



Financial Investment Board

Date: THURSDAY, 30 NOVEMBER 2017
Time: 1.45 pm
Venue: COMMITTEE ROOMS - WEST WING, GUILDHALL

Members: Andrew McMurtrie (Chairman)
Nicholas Bensted-Smith (Deputy Chairman)
Alexander Barr
Henry Colthurst
Alderman Robert Howard
Deputy Jamie Ingham Clark
Deputy Clare James
Tim Levene
Andrien Meyers
Deputy Henry Pollard
James de Sausmarez
Ian Seaton
Deputy Philip Woodhouse
Alderman Peter Hewitt

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Lunch will be served in Guildhall Club at 1PM
NB: Part of this meeting could be the subject of audio or video recording

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 26 October 2017.

For Decision
(Pages 1 - 4)
4. **OUTSTANDING ACTIONS**
Report of the Town Clerk.

For Information
(Pages 5 - 6)
5. **MONTHLY INVESTMENT ANALYSIS REVIEW**
Report of the Chamberlain

For Information
(Pages 7 - 22)
6. **MID-YEAR TREASURY MANAGEMENT REVIEW 2017-18**
Report of the Chamberlain

For Information
(Pages 23 - 26)
7. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
8. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
9. **EXCLUSION OF THE PUBLIC**
MOTION - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

For Decision

Part 2 - Non-Public Agenda

10. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 26 October 2017.
- For Decision**
(Pages 27 - 32)
11. **NON-PUBLIC OUTSTANDING ACTIONS**
Report of the Town Clerk
- For Information**
(Pages 33 - 34)
12. **ESG SURVEY RESULTS**
Presentation of Mercer
- For Discussion**
13. **CITY'S CASH AND BRIDGE HOUSE ESTATES STRATEGY REVIEW PROPOSAL**
Report of Mercer
- For Decision**
(Pages 35 - 38)
14. **INVESTMENT MONITORING REPORTS**
- a) **Investment Monitoring Report to 30 September 2017**
Report of the Chamberlain
- For Information**
(Pages 39 - 62)
- b) **Quarterly Monitoring Report**
Report of Mercer
- For Information**
(Pages 63 - 82)
15. **LONDON CIV: APPOINTMENT OF MULTI ASSET MANAGER AND PRIVATE DEBT MANAGER - REPORT TO FOLLOW**
Report of the Chamberlain
- For Information**
16. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
17. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

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FINANCIAL INVESTMENT BOARD

Thursday, 26 October 2017

Minutes of the meeting of the Financial Investment Board held at the Guildhall EC2 at 1.45 pm

Present

Members:

Andrew McMurtrie (Chairman)
Nicholas Bensted-Smith (Deputy
Chairman)
Alexander Barr
Henry Colthurst
Deputy Jamie Ingham Clark

Tim Levene
Andrien Meyers
Deputy Henry Pollard
Ian Seaton
Deputy Philip Woodhouse

Officers:

Joseph Anstee	-	Town Clerk's Department
Sacha Than	-	Town Clerk's Department
Peter Kane	-	Chamberlain
Tom Broughton	-	Chamberlain's Department
Kate Limna	-	Chamberlain's Department
Catrina Arbuckle	-	Mercer

1. APOLOGIES

Apologies were received from Alderman Robert Howard, Deputy Clare James and James de Sausmarez.

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

Deputy Philip Woodhouse declared that he had been invited to Lindsell Train's Annual Presentation.

Henry Colthurst declared an interest due to being a member of Hackney Pension Board.

Alexander Barr declared a standing interest due to working for Standard Life Aberdeen PLC which was branded as Aberdeen Standard Investments, and would withdraw from the meeting during any discussion of Aberdeen Standard Investments.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED - That the public minutes and non-public summary of the meeting held on Tuesday 5 September 2017 be agreed as a correct record.

Matters Arising

London CIV

The Chairman reiterated that the Board would be obliged to invest the Pension Fund into the London CIV over the long-term, and executive leaders from the CIV would be invited to speak with Board Members in early 2018.

MIFID II

The Chamberlain confirmed that opt-up applications had been sent to the relevant fund managers and a number of responses had been received, with further responses expected shortly.

ESG Survey

The Chamberlain explained that an encouraging level of feedback had been received from Members from the ESG survey. Further responses were required by 3 November, and a reminder would be circulated to Members.

4. OUTSTANDING ACTIONS

The Board received a list of outstanding actions. On applications for elected professional client status, the Committee noted that MIFID II would come into effect as of 2nd January 2018.

RESOLVED – That the report be noted.

5. MONTHLY INVESTMENT ANALYSIS REVIEW

The Board received a report of the Chamberlain concerning the monthly investment analysis review for August 2017. The report detailed the list of current investments and their performance and provided an update on the general economic outlook.

