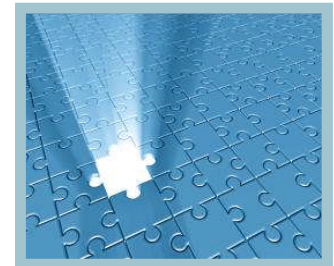


SECTOR

Sevenoaks District Council

Monthly Investment Analysis Review

June 2012



Sevenoaks District Council

Monthly Economic Summary

General Economy

The Bank of England (BoE) looks set to flood the market with another £50bn of cash, as early as next week, as Britain's economic growth outlook deteriorates and falling inflation gives the central bank room to offer further support. The economy shrank by 0.3% during the first three months of this year, leaving the nation in its second recession in four years. The dreadful figure was largely down to a 4.9% drop in construction output, its sharpest fall since the first quarter of 2009. This weak picture of the economy was further underlined by figures also released, showing government spending grew at its fastest rate in nearly seven years between January and March. Public sector net borrowing (excluding public sector interventions) came in at £17.9bn for May, compared with £15.2bn a year ago, after income tax receipts fell and spending rose, in a sign the government may face a struggle to meet its debt reduction target as the economy weakens. The central bank forecast in May that inflation was likely to remain above its 2% target until the second half of next year. However, with CPI unexpectedly falling to 2.8%, due to slower price rises for food and fuel, it is an indication that inflation may be easing more quickly, as the bank had first hoped. The drop in growth and a fall in CPI have given the BoE more leeway to inject additional cash into the economy. According to the Office for National Statistics (ONS), Britain's goods trade deficit unexpectedly widened to £10.10bn in April, the second-largest gap since records began in January 1998, as exports to countries outside of the European Union fell sharply, while imports dipped less. In a further sign of the darkening economic outlook, we witnessed the headline PMI manufacturing activity shrink at its fastest pace in three years, in May, plunging to 45.9 from a downwardly revised 50.2 in April, reflecting a broad-based global economic slowdown in demand for British goods. Moving in to more positive territory, in May, Britain's services sector continued to grow at a steady pace, the PMI remaining at 53.3 and confounding expectations for a slowdown. The number of people without a job on the wider ILO measure fell by 51,000 in the three months to April to 2.62 million, moreover, the jobless rate held steady at 8.2% providing evidence of showing some signs of improvement. British retail sales also carried positive news, bouncing back in May and rising 1.4% on the month as shoppers splashed out on clothes and shoes. This followed a slump in the wettest month of April on record, while low fuel sales, following panic-buying in March due to a looming truck driver strike, compounded the fall. Despite a weaker growth outlook in the near term, the BoE opted to halt its £325bn quantitative easing programme in May, after its latest forecasts showed inflation would take longer to fall back to its 2% target. However, with an escalation of the Eurozone debt crisis in recent weeks and falling CPI, it is likely some policymakers have had to rethink their stance.

Housing Market

Mortgage lender Halifax reported house prices rose by 0.5%, on a monthly basis in May, rebounding from a 2.3% decline in April. According to Nationwide, house prices fell 0.6% in June after a 0.2% rise the month before. They blamed the weakness of the UK economy and the end of the stamp duty holiday in March, which provided a boost for the market early in the year. The number of mortgages granted to homebuyers rose to 32,438 in April, up from 31,931 in March, according to the British Bankers' Association group.

Forecast

Sector has kept its interest rate forecast unchanged, expecting a first increase in the bank rate of 0.25% in Q1 of 2014, followed by incremental increases of 0.25% in Q2 and Q3 of the same year before rising to 1.50% in Q1 2015. UBS and Capital Economics are not expecting any change in the bank rate for the foreseeable future.

