

**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 2006. The Fund Managers are managing £63m of the Council's funds: £21.5m with Investec, £21.5m with Alliance Bernstein and £20m with CDCM.
- 1.2. The Monetary Policy Committee increased the base rate to 5% on 9th November, only 3 months after the previous rise to 4.75%

## 2. PERFORMANCE SUMMARY

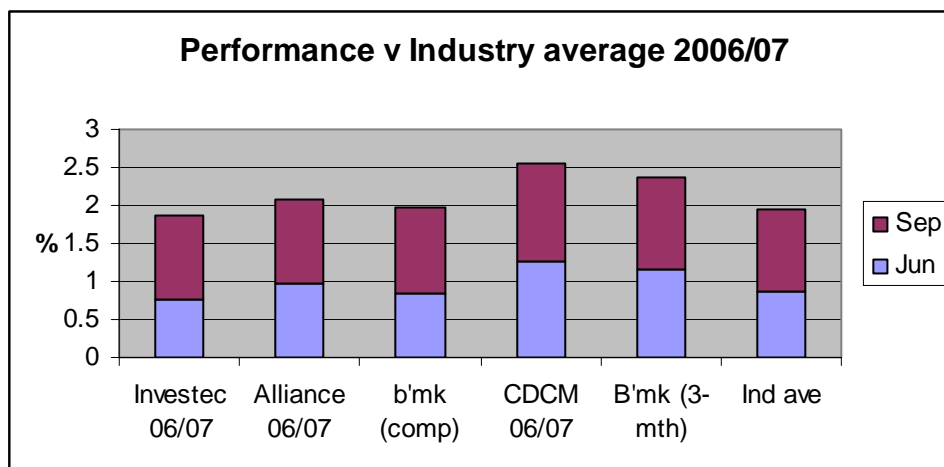
- 2.1 Annex A provides comparative tables showing investment returns over various periods.

### 2.2 July to September 2006

The performance of Alliance Bernstein and Investec improved in real terms in the second quarter, after a disappointing first 3 months, but neither quite achieved the benchmark. As in the first quarter the benchmark was below the rate for 7 day cash, so both Fund Managers underperformed cash too. CDCM outperformed the benchmark by 0.07% and 7day cash by 0.11%

### 2.3 April to September 2006

CDCM continues to outperform Investec and Alliance Bernstein both in real terms and against their benchmarks. Investec has not achieved the benchmark for the first 6 months or the industry average (see graph below) but Alliance Bernstein has marginally exceeded both the benchmark and the industry average.



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

The Authority appointed the three Fund Managers and gave them new mandates in 2000. It has always been accepted that our mandates and choice of managers will lead to fluctuations but that in the longer run

higher overall returns should be achieved. Since 2000 this is still the case as they are all exceeding their benchmarks, the industry average and the 7 day rate. CDCM is the best performing of the three Managers.

### **3. PERFORMANCE AGAINST BUDGET IN 2006/7**

- 3.1 Latest forecasts from the Managers show expected improvements in the second half of the year from Investec (1.89% to 4.85%), Alliance (2.10% to 4.85%), while CDCM will maintain a more consistent result (2.54% to 5.10%). This, together with the beneficial impact of deferred spending is now estimated to result in additional interest of £350k. The last budgetary control report indicated £336k.

### **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 JULY 2006 – SEPTEMBER 2006</b>					
	Performance %	Benchmark %	Variation from benchmark	Industry average %	Variation from average %
<b>Investec</b>	<b>1.12</b>	1.14*	<b>-0.02</b>	1.08	<b>+0.04</b>
<b>Alliance</b>	<b>1.11</b>	1.14*	<b>-0.03</b>	1.08	<b>+0.03</b>
<b>CDCM</b>	<b>1.28</b>	1.21**	<b>+0.07</b>	1.08	<b>+0.20</b>

<b>PERFORMANCE FOR THE PERIOD APRIL 2006 – SEPTEMBER 2006</b>					
	Performance %	Benchmark %	Variation from benchmark	Industry average %	Variation from average %
<b>Investec</b>	<b>1.89</b>	1.99*	<b>-0.10</b>	1.96	<b>-0.07</b>
<b>Alliance</b>	<b>2.10</b>	1.99*	<b>+0.11</b>	1.96	<b>+0.14</b>
<b>CDCM</b>	<b>2.54</b>	2.37**	<b>+0.17</b>	1.96	<b>+0.58</b>

<b>CUMULATIVE PERFORMANCE SINCE JULY 2000</b>					
	Performance %	Benchmark %	Variation from benchmark	Industry average %	Variation from average %
<b>Investec</b>	<b>34.2</b>	33.9	<b>+0.3</b>	32.2	<b>+2.0</b>
<b>Alliance #</b>	<b>34.7</b>	33.3	<b>+1.4</b>	31.6	<b>+3.1</b>
<b>CDCM</b>	<b>35.8</b>	32.0	<b>+3.8</b>	32.2	<b>+3.6</b>

Over the period from July 2000 the industry average has exceeded the 7 day rate by about 1.2%

# The mandate with Alliance Bernstein 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