

affirmative deposit fund for charities

Investment objectives and policy

The Fund will seek to achieve, mainly through a portfolio of bank deposits and with minimal risk of capital loss, the higher rates of interest usually available in the London Money Markets, whilst maintaining the ability for depositing charities to make withdrawals at short notice.

Investments will be made with banks and other institutions which meet rigorous criteria based on independent credit ratings and size, with a maximum average maturity date for the investments of no more than 150 days. Risk is further minimized by limiting the proportion of the Fund's monies that are deposited with any single bank or other institution.

The Fund may invest in sterling denominated deposits, Treasury Bills and other UK Government guaranteed securities and floating rate bonds and will maintain a minimum of 10% of its assets in investments realizable within 5 working days.

The Fund's benchmark, before expenses, is the 7-day London Interbank bid rate (LIBID) as measured by the British Banks Association.

Current lending criteria

Institutions may be considered for inclusion on our Lending Limit List if they pass all the following criteria.

- a. British clearing banks and building societies (to include 100% owned subsidiaries)
 - a. Short-term credit rating of P1 (Moody's) or equivalent (other recognised rating agencies).
 - b. Long-term credit rating of A or better (S&P) or equivalent (other recognised rating agencies).
 - c. Numbered in the top 125 banks world-wide (or equivalent for building societies) by total assets (net assets plus irredeemable loan capital - source The Banker or equivalent for Building Societies). See Additional restrictions below.
 - d. Tier One capital rank is also included for information (source: The Banker). Tier One capital is defined as shareholders' equity available to cover actual or potential losses.

- b. Overseas Banks (to include 100% owned subsidiaries)
 - a. Short-term credit rating of P1 (Moody's) or equivalent (other recognised rating agencies).
 - b. Long-term credit rating of A or better (S&P) or equivalent (other recognised rating agencies).
 - c. Numbered in the top 125 banks worldwide by total assets (net assets plus irredeemable loan capital - source The Banker). See Additional restrictions below.
 - d. UK branch or a guaranteed UK subsidiary both eligible for liquidity support from the Bank of England.
 - e. Tier One capital rank is also included for information (source: The Banker). Tier One capital is defined as shareholders' equity available to cover actual or potential losses.

Credit Rating Comparisons

The ratings of the three ratings agencies (S&P, Moody's and Fitch) will be used to produce a composite rating.

Maximum Limits

Rating	Score	Composite Score	Limit - £m
AAA	1	1.0 to 1.4	85
AA+/Aa1	2	1.4 to 2.4	80
AA/Aa2	3	2.4 to 3.4	75
AA-/Aa3	4	3.4 to 4.4	70
A+/A1	5	4.4 to 5.4	50
A/A2	6	5.4 to 6.0	30

Secured Lending

Loans may be made to any financial institution secured against UK Treasury Bills and UK Government Bonds (limit £75 million). Loans may be made to any financial institution secured against Certificates of Deposit issued by any bank on the lending limit list (limit to be part of overall lending limit to the issuing bank).

Maturity of Holdings

- a. The maximum maturity of any deposit or fixed interest security is two years.
- b. For floating rate securities the maximum period between which interest rates are fixed is six months and the maximum final maturity is five years.
- c. A maximum of two thirds of the lending limit of any bank is allowed in excess of three months.

Additional Considerations

- a. Banks will only be added to the Lending Limit List if at the time they are numbered in the top 75 by total assets size worldwide, but will only be removed if they fall below the top 125.
- b. The maximum exposure to floating rate notes will be limited to 10% of the value of the Fund at the time of purchase.
- c. At the judgement of the Manager a bank may be assigned a limit one notch higher than the Composite Score would suggest. In these circumstances lending above the Composite Score Limit will be restricted to call and overnight deposits. Any occasion when this judgement call is made will be reported to the Epworth Board.

Credit Guarantee Scheme (CGS)

Note is taken of those institutions that are members of the CGS: Bank of Scotland; Barclays Bank; Clydesdale Bank; HSBC Bank; Lloyds TSB Bank; Nationwide Building Society; The Royal Bank of Scotland; Santander UK plc and Standard Chartered Bank.