Bank Rate	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13
Sector	0.50%	0.50%	0.50%	0.50%	0.50%
UBS	0.50%	0.50%	0.50%	0.50%	0.50%
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%

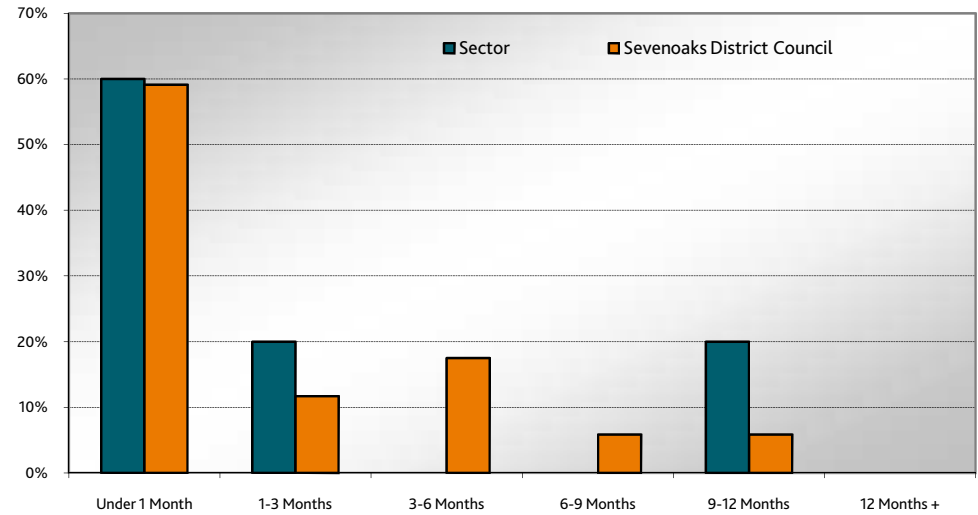
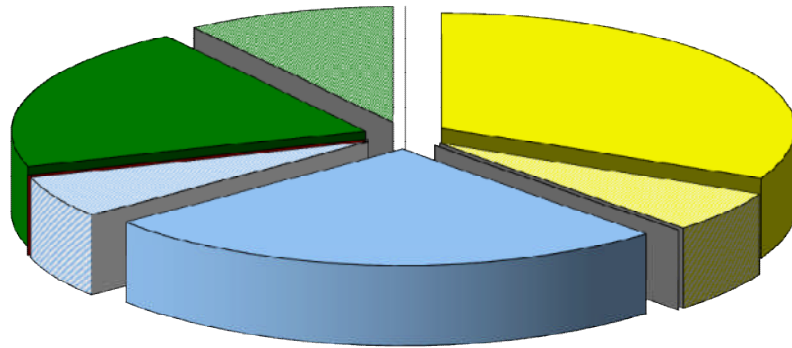
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Current Investment List

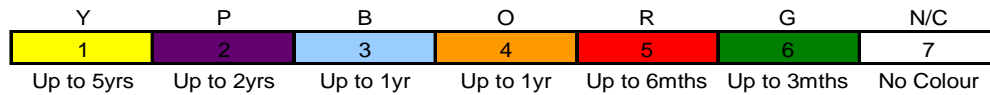
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date
Barclays Bank plc	3,258,000	0.45%		Call
National Westminster Bank Plc	2,000,000	0.80%		Call
Ignis MMF	1,000,000	0.74%		MMF
Insight MMF	1,000,000	0.69%		MMF
UK Debt Management Office	5,000,000	0.25%	25/06/2012	03/07/2012
Nationwide BS	1,000,000	1.00%	02/04/2012	09/07/2012
Eastleigh Borough Council	1,000,000	0.42%	16/01/2012	16/07/2012
National Westminster Bank Plc	1,000,000	1.80%	19/12/2011	18/07/2012
Nationwide BS	2,000,000	1.00%	18/04/2012	23/07/2012
Salford City Council	1,000,000	0.38%	11/01/2012	23/07/2012
Lloyds TSB Bank Plc	1,000,000	1.75%	25/01/2012	25/07/2012
Ulster Bank Ltd	1,000,000	1.12%	27/04/2012	27/07/2012
Nationwide BS	1,000,000	0.95%	01/05/2012	01/08/2012
Barclays Bank plc	1,000,000	0.91%	02/05/2012	02/08/2012
Barclays Bank plc	1,000,000	0.95%	15/05/2012	15/08/2012
Nationwide BS	1,000,000	0.93%	25/05/2012	28/08/2012
Greater London Authority	3,000,000	0.34%	11/06/2012	02/10/2012
Lloyds TSB Bank Plc	1,000,000	2.00%	31/01/2012	31/10/2012
Lloyds TSB Bank Plc	1,000,000	2.00%	03/02/2012	05/11/2012
Aberdeen City Council	1,000,000	0.48%	29/05/2012	29/11/2012
Bank of Scotland Plc	1,000,000	2.50%	14/02/2012	12/02/2013
Bank of Scotland Plc	1,000,000	2.50%	24/02/2012	22/02/2013
National Westminster Bank Plc	2,000,000	2.25%	27/04/2012	22/05/2013
Borrower - Icelandic Exposure	Principal (£)	Interest Rate	Start Date	Maturity Date
Landsbanki Islands hf	1,000,000	6.32%	25/06/2007	25/06/2009
Total Investments	£35,258,000			
Total Investments - excluding Icelandic exposure	£34,258,000	0.96%		
Total Investments - Icelandic Exposure Only	£1,000,000	6.32%		

