides a calculation of the possibility of average default against the historical default rates, adjusted for the time period within each year according to the maturity of the investment.

Chart Relative Risk

This is the authority's risk weightings compared to the average % risk of default for "AA", "A" and "BBB" rated investments.

Rating Exposures

This pie chart provides a clear view of your investment exposures to particular ratings.

Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

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Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
07/06/2021	1812	Bank of America N.A.	United States	The Long Term Rating was upgraded to 'AA' from 'AA-'. At the same time, the Viability Rating was upgraded to 'aa-' from 'a+'.
11/06/2021	1813	Danske Bank A/S	Denmark	The Outlook on the Long Term Rating was changed to Stable from Negative.
21/06/2021	1814	United Kingdom Sovereign	United Kingdom	The Outlook on the Sovereign Rating was changed to Stable from Negative.

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
				There were no rating changes to report.

Orkney Islands Council

Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
07/06/2021	1811	Australia and New Zealand Banking Group Ltd.	Australia	The Outlook on the Long Term Rating was changed to Stable from Negative.
07/06/2021	1811	Commonwealth Bank of Australia	Australia	The Outlook on the Long Term Rating was changed to Stable from Negative.
07/06/2021	1811	Macquarie Bank Ltd.	Australia	The Outlook on the Long Term Rating was changed to Stable from Negative.
07/06/2021	1811	National Bank of Australia Ltd.	Australia	The Outlook on the Long Term Rating was changed to Stable from Negative.
07/06/2021	1811	Westpac Banking Corp.	Australia	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1815	Bank of Scotland Plc (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1815	Barclays Bank PLC (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Positive from Stable.
24/06/2021	1815	Barclays Bank PLC (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Positive from Stable.
24/06/2021	1815	Clydesdale Bank PLC	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1815	Lloyds Bank Plc (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1815	Lloyds Bank Corporate Markets Plc (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.

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Monthly Credit Rating Changes S&P

24/06/2021	1815	National Westminster Bank PLC (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1815	NatWest Markets Plc (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1815	Nationwide Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Positive from Stable.
24/06/2021	1815	Santander Financial Services plc (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1815	Santander UK PLC	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1815	The Royal Bank of Scotland Plc (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1816	Landesbank Hessen-Thueringen Girozentrale	Germany	The Long Term Rating was downgraded to 'A-' from 'A' and the Short Term Rating was downgraded to 'A-2' from 'A-1'. At the same time, the Outlook on the Long Term Rating was changed to Stable from Negative.
25/06/2021	1817	Cooperatieve Rabobank U.A.	Netherlands	The Outlook on the Long Term Rating was changed to Stable from Negative.
25/06/2021	1818	BNP Paribas	France	The Outlook on the Long Term Rating was changed to Stable from Negative.
25/06/2021	1818	BNP Paribas Fortis	Belgium	The Outlook on the Long Term Rating was changed to Stable from Negative.
25/06/2021	1818	Credit Agricole Corporate and Investment Bank	France	The Outlook on the Long Term Rating was changed to Stable from Negative.
25/06/2021	1818	Credit Agricole S.A.	France	The Outlook on the Long Term Rating was changed to Stable from Negative.

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Monthly Credit Rating Changes S&P

25/06/2021	1818	Credit Industriel et Commercial	France	The Outlook on the Long Term Rating was changed to Stable from Negative.
25/06/2021	1818	Societe Generale	France	The Outlook on the Long Term Rating was changed to Stable from Negative.
25/06/2021	1819	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	Germany	The Long Term Rating was downgraded to 'A+' from 'AA-' and the Short Term Rating was downgraded to 'A-1' from 'A-1+'. At the same time, the Outlook on the Long Term Rating was changed to Stable from Negative.

