

**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 September 2004. At 30 September 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. July to September 2004

All the Fund Managers produced returns that were very close to their benchmarks. Investec and Alliance were above the industry average whereas CDCM was almost at the average.

All three funds had returns in the second quarter that were noticeably better than in the first:

	Return Quarter 1 %	Return Quarter 2 %
Investec	0.87	1.44
Alliance Capital	0.85	1.42
CDCM	1.19	1.26

2.2. April to September 2004

In the first half of the year all three Fund Managers have exceeded both the benchmark and the industry average. CDCM have produced the best actual return and have therefore exceeded the industry average by the greatest margin. However their benchmark was more challenging, reflecting the market in which they are active.

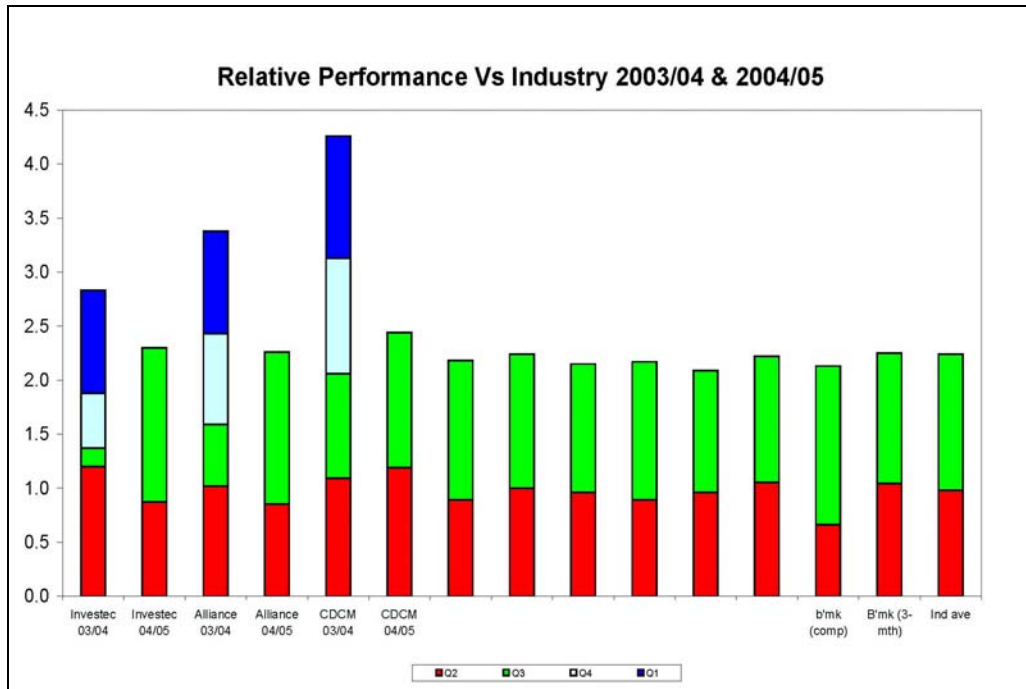
2.3. Since start of new mandates (July/August 2000)

The Authority appointed the three Fund Managers and gave them new mandates over four years ago. In that time they have all exceeded their benchmark and the industry average. CDCM continue to be the best performer, a position they have held since April 2004.

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 in the

half year than CDCM, which has a cash-only mandate.



4. PERFORMANCE AGAINST BUDGET

4.1 The performance of the funds for the first half year combined with the fund managers' projections, indicate that the outturn for investment interest will exceed the budget by an estimated £600,000.

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 JULY 2004 – SEPTEMBER 2004					
	Performance %	HDC Benchmark %	Industry Average %	Variation from	
				HDC Benchmark %	Industry average %
Investec	1.44	1.48*	1.27	-0.04	+0.17
Alliance	1.42	1.48*	1.27	-0.06	+0.15
CDCM	1.26	1.27**	1.27	-0.01	-0.01

PERFORMANCE FOR THE HALF YEAR APRIL 2004 – SEPTEMBER 2004					
	Performance %	HDC Benchmark %	Industry Average %	Variation from	
				HDC Benchmark %	Industry average %
Investec	2.31	2.14*	2.25	+0.17	+0.06
Alliance	2.27	2.14*	2.25	+0.13	+0.02
CDCM	2.45	2.31**	2.25	+0.14	+0.20

CUMULATIVE PERFORMANCE SINCE JULY 2000					
	Performance %	HDC Benchmark %	Industry Average %	Variation from	
				HDC Benchmark %	Industry average %
Investec	22.75	22.44	21.13	+0.31	+1.62
Alliance #	22.86	21.87	20.52	+0.99	+2.34
CDCM	23.05	20.49	21.13	+2.56	+1.92

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