Members noted that the Corporation's current treasury investments amounted to £850m with an average interest rate of 0.57%. The Chairman explained that any rise in interest rates in the near future might be helpful, although a potential rise may have already been priced into some of the rates the Corporation was receiving.

A Member asked whether the reporting dates could be more closely aligned with FIB meeting dates. The Chamberlain stated that this was in part due to the fact that reports were required to be finalised some time before the meeting, and the Corporation does not always receive the previous month end data from Capita in time to be included in the report. The Chamberlain added that the previous month end information was included wherever possible.

RESOLVED - That the analysis review be noted.

6. TREASURY MANAGEMENT REVIEW 2016/17

The Board received a report of the Chamberlain concerning the end of year treasury management review for the 2016-17 financial year.

The Board noted that in comparison to most local authorities, treasury management was more straightforward as the Corporation did not require any capital borrowing. Treasury Indicators were set out in the appendix to the report.

The Chamberlain confirmed that the City's contribution to Crossrail had been paid before the 31st March 2017 and so was accounted for in the figures.

RESOLVED - That the report be noted.

7. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

8. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There was no other business.

9. EXCLUSION OF THE PUBLIC

RESOLVED - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

Item No.	Paragraph(s) in Schedule 12A
10-15	3
16-17	-

10. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

RESOLVED - That the non-public minutes of the meeting held on 5 September 2017 be agreed as a correct record.

11. NON PUBLIC OUTSTANDING ACTIONS

The Board received a list of non-public outstanding actions.

RESOLVED - That the report be noted.

12. MERCER'S PRESENTATION ON MULTI ASSET CREDIT

The Board noted a report of Mercer.

13. PENSION FUND - FINAL INVESTMENT STRATEGY REVIEW

The Board considered a report of the Chamberlain and Mercer.

14. PENSION FUND - LONDON CIV AVAILABLE INVESTMENT FUNDS

The Board noted a report of the Chamberlain.

15. INVESTMENTS PERFORMANCE MONITORING TO 31 AUGUST 2017

The Board noted a report of the Chamberlain.

16. NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no non-public questions.

**17. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT
AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED
WHILST THE PUBLIC ARE EXCLUDED**

The Board discussed urgent business.

The meeting closed at 3.00 pm

Chairman

**Contact Officer: Joseph Anstee
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joseph.anstee@cityoflondon.gov.uk**

Financial Investment Board – Outstanding Actions

Item	Date	Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
1.	5 September 2017	Applications for Elected Professional Client Status (MIFID II)	Corporate Treasurer / Chamberlain	2 January 2018	Letters sent to fund managers and some responses received with more expected. MIFID II to come into effect on 2 January 2018
2.	5 September 2017	Survey for Members of FIB and SIB	Corporate Treasurer / Chamberlain	3 November 2018	Completed

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City Of London Corporation

Monthly Investment Analysis Review

October 2017

City Of London Corporation Monthly Economic Summary

General Economy

The overarching theme being discussed by economists this month has been whether Mark Carney and the Monetary Policy Committee (MPC) will raise interest rates. With an inflation report due on 2nd November, economists are predicting an 85% probability of a base rate hike from 0.25% to 0.50%. This results from the hawkish tone of the September MPC meeting minutes and the economic data that has been released throughout October.

The first of these releases was the Purchasing Manufacturers Index (PMI) survey for the manufacturing sector, which made for disappointing viewing as the figure fell to 55.9 in September, from 56.7. It was much lower than the prediction of 56.4 from a poll of economists, reflecting greater cost pressures as a result of increasing commodity prices, as well as capacity constraints; both of which are signs of future inflation and are therefore arguments to raise interest rates. Growth in new orders also fell as there was a slowdown in production of investment goods. Nonetheless, there was still a fairly solid pace of expansion as the PMI figure was above the 50 threshold.

The construction PMI also fell, dipping to a 14 month low of 48.1 in September from 51.1 in August. Construction has struggled since Brexit as a result of people being unwilling to invest. The negative economic outlook means that there has been less construction projects created than have being completed.

The services PMI picked up to 53.6 in September, from 53.2 in August, with the reading well above expectations. This somewhat compensated the weaker readings from the constructing and manufacturing sectors. Despite the pick-up, there were worrying signs around the sector as new orders increased at their slowest pace since August 2016 meaning British firms lagged behind their resurgent European counterparts. This reflects the darker mood around the service sector due to fears about Brexit and the general economy.

The headline Consumer Price Index (CPI) figure came in at a five and a half year high of 3.0%/y/y in September, up from 2.9% in August on the back of a monthly increase of 0.3%. RPI was 3.9% on the year and 0.1% m/m. This increase in inflation was largely driven by the fall in sterling with retailers only now passing on the increased cost of goods to the consumer. Though the majority of economists predict that interest rates will rise, there is also concern that it may harm the fragile economy.

