

**THE HIGHLAND COUNCIL
INVESTMENT SUB COMMITTEE**

Minutes of Meeting of the Investment Sub Committee held in Council Headquarters, Glenurquhart Road, Inverness on Thursday, 22 August, 2013 at 11.00 a.m.

PRESENT

Mr C Macaulay
Mrs H Carmichael
Mr J Ford

Mr R Laird
Mr A MacKinnon
Mr K MacLeod

Non Member also present:

Mr T MacLennan

Officials in attendance:-

Mr D Robertson, Head of Accounting and Budgeting, Finance Service
Mr B Porter, Finance Manager (Corporate Budgeting, Taxation & Treasury), Finance Service
Mr D MacDonald, Principal Accounting Technician, Finance Service
Mr A MacInnes, Administrative Assistant, Chief Executive's Service

Also in attendance -

Mr K Ettles, AON Hewitt, Investment Consultant
Mr T Cousins, Pырford International Ltd (item 7 only)

Mr C Macaulay in the Chair

1. Apologies for Absence

Apologies for absence were intimated on behalf of Mrs C Wilson and Ms E Ward.

2. Declaration of Interest

The Sub Committee **NOTED** that there were no declarations of interest expressed.

3. Minutes of Last Meeting

There was circulated for information, the Minutes of the last meeting of the Sub Committee held on 23 May, 2013, the terms of which were **NOTED**.

4. Exclusion of the Public

The Sub-Committee **RESOLVED** that, under Section 50A(4) of the Local Government (Scotland) Act 1973, the public be excluded from the meeting for the following items on the grounds that they involved the likely disclosure of exempt information as defined in Paragraph 6 of Part I of Schedule 7A of the Act.

5. Investment Activity Update and Performance Report

a) Investment Activity Update Report

There was circulated to Members only Report No INV/9/13 by the Director of Finance which provided an update on Pension Fund investment matters for the quarter to 30 June, 2013.

The report provided details on the following matters:- Pension Fund Statement of Accounts; Private Equity funding draw-down; Investment Limits; Member training; Tax; Future Schedule of Manager Presentations

In particular, Members were asked to agree an amendment to the investment limits set out within the Investment Management Agreement with Baillie Gifford in order to provide additional flexibility for further strong performance. Members supported the amendment to increase the permitted percentage of investment in Baillie Gifford's British Smaller Companies Fund from 6% to 8% of the UK portfolio.

In terms of Member training, the Sub-Committee welcomed the opportunity to attend training on pension fund investments. Members would be contacted separately as to whether they wished to attend the training events on offer. It was also advised that a CIPFA Skills and Knowledge Framework was to be submitted to Pensions Committee and this would set out a framework for Member training on pension fund governance and investments.

Consideration was also given to a visit to UK offices of all the Fund's Managers. It was suggested that when Officials arranged these visits for themselves, that they also gauge Member interest in attending.

A proposed schedule of future investment manager attendance at the Sub-Committee was submitted for consideration. The schedule proposed a move to 2 managers presenting per meeting, effective from November, 2013. Members supported the proposal and that Inverness City Committee Members would be invited to Adam & Company's presentation on the Inverness Common Good and associated Funds.

Thereafter, the Sub-Committee **AGREED**:-

- i the change to the investment limit within the Baillie Gifford Investment Management Agreement as follows:- *an increase to the permitted percentage of investment in Baillie Gifford's British Smaller Companies Fund from 6% to 8%.*
- ii that Members would be contacted separately in relation to pension fund investment training opportunities;

- iii that when Officials arranged visits to all the UK offices of the Fund's Managers, Members be also invited to attend; and
- iv to the revised approach of 2 managers presenting per Sub-Committee meeting.

b) Performance Report

There was circulated to Members only Report No. INV/10/13 by the Fund's Investment Advisor setting out Pension Fund investment performance for the quarter to 30 June, 2013.

It was reported that the investment performance of the Combined Fund for the second quarter of 2013 and one, three and five year periods showed an outperformance to the benchmark return. The report also detailed a Market summary, Fund asset allocation, Strategic asset allocation and all the managers investment performances.

Members welcomed that performance was above benchmark for the overall fund. In particular it was advised that the fund was over-weight in UK equities due to strong performances in this asset class. Proposals would be brought to the next meeting on this.

In terms of the property mandate it had been agreed at the last meeting that there should be no change to the mandate structure at present. However, alternative options may be appropriate for consideration by the Sub-Committee in future. It was advised that performance in the Continental Europe property fund continued to be disappointing and the Property Manager would be asked to advise in their future quarterly reports the amount of discount that would be applied should it be decided to exit this fund.

The Sub-Committee **NOTED** the contents of the report and that the Property Manager would be asked to report in their future quarterly reports the amount of discount that would be applied should it be decided to exit the Continental Europe property fund.

6. **Inverness Common Good Fund and Associated Funds Investment Report**

There had been circulated to Members only Report No INV/11/13 by the Fund's Investment Advisor which highlighted the diversification of Inverness Common Good and associated Funds under the management of Adam & Company for the quarter ended 30 June, 2013. Adam & Company's investment performances, measured against their respective strategic benchmarks, were also provided. Overall, it was noted that while there had been a fall in value of the Funds in the last quarter, performance over the longer term had been exceptionally strong.

In terms of the long term investment and use of the Inverness Common Good Fund, this was a matter for the Trustees to consider (all Members of the Highland Council). The Investment Sub Committee only managed surplus funds available from the Common Good Fund.

The Sub-Committee **NOTED** the terms of the report.

7. Presentation by Pyrford International Ltd

The Chairman welcomed Mr T Cousins, Chief Investment Officer from Pyrford International Ltd to the meeting and the Sub-Committee were given a presentation on the background to Pyrford, their mandate and market overview; the portfolio performance and activity, and future investment strategy.

Following a question and answer session, the Chairman thanked Mr Cousins for his very informative presentation.

The meeting ended at 1.20 p.m.