

CASH MANAGEMENT GBP QUARTERLY UPDATE



EPIC Asset
Management Limited



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EPIC Asset Management (EPAM) is an established yet forward thinking asset management company with a highly successful team of investment specialists. We offer clients a range of high performance investment solutions including financial products that aim to generate significant extra returns for investors. EPAM has been successfully managing cash reserves for clients around the world since its foundation in 2001. EPAM currently manages cash and bond portfolios, in all major currencies, totalling approx. £2.5 billion, with all of our clients seeking similar objectives – security, liquidity and enhanced income.

Market Overview

FTSE 100 has shown a small but steady increase over the quarter, finishing at just over 5400

Short dated Gilt yields have been volatile but ended the quarter at similar levels to the start, Treasury 5% 2012 finished at 1.56%

Unemployment is remaining steady at 7.9%, with the rate of growth turning negative in December

GDP falls 5.1% YoY but fell just 0.2% in Q3

Inflation ends the quarter up slightly at 1.9% but retail sales remain flat

House prices are showing a return to growth, Nationwide reporting +5.9% YoY rise at the year end

Summary

Well we're glad that's over! 2009 was a difficult year for the financial markets but as it came to a close we had seen a return to normal operations and some positive economic data pointing we hope to a better year to come in 2010. Q4 saw steady growth in the FTSE and confirmation that GDP fell just 0.2% in the third quarter leading we expect to a return to positive growth for Q4 and an end to the worst recession on record! Other economic indicators support this view; unemployment appears to have peaked with December showing an unexpected fall in the claimant count. House prices are showing a return to positive growth with nationwide reporting that prices increased by 5.9% year on year as at the end of December; this was coupled with steadily increasing mortgage approvals. Most interestingly though the PMI index rose to a 25 month high in December meaning UK manufacturing expanded at it's fastest pace in more than 2 years, this leaves the sector in comparatively good shape for the year to come. Whilst this general upturn in numbers and sentiment points to a resumption of growth in Q4 the markets still have some concerns looking ahead.

November saw an increase in the Quantitative Easing programme from £175bn to £200bn, £25bn less than markets expected which in part resulted in a pretty volatile quarter for gilt yields. This against a backdrop of rising inflation, up to 1.9% in December and market concerns that policy mistakes will be made as the Bank of England looks to remove these emergency monetary and fiscal stimuli later on in the year. This along with talk of sovereign downgrades could see volatile conditions continue in the gilt markets especially if the positive economic indicators were to falter. Volatility does however provide investment opportunities and for those clients that are permitted we will be continuing to look to the short dated gilt and corporate bond markets for enhanced returns.

Cash yields remain low which means we have had to look elsewhere for enhanced yield therefore asset allocation is still key to our investment strategy. Looking at investment opportunities in gilts, corporate debt, deposits and longer dated CD's around a cash foundation means we have been able to continue good performance in this ultra-low yield environment.

Economic Calendar (GBP)

Date	Event
04-Jan	Manufacturing PMI
06-Jan	Services PMI
07-Jan	BoE Announces Rates
08-Jan	PPI Input m/m
13-Jan	Manufacturing Production m/m
19-Jan	CPI y/y
20-Jan	Claimant Count Change
20-Jan	MPC Meeting Minutes
22-Jan	Retail Sales m/m
22-Jan	Prelim GDP q/q
28-Jan	Nationwide HPI m/m
01-Feb	Manufacturing PMI
03-Feb	Services PMI
04-Feb	BoE Rate Announcement
09-Feb	Manufacturing Production m/m
10-Feb	BoE Inflation Report
12-Feb	PPI Input m/m
16-Feb	CPI y/y
17-Feb	Claimant Count Change
17-Feb	MPC Meeting Minutes
19-Feb	Retail Sales m/m
26-Feb	Revised GDP q/q
26-Feb	Nationwide HPI
01-Mar	Manufacturing PMI
03-Mar	Services PMI
04-Mar	BoE Rate Announcement
09-Mar	Manufacturing Production m/m
12-Mar	PPI Input m/m
16-Mar	CPI y/y
17-Mar	Claimant Count Change
17-Mar	MPC Meeting Minutes
19-Mar	Retail Sales m/m
29-Mar	Nationwide HPI



The Credit Team

At EPAM we have many departments, all of which are integral to our business and the needs of our clients. Here we look at the role of Donal Mullane, our head of credit.