There were no shocks from the labour market data as unemployment remained at its 42 year low of 4.3% in the three months leading to August. Total employment increased by 94,000 but the claimant count rose by 1,700, as the labour market maintained its strong position. Total pay, including bonuses, remained at 2.2% and excluding bonuses remained at 2.1% in September. Wage growth has now been lower than inflation for an extended period, meaning people have been taking a pay cut in real terms. The tight labour market further strengthened beliefs that the MPC will raise interest rates in their November meeting.

Public finance figures showed the smallest September deficit in 10 years of £5.902 billion, lower than the £6.5 billion predicted by economists. This is the third month in a row in which public finance has outstripped predictions in spite of Brexit. Tax receipts have, generally, been strong across the board, however there has been a fall in corporation tax receipts over the last twelve months.

The most significant data release of the month for policy makers was, arguably, the preliminary Q3 GDP growth estimate, which improved to 0.4% q/q, up from the 0.3% in Q2, suggesting annualised growth of 1.5%. Economists have suggested that Britain's sustainable GDP growth rate may have declined. Consequently, the value of sterling increased by 1% as this confirmed in people's minds that the MPC will raise interest rates. Gilts were also at their highest since the Brexit vote in June 2016.

The final UK release of the month was the GfK Consumer Confidence for October, which at -10 was slightly down from -9 in September, leaving it hovering just above its three year low. Meanwhile, retail sales increased by 1.9% y/y. However, spending is much more focussed on essentials, such as winter clothing and back to school items, and not big ticket items, such as furniture as consumers adapt expenditure to higher prices.

On the other side of the channel, the Eurozone is recovering strongly, despite the concerns about the potential impact of political turmoil in Catalonia. The preliminary Q3 GDP growth estimate was a solid 0.6%q/q, leading to a strong 2.5%y/y figure. Inflation is at 1.1%. Meanwhile, unemployment has carried on its steady downward trend and currently reads at 8.9%.

In response to the improving economic situation, the ECB has announced that it will be slashing its asset purchase programme from €60bn to €30bn from January onwards. Their main refinancing operations and rates on the marginal lending and deposit facilities are unchanged at 0%, 0.25% & -0.4% respectively. The ECB expect these rates to remain at this level for an extended period of time.

In the USA, the preliminary Q3 GDP estimate reading was a healthier than feared 3%y/y, down from 3.1% in Q2. The labour market figures were skewed by the impact of Hurricanes Harvey and Irma. While unemployment fell to 4.2% from 4.4%, non-farm payrolls fell by 33,000 as a result of the disasters. This is the first fall since September 2010 but there should be a strong correction seen in the October payrolls. Annual wage growth jumped up by 2.9%, largely because it was lower paid jobs that were most affected by the hurricanes, skewing this figure upwards.

Housing

In October, house prices rose by 2.5% y/y, up from 2.3% in September according to Nationwide. Activity in the sector remains under pressure due to consumers having less spending power and could potentially get worse if rates are raised in November. However, Halifax say that house prices are regaining momentum, having increased by 0.8% in September alone, the fastest single month rise since February.

Forecast

Link Asset Services (LAS) has changed its forecasts in order to reflect the interest rise from the Monetary Policy Committee meeting on 2nd November, at which the Bank Rate was increased from 0.25% to 0.50%. LAS suggest that the next interest rate rise will be to 0.75% in Q4 2018, with further rises of 25 basis points in Q4 2019 and Q3 2020. Capital Economics (CE) has not changed its forecast, expecting further rises of 25 basis points in Q2 2018, Q3 2018, Q4 2018, Q2 2019 and Q4 2019.

Bank Rate	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Link Asset Services	0.50%	0.50%	0.50%	0.50%	0.75%
Capital Economics	0.50%	0.50%	0.75%	1.00%	1.25%

