

THE PUBLIC SECTOR DEPOSIT FUND

For the six months to 30 September 2016

Fund Review

The Fund's AAmmf rating was affirmed on the 19 February 2016 by the credit rating agency, Fitch Ratings. The rating reflects the Fund's extremely strong capacity to achieve the investment objectives of preserving principal and providing shareholder liquidity through limiting credit, market and liquidity risk. The main drivers of the AAmmf rating are the high credit quality of the portfolio, the limited range of invested security types and the Fund's highly conservative investment guidelines.

Responsible investment policy

We monitor our counterparties' Environmental, Social and Governance risk management on a regular basis and take action, if necessary. Our research process is based on the work of our Ethical and Responsible Investment team and their data providers.

Performance

Over the reporting period the Fund achieved a total return before management expenses of 0.25%; this was higher than the Fund's benchmark, the London Inter-Bank Sterling 7-Day Bid rate (7-day £ LIBID), which averaged 0.15%. There was a net inflow of £115.3 million over the period and the number of shares in issue as at 30 September 2016 was 292.5 million.

Market Review

In the lead up to the European Union referendum, market data releases reflected the fact that caution was being exercised within many sectors, with investment being delayed until after the outcome was known.

In response to the unexpected result, the Bank of England (BoE) acted as promised to support activity levels. The BoE's Monetary Policy Committee (MPC) voted to cut Official Bank Rate by a quarter of a percentage point to 0.25%, the first change since March 2009. The quantitative easing programme was restarted, with a target of £60bn of gilt purchases (on the completion of which the Bank will own over a third of the UK government bonds in issue) and additionally £10bn of UK targeted corporate bond issues. There is also an initiative to help the banking sector pass on the full benefit of lower borrowing costs to consumers. Since the rate cut announcement, the Governor of the BoE, Mark Carney, had consistently commented that he expects a further reduction of Official Bank Rate, before the year end, to take rates to their "lower bound" just above 0%. However, this bias was entirely abandoned following the publication of the November Quarterly Inflation Report. The

Governor went on to say the Committee was now in a neutral stance "policy can respond in either direction, to changes in the economic outlook".

Inflation, as measured by the UK Consumer Price Index (CPI), has shown steady increases over the past six months. The gradual rise in food and fuel prices, further exacerbated by the fall in Sterling, has increased the expectation that CPI will exceed the inflation target early in the New Year, and possibly go above 3.0% in the second half of 2017.

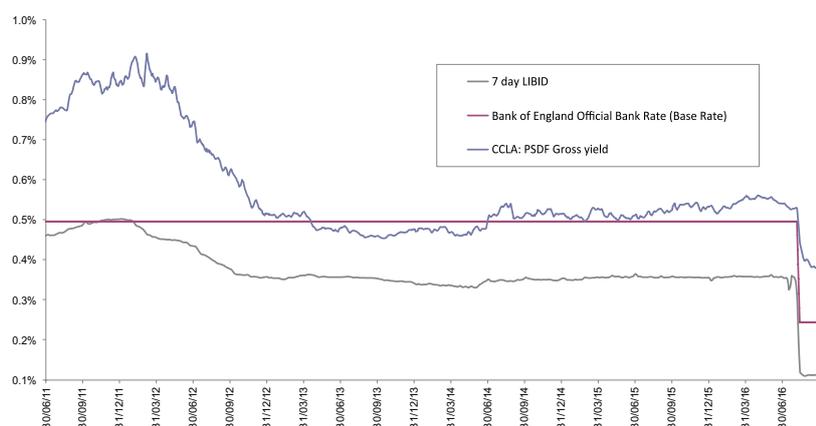
Forecasts prior to the referendum suggested that the UK economy would experience an immediate and sharp contraction if there was a leave vote. Data releases since the vote, such as the monthly Purchasing Manager's Surveys and unemployment levels, have shown that these forecasts were incorrect. Instead a hiatus in activity over the vote has been followed by a degree of normalisation. Commentators point to falls in Sterling improving the competitive position of exports, and also the impact of the BoE's stimulus package.