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Orkney Islands Council

Investment Portfolio Benchmarking Analysis

June 2021

Group Members:

Aberdeen City Council

Aberdeenshire Council

Angus Council

Clackmannanshire Council

Highland Council

Midlothian Council

Orkney Islands Council

Perth & Kinross Council

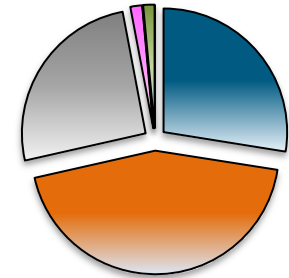
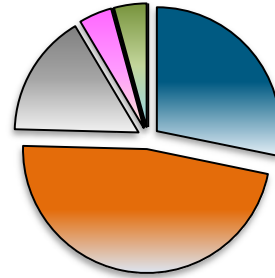
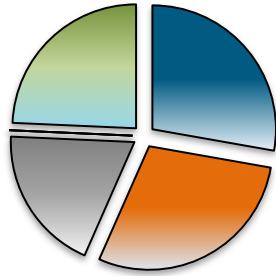
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Summary Sheet

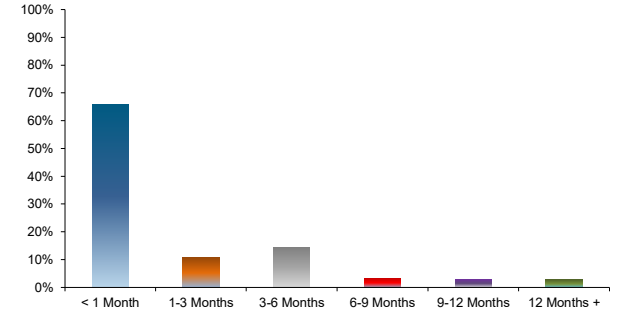
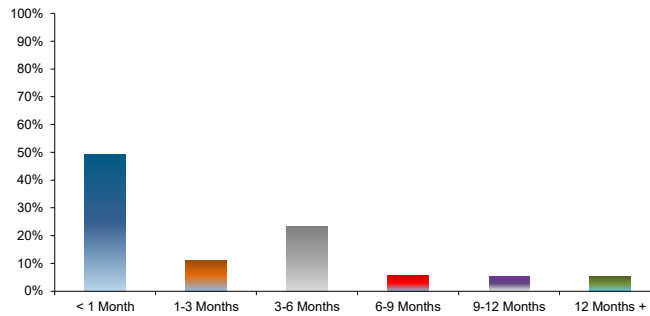
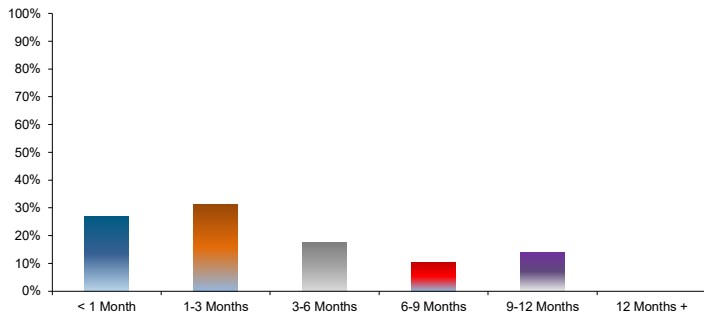
Orkney Islands Council	Benchmarking Group 6 (8) Basic Portfolio Characteristics	Scottish Unitary Authorities (23)
WARoR	0.20%	0.27%
WAM	125	96
WATT	177	167
WA Credit Risk	2.62	3.24
Model WARoR	0.18%	0.20%
Difference	0.03%	0.06%
Model Band	0.13% - 0.22%	0.16% - 0.25%
Performance	Inline	Above
		0.16%
		56
		100
		3.10
		0.14%
		0.02%
		0.10% - 0.18%
		Inline

