

# CASH MANAGEMENT FOR THE PUBLIC SECTOR

## THE PUBLIC SECTOR DEPOSIT FUND

A better place for your cash  
Freephone: 0800 022 3505

The Public Sector Deposit Fund – a pooled, qualified money market fund managed by CCLA, created by the public sector, for the public sector.

**CCLA**

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**“The Public Sector Deposit Fund is a ground-breaking initiative that will bring the substantial but often elusive benefits of cooperation between public sector organisations within reach at a very challenging time for local authorities.”**

Stephen Jones, Group Finance Director for the Local Government Group

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## RESPONSIBILITIES AND CHALLENGES

### RESPONSIBILITIES

Local authorities and other public sector bodies are responsible for the cost effective delivery of services to residents and businesses. One important element of this which has recently attracted a good deal of media attention, is the management of cash balances – which can range in size from a few tens of thousands of pounds to hundreds of millions.

### THE CHALLENGE

The management of cash is a matter of balancing three requirements:

- low risk,
- adequate daily liquidity and
- optimised returns.

This apparently straightforward task does however carry significant challenges, as was demonstrated in 2008 financial crisis when many public sector depositors were left exposed to possible large capital losses.

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**“The City of London Corporation is delighted to support *The Public Sector Deposit Fund* which meets a current need and will help generate additional revenue for local authorities, which should be welcomed in this time of public spending restraint.”**

Robert Hughes-Penney, Chairman of Investment Committee at City of London Corporation

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### A SOLUTION

In order to avoid a repeat of this experience and to deliver strong future levels of return, it was proposed that public sector depositors should pool some of their funds in a Financial Services Authority (FSA) regulated qualifying money market fund (QMMF) and thereby enjoy the benefits of scale and diversification whilst spreading and sharing the costs of professional management.

## A FOCUS ON THE KEY REQUIREMENTS

### SECURITY

Security of capital is of paramount importance for any depositor. The risk is that a counterparty defaults, or defers repayment resulting in a damaging loss of capital or disruption. The likelihood and impact of a default or deferral is significantly reduced by placing cash with closely monitored, high credit quality counterparties for relatively short periods, and achieving wide diversification.

The choice of top quality borrowers and the capacity to achieve wider diversification increases significantly as the total sum of money being placed increases.

### LIQUIDITY

There is normally a trade-off between the interest rate available on a deposit and the duration of the deposit. The capacity to place funds for longer periods and to benefit from the higher rates available will be limited by the need to maintain a high level of liquidity.

### YIELD

Maximising the average yield on deposits whilst achieving the required security and liquidity requires a careful focus on counterparty quality and the size and term of the cash placed. The best rates from strong counterparties are usually only available on very large deposits.

## THE SOLUTION

### A DEPOSIT FUND FOR THE PUBLIC SECTOR

A pooling of public sector deposits in a qualified money market fund wholly aligned with the principles and values of the public sector provides the advantages of scale and diversification together with the cost-effective expert management required in a challenging world.

CCLA has a long history of providing deposit funds to the charitable sector. Being owned by its charity and local authority clients CCLA is able to provide the management, administrative and regulatory structure required to launch and manage a public sector deposit

fund without the inherent conflicts caused by external financial shareholders.

*The Public Sector Deposit Fund* is a UK domiciled, FSA regulated qualified money market fund managed by CCLA. The fund is designed to ensure that shares in the fund are within the range of investments appropriate for approval by shareholders in their annual investment strategies. To ensure that the fund is aligned to the needs of its public sector depositors, an advisory board representing the public sector has been established to guide the development and management of the fund.

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**“We are always on the look out for opportunities to invest our money in a safe and prudent way for the residents of our Borough, and this new *Public Sector Deposit Fund* provides the perfect vehicle to do just that. We are delighted to be investing as a seed funder and look forward to a prosperous relationship with CCLA.”**

Councillor Ian Carr, Leader of Test Valley Borough Council

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### THE PRODUCT OFFERING IN MORE DETAIL

- A UK FSA regulated constant net asset value\* Qualifying Money Market Fund
- AAAmmf rated by Fitch Ratings
- Investment objectives aligned to the principles and values of the public sector
- Open to clients that are eligible to receive interest gross of tax
- Benchmark 7 day Sterling London Interbank Bid Rate (LIBID)
- Minimum investment for share class 2 to 4 £25,000
- Withdrawal requests received before the dealing deadline (11.30am) will be dealt with that day. Same day withdrawal requests will be available if received before the dealing day deadline but deals less than £100,000 may be subject to an administration fee
- Sale proceeds only remitted to a nominated client bank account
- Interest is paid at the end of each month. Eligible clients will receive interest net of fees but without deduction of tax
- Quarterly statements
- Free annual audit certificate
- Dedicated in-house Client Services team to address client queries

*\*Although it is intended to maintain a stable Net Asset Value per share, there can be no assurance that a stable NAV per share will be maintained.*

### MANAGEMENT FEES

The fund has three public sector income share classes available. The management fees are as set out below:

- Balances below £5 million: 0.20% per annum
- Balances between £5 million and £15 million: 0.15% per annum
- Balances over £15 million: 0.10% per annum

There are no initial charges or exit charges for these share classes.