City Of London Corporation

Current Investment List

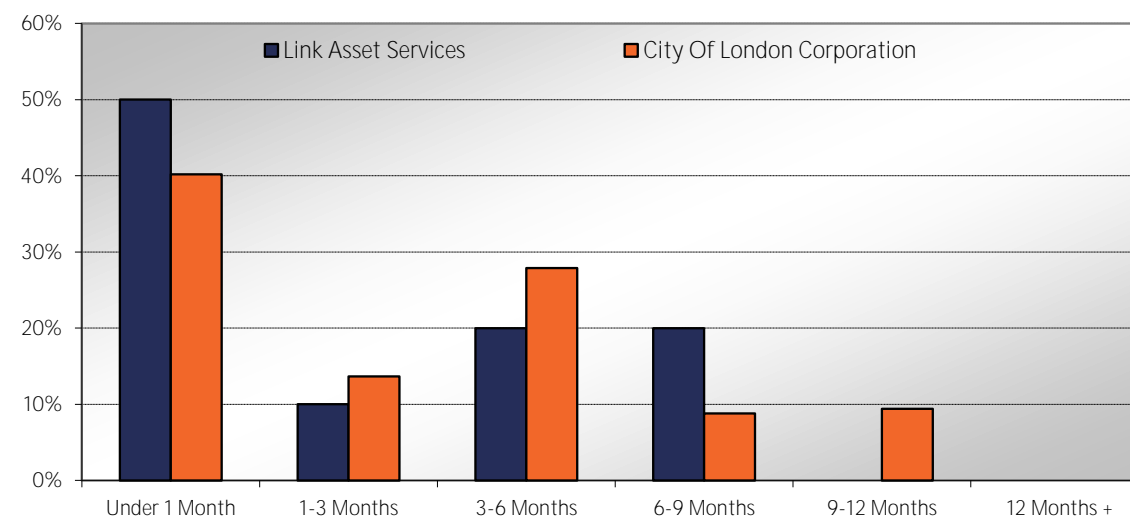
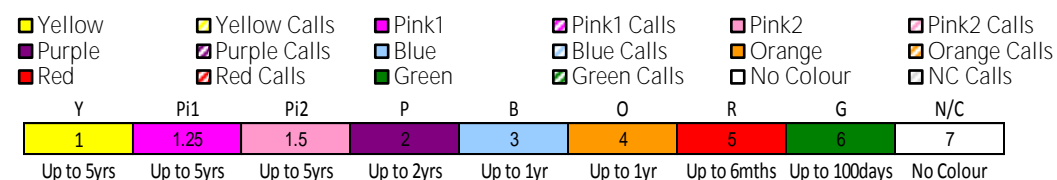
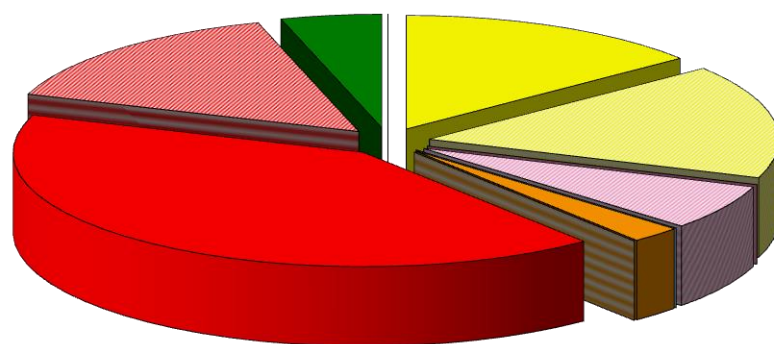
	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
	MMF CCLA	10,000,000	0.19%		MMF	AAA	0.000%
	MMF Deutsche	20,000,000	0.20%		MMF	AAA	0.000%
	MMF Federated Investors (UK)	5,000,000	0.48%		MMF	AAA	0.000%
	MMF Federated Investors (UK)	30,200,000	0.20%		MMF	AAA	0.000%
	MMF Invesco	53,600,000	0.25%		MMF	AAA	0.000%
	Lloyds Bank Plc	6,600,000	0.15%		Call	A	0.000%
	USDBF Payden Sterling Reserve Fund	55,000,000	0.85%		USDBF	AAA	0.000%
	Santander UK Plc	100,000,000	0.60%		Call	A	0.000%
	MMF Standard Life	5,000,000	0.68%		MMF	AAA	0.000%
	MMF Standard Life	15,600,000	0.20%		MMF	AAA	0.000%
	Australia and New Zealand Banking Group Ltd	15,000,000	0.40%	03/05/2017	03/11/2017	AA-	0.000%
	Lloyds Bank Plc	10,000,000	0.55%	03/05/2017	03/11/2017	A	0.000%
	PCC for West Yorkshire	10,000,000	0.26%	26/10/2017	07/11/2017	AA	0.000%
	Glasgow City Council	10,000,000	0.32%	26/09/2017	29/11/2017	AA	0.002%
	Lloyds Bank Plc	22,600,000	0.32%		Call32	A	0.005%
	Coventry Building Society	20,000,000	0.45%	19/04/2017	12/12/2017	A	0.006%
	Goldman Sachs International Bank	20,000,000	0.71%	22/06/2017	19/12/2017	A	0.008%
	Leeds City Council	25,000,000	0.30%	18/09/2017	02/01/2018	AA	0.004%
	North Lanarkshire Council	5,000,000	0.35%	05/10/2017	02/01/2018	AA	0.004%
	Australia and New Zealand Banking Group Ltd	5,000,000	0.40%	03/07/2017	03/01/2018	AA-	0.004%
	Fife Council	10,000,000	0.30%	08/09/2017	08/01/2018	AA	0.004%
	London Borough of Barking & Dagenham	10,000,000	0.39%	28/09/2017	29/01/2018	AA	0.006%
	Lloyds Bank Plc	18,000,000	0.65%	03/05/2017	05/02/2018	A	0.015%
	Lloyds Bank Plc	21,400,000	0.39%	12/07/2017	12/02/2018	A	0.016%
	Nationwide Building Society	11,100,000	0.33%	10/08/2017	12/02/2018	A	0.016%
	Lloyds Bank Plc	9,400,000	0.65%	17/05/2017	19/02/2018	A	0.017%
	Surrey County Council	25,000,000	0.30%	29/09/2017	28/02/2018	AA	0.008%
	Goldman Sachs International Bank	10,000,000	0.75%	01/06/2017	01/03/2018	A	0.019%
	North Tyneside Metropolitan Borough Council	5,000,000	0.31%	04/09/2017	05/03/2018	AA	0.008%
	Nationwide Building Society	25,000,000	0.40%	26/07/2017	12/03/2018	A	0.020%
	Northamptonshire County Council	5,000,000	0.32%	14/09/2017	14/03/2018	AA	0.009%
	Nationwide Building Society	25,000,000	0.32%	01/09/2017	19/03/2018	A	0.021%
	Barclays Bank Plc	25,000,000	0.84%	10/04/2017	29/03/2018	A	0.023%
	Leeds Building Society	8,000,000	0.48%	29/06/2017	03/04/2018	A-	0.024%
	Plymouth City Council	12,000,000	0.32%	25/09/2017	03/04/2018	AA	0.010%