Asset Breakdown

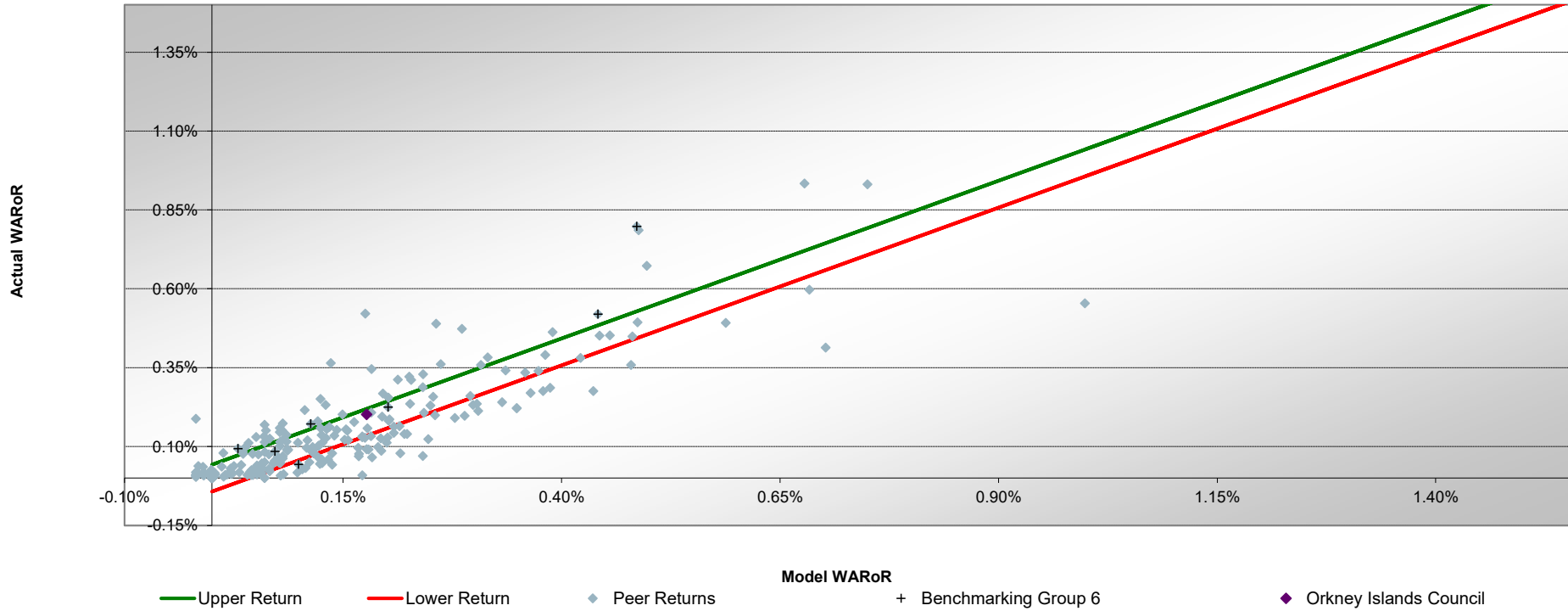
- Fixed Deposits
- Calls & O/N
- MMFs
- USDBFs
- Struct. Prods.
- Bonds
- CDs



