

**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 April to June 2004. At 30 June 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 April to June 2004

Investec and Alliance Capital both exceeded the benchmark by an encouraging margin but were unusually below the industry average. This probably reflects their continuing concern for not allowing their investments to diverge too far from their benchmark proportions. This can affect returns in a period when cash is outperforming gilts and corporates and will be discussed with them at the next review meeting in October.

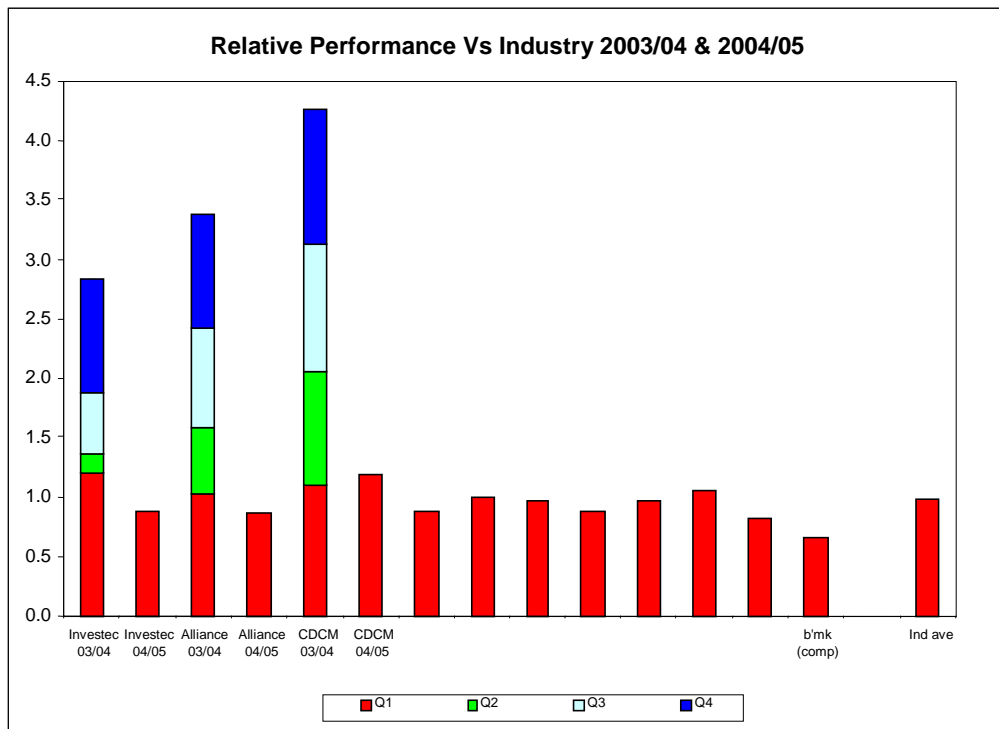
CDCM also outperformed the benchmark but by less than the other Fund Managers. However as the benchmark for CDCM was higher, being based on cash deposits only, their return was higher in real terms.

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

The Authority appointed the three Fund Managers and gave them new mandates four years ago. In that time they have all exceeded their benchmark and the industry average. For the first time CDCM is the best performer and their improving results were recognised by the increase in their fund by £10m last November.

3. PERFORMANCE V. INDUSTRY

- 3.1 Most of the Fund Managers in the industry will have a portfolio that includes gilts and cash. The graph below shows that they all performed less well than CDCM which has a cash-only mandate.



4. PERFORMANCE AGAINST BUDGET

- 4.1 The performance of the funds for the first quarter, combined with the fund managers' projections, indicate that the budget for investment interest should be achieved.

5. RECOMMENDATIONS

- 5.1 It is recommended that Cabinet note this report.

BACKGROUND PAPERS

Working papers in Financial Services

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PERFORMANCE FOR THE QUARTER APRIL 2004 – JUNE 2004					
	Performance %	HDC Benchmark %	Industry Average %	Variation from	
				HDC Benchmark %	Industry average %
Investec	0.87	0.66*	0.98	+0.21	-0.11
Alliance	0.85	0.66*	0.98	+0.19	-0.13
CDCM	1.19	1.04**	0.98	+0.15	+0.21

CUMULATIVE PERFORMANCE SINCE JULY 2000					
	Performance %	HDC Benchmark %	Industry Average %	Variation from	
				HDC Benchmark %	Industry average %
Investec	21.02	20.66	19.63	+0.36	+1.39
Alliance #	21.15	20.10	19.02	+1.05	+2.13
CDCM	21.54	19.00	19.63	+2.54	+1.91

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