

## THE HIGHLAND COUNCIL

Minutes of Meeting of the **Investment Sub Committee** held in Committee Room One, Headquarters, Inverness on Friday, 21 October 2022 at 10.30 a.m.

### **Present:**

Mr D Louden  
Mr P Oldham

Ms E Johnston (representative from  
Trade Unions) (non voting) (remote)

### **Non-Members also present:**

Mr T MacLennan, Mr R MacKintosh

### Officials in attendance:-

Mr E Foster, Head of Corporate Finance and Commercialism, Resources & Finance Service

Ms C Stachan, Principal Accountant, Resources & Finance Service

Mr D Haas, Inverness City Area Manager (remote)

Ms F MacBain, Committee Administrator

### Also in attendance :-

Mr K Ettles, AON, Investment Principal and Actuary

Mr R Fea, Pension Board observer (remote)

Mr J Henry, Baillie Gifford (Item 8) (remote)

Ms C Erskine-Murray, Baillie Gifford (Item 8) (remote)

Mr A Knell, Robeco (Item 9) (remote)

Mr E Keller, Robeco (Item 9) (remote)

## **1. Appointment of Chair**

Mr D Louden was nominated by Mr P Oldham and seconded by Ms E Johnston. As Ms Johnston was a non-voting member of the Sub-Committee, it was **AGREED** that Mr Louden's appointment as Chair would be homologated at the next meeting of the Sub-Committee.

## **2. Apologies for Absence**

Mr C Balance, Mr R Gale, Mr B Lobban, and Mr A MacDonald.

## **3. Declarations of Interest**

There were none.

## **4. Investment Sub Committee: Terms of Reference**

There had been circulated, and was **NOTED**, the Terms of Reference of the Investment Sub Committee.

Attention was drawn to a misplaced apostrophe in Section 1, 3<sup>rd</sup> bullet point.

## **5. Minutes of Last Meeting**

There had been circulated, and were **NOTED**, minutes of meeting of the Sub-

Committee held on 11 March, 2022.

## 6. Exclusion of the Public

The Sub-Committee **RESOLVED** that, under Section 50(A) of the Local Government (Scotland) Act 1973, the public be excluded from the meeting during discussion of the following items on the grounds that they involved the likely disclosure of exempt information as defined in Paragraph 6 & 9 of Part 1 of schedule 7A of the Act.

## 7. Duncraig Educational Trust Scheme 1999

There had been circulated to Members only Report No. INV/8/22 by the Area Education and Learning Manager.

During discussion, Ms Johnston sought more detailed information on the arrangements for compensation for loss of office and this would be provided outwith the meeting. It was explained that while there were around 200 similar trusts, the majority were significantly smaller and there were only 5 over £100k in value that did not already hold investments, therefore a widespread call for similar investment arrangements was not anticipated. Information was sought and provided on how quickly a return on investment was anticipated.

The Sub Committee:

- i. **NOTED** the details of the report;
- \* ii. **AGREED** to **RECOMMEND** for the Duncraig Educational trust funds to be invested with Adam & Co as detailed; and
- iii. **AGREED** to provide Ms Johnston with more information on compensation for loss of office.

## 8. Presentation: Baillie Gifford

There had been circulated Report No. INV/9/22 which provided Members with possible questions for the Managers and further information regarding the performance of the Managers.

Jon Henry and Clare Erskine-Murray from Baillie Gifford gave a presentation on the Fund's investments with Baillie Gifford.

Questions were asked and responded to on the following topics:

- the operational performance of the companies invested in;
- cash flow positive and net debt to equity portfolios;
- growth and benchmark issues;
- performance and characteristics of the Global Alpha Paris-Aligned portfolio, including 5-10 year projections;
- carbon emission considerations and the ethical criteria for the Global Alpha Paris-Aligned portfolio; and
- further information outwith the meeting was requested from Baillie Gifford on recent investment then disinvestment in BHP stock.

The Sub-Committee **NOTED** the presentation and discussion.

## 9. Presentation: Robeco

There had been circulated Report No. INV/10/22 which provided Members with possible questions for the Managers and further information regarding the performance of the Managers.

Andrew Knell and Erik Keller from Robeco gave a presentation on the Fund's investment in the Robeco Sustainable Development Goals (SDG) Credit income fund.

Questions were asked and responded to on the regularity of portfolio changes, the impact of market volatility on bonds, the strategy for buying and selling bonds, and realised and unrealised losses.

The Sub-Committee **NOTED** the presentation and discussion.

## 10. Investment Activity Update and Performance Report

- (a) There had been circulated to Members only Report No INV/11/22 by the Head of Corporate Finance.

During discussion of vote reports, it was clarified that the Council set strategic directions via policies such as the Responsible Investment policy, which fund managers applied.

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

- (b) There had been circulated to Members only Report No. INV/12/22 by the Fund's Investment Advisor setting out Pension Fund investment performance for the quarter ended 30 June 2022.

During discussion, clarification was sought on the process for setting benchmarks, which were reviewed approximately every three years. The challenges around setting and monitoring performance against benchmarks were considered. Concern was expressed and information sought by Mr R Fea on the level of China-related investment and this would be provided outwith the meeting.

The Sub-Committee **NOTED** the report and **AGREED** to provide Mr R Fea with information on the level of investment being undertaken with connections to China.

- (c) There had been circulated to Members only Report No. INV/13/22 by the Fund's Investment Advisor providing a market update.

An up to date position for Quarter 3 was provided and market volatility in recent weeks was discussed.

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

## 5 Inverness Common Good and Associated Funds Investment Report

There had been circulated to Members only Report No. INV/14/22 by the Investment Advisor, which set out Common Good and Associated Funds investment performance for the quarter ended 30 June, 2022.

During discussion, the following issues were considered:

- an explanation of the Benevolent and the Burial Grounds Commutation Funds was sought and provided;
- clarification was sought and provided on why Inverness and Nairn Common Good Funds had equity portfolios when other CGFs did not, this being largely due to the Inverness and Nairn Funds being significantly larger. It was an issue that could be brought up at Area level; and
- it was clarified that all Highland councillors were trustees of all Common Good Funds, but the Council had delegated powers to the area committees to administer their own CGFs, with appropriate constraints.

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

## 12. Dates for Meetings 2023

The undernoted dates/times for meetings of the Sub Committee in 2023 were **AGREED:-**

Thursday, 16 March – 2pm

Thursday, 22 June – 10.30 a.m.

Friday, 8 September – 10.30 a.m.

Friday, 24 November – 10.30 a.m.

The meeting ended at 1.15pm