Sevenoaks District Council

Portfolio Composition by Sector's Suggested Lending Criteria



■ Yellow ■ Yellow Calls ■ Purple ■ Purple Calls ■ Blue ■ Blue Calls ■ Orange
■ Orange Calls ■ Red ■ Red Calls ■ Green ■ Green Calls ■ No Colour ■ NC Calls



Portfolios weighted average risk number = **3.1**

WARoR = Weighted Average Rate of Return
 WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs	
									WAM	WAM at Execution
Yellow	37.95%	£13,000,000	15.38%	£2,000,000	5.84%	0.38%	38	72	44	85
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	32.11%	£11,000,000	18.18%	£2,000,000	5.84%	1.80%	131	231	160	283
Orange	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Red	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Green	29.94%	£10,258,000	31.76%	£3,258,000	9.51%	0.80%	22	64	32	94
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£34,258,000	21.19%	£7,258,000	21.19%	0.96%	63	121	80	153

Sevenoaks District Council

Monthly Credit Rating Changes

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Date	Update Number	Institution	Country	Rating Action
08/06/2012	1100	Spain Sovereign Rating	Spain	Sovereign Rating downgraded to 'BBB' from 'A'
11/06/2012	1101	Santander UK plc	U.K	LT Rating downgraded to 'A' from 'A+', Viability Rating downgraded to 'a' from 'a+'
13/06/2012	1102	Credit Agricole SA	France	LT Outlook changed to 'Negative' from 'Stable'
13/06/2012	1102	CALYON Corporate and Investment Bank	France	LT Outlook changed to 'Negative' from 'Stable'

Sevenoaks District Council

Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
11/06/2012	1099	Commerzbank AG	Germany	LT Rating downgraded to 'A3' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook'
11/06/2012	1099	DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	Germany	LT Rating downgraded to 'A1' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
11/06/2012	1099	Landesbank Baden Wuerttemberg	Germany	LT Rating downgraded to 'A3' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
11/06/2012	1099	Landesbank Hessen-Thuringen Girozentrale (Helaba)	Germany	LT Rating downgraded to 'A2' from 'A1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'D+' from 'C-' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
11/06/2012	1099	Norddeutsche Landesbank Girozentrale	Germany	LT Rating downgraded to 'A3' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating downgraded to 'D' from 'D+' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
11/06/2012	1099	UniCredit Bank AG	Germany	LT Rating downgraded to 'A3' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook'
15/06/2012	1103	Cooperatieve Centrale Raiffeisen Boerenleenbank BA	Netherlands	LT Rating downgraded to 'Aa2' from 'Aaa' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'B-' from 'B+' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
15/06/2012	1103	ING Bank NV	Netherlands	LT Rating downgraded to 'A2' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', FSR Rating downgraded to 'C-' from 'C+' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook'