At the start of the Conservative Party conference, Theresa May confirmed she wished to trigger Article 50 before the end of March 2017, which will set in motion the two-year process of leaving the European Union. Attention has now shifted to how much fiscal stimulus her government will commit to supporting the economy; however, any such action is heavily constrained by the UK's financial position which is difficult now, and which will deteriorate further, if growth weakens, as is currently expected.

Outlook

Over the coming year, the spotlight will turn to the UK's exit negotiations with the EU. Close attention will be given to remarks by senior diplomats, especially those linked to the French and German governments, to gain an insight into the barriers to trade which will exist in a post 'Brexit' world. Should unfavourable trade agreements materialise, we are likely to see further falls in sterling and additional inflationary pressures. Despite this, the MPC has judged it appropriate to accommodate a period of above-target inflation to help keep growth on track, and will closely monitor demand and exchange rates to determine whether additional easing or tightening of monetary policy will be required.

CCLA Investment Management
29 November 2016



As at 30 September 2016, the Weighted Average Maturity stood at 49.6 days (2015: 46.8 days).

Risk and Reward Profile

The PSDF's Synthetic Risk and Reward Indicator on a scale of 1 (lower) to 7 (higher) is 1, this is due to the objective of maintaining a constant asset value at par, and the low range and frequency of price movements (volatility) of the underlying investments that it targets. Please see our Key Investor Information Document for further information.

Fund Details

Domicile	UK
Structure	OEIC UCITS QMMF
Dealing Deadline	11.30am London time
Liquidity	Same day
Currency	GBP
Chief Investment Officer	J Bevan
Portfolio Managers	S Freeman, R Evans
Benchmark	7 day £ LIBID

The Public Sector Deposit Fund

Comparative table

Change in net assets per share

	Share Class 1 – Income			
	6 months	Year ended	Year ended	Year ended
	ended 30.09.2016	31.03.2016	31.03.2015	31.03.2014
	£ per share	£ per share	£ per share	£ per share
Opening net asset value per share	1.0000	1.0000	1.0000	1.0000
Return before operating charges*	0.0025	0.0053	0.0051	0.0048
Operating charges	(0.0001)	(0.0003)	(0.0004)	(0.0004)
Return after operating charges*	0.0024	0.0050	0.0047	0.0044
Distributions on income shares	(0.0024)	(0.0050)	(0.0047)	(0.0044)
Closing net asset value per share	1.0000	1.0000	1.0000	1.0000

* after direct transaction costs of: – – – –

Performance

Return after charges 0.24% 0.50% 0.47% 0.44%

Other information

Closing net asset value (£'000)	65,500	31,793	40,175	34,471
Closing number of shares (in thousands)	65,500	31,793	40,175	34,471
Operating charges**	0.02%	0.03%	0.04%	0.04%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices (pence per share)

Highest share price (offer)	1.00	1.00	1.00	1.00
Lowest share price (bid)	1.00	1.00	1.00	1.00

The return after charges has been calculated in accordance with the Statement of Recommended Practice's prescribed calculation methodology. This is for financial statement reporting purposes only and differs from the Fund's performance disclosed in the Report of the Investment Manager.

**Operating charges comprise the ACD's periodic charge and other expenses. The percentages above reflect the annualised charges divided by average net assets for the period/year.

	Share Class 2 – Income			
	6 months	Year ended	Year ended	Year ended
	ended 30.09.2016	31.03.2016	31.03.2015	31.03.2014
	£ per share	£ per share	£ per share	£ per share
Opening net asset value per share	1.0000	1.0000	1.0000	1.0000
Return before operating charges*	0.0021	0.0053	0.0051	0.0048
Operating charges	(0.0008)	(0.0023)	(0.0024)	(0.0024)
Return after operating charges*	0.0013	0.0030	0.0027	0.0024
Distributions on income shares	(0.0013)	(0.0030)	(0.0027)	(0.0024)
Net asset value transferred to Share Class 1**	(1.0000)	–	–	–
Closing net asset value per share	–	1.0000	1.0000	1.0000

* after direct transaction costs of: – – – –

**On 15 August 2016 all shares were transferred to Share Class 1. The return after operating charges is for the the period from 1 April 2016 to 15 August 2016.

