

**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 2005. At 1<sup>st</sup> April 2005 the Fund Managers were managing £73m of the Council's funds: £26.5m with Investec, £26.5m with Alliance Capital and £20m with CDCM.

**2. PERFORMANCE SUMMARY**

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

**2.2. April to June 2005**

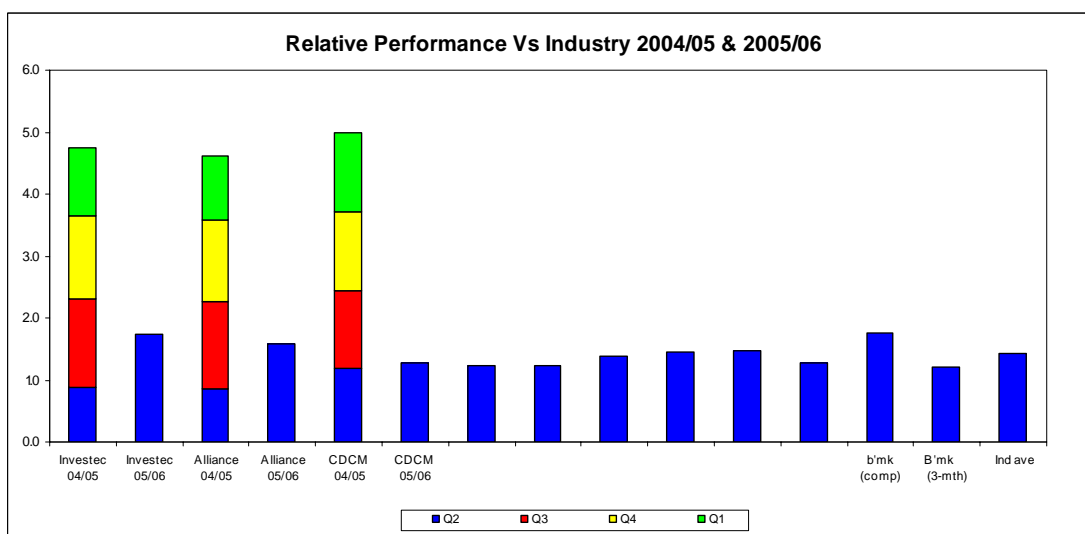
Investec and Alliance Capital both underperformed their benchmark, although only marginally in the case of Investec. However their benchmark (1.76) which includes gilts as well as 3-month cash, was significantly higher than the benchmark for CDCM (1.21) and the more commonly used 7-day cash (1.17). In actual performance these two Managers did well and outperformed the industry average. This quarter's performance shows the benefit of the Authority choosing a composite benchmark rather than straight forward cash. CDCM did slightly better than its benchmark but did not achieve the industry average.

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

The Authority appointed the three Fund Managers and gave them new mandates five years ago. In that time they have all exceeded their benchmarks and the industry average. Overall returns are very similar but Investec has taken over from CDCM as being the best performing of the three Managers.

### 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 reasonably well against the industry average.



### 4. PERFORMANCE AGAINST BUDGET

4.1 There will be an improvement in the investment interest of at least £300k over the budget due to the deferral of capital schemes from last year into this, and this year into 2006/7. The review of cash flow undertaken as part of the financial forecast indicates that a further £150k may be achieved. Obviously it is much too early in the year to be too definite with any forecast given that there is considerably divergent opinion on future changes in base rates.

### 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 APRIL TO JUNE 2005					
	Performance %	HDC Benchmark %	Industry Average %	Variation from	
				HDC Benchmark %	Industry average %
<b>Investec</b>	<b>1.73</b>	1.76	1.42	<b>-0.03</b>	<b>+0.31</b>
<b>Alliance</b>	<b>1.55</b>	1.76	1.42	<b>-0.21</b>	<b>+0.13</b>
<b>CDCM</b>	<b>1.27</b>	1.21	1.42	<b>+0.06</b>	<b>0.15</b>

CUMULATIVE PERFORMANCE SINCE JULY 2000					
	Performance %	HDC Benchmark %	Industry Average %	Variation from	
				HDC Benchmark %	Industry average %
<b>Investec</b>	<b>27.94</b>	27.53	25.77	<b>+0.40</b>	<b>+2.17</b>
<b>Alliance #</b>	<b>27.64</b>	26.94	25.14	<b>+0.70</b>	<b>+2.50</b>
<b>CDCM</b>	<b>27.70</b>	24.67	25.77	<b>+3.03</b>	<b>+1.93</b>

# 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