Maturity Profiles



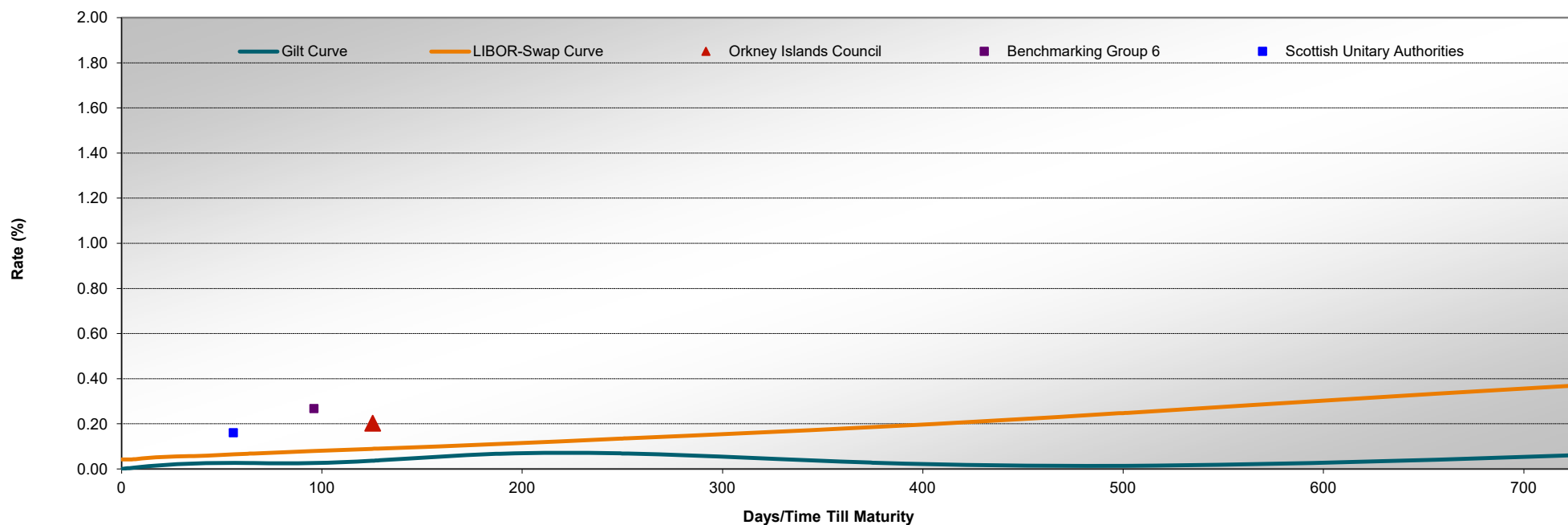
Population Returns against Model Returns



	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Orkney Islands Council	0.20%	0.18%	0.03%	0.13%	0.22%	Inline

Orkney Islands Council

Returns Comparable Against the Risk-Free Rate and LIBOR Curve



	WARoR	WAM	WATT	WARisk	Gilt	LIBOR-Swap	Difference		Model	
							Gilt	LIBOR-Swap	Bands	Performance
Orkney Islands Council	0.20%	125	177	2.62	0.04%	0.09%	0.17%	0.11%	0.13% - 0.22%	Inline
Benchmarking Group 6	0.27%	96	167	3.24	0.03%	0.08%	0.24%	0.19%	0.16% - 0.25%	Above
Scottish Unitary Authorities	0.16%	56	100	3.10	0.03%	0.06%	0.13%	0.10%	0.10% - 0.18%	Inline