City Of London Corporation

Current Investment List

	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
	Skipton Building Society	20,000,000	0.77%	24/04/2017	23/04/2018	BBB+	0.081%
	Telford & Wrekin Council	6,000,000	0.35%	27/09/2017	24/04/2018	AA	0.011%
	Barclays Bank Plc	14,000,000	0.85%	26/04/2017	25/04/2018	A	0.027%
	Leeds Building Society	2,000,000	0.37%	16/08/2017	16/05/2018	A-	0.030%
	Nationwide Building Society	13,800,000	0.37%	16/08/2017	16/05/2018	A	0.030%
	Goldman Sachs International Bank	30,000,000	0.87%	19/05/2017	18/05/2018	A	0.031%
	Leeds Building Society	5,000,000	0.37%	05/09/2017	05/06/2018	A-	0.033%
	Leeds Building Society	5,000,000	0.37%	07/09/2017	07/06/2018	A-	0.034%
	Goldman Sachs International Bank	20,000,000	1.02%	03/07/2017	02/07/2018	A	0.038%
	Barclays Bank Plc	25,000,000	0.76%	29/09/2017	28/09/2018	A	0.051%
	Goldman Sachs International Bank	20,000,000	0.95%	26/09/2017	01/10/2018	A	0.052%
	Barclays Bank Plc	36,000,000	0.77%	04/10/2017	03/10/2018	A	0.052%
	Total Investments	£860,300,000	0.53%				0.015%