Donal's role is to overlay the credit research of leading financial institutions and to use his experience and expertise to sort the wheat from the chaff. As such he is a valued asset to the EPAM team and aims to keep us out of trouble as much as possible! On a day to day basis his role is to support the Fund Managers in determining which investments offer the best relative value – balancing security (our foremost consideration) against the return offered. Donal uses his background in relative value fixed income research, and his experience of on-site rating evaluations, to determine appropriate ratings similar to the ratings agencies, such as Standard & Poors which we subscribe to. In essence, Donal's role, is to anticipate and pre-empt those ratings agencies. Credit reviews are outsourced to an independent 3rd party provider, Hardman & Co, who act under Donal's guidance.

Donal also looks after EPAM's real estate investments and chairs our Risk Committee. The Risk Committee comprises of representatives from all areas of our business from the Chairman of EPAM down, so the Fund Managers, Operations, Finance, and Compliance are all represented – not just Credit, much to Donal's relief no doubt!

Donal has a young family, but somehow he manages to balance this with membership of the City of London Round Table Club, the London Old Tablers' Society, and as a Liveryman of the International Bankers and of the World Traders livery companies. Work hard, play hard springs to mind!

Conference Dates

Please find below a list of the conferences where EPAM will be exhibiting this year. Should you be attending any of these conferences, then please pop along to our stand and meet the Team.



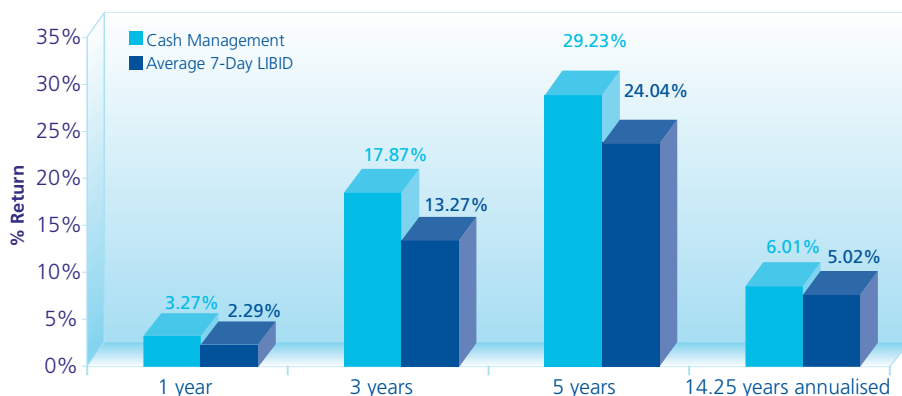
British University Finance Directors Conference	29th-30th March 2010
Building Societies Association Annual Conference	5th-6th May 2010
CIPFA Annual Conference	8th-10th June 2010
Charity Finance Directors Conference	18th May 2010
Association of Corporate Treasurers Annual Conference	27th-28th April 2010
HFMA Foundation Trust Conference	1st-2nd July 2010

Performance

Our performance returns continue to please in this low interest rate environment! 2009 was a challenging year for cash investors but our annual

return has held up very well, at 3.27% it is almost 1% over benchmark and well above the low yields offered in the cash markets.

EPAM Cash Performance Returns – 31st December 2009



Meet Our Team



Donal Mullane,
Head of Credit

Donal Mullane has over 25 years credit and legal experience in banking and capital markets. A law school graduate, he holds a BSc Econ Hons degree in International Politics and International History; a Diploma in Banking; a Diploma in Law; a Post Graduate Diploma in Legal Practice; and an MA in Legal Research (where his thesis was on Derivatives under English Law). Prior to joining EPAM he worked in Fixed Income Research for the London investment banking arm of Tokyo Mitsubishi Bank. Previously he was Head of Credit for both the EU and CEMEA Regions of Visa International, and prior to that worked for leading British, German and Japanese banks. He is an Associate of the Chartered Institute of Bankers and is a former tutor in Banking Law.

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The content should not be viewed as indicating any guarantee of return from an investment or as a recommendation to buy and sell stocks. The value of an investment can go down as well as up and investors may not get back their original investment.

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