

The Local Authorities' Mutual Investment Trust (LAMIT) and The Public Sector Deposit Fund (PSDF) Advisory Board

Stress Tests Reports

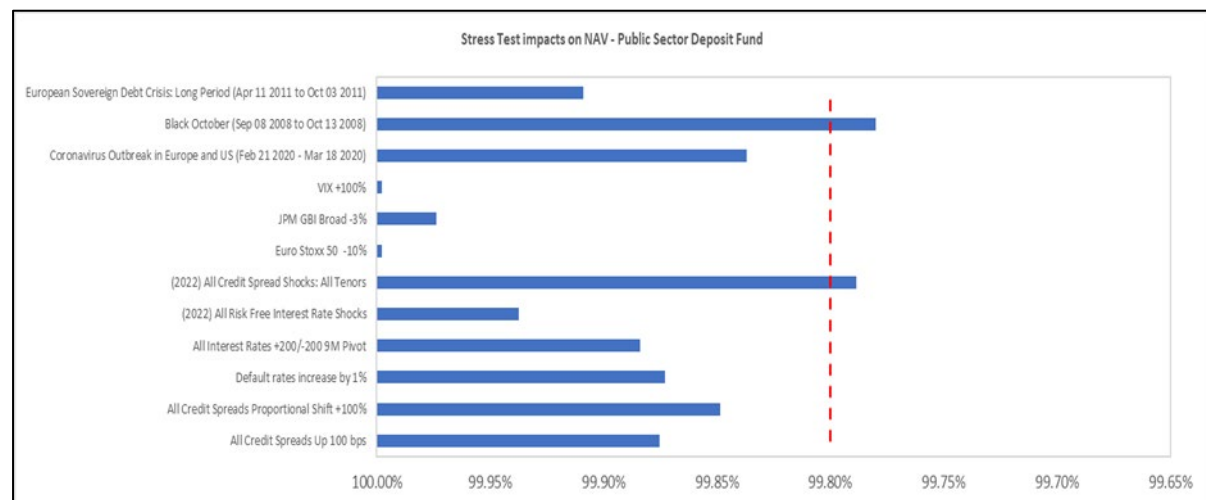
Money Market Fund Regulation introduced a number of rules which the Public Sector Deposit Fund (PSDF) must follow. As part of prudent risk management, Article 28 of the rules require Managers to have a stress testing procedure in place based on hypothetical scenarios and that such stress testing should take place at least bi-annually.

Stress tests are conducted at a frequency determined by the ACD, after considering what an appropriate and reasonable interval is, in light of the market conditions, and after considering any envisaged changes in the portfolio. Stress tests are currently carried out on a monthly basis by the Investment Risk Management function and shared with the Cash Management Team. The PSDF is a Low Volatility Net Asset Value (LVNAV) Money Market Fund under the regulations. In the case of LVNAV MMFs, stress testing estimates for different portfolio scenarios as well as publication of the difference between the constant NAV per share and the shadow NAV per share.

The stress events are based on objective criteria and consider the effects of severe plausible scenarios. In addition to these the fund managers monitor other tests on a daily basis. The summary from the latest stress tests can be found below:

PSDF Stress Testing – Summary of the tests as at the end of October 2023

Public Sector Deposit Fund									
Latest	Average	High	Low	Stress Tests - Scenarios		NAV price after test	Oct-23	Sep-23	
-0.134%	-0.135%	-0.089%	-0.163%	All Credit Spreads Up 100 bps	●	0.998752	-0.134%	-0.151%	
-0.160%	-0.118%	-0.067%	-0.165%	All Credit Spreads Proportional Shift +100%	●	0.998486	-0.160%	-0.158%	
-0.136%	-0.136%	-0.091%	-0.166%	Default rates increase by 1%	●	0.998729	-0.136%	-0.153%	
-0.125%	-0.137%	-0.095%	-0.193%	All Interest Rates +200/-200 9M Pivot	●	0.998838	-0.125%	-0.151%	
-0.072%	-0.044%	-0.021%	-0.084%	(2022) All Risk Free Interest Rate Shocks	●	0.999374	-0.072%	-0.080%	
-0.220%	-0.271%	-0.162%	-0.354%	(2022) All Credit Spread Shocks: All Tenors	●	0.997884	-0.220%	-0.244%	
0.000%	0.000%	0.000%	0.000%	(2022) All Fx Rate Shocks: Appreciation EUR vs USD	●	1.000089	0.000%	0.000%	
0.000%	0.000%	0.000%	0.000%	(2022) All Fx Rate Shocks: Depreciation EUR vs USD	●	1.000089	0.000%	0.000%	
-0.011%	-0.007%	0.006%	-0.021%	Euro Stoxx 50 -10%	●	0.999978	-0.011%	-0.010%	
-0.035%	-0.037%	-0.014%	-0.076%	JPM GBI Broad -3%	●	0.999738	-0.035%	-0.055%	
-0.011%	-0.007%	0.002%	-0.033%	VIX +100%	●	0.999978	-0.011%	-0.009%	
-0.172%	-0.178%	-0.115%	-0.218%	Coronavirus Outbreak in Europe and US (Feb 21 2020 - Mar 18 2020)	●	0.998368	-0.172%	-0.192%	
-0.229%	-0.228%	-0.162%	-0.271%	Black October (Sep 08 2008 to Oct 13 2008)	●	0.997801	-0.229%	-0.256%	
-0.100%	-0.105%	-0.075%	-0.136%	European Sovereign Debt Crisis: Long Period (Apr 11 2011 to Oct 03 2011)	●	0.999089	-0.100%	-0.110%	



A series of stress tests were undertaken using the end of month holdings as at 31 October 2023. We closely monitor 12 of Confluence's stress tests (as shown by the chart on page 1), three relate to interest rate movements, three relate to credit spreads movements, and six are macro-economic tests. The assumptions for the stress tests with a "2022" label have been updated by ESMA in December 2022 recalibrating some assumptions relating to credit spreads shocks depending on the credit rating.

There are currently two (2) scenarios that would break the Fund's LVNAV 20 basis point collar at the end of October. You are reminded that CCLA has in place a Risk Management and Cash Management Procedure that is reviewed annually by the CCLA Cash Team, Investment Risk Committee and Investment Committee. Within these documents there is a stress testing policy and an Escalation Policy. The Escalation Policy sets out the various actions that CCLA would need to undertake if the Fund approaches its stress thresholds and the various escalations which would need to take place within CCLA's management and committee structure, as well as discussions with the Depository. These escalations are the Fund Managers first line of defence against breaching the collar. In practice the Fund Managers are managing these risks well in advance of the first escalation point.

- The first scenario which would breach of the Fund's 20 basis point collar is the "Black October" which if it was to occur now could result in the Fund's LVNAV falling by -0.229%.
- The second scenario which would break the Fund's 20 basis point collar is "All Credit Spread Shocks: All Tenors". This scenario assumes that credit spreads for corporate credit at all tenors rise by 110 – 310 basis points depending on their credit ratings. As it can be seen by the chart on page 1, this is a very severe scenario and would cause the Fund's LVNAV to fall by -0.220%.

Even in these unlikely scenarios of considerable severity the Fund appears to remain relatively resilient in terms of impact and excess beyond 20 basis points.

All other stress tests show that the Fund's price would remain within its LVNAV collar.

Given the above, I can confirm there are no immediate concerns with the stress test results of the PSDF.

Federico Sassoli de Bianchi
Investment Risk Manager
7th November 2023