

**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 July to September 2005. In the period 1<sup>st</sup> April 2005 to 30<sup>th</sup> September 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.
- 1.2. The Monetary Policy Committee reduced the base rate by 0.25% to 4.5% in August 2005.

**2. PERFORMANCE SUMMARY**

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

**2.2. July to September 2005**

The market position did not favour gilts resulting in an industry average of 1.09% whereas 7 day rates were 1.13% and 3 month rates 1.14%. However Alliance Capital (1.08%) and Investec (1.02%) were below the average, even though they exceeded the Council's benchmark which was only 0.94% due to the 40% gilts element. It is unusual for either of them to be below the industry average and our concern will be highlighted at the next review meeting.

CDCM (1.25%) produced a high return and exceeded its benchmark (1.14%) by 0.11%. CDCM is benefiting from having made shrewd investment decisions in 2003 and 2004 on 3 and 5 year deposits.

**2.3. April to September 2005**

In the first quarter of the year the benchmark for Alliance Capital and Investec (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%). As noted above, the situation was reversed in the second quarter due to a change in the bond market.

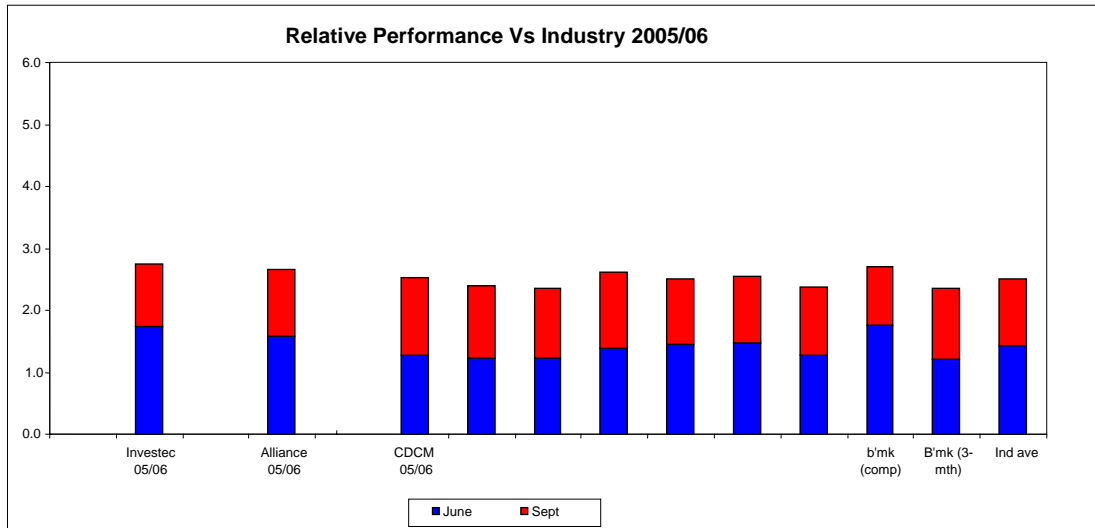
Overall for the first 6 months of the year Investec and CDCM have outperformed their benchmark by 0.05% and 0.17%, whilst Alliance Capital is marginally below by 0.07%. CDCM's performance matches the industry average, but Alliance Capital and Investec both exceeded it.

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

The Authority appointed the three Fund Managers and gave them new mandates more than five years ago. In that time they have all exceeded their benchmarks and the industry average. Overall returns are very similar but currently CDCM is slightly ahead of Investec

### 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 around £500k due to the deferral of capital schemes, but it is difficult to forecast whether investment performance for the year will exceed the 5% assumed in the budget, given the low returns in the last quarter.

### 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 JULY TO SEPTEMBER 2005					
	Performance %	HDC Benchmark %	Industry Average %	Variation from	
				HDC Benchmark %	Industry average %
<b>Investec</b>	<b>1.02</b>	0.94	1.09	<b>0.08</b>	<b>-0.07</b>
<b>Alliance</b>	<b>1.08</b>	0.94	1.09	<b>0.14</b>	<b>-0.01</b>
<b>CDCM</b>	<b>1.25</b>	1.14	1.09	<b>0.11</b>	<b>0.16</b>

PERFORMANCE FOR THE YEAR TO SEPTEMBER 2005					
	Performance %	HDC Benchmark %	Industry Average %	Variation from	
				HDC Benchmark %	Industry average %
<b>Investec</b>	<b>2.77</b>	2.72	2.52	<b>0.05</b>	<b>0.25</b>
<b>Alliance</b>	<b>2.65</b>	2.72	2.52	<b>-0.07</b>	<b>0.13</b>
<b>CDCM</b>	<b>2.52</b>	2.35	2.52	<b>0.17</b>	<b>0.0</b>

CUMULATIVE PERFORMANCE SINCE JULY 2000					
	Performance %	HDC Benchmark %	Industry Average %	Variation from	
				HDC Benchmark %	Industry average %
<b>Investec</b>	<b>29.24</b>	28.74	27.13	<b>0.50</b>	<b>2.11</b>
<b>Alliance #</b>	<b>29.09</b>	28.14	26.49	<b>0.95</b>	<b>2.60</b>
<b>CDCM</b>	<b>29.28</b>	26.07	27.13	<b>3.21</b>	<b>2.15</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