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
15/06/2012	1104	KBC Bank NV	Belgium	LT Rating downgraded to 'A3' from 'A1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating downgraded to 'D+' from 'C-' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
15/06/2012	1105	Banque et Caisse d'Epargne de l'Etat	Luxembourg	LT Rating downgraded to 'Aa1' from 'Aaa' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'C' from 'C+' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
15/06/2012	1106	Credit Industriel et Commercial	France	LT Rating removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1107	Lloyds Banking Group Plc	U.K	LT Rating downgraded to 'A3' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook'
22/06/2012	1107	Bank of Scotland Plc	U.K	LT Rating downgraded to 'A2' from 'A1' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', ST Rating removed from 'Under Review for Possible Downgrade'
22/06/2012	1107	Lloyds TSB Bank Plc	U.K	LT Rating downgraded to 'A2' from 'A1' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', ST Rating removed from 'Under Review for Possible Downgrade'
22/06/2012	1108	Royal Bank of Scotland Group Plc	U.K	LT Rating downgraded to 'Baa1' from 'A3' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook'
22/06/2012	1108	National Westminster Bank Plc	U.K	LT Rating downgraded to 'A3' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating downgraded to 'D+' from 'C-' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1108	The Royal Bank of Scotland Plc	U.K	LT Rating downgraded to 'A3' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating downgraded to 'D+' from 'C-' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1108	Ulster Bank Ltd	U.K	LT Rating downgraded to 'Baa2' from 'Baa1' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook'
22/06/2012	1109	Barclays Bank Plc	U.K	LT Rating downgraded to 'A2' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', FSR Rating downgraded to 'C-' from 'C' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
22/06/2012	1109	HSBC Bank Plc	U.K	LT Rating downgraded to 'Aa3' from 'Aa2' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', FSR Rating downgraded to 'C' from 'C+' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1110	BNP Paribas	France	LT Rating downgraded to 'A2' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'C-' from 'C' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1110	Credit Agricole Corporate and Investment Bank	France	LT Rating downgraded to 'A2' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', FSR Rating downgraded to 'D-' from 'D' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1110	Credit Agricole SA	France	LT Rating downgraded to 'A2' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', FSR Rating downgraded to 'D' from 'C-' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook'
22/06/2012	1110	Societe Generale	France	LT Rating downgraded to 'A2' from 'A1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Outlook changed from 'Negative' to 'Stable'
22/06/2012	1110	Fortis Bank	Belgium	LT Rating downgraded to 'A2' from 'A1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1110	Royal Bank of Canada	Canada	LT Rating downgraded to 'Aa3' from 'Aa1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'C+' from 'B' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1111	Deutsche Bank AG	Germany	LT Rating downgraded to 'A2' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'C-' from 'C+' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1111	UBS AG	Switzerland	LT Rating downgraded to 'A2' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', ST Rating removed from 'Under Review for Possible Downgrade', FSR Rating downgraded to 'C-' from 'C' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1111	UBS Ltd	U.K	LT Rating downgraded to 'A2' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', ST Rating removed from 'Under Review for Possible Downgrade'

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
22/06/2012	1111	Credit Suisse	Switzerland	LT Rating downgraded to 'A1' from 'Aa1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'C-' from 'B' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1111	Credit Suisse International	U.K	LT Rating downgraded to 'A1' from 'Aa1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1112	Bank of America, N.A.	U.S.A	LT Rating downgraded to 'A3' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating downgraded to 'D+' from 'C-' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1112	Citibank, N.A.	U.S.A	LT Rating downgraded to 'A3' from 'A1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating downgraded to 'D+' from 'C-' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1113	JP Morgan Chase Bank NA	U.S.A	LT Rating downgraded to 'Aa3' from 'Aa1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'C' from 'B' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
25/06/2012	1114	HSBC Bank USA, N.A.	U.S.A	LT Rating downgraded to 'A1' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
25/06/2012	1114	Bank of New York Mellon, The	U.S.A	LT Outlook changed to 'Stable' from 'Negative'
25/06/2012	1114	State Street Bank and Trust Company	U.S.A	LT Outlook changed to 'Stable' from 'Negative'
25/06/2012	1114	Wells Fargo Bank NA	U.S.A	LT Outlook changed to 'Stable' from 'Negative'
25/06/2012	1115	The Hong Kong and Shanghai Banking Corporation Ltd	Hong Kong	LT Rating downgraded to 'Aa2' from 'Aa1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'B' from 'B+' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
28/06/2012	1116	Santander UK plc	U.K	LT Rating removed from 'Negative Outlook' and placed 'Under Review for Possible Downgrade', ST Rating placed 'Under Review for Possible Downgrade', FSR Rating removed from 'Stable Outlook' and placed 'Under Review for Possible Downgrade'

Sevenoaks District Council

Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
29/06/2012	1117	DB UK Bank Limited	U.K	LT Rating downgraded to 'Baa2' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating downgraded to 'C-' from 'C+' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'

Sevenoaks District Council

Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
No rating changes have occurred in June by S&P.				