

**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 27 February, 2009  
at 2.00 pm.

**PRESENT**

Mrs C Wilson  
Mr M Rattray  
Mrs H Carmichael

Mr P Cairns  
Mr J Ford

Officials in attendance:-

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 Schroders Property Investment Management Ltd (item 3 only)*

Mr Graeme Rutter, Head of UK Property Multi-Manager  
Ms Jennifer Murray, Property Fund Manager

**Mrs C Wilson 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 these 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.

**2. Pension Fund Investment Report**

There had been circulated to Members only Report No INV/1/09 dated 23 February, 2009 by the Depute Chief Executive which highlighted the diversification of the Pension Fund's assets under the management of Baillie Gifford, Alliance Bernstein, Legal & General, Fidelity and Schroders for the quarter ended 31 December, 2008. The report also provided information on the Managers' investment performances, measured against their respective strategic benchmarks, the details of which were noted by Members.

It was reported that the investment performance of the Combined Fund for the fourth quarter ended 31 December, 2008 showed an under performance against its benchmark of 1.35%. Over the one year period the Fund had under performed the benchmark by 3.97% and over 3 years the Fund also trailed the benchmark by 1.52%.

It was advised that the continued underperformance in the fund was a reflection of the severe economic downturn and current volatility in stock markets.

Following discussion on certain specific investment activities, the Group **NOTED** the position.

### **3. Presentation by Schroders Property Investment Management Ltd**

The Chairman welcomed Mr Graeme Rutter and Ms Jennifer