Portfolio Composition by Link Asset Services' Suggested Lending Criteria



Portfolios weighted average risk number = **3.58**

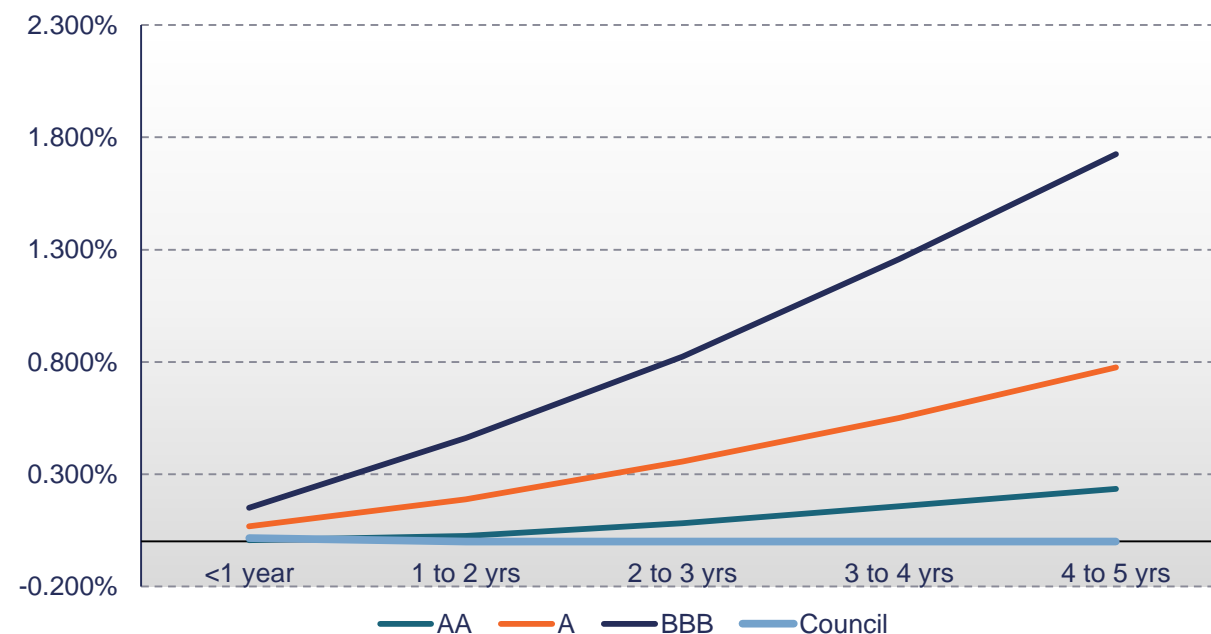
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% 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	30.50%	£262,400,000	53.13%	£139,400,000	16.20%	0.28%	42	59	90	126
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	6.39%	£55,000,000	100.00%	£55,000,000	6.39%	0.85%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Orange	2.32%	£20,000,000	0.00%	£0	0.00%	0.40%	18	184	18	184
Red	56.13%	£482,900,000	26.76%	£129,200,000	15.02%	0.63%	132	216	178	292
Green	4.65%	£40,000,000	0.00%	£0	0.00%	0.59%	182	320	182	320
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£860,300,000	37.61%	£323,600,000	37.61%	0.53%	96	158	152	252

City Of London Corporation

Investment Risk and Rating Exposure

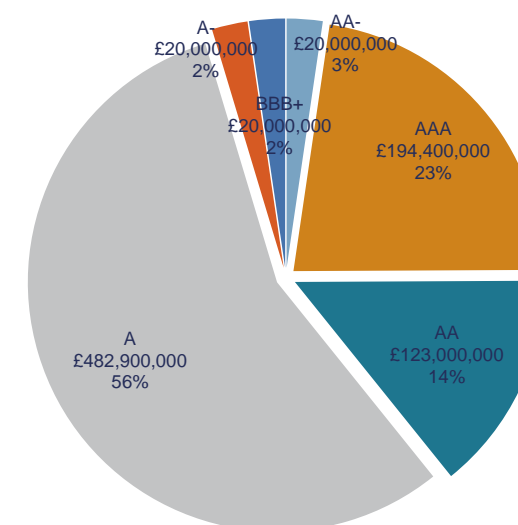
Investment Risk Vs. Rating Categories



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	0.007%	0.024%	0.081%	0.158%	0.234%
A	0.067%	0.189%	0.356%	0.551%	0.775%
BBB	0.150%	0.460%	0.824%	1.257%	1.726%
Council	0.016%	0.000%	0.000%	0.000%	0.000%

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.

City Of London Corporation

Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
04/10/2017	1563	Wells Fargo Bank NA	United States	Long Term Rating downgraded to 'AA-' from 'AA', Outlook changed to Stable from Negative. Short Term Rating affirmed at 'F1+' . Viability Rating downgraded to 'a+' from 'aa-'. Link Asset Services Colour based on Ratings changed to 'Orange' from 'Purple'.
09/10/2017	1565	Santander UK Plc	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Positive Watch.
09/10/2017	1565	Abbey National Treasury Services Plc	United Kingdom	The Long Term Rating removed from Stable Outlook and placed on Positive Watch. Link Asset Services Colour based on Ratings & Watches/Outlooks changed to 'Orange' from 'Red'.
30/10/2017	1569	Canadian Imperial Bank of Commerce	Canada	Long Term Rating affirmed at 'AA-', Outlook changed to Negative from Stable. Short Term Rating affirmed at 'F1+'.
31/10/2017	1569	Royal Bank of Canada	Canada	Long Term Rating affirmed at 'AA', Outlook changed to Stable from Negative. Short Term Rating affirmed at 'F1+'.

City Of London Corporation

Monthly Credit Rating Changes
MOODY'S

Date	Update Number	Institution	Country	Rating Action
				There were no rating changes to counterparties on Link Asset Services' credit list by Moody's this month.