Performance

Return after charges 0.13% 0.30% 0.27% 0.24%

Other information

Closing net asset value (£'000)	–	25	200	200
Closing number of shares (in thousands)	–	25	200	200
Operating charges***	0.20%	0.23%	0.24%	0.24%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices (pence per share)

Highest share price (offer)	1.00	1.00	1.00	1.00
Lowest share price (bid)	1.00	1.00	1.00	1.00

The return after charges has been calculated in accordance with the Statement of Recommended Practice's prescribed calculation methodology. This is for financial statement reporting purposes only and differs from the Fund's performance disclosed in the Report of the Investment Manager.

*** Operating charges comprise the ACD's periodic charge and other expenses. The percentages above reflect the annualised charges divided by average net assets for the period/year.

The Public Sector Deposit Fund

Comparative table

Change in net assets per share (continued)

	Share Class 3 – Income			
	6 months ended 30.09.2016	Year ended 31.03.2016	Year ended 31.03.2015	Year ended 31.03.2014
	£ per share	£ per share	£ per share	£ per share
Opening net asset value per share	1.0000	1.0000	1.0000	1.0000
Return before operating charges*	0.0020	0.0053	0.0051	0.0048
Operating charges	(0.0006)	(0.0018)	(0.0019)	(0.0019)
Return after operating charges*	0.0014	0.0035	0.0032	0.0029
Distributions on income shares	(0.0014)	(0.0035)	(0.0032)	(0.0029)
Net asset value transferred to Share Class 1**	(1.0000)	–	–	–
Closing net asset value per share	–	1.0000	1.0000	1.0000

* after direct transaction costs of: – – – –

**On 15 August 2016 all shares were transferred to Share Class 1. The return after operating charges is for the the period from 1 April 2016 to 15 August 2016.

Performance

Return after charges	0.14%	0.35%	0.32%	0.29%
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Other information

Closing net asset value (£'000)	–	25	300	300
Closing number of shares (in thousands)	–	25	300	300
Operating charges***	0.15%	0.18%	0.19%	0.19%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices (pence per share)

Highest share price (offer)	1.00	1.00	1.00	1.00
Lowest share price (bid)	1.00	1.00	1.00	1.00

The return after charges has been calculated in accordance with the Statement of Recommended Practice's prescribed calculation methodology. This is for financial statement reporting purposes only and differs from the Fund's performance disclosed in the Report of the Investment Manager.

*** Operating charges comprise the ACD's periodic charge and other expenses. The percentages above reflect the annualised charges divided by average net assets for the period/year.

	Share Class 4 – Income			
	6 months ended 30.09.2016	Year ended 31.03.2016	Year ended 31.03.2015	Year ended 31.03.2014
	£ per share	£ per share	£ per share	£ per share
Opening net asset value per share	1.0000	1.0000	1.0000	1.0000
Return before operating charges*	0.0025	0.0053	0.0051	0.0048
Operating charges	(0.0004)	(0.0011)	(0.0014)	(0.0014)
Return after operating charges*	0.0021	0.0042	0.0037	0.0034
Distributions on income shares	(0.0021)	(0.0042)	(0.0037)	(0.0034)
Closing net asset value per share	1.0000	1.0000	1.0000	1.0000

* after direct transaction costs of: – – – –

Performance

Return after charges	0.21%	0.42%	0.37%	0.34%
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Other information

Closing net asset value (£'000)	226,965	145,314	130,349	125,921
Closing number of shares (in thousands)	226,965	145,314	130,349	125,921
Operating charges**	0.08%	0.11%	0.14%	0.14%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices (pence per share)

Highest share price (offer)	1.00	1.00	1.00	1.00
Lowest share price (bid)	1.00	1.00	1.00	1.00

The return after charges has been calculated in accordance with the Statement of Recommended Practice's prescribed calculation methodology. This is for financial statement reporting purposes only and differs from the Fund's performance disclosed in the Report of the Investment Manager.

** Operating charges comprise the ACD's periodic charge and other expenses. The percentages above reflect the annualised charges divided by average net assets for the period/year.

The Public Sector Deposit Fund

Comparative table

Change in net assets per share (continued)

	Share Class 5 – Income			
	6 months	Year ended	Year ended	Year ended
	ended	Year ended	Year ended	Year ended
	30.09.2016	31.03.2016	31.03.2015	31.03.2014
	£ per share	£ per share	£ per share	£ per share
Opening net asset value per share	1.0000	1.0000	1.0000	1.0000
Return before operating charges*	0.0021	0.0053	0.0051	0.0048
Operating charges	(0.0008)	(0.0023)	(0.0024)	(0.0024)
Return after operating charges*	0.0013	0.0030	0.0027	0.0024
Distributions on income shares	(0.0013)	(0.0030)	(0.0027)	(0.0024)
Net asset value transferred to Share Class 1**	(1.0000)	–	–	–
Closing net asset value per share	–	1.0000	1.0000	1.0000

* after direct transaction costs of: – – – –

**On 15 August 2016 all shares were transferred to Share Class 1. The return after operating charges is for the the period from 1 April 2016 to 15 August 2016.

Performance

Return after charges	0.13%	0.30%	0.27%	0.24%
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Other information

Closing net asset value (£'000)	–	25	100	100
Closing number of shares (in thousands)	–	25	100	100
Operating charges***	0.20%	0.23%	0.24%	0.24%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices (pence per share)

Highest share price (offer)	1.00	1.00	1.00	1.00
Lowest share price (bid)	1.00	1.00	1.00	1.00

The return after charges has been calculated in accordance with the Statement of Recommended Practice's prescribed calculation methodology. This is for financial statement reporting purposes only and differs from the Fund's performance disclosed in the Report of the Investment Manager.

*** Operating charges comprise the ACD's periodic charge and other expenses. The percentages above reflect the annualised charges divided by average net assets for the period/year.

Portfolio Top 10 Holdings as at 30 September 2016 (% of Fund)

Landesbank Baden-Wuerttemberg - Term Deposit	9.6%
Santander UK - Call Account	7.9%
ING Bank – Certificate of Deposit	3.8%
Lloyds Bank – Call Account	3.4%
Lloyds Bank – Certificate of Deposit	3.4%
Coventry Building Society – Term Deposit	3.4%
National Bank of Canada – Term Deposit	3.4%
Sumitomo Mitsui Banking Corporation Europe – Term Deposit	3.4%
Sumitomo Mitsui Banking Corporation Europe – Term Deposit	3.4%
Credit Industriel et Commercial – Certificate of Deposit	3.1%

Contact Details

For a copy of the Prospectus, KIID, information on portfolio holdings, copies of long form reports[†] or other matters, please contact us on: 020 7489 6000, or free phone Client Services on 0800 022 3505, or email us at clientservices@ccla.co.uk. Alternatively please see the information on our website at www.psd.f.co.uk

[†] The long form report and accounts are available free of charge.

The Public Sector Deposit Fund is a Sub-Fund of the umbrella fund, CCLA Public Sector Investment Fund which is an OEIC governed by UK law and authorised by the FCA. Any investment in PSDF is made subject to the terms of the Prospectus for the umbrella fund, which is available either from the Investment Manager, CCLA Investment Management Limited, Senator House, 85 Queen Victoria Street, London EC4V 4ET, or on PSDF's website at www.psd.f.co.uk.

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