

CASH MANAGEMENT GBP QUARTERLY UPDATE



EPIC Asset
Management Limited

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

Market Overview Q4 2010

FTSE 100 claws back losses due to external shocks to finish the quarter almost level at 5909

Gilt yields improved over the quarter but have been volatile; Treasury 4.5% 2013 finished the quarter up 26b.p. at 1.35%

Unemployment up marginally at 8.0%

GDP falters, falling -0.5% in Q4 2010

Inflation continues to worsen, finishing the quarter at 4.4%

House price growth stagnates, Nationwide reporting a rise of just 0.1% YoY at the end of March

BoE under pressure to raise rates and curb inflation

Summary

January saw weak economic data in the UK almost across the board as the effects of the severe bad weather in December was fed through into the numbers. Q4 GDP coming in at -0.5% was below all analyst expectations but it is the inflation numbers that seemed to be driving markets.

March saw CPI hit 4.4% (YoY) more than twice the MPC's target level for inflation and whilst there have been one off hits, with the VAT increase and rising commodity prices, this argument can only hold for so long. With the backdrop of troubles in the Middle East pushing the oil price up further, these 'one off' effects seem set to continue. Significant pressure is therefore mounting on the MPC to raise rates regardless of the fragile economic recovery and the minutes from the February meeting showed that two more members joined Andrew Sentence in voting for a rate increase.

However, worldwide shock events became increasingly significant throughout March, the Japanese earthquake with its immediate and long term devastating effects for the Japanese people and their economy and the increasing unrest in the Middle East particularly Libya, have led to much market uncertainty. The events in Japan saw gilt yields fall sharply in mid March and whilst there has been some recovery they are yet to reach the levels seen back in February.

PMI indices show all sectors rebounded well from December's dip in activities, construction expanded at the fastest pace in 8 months in February and held up in March, manufacturing had a strong start to 2011 but subsequently showed signs of a wobble in March, and the all important service sector has proved volatile. After a strong return to growth in January, service sector growth then slowed more than expected in February, as inflation and price pressures weighed heavy on the sector but rebounded to a 13 month high in March, a positive indicator for future growth. These numbers do support a return to growth in Q1 but the question remains as to whether it will be strong enough to support an interest rate rise.

We do believe that the MPC's decision will be data led and it is the first estimate of Q1 GDP due in April that will determine the timing of the first rate hike. If the recovery remains weak then it may be summer before we see the first move. The intense pressure in the markets during February to raise rates sooner rather than later does seem to have abated, with unemployment pushing up, albeit marginally and consumer confidence plummeting as they are squeezed from all sides it certainly feels like the MPC has more room to continue with their wait and see policy a little longer.

Economic Calendar (GBP)

Date	Event
6 Apr	Manufacturing Production m/m
7 Apr	BoE Rate Announcement
8 Apr	PPI Input m/m
12 Apr	CPI y/y
13 Apr	Claimant Count Change
20 Apr	MPC Meeting Minutes
21 Apr	Retail Sales m/m
22 Apr	Bank Holiday
25 Apr	Bank Holiday
27 Apr	Prelim GDP q/q
27 Apr	Nationwide HPI m/m
29 Apr	Bank Holiday
2 May	Manufacturing PMI
2 May	Bank Holiday
4 May	Services PMI
5 May	BoE Rate Announcement
6 May	PPI Input m/m
11 May	BoE Inflation Report
12 May	Manufacturing Production m/m
17 May	CPI y/y
18 May	Claimant Count Change
18 May	MPC Meeting Minutes
19 May	Retail Sales m/m
25 May	Revised GDP q/q
27 May	Nationwide HPI
1 Jun	Manufacturing PMI
3 Jun	Services PMI
9 Jun	BoE Announces Rates
10 Jun	PPI Input m/m
14 Jun	CPI y/y
15 Jun	Claimant Count Change
16 Jun	Retail Sales m/m
22 Jun	MPC Meeting Minutes
23 Jun	G8 Meetings
23 Jun	BOE inancial Stability Report
27 Jun	Nationwide HPI
28 Jun	Final GDP q/q
1 Jul	Manufacturing PMI
5 Jul	Services PMI
7 Jul	Manufacturing Production m/m
7 Jul	BoE Announces Rates
8 Jul	PPI Input m/m

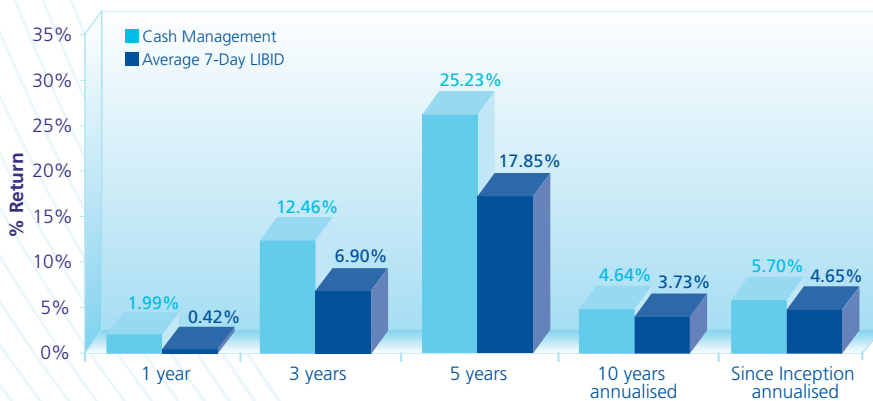


Performance

March's unexpected fall in gilt yields provided an opportunity to take profits for those clients able to reduce their exposure to this sector but going forward we expect there to be more buying activity as gilt yields seem set to rise. Even with the near term possibility of base rate rising, it is the longer end of the curve that continues to provide value, so we have looked to add CD's

from 1 to 2 years where possible. The corporate bond market remains good value and we have been buying short dated but well rated stocks at levels significantly above corresponding cash rates. This diversification of assets is providing the enhanced portfolio returns even as yields rise and we expect this to continue over the coming months.

EPAM Cash Performance Returns - 31 March 2011



Source: EPAM & Bloomberg

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 EPAM Team.

British University Finance Directors Conference:	11th - 12th April 2011
Building Societies Association Annual Conference:	4th - 5th May 2011
British Insurance Brokers Association Annual Conference:	11th - 12th May 2011
Charity Finance Directors Group Annual Conference:	12th May 2011
HFMA Foundation Trust Annual Conference:	23rd - 24th June 2011
CIPFA Annual Conference:	5th - 7th July 2011

Meet Our Team



Victoria Oakley
Assistant Fund Manager

Victoria comes from a banking background and started her career at Singer & Friedlander Limited, before moving onto the Corporate FX sales team at Investec Bank. She joined EPAM in May 2009 and having recently passed the IMC qualification (Investment Management Certificate) is becoming more involved within the Fund Management process.

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