

THE HIGHLAND COUNCIL
RESOURCES COMMITTEE
INVESTMENT ADVISORY GROUP

Minutes of Meeting of the Investment
Advisory Group held in Council
Headquarters, Glenurquhart Road,
Inverness on Friday 16 January, 2009
at 1.30 pm.

PRESENT

Mrs C Wilson
Mr M Rattray
Mrs H Carmichael

Mr P Cairns
Mr J Ford
Mr A Campbell (Western Isles Council)
(Video conference)

Officials in attendance:-

Mr A Geddes, Depute Chief Executive
Mr B Williams, Head of Corporate Finance, Finance Service
Mr R Niven, Principal Accountant (Treasury, Leasing & Investments), Finance
Service
Mr A MacInnes, Administrative Assistant, Chief Executive's Service

Also in attendance -

Mr Mark Jaffray, Senior Investment Consultant, Hyman's Robertson, Investment
Consultants

Representatives from Alliance Bernstein Institutional Investments (item 2 only)

Ms Sharon Fay, Executive Vice President and Chief Investment Officer of Global
Value Equities
Ms Frances Smyth, Director, Client Relations
Mr Graeme Griffiths, Senior Portfolio Manager

Mr M Rattray in the Chair

1. Exclusion of the Public

The Group **RESOLVED** that under Section 50A(4) of the Local Government
(Scotland) Act 1973 the public be excluded from the meeting for this item on the
grounds that it involved the likely disclosure of exempt information as defined in
Paragraph 6 of Part I of Schedule 7A of the Act.

2. Presentation by Alliance Bernstein Institutional Investments

Prior to the Presentation by representatives from Alliance Bernstein, there had
been circulated a report by Mr Mark Jaffray, Hyman's Robertson, the Pension
Fund's Consultants which briefed Members on aspects of the Fund's current
investment performance and related structural considerations.

The Chairman welcomed Ms Sharon Fay, Ms Frances Smyth and Mr Graeme Griffiths from Alliance Bernstein to the meeting and the Group were given a presentation on investment strategy, investment performance to-date, market outlook and future investment opportunities.

The Managers acknowledged that they had experienced a difficult last year in terms of investment performance and explained the key features for this underperformance. This had been a very difficult period for equity investments in general, and where losses had been made these would take time to recover. Overall the economic outlook had deteriorated and 2009 was projected to be another difficult year for the world economy. However, the Managers were drawing on recent investment management experiences to better protect the Portfolio during this projected period of uncertainty in the markets. They advised that they were confident that investment opportunities were increasing for their style of investing and they were positive about the future outlook for the Portfolio.

Following a question and answer session, the Chairman thanked Ms Sharon Fay, Ms Frances Smyth and Mr Graeme Griffiths for their presentation.

In discussion, it was generally felt that while Alliance Bernstein had underperformed, this had been in the main due to the exceptional economic turmoil currently being experienced in the markets. Other Investment Managers had experienced similar reductions in performance over the same period and it was acknowledged that it may be some time before an upturn in performance will be experienced.

In relation to Alliance Bernstein's transition to the new mandate, it was advised that they would inform the Council when they intended to carry this out and any related contractual issues would be clarified with the Company.

Thereafter, the Group:

- i **NOTED** that Alliance Bernstein were to inform the Council when they intended to carry out the transition to the new mandate and that any related contractual issues would be clarified with the Company thereafter;
- ii **AGREED** that the Fund's Investment Managers would continue to make presentations at the quarterly meetings of the Investment Advisory Group to enhance Members' training.
- iii **AGREED** that the timetabling of the Group's meetings would be reviewed to make sufficient provision for the Managers' presentations and other specific training sessions agreed by the Group.

3. **Presentation by Hyman's Robertson, Investment Consultants**

There had been circulated a report by Mr Mark Jaffray, Hyman's Robertson on whether the Council should continue to consider private equity, currency and hedge fund investments for the Pension Fund, in light of the recent upheaval in

investment markets and the change in economic outlook.

By way of summary, it was felt that while markets were uncertain, Hymans believed that the Council should continue to consider an allocation to private equity and to active currency. However, they did not believe that now was an appropriate time for considering an allocation to hedge funds.

Following discussion, the Group **AGREED** to consider investment in private equity and active currency funds and a training session on each asset class would be provided for Members before making any firm decisions to invest.

The meeting ended at 3.45p.m.