City Of London Corporation

Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
06/10/2017	1564	The Royal Bank of Scotland Plc	United Kingdom	Long Term Rating affirmed at 'BBB+', Outlook changed to Negative from Stable. Short Term Rating affirmed at 'A-2'.
17/10/2017	1566	Barclays Bank Plc	United Kingdom	Long Term Rating upgraded to 'A' from 'A-'. Short Term Rating upgraded to 'A-1', from 'A-2'.
26/10/2017	1567	Credit Agricole Corporate and Investment Bank	France	Long Term Rating affirmed at 'A', Outlook changed to Positive from Stable. Short Term Rating affirmed at 'A-1'.
26/10/2017	1567	Credit Agricole SA	France	Long Term Rating affirmed at 'A', Outlook changed to Positive from Stable. Short Term Rating affirmed at 'A-1'.
30/10/2017	1568	KBC Bank N.V.	Belgium	Long Term Rating affirmed at 'A', Outlook changed to Positive from Stable. Short Term Rating affirmed at 'A-1'.

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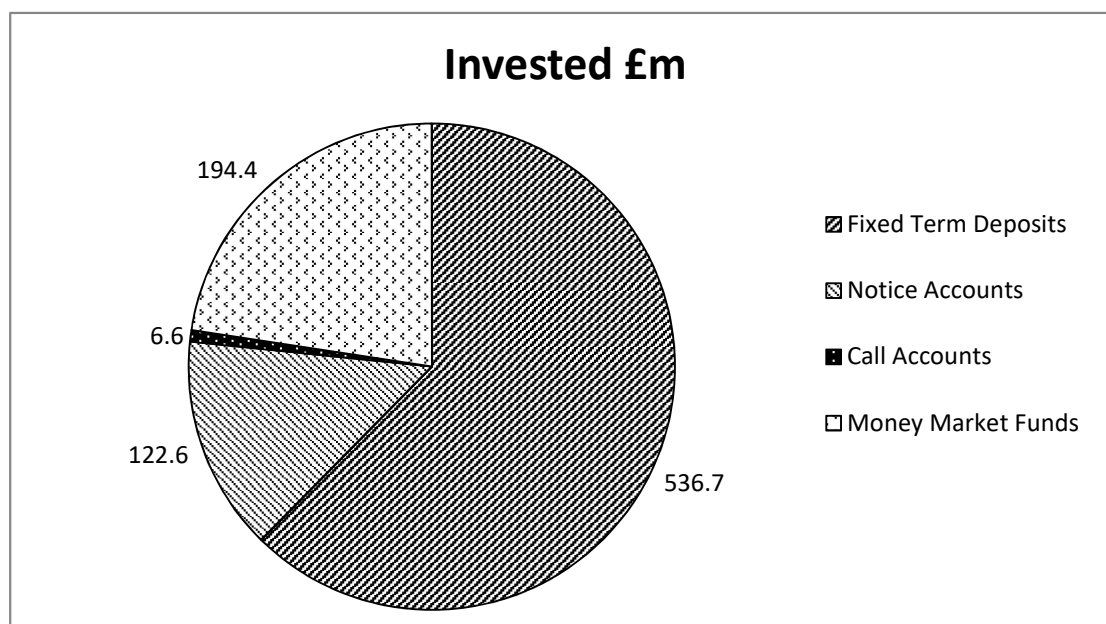
MONTHLY INVESTMENT REVIEW AS AT 31 OCTOBER 2017

	Counterparty Limit	Total Invested as at 31-Oct-17	Average Rate of Return
	£M	£M	%
<u>TOTAL INVESTED</u>		<u>860.3</u>	<u>0.53%</u>
<u>UK BANKS</u>			
Barclays	100.0	100.0	0.80%
Goldman Sachs International	100.0	100.0	0.87%
HSBC	100.0	-	-
Lloyds	150.0	88.0	0.45%
RBS	100.0	-	-
		<u>288.0</u>	
<u>BUILDING SOCIETIES</u>			
Coventry	20.0	20.0	0.45%
Leeds	20.0	20.0	0.41%
Nationwide	120.0	74.9	0.36%
Skipton	20.0	20.0	0.77%
Yorkshire	20.0	-	-
		<u>134.9</u>	
<u>FOREIGN BANKS</u>			
Australia & New Zealand	25.0	20.0	0.40%
National Australia Bank	25.0	-	-
Svenska Handelsbanken	25.0	-	-
		<u>20.0</u>	
<u>LIQUIDITY FUNDS</u>			
Aberdeen Liquidity Fund	100.0	-	-
CCLA - Public Sector Deposit Fund	100.0	10.0	0.19%
Deutsche Global Liquidity Fund	100.0	20.0	0.20%
Federated Prime Liquidity Fund	100.0	35.2	0.24%
Invesco Sterling Liquidity Fund	100.0	53.6	0.24%
Standard Life (Ignis) Liquidity Fund	100.0	20.6	0.32%
		<u>139.4</u>	
<u>ULTRA SHORT DATED BOND FUNDS</u>			
Payden Sterling Reserve Fund	100.0	55.0	0.85%
		<u>55.0</u>	
<u>NOTICE ACCOUNTS</u>			
Santander 95 Days Account	100.0	100.0	0.60%
		<u>100.0</u>	
<u>PUBLIC SECTOR</u>			
LB Barking & Dagenham	25.0	10.0	0.39%
Fife Council	25.0	10.0	0.30%
Glasgow City	25.0	10.0	0.32%
Leeds City Council	25.0	25.0	0.30%
North Lanarkshire	25.0	5.0	0.35%
North Tyneside	25.0	5.0	0.31%
Northamptonshire CC	25.0	5.0	0.32%
Plymouth CC	25.0	12.0	0.32%
Surrey CC	25.0	25.0	0.30%
Telford & Wrekin BC	25.0	6.0	0.35%
West Yorkshire Police	25.0	10.0	0.26%
		<u>123.0</u>	
<u>TOTAL</u>		<u>860.30</u>	