Orkney Islands Council

Peer Comparison

	Orkney Islands Council	Benchmarking Group 6 (8)		Scottish Unitary Authorities (23)		Population Average (212)	
Basic Characteristics							
Principal	£28,802,028	£85,755,255		£74,194,442		£99,774,978	
WARoR	0.20%	0.27%		0.16%		0.17%	
WAM	125	96		56		69	
WATT	177	167		100		127	
WA Credit Risk	2.62	3.24		3.10		2.97	
Portfolio Breakdown							
Fixed Deposits	27.78%	28.21%	5	27.49%	16	39.21%	170
Calls & O/N	28.82%	47.21%	8	43.97%	20	31.89%	191
MMFs	19.10%	16.01%	6	25.55%	15	25.28%	153
USDBFs	0.00%	4.33%	2	1.51%	2	1.13%	17
Struct. Prods.	0.00%	0.00%	0	0.00%	0	0.12%	3
Bonds	0.00%	0.00%	0	0.00%	0	0.77%	11
CDs	24.30%	4.24%	2	1.47%	2	1.59%	19
Institution Breakdown							
Banks	53.13%	57.14%	8	52.78%	21	46.20%	201
Building Socs.	0.00%	0.00%	0	0.95%	1	4.80%	57
Government	27.78%	22.52%	4	19.22%	11	21.89%	127
MMFs	19.10%	16.01%	6	25.55%	14	25.32%	154
USDBFs	0.00%	4.33%	2	1.51%	2	1.13%	17
MLDBs	0.00%	0.00%	0	0.00%	0	0.02%	1
Other	0.00%	0.00%	0	0.00%	0	0.64%	13
Domestic/Foreign Exposure							
Domestic	80.90%	78.17%	8	71.84%	21	70.00%	205
Foreign	0.00%	1.49%	1	1.10%	2	3.52%	47
MMFs	19.10%	16.01%	6	25.55%	14	25.35%	154
USDBFs	0.00%	4.33%	2	1.51%	2	1.13%	17
Maturity Structure							
< 1 Month	27.09%	49.29%		66.00%		58.68%	
1-3 Months	31.25%	11.18%		10.63%		13.83%	
3-6 Months	17.36%	23.43%		14.52%		16.65%	
6-9 Months	10.42%	5.67%		3.26%		5.12%	
9-12 Months	13.89%	5.29%		2.81%		3.73%	
12 Months +	0.00%	5.13%		2.77%		2.00%	

Orkney Islands Council

Detailed Peer Comparison

	Orkney Islands Council				Benchmarking Group 6 (8)					Scottish Unitary Authorities (23)					
	%	WARoR	WAM	WATT	%	WARoR	WAM	WATT	n	%	WARoR	WAM	WATT	n	
Asset Breakdown															
Fixed Deposits	27.78%	0.15%	169	308	28.21%	0.56%	138	268	5	27.49%	0.29%	78	177	16	
Calls	28.82%	0.43%	76	76	47.21%	0.27%	65	65	7	43.97%	0.16%	37	37	19	
Overnight	0.00%	0.00%	0	0	0.00%	0.00%	0	0	0	0.00%	0.00%	0	0	0	
MMFs	19.10%	0.01%	0	0	16.01%	0.01%	0	0	6	25.55%	0.01%	0	0	14	
USDBFs	0.00%	0.00%	0	0	4.33%	0.16%	0	0	2	1.51%	0.16%	0	0	2	
Structured Prods.	0.00%	0.00%	0	0	0.00%	0.00%	0	0	0	0.00%	0.00%	0	0	0	
Cert.of Deposit	24.30%	0.14%	232	287	4.24%	0.17%	41	81	2	1.47%	0.17%	14	28	2	
Gov. Bonds	0.00%	0.00%	0	0	0.00%	0.00%	0	0	0	0.00%	0.00%	0	0	0	
Corp. Bonds	0.00%	0.00%	0	0	0.00%	0.00%	0	0	0	0.00%	0.00%	0	0	0	
MLDB Bonds	0.00%	0.00%	0	0	0.00%	0.00%	0	0	0	0.00%	0.00%	0	0	0	
Institutional Breakdown															
Banks	53.13%	0.30%	148	173	57.14%	0.22%	85	95	8	52.78%	0.15%	51	66	21	
Building Socs.	0.00%	0.00%	0	0	0.00%	0.00%	0	0	0	0.95%	0.04%	2	4	1	
Government	27.78%	0.15%	169	308	22.52%	0.65%	116	251	4	19.22%	0.40%	70	146	11	
MMFs	19.10%	0.01%	0	0	16.01%	0.01%	0	0	6	25.55%	0.01%	0	0	14	
USDBFs	0.00%	0.00%	0	0	4.33%	0.16%	0	0	2	1.51%	0.16%	0	0	2	
MLDBs	0.00%	0.00%	0	0	0.00%	0.00%	0	0	0	0.00%	0.00%	0	0	0	
Other	0.00%	0.00%	0	0	0.00%	0.00%	0	0	0	0.00%	0.00%	0	0	0	
Foreign Breakdown															
Domestic	80.90%	0.25%	155	219	78.17%	0.35%	120	209	8	71.84%	0.20%	70	124	21	
Foreign	0.00%	0.00%	0	0	1.49%	0.02%	26	29	1	1.10%	0.16%	11	13	2	
MMF	19.10%	0.01%	0	0	16.01%	0.01%	0	0	6	25.55%	0.01%	0	0	14	
USDBFs	0.00%	0.00%	0	0	4.33%	0.16%	0	0	2	1.51%	0.16%	0	0	2	
Sovereign State Breakdown															
UK	80.90%	0.25%	155	219	UK	78.17%	0.35%	120	209	8	UK	71.84%	0.20%	70	124
					AUS	1.49%	0.02%	26	29	1	AUS	0.52%	0.01%	9	10
											QAT	0.39%	0.01%	3	4
											UAE	0.19%	0.00%	0	0
Sovereign Rating Breakdown															
AA-	80.90%				AA-	78.17%					AA-	72.23%			
					AAA	1.49%					AAA	0.52%			
											AA	0.19%			

