

## AGENDA ITEM 9

### THE HIGHLAND COUNCIL INVESTMENT SUB COMMITTEE

Minutes of Meeting of the Investment Sub Committee held in Council Headquarters, Glenurquhart Road, Inverness on Friday 2 December 2016 at 10.30 a.m.

#### PRESENT

Mrs H Carmichael  
Mr B Lobban  
Mr A MacKinnon

Mr K MacLeod  
Mr A Campbell (Comhairle nan Eilean Siar)  
Mr E Macniven (Trade Unions representative)

#### Officials in attendance:-

Mr E Foster, Head of Corporate Finance, Finance Service  
Mrs M Grigor, Finance Manager (Corporate Budgeting, Treasury and Taxation)  
Mr D Haas, Inverness City Area Manager  
Mrs L Dunn, Principal Administrator, Corporate Development Service

#### Also in attendance:-

Ms L Leonard, Pension Board representative  
Mr K Ettles, AON Hewitt, Investment Consultant  
Mr C Lyons, Legal and General Investment Management (Item 7a only)  
Mr S Hobson and Mr C Dulieu, Northern Trust (Item 7b only)

#### **Mr A MacKinnon in the Chair**

#### **1. Apologies for Absence**

Apologies for absence were intimated on behalf of Mr R Laird and Mr B Thompson.

#### **2. Declarations of Interest**

There were no declarations of interest.

#### **3. Minutes of Last Meeting**

The Minutes of the last meeting of the Sub Committee held on 2 September 2016 were circulated and **APPROVED**.

#### **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/11/16 by the Director of Finance which provided an update on Pension Fund investment matters for the quarter to 30 September 2016 and any significant events since that date.

The report provided details on the following matters, Private Equity funding draw-down; Legal and General Investment Management Disinvestments; Commercial real estate debt; Fund Performance and fees; Investment Strategy Review; and Investment Manager fees and Common Good fees.

The report also provided information on the extension proposed to the Standard Life Investments property debt commitment date from 4 December 2016 to 31 March 2017.

In presenting the report, the Head of Corporate Finance explained that, as previously requested, the report included details of the Asset value and the Managers fees for the quarter to 30 September 2016. However, he acknowledged that these were isolated figures with no context and he therefore proposed that further information on how the fee related to the performance of the asset be presented to a future meeting. It was further suggested that consideration be given to scoring the fees relative to performance and capital investment and the Head of Corporate Finance confirmed that he would investigate presenting this information in a more meaningful format.

Following consideration, the Sub-Committee:-

- i. **NOTED** the report, in particular the extension to the Standard Life Investments commercial property debt commitment date from 4 December 2016 to 31 March 2017; and
- ii. **AGREED** that further information be presented to a future meeting on Managers fees relative to performance.

### b) Quarterly Performance Report to 30 September 2016

There was circulated to Members only Report No. INV/12/16 by the Fund's Investment Advisor setting out Pension Fund investment performance for the quarter to 30 September 2016.

It was reported that the combined Fund's longer term performance had been strong, performing in line with benchmark over the 1 and 3 year periods to 30 September 2016 and outperforming the benchmark over the 5 year period to 30 September 2016. Overall this had been a positive quarter for the Fund and there had been an increase in the value of the Fund.

The report also detailed a Market summary, Fund asset allocation,

Strategic asset allocation and all the Managers investment performances.

In addition, the Investment Consultant Mr K Ettles from AON Hewitt gave an update on current and future key drivers that would influence the financial markets including Brexit; the uncertainties in Europe in view of forthcoming political elections in a number of countries, such as France, Germany and Holland; the potential for other countries to exit the EU; and the US elections. Mr Ettles responded to a number of individual questions and thereafter Members welcomed the overall good performance of the fund.

Following consideration, the Sub-Committee **NOTED** the contents of the report.

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

There had been circulated to Members only Report No INV/13/16 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 September 2016. Adam & Company's investment performances, measured against their respective strategic benchmarks, were also provided.

During this quarter, the total value of the Funds increased. All of the Funds delivered strong performance over the quarter, though the Inverness Common Good Fund underperformed its benchmark by -0.35%. The Inverness Benevolent Fund and Inverness Burial Grounds Commutation Fund outperformed their benchmark, with the Benevolent Fund delivering the strongest performance. The Benevolent Fund's performance over the last 5 years had been stronger than the other two Funds, primarily as a result of its higher allocation to equities.

Thereafter, the Sub-Committee **NOTED** the terms of the report.

## **7. Presentations**

### **a) Legal and General Investment Management**

The Chairman welcomed Mr Chris Lyons from Legal and General Investment Management who gave a presentation in regard to Legal and General's fund mandate; details of the Fund's portfolio activity for the 12 months to 30 September 2016; summary of activity; market background and performance; and a business update.

Following a question and answer session, the Chairman thanked Mr Lyons for his presentation, the details of which were **NOTED**.

### **b) Northern Trust**

The Chairman welcomed Mr Stuart Hobson and Mr Christopher Dulieu from Northern Trust to the meeting and the Sub-Committee were given a presentation during which they set out some background information in regard the global custody services provided; details of the lifecycle of a trade and asset servicing; and outlined the reporting process. A

general update was provided in regard to the overall economic outlook and Mr Dulieu also advised that a further more detailed presentation could be made in regard to cyber intelligence if desired.

Following a question and answer session, the Chair thanked Mr Hobson and Mr Dulieu for their presentation, the details of which were **NOTED**.

#### **8. Date of Next Meeting**

The Sub-Committee **AGREED** that their next meeting would be on Friday 3 March 2017 at 10.30 a.m.

The meeting ended at 12.15 p.m.