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MONTH BY MONTH REPAYMENT PROFILE

		Invested as at 31-Oct-17 £M	Average Rate of Return %
Total		<u>860.3</u>	<u>0.53%</u>
Fixed Term Deposits			
Nov-17		45.0	
Dec-17		40.0	
Jan-18		55.0	
Feb-18		84.9	
Mar-18		95.0	
Apr-18		60.0	
May-18		45.8	
Jun-18		10.0	
Jul-18		20.0	
Aug-18		0.0	
Sep-18		25.0	
Oct-18		56.0	
		<u>536.7</u>	0.57%
Money Market Funds			
- Same Day Access Constant NAV	129.4		
- Cash Enhanced Variable NAV	10.0		
- Ultra-Short Dated Bond Fund	<u>55.0</u>	194.4	0.41%
Notice Accounts			
- Santander 95 Days	100.0		
- Lloyds 32 Days	<u>22.6</u>	122.6	0.55%
Call Accounts			
- Lloyds Same Day Access		<u>6.6</u>	0.15%
		<u>323.6</u>	



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Committee: Financial Investment Board	Date: 30 November 2017
Subject: Mid-Year Treasury Management Review 2017-18	Public
Report of: The Chamberlain	For Information
Report author: Tom Broughton – Chamberlain's Dept.	

Summary

The Treasury Management Strategy Statement for 2017/18 was approved by the Financial Investment Board and the Finance Committee in February 2017 and by the Court of Common Council on 9 March 2017.

Under CIPFA's Code of Practice on Treasury Management, which was adopted by the Court of Common Council on 3 March 2010, there is a requirement to provide a mid-year review. The main points to note are as follows:

- As at 30 September 2017, the City had cash balances totalling some £865.4m. Most of the balances are held for payment to third parties or are restricted reserves.
- In consultation with its Treasury Management Advisors, Link Asset Services (previously known as Capita Asset Services), the City is in the process of selecting an Ultra Short Dated/Short Dated Bond Fund as an additional mandate for its cash balances.

Recommendation

Members are asked to note the report.

Main Report

Introduction

1. The City of London Corporation (the City) is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the City's low risk appetite, providing adequate liquidity initially before considering investment return.
2. The second main function of the treasury management service is the funding of capital expenditure plans. The City is not anticipating any borrowing in the near future.
3. The City's Treasury Management activities are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) which was adopted by the Court of Common Council on 3 March 2010.
4. The City defines its treasury management activities as:

The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

Treasury Management Strategy Statement and Annual Investment Strategy Update

5. The Treasury Management Strategy Statement for 2017/18 was approved by the Financial Investment Board (2 February 2017) and the Finance Committee (21 February 2017) and the Court of Common Council (9 March 2017).

Investment Portfolio

6. It is the City's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with its risk appetite. The underlying economic environment remains challenging for the City and it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the Bank Base Rate. The Bank Base Rate increased from 0.25% to 0.5% on 2nd November 2017.
7. The City held £865.4m of investments as at 30 September 2017 (£768.9m at 31 March 2017). The majority of the balances are held for payment to third parties or are restricted reserves. As the cash holdings in money market funds are considerable, in consultation with its Treasury Management Advisors, Link

Asset Services (formerly Capita), the City is in the process of selecting an Ultra Short Dated/Short Dated Bond Fund as an additional mandate for its cash balances.

Borrowing Strategy

8. It is anticipated that there will be no capital borrowings required during 2017/18.

Economic Review

9. A detailed commentary on the economy and interest rates as provided by Link Asset Services (the City's Treasury Management advisors) can be found at Appendix 1. Following the MPC's decision to raise base rate on 2nd November 2017. Financial markets expect two more base rate lifts over the next two to three years with the next uplift anticipated in May 2018 and a third in November 2019.

Conclusion

10. In view of the current cash holdings in money market funds, the City in consultation with its Treasury Management Advisors, Link Asset Services (formerly Capita), is in the process of selecting an Ultra Short Dated/Short Dated Bond Fund as an additional mandate for its cash balances.

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