

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

**1. INTRODUCTION**

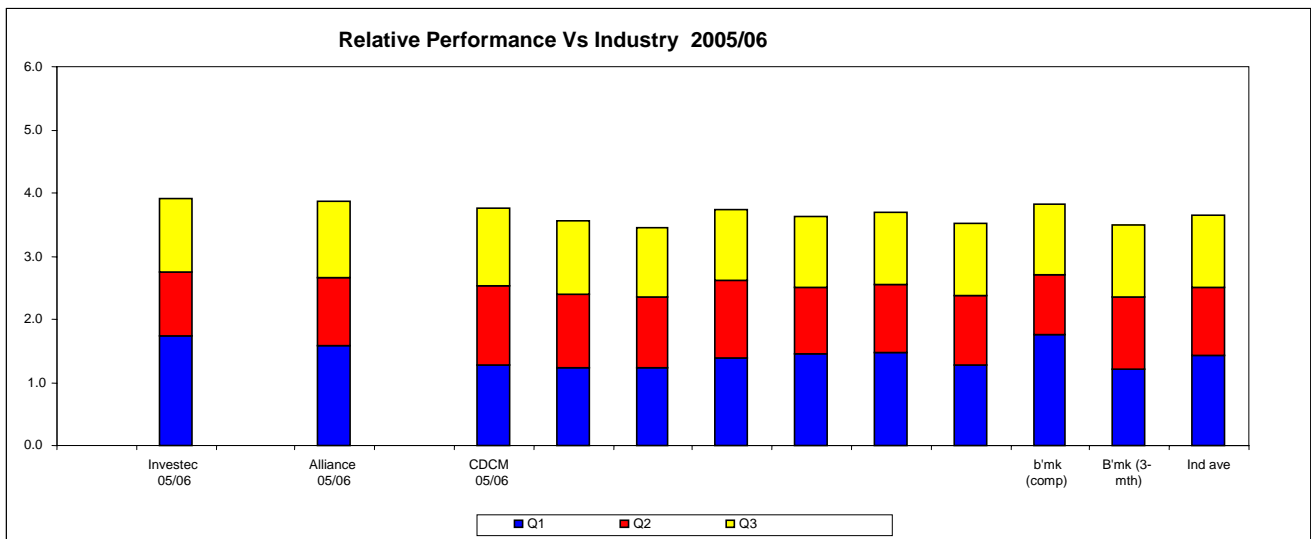
- 1.1. This report comments on the performance of the fund from October to December 2005. Since April 2005 the Fund Managers have managed £73m of the Council's funds: £26.5m with Investec, £26.5m with Alliance Capital and £20m with CDCM.
- 1.2. The Monetary Policy Committee has held the base rate at 4.5% since August 2005.

**2. PERFORMANCE SUMMARY**

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

**2.2 October to December 2005**

The Council's three Fund Managers all achieved a satisfactory, although uninspiring performance during the quarter. However they have all either reached or out-performed their benchmark, the industry average (see chart below) and the 7-day rate during the quarter and in the 9 months from April 2005.



Investec continues to trade mostly in gilts, whereas Alliance Capital prefers to invest in corporate bonds and floating rate notes. CDCM succeeded in committing £8m for periods in excess of 1 year on attractive rates that will achieve 5.1% during 2006/7.

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

The Authority appointed the three Fund Managers and gave them new mandates in 2000. Since that time they have again exceeded their benchmarks, the industry average and the 7 day rate. Overall returns are very similar but as at December 2005, CDCM was the best performing of the three Managers.

**3. PERFORMANCE AGAINST BUDGET IN 2005/6**

3.1 The estimated outturn of investment interest is £572k more than in the budget mainly due to the deferral of capital schemes. All the funds are expected to achieve the 5% return assumed in the budget.

**4. RECOMMENDATIONS**

4.1 It is recommended that Cabinet note this report.

**BACKGROUND PAPERS**

Working papers in Financial Services

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## ANNEX A

<b>PERFORMANCE FOR THE QUARTER OCTOBER 2005 - DECEMBER 2005</b>					
	Performance %	HDC Benchmark %	Industry Average %	Variation from	
				HDC Benchmark %	Industry average %
<b>Investec</b>	<b>1.16</b>	1.13	1.13	<b>+0.03</b>	<b>+0.03</b>
<b>Alliance</b>	<b>1.20</b>	1.13	1.13	<b>+0.07</b>	<b>+0.07</b>
<b>CDCM</b>	<b>1.23</b>	1.14	1.13	<b>+0.09</b>	<b>+0.10</b>

<b>PERFORMANCE FOR THE PERIOD APRIL 2005 – DECEMBER 2005</b>					
	Performance %	HDC Benchmark %	Industry Average %	Variation from	
				HDC Benchmark %	Industry average %
<b>Investec</b>	<b>3.96</b>	3.88*	3.68	<b>+0.08</b>	<b>+0.28</b>
<b>Alliance</b>	<b>3.88</b>	3.88*	3.68	<b>0.0</b>	<b>+0.20</b>
<b>CDCM</b>	<b>3.75</b>	3.49**	3.68	<b>+0.26</b>	<b>+0.07</b>

<b>CUMULATIVE PERFORMANCE SINCE JULY 2000</b>					
	Performance %	HDC Benchmark %	Industry Average %	Variation from	
				HDC Benchmark %	Industry average %
<b>Investec</b>	<b>30.74</b>	30.19	28.57	<b>+0.55</b>	<b>+2.17</b>
<b>Alliance #</b>	<b>30.63</b>	29.58	27.92	<b>+1.05</b>	<b>+2.71</b>
<b>CDCM</b>	<b>30.83</b>	27.48	28.57	<b>+3.35</b>	<b>+2.26</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