### SHARING SUCCESS

When the fund reaches £3.0 billion all investors in the fund will have their management fee reduced by 10% across all share classes. A further reduction of 10% will take place when the fund reaches £4.5 billion.

### RESPONSIBLE INVESTMENT

We monitor our counterparties' environmental, social and governance risk management regularly, taking further action if necessary. Our research process is based on the work of our ethical and responsible investment team and data provided by EIRIS, a global responsible investment specialist.

### THE ADVISORY BOARD

An advisory board for *The Public Sector Deposit Fund* has been established to represent the interests of depositors and the public sector as a whole.

The advisory board meet regularly with the manager of the fund CCLA, to provide guidance and monitor the management and development of the fund.

### INFORMATION AND TRANSPARENCY

The management of *The Public Sector Deposit Fund* is subject to high levels of transparency. This allows investors to understand how their funds are being managed, and enables them and other interested parties to monitor the detailed operation and governance of the fund.

Detailed information about the fund is published on the PSDF website [www.psdf.co.uk](http://www.psdf.co.uk)

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**“After the problems caused by the Icelandic banking crisis, councils have sought absolute safety in investment which has meant miserable returns on their necessary cash holding. By forming what is, in effect, a mutual of councils they are getting good financial returns by using the muscle of the entire sector. I see no reason why all councils will not keep some of their money in this fund.”**

Cllr Richard Kemp CBE, Liverpool City Council

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## OPENING AN ACCOUNT COULDN'T BE EASIER

### THIS IS ALL WE NEED FROM YOU:

A completed application form with any additional documents requested.

You can download this at [www.psdof.co.uk](http://www.psdof.co.uk) or by calling 0800 022 3505

## OUR CREDENTIALS

CCLA was established by the Local Government Association and has a 50-year heritage of managing funds for local authorities.

Uniquely, we are owned by our clients, and have no external financial shareholders, and all our clients are not-for-profit organisations. As a result, we understand the particular needs of the sector and our entire focus is to deliver what our clients need, rather than what we can sell them.

In particular, 15% of CCLA is owned by the Local Authorities' Mutual Investment Trust, which was established to promote the management of funds for local authority clients.

We manage approximately £1.8 billion of cash funds for our clients, and can demonstrate a long history of providing both a high level of capital security and an attractive rate of interest on these funds.

## RISK WARNING

The Public Sector Deposit Fund (PSDF) is authorised by the FSA as a UCITS Scheme and is a Qualifying Money Market Fund. The PSDF will maintain a low level of overall risk. This will be achieved by only investing with high quality issuers, by maintaining a high level of diversification and by maintaining a low weighted average maturity. In addition to the general risk factors outlined in the Prospectus investors should also note that purchase of PSDF Shares is not the same as making a deposit with a bank or other deposit taking body and the value of the Shares is not insured or guaranteed. Although it is intended to maintain a stable Net Asset Value per Share, there can be no assurance that a stable Net Asset Value per Share will be maintained. The value of the PSDF may be affected by the creditworthiness of issuers in which

the Fund invests and, notwithstanding the policy of investing in short term instruments, may also be affected by substantial adverse movements in interest rates. The PSDF will endeavour to maintain a Triple A money market fund rating with at least one competent rating agency. For full risk warnings please refer to the full prospectus.

Past performance is not an indication of future performance. The value of investments, and any income derived from them, may fall as well as rise and you may not get back the full amount invested. The levels and basis of, and relief from, taxation may change. You should obtain tax advice where appropriate, before proceeding with any investment. Income payments may constitute a return of capital in whole, or in part.

# CCLA

CCLA Investment Management Limited

Client services:

freephone 0800 022 3505

or visit [www.psd.co.uk](http://www.psd.co.uk)

CCLA Investment Management Limited (registered in England No. 2183088 at 80 Cheapside, London EC2V 6DZ) is authorised and regulated by the Financial Services Authority and is the Authorised Corporate Director, Fund Manager, Administrator and Registrar for the Company.

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