

# CASH MANAGEMENT GBP QUARTERLY UPDATE



EPIC Asset  
Management Limited



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EPIC Asset Management (EPAM) is an established asset management company with a highly successful team of investment specialists. EPAM currently manages cash and bond portfolios for institutional clients seeking similar objectives – security, liquidity and enhanced income.

## Market Overview

FTSE 100, whilst still volatile, has improved over the quarter finishing up at 5572

Short Gilt yields decline further as the UK becomes Europe's safe haven and QE is extended

Treasury 4.5% 2013 end the quarter down 27.5 basis points (45%) at 0.315%

UK and global growth forecasts fall

UK interest rates remain on hold at 0.50% but QE is extended to £275bn in October

Eurozone crisis escalates and fuels market turmoil

## Summary

The quarter, towards the end of December, has been dominated by events in Europe. The escalation of the sovereign debt crisis and whether the Eurozone leaders can act decisively enough to avert a complete break-up of the Euro, a prospect deemed unthinkable only a few months back and the situation remains most definitely in the balance. Whilst there does now appear to be a political will from Germany and France, it is still unclear whether their actions will be enough to abate market fears and prevent further contagion. In reality it is action from the ECB that is required and whilst they have made some moves to assist, by lowering interest rates and providing access to short-term funding, more is needed.

All this turmoil has had devastating effects on global growth forecasts with GDP numbers being revised down around the world, particularly in Europe where the prospects of a return to recession now seems inevitable. UK growth is no exception and as Europe constitutes our biggest trading partner, a slump there will have a significant drag on UK GDP, as such figures for 2012 and beyond have been revised down by all agencies.

The Office for Budget Responsibility (OBR) has revised down UK growth in 2012 from 2.5% to just 0.7%, whilst this seems a huge move, we do see growth of around 1% as a realistic prospect for 2012, although we don't see a return to recession in the UK.

These growth revisions are supported by survey data with manufacturing and industrial numbers weakening in recent months and UK consumer confidence falling to a record low in November, as the employment outlook worsens. However for now, the service sector seems to be holding up and more positive data from the US means that should Europe be able to steady the boat, then the economic outlook may well improve as 2012 progresses.

Closer to home, housing data has improved with Nationwide reporting positive price movements in the 3 months to November and a YoY figure of 1.00% in December, this is coupled with mortgage approvals remaining higher than earlier in the year and appears to be in line with anecdotal evidence of increased lending from the Society's we have dealings with.

## Economic Calendar (GBP)

Date	Event
12 Jan	BoE Rate Announcement
12 Jan	Manufacturing Production m/m
13 Jan	PPI Input m/m
17 Jan	CPI y/y
17 Jan	RPI y/y
18 Jan	Claimant Count Change
20 Jan	Retail Sales m/m
25 Jan	MPC Meeting Minutes
27 Jan	Nationwide HPI m/m
31 Jan	Prelim GDP q/q
3 Feb	Services PMI
9 Feb	Manufacturing Production m/m
9 Feb	BoE Rate Announcement
10 Feb	PPI Input m/m
11 Feb	G20 Meetings
12 Feb	G20 Meetings
14 Feb	CPI y/y
14 Feb	RPI y/y
15 Feb	BoE Inflation Report
15 Feb	Claimant Count Change
17 Feb	Retail Sales m/m
22 Feb	MPC Meeting Minutes
24 Feb	Revised GDP q/q
27 Feb	Nationwide HPI
1 Mar	Manufacturing PMI
5 Mar	Services PMI
8 Mar	BoE Announces Rates
9 Mar	PPI Input m/m
14 Mar	Claimant Count Change
15 Mar	G7 Meetings
20 Mar	CPI y/y
21 Mar	BOE Quarterly Bulletin
21 Mar	MPC Meeting Minutes
22 Mar	Retail Sales m/m
24 Mar	Daylight Saving Time Shift
26 Mar	Nationwide HPI
27 Mar	Final GDP q/q



## Performance

Performance returns have been good over what has been another difficult quarter for bank stocks with significant price volatility. Investment activity during the quarter has been focused on taking advantage of yields at the longer end, the 2 and even 3 year period, which have been offering attractive returns given our view that interest rates will remain low for most of 2012.

We have been working on increasing fund running yields by buying 2 year CD's at over 3% and a 3 year CD's at over 4%, when possible. Given the continued decline in Gilt yields there has not been an opportunity to increase exposure in this sector, we will of course continue to look for buying opportunities, but don't think this is likely in the short-term.

### EPAM Cash Performance Returns - 31 December 2011



Source: EPAM, Tilney Fund Management, Singer & Friedlander Investment Management & Bloomberg

This composite is an aggregation of all portfolios managed according to similar investment mandates, objectives or strategies and each are equally weighted

### Disclaimer

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All data is correct as at the 31 December 2011 unless otherwise stated.

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