Since MMFs are ring-fenced institutions and do not belong to a specific country, the sovereign breakdowns will exclude them from the analysis. As a result the "% of Portfolio" may not add up to 100%.

Benchmarking Rationale and Methodology

The aim of this benchmarking model is to compare portfolio weighted average rate of returns (WARoR) by adjusting for the risks inherent in the portfolio. The main risks in cash portfolios are:

- Maturity Risk
- Credit Risk

As such, the model must normalise WARoRs by adjusting for these risks so as to calculate risk-adjusted returns, or "Model WARoR". The risks the model looks at include:

- Maturity Risk
- Credit Risk
- Change in the shape of the yield curve

This will account for the majority of all risk in the portfolio, however, there will still be some "model uncertainty" as no model can fully explain each WARoR. The difference in model WARoR and actual WARoR may be due to the following reasons:

- Timing differences
- Higher diversification
- Tilt towards a particular asset type or institution type that is extraordinarily paying an above market rate (e.g. special tranche rates)

As a result, the model will build "Standard Error Bands" around the model WARoR calculated so as to adjust for this model uncertainty. This gives us a range for where the actual WARoR should fall. If the actual WARoR is above this upper band, then we would say the client is above on a risk-adjusted basis given the risks inherent in the portfolio. If the actual WARoR is below the lower band, then we would say the client is below on a risk-adjusted basis given the risks inherent in the portfolio.

Model Band Some values when compared to the Model Band will fall outside the range even if the value appears to be equal to the minimum or maximum. This is due to rounding the data to two decimal places within Excel.

For example:
The value returned is 0.9512 and the range is 0.9541 – 1.2321. When rounded the data will be represented as 0.95 and a range of 0.95 – 1.23, although this appears to be in line with the range the underlying data will actually fall outside.

Definitions

WARoR	Weighted Average Rate of Return	This is the average annualised rate of return weighted by the principal amount in each rate.
WAM	Weighted Average Time to Maturity	This is the average time, in days, till the portfolio matures, weighted by principal amount.
WATT	Weighted Average Total Time	This is the average time, in days, that deposits are lent out for, weighted by principal amount.
WA Risk	Weighted Average Credit Risk Number	Each institution is assigned a colour corresponding to a suggested duration using Link Asset Services' Suggested Credit Methodology. 1 = Yellow; 1.25 = Pink 1; 1.5 = Pink 2; 2 = Purple; 3 = Blue; 4 = Orange; 5 = Red; 6 = Green; 7 = No Colour
Model WARoR	Model Weighted Average Rate of Return	This is the WARoR that the model produces by taking into account the risks inherent in the portfolio.
Difference	Difference	This is the difference between the actual WARoR and the model WARoR; Actual WARoR minus Model WARoR