

**TREASURY MANAGEMENT
INVESTMENT PERFORMANCE
(Report by the Head of Financial Services)**

1. INTRODUCTION

- 1.1. This report comments on the performance of the fund from January to March 2004. At 31 March 2004 the Fund Managers were managing £78m of the Council's funds: £29m with Investec, £29m with Alliance Capital and £20m with CDCM.

2. PERFORMANCE SUMMARY

- 2.1. Annex A provides comparative tables showing investment returns over different periods.

2.2 January to March 2004

Investec and Alliance Capital both made the same return in the quarter ending March 2004 of 0.95%, just below the benchmark.

CDCM continued their excellent performance in the fourth quarter. They outperformed the other two managers, the benchmark and the industry average.

2.3 2003/04

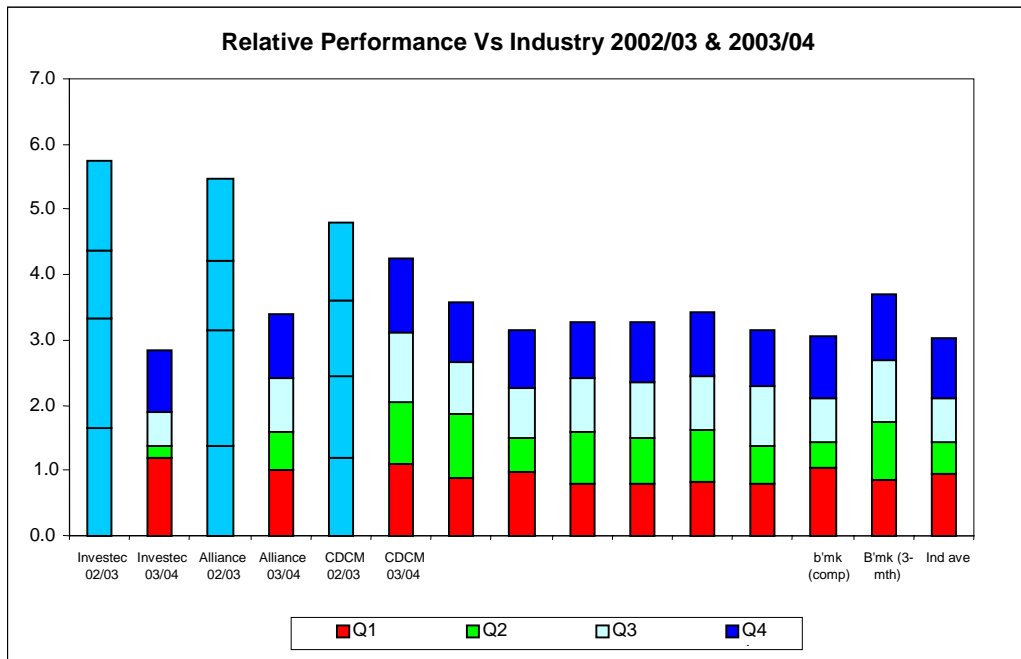
The financial year as a whole was a disappointing time for most managers; nearly all failed to reach their benchmarks. The market for fixed interest securities (gilts and certificates of deposit) has been the most difficult for ten years. The results for the year show that the Council's strategy to appoint three fund managers, which invest in different instruments, has been sound and the performance of CDCM has helped to offset the poor returns from Investec.

2.4 Since start of new mandates (July/August 2000)

They have all performed better than the benchmark and the industry average since the start of the new mandates, but the position of overall best performer is now Alliance though CDCM have exceeded their benchmark by most.

3. PERFORMANCE V. INDUSTRY

- 3.1 The graph below shows that CDCM were the best performing Fund Manager for the year, whilst Investec were trailing with the worst results.
- 3.2 The performance for 2002/3 is also shown to highlight two aspects; firstly that returns were considerably better last year, and secondly that the relative performance of the Fund Managers has changed between 2002/3 and this year.



4. PERFORMANCE AGAINST BUDGET

4.1 In the last report to Cabinet on the performance of funds in March an estimated shortfall of £280k was reported. The provisional outturn is very close to that figure.

5. RECOMMENDATIONS

5.1 It is recommended that Cabinet note this report.

BACKGROUND PAPERS

Working papers in Financial Services

CONTACT OFFICER

Steve Couper – Head of Financial Services Tel. 01480 388103

PERFORMANCE FOR THE QUARTER JANUARY 2004 – MARCH 2004					
	Performance %	HDC Benchmark %	Industry Average %	Variation from	
				HDC Benchmark %	Industry average %
Investec	0.95	0.96*	0.92	-0.01	+0.03
Alliance	0.95	0.96*	0.92	-0.01	+0.03
CDCM	1.13	1.02**	0.92	+0.11	+0.21

CUMULATIVE PERFORMANCE FOR THE YEAR 2003/4					
	Performance %	HDC Benchmark %	Industry Average %	Variation from	
				HDC Benchmark %	Industry average %
Investec	2.86	3.10*	3.05	-0.24	-0.19
Alliance	3.42	3.10*	3.05	+0.32	+0.37
CDCM	4.26	3.71**	3.05	+0.55	+1.21

CUMULATIVE PERFORMANCE SINCE JULY 2000					
	Performance %	HDC Benchmark %	Industry Average %	Variation from	
				HDC Benchmark %	Industry average %
Investec	19.98	19.87	18.46	+0.11	+1.52
Alliance #	20.13	19.31	17.87	+0.82	+2.26
CDCM	20.11	17.77	18.46	+2.34	+1.65

The mandate with Alliance Capital started in August 2000

* Composite of 60% Merrill Lynch 3 month LIBID (London Inter-Bank Bid Rate) and 40% ML 0-5yr Gilt Index.

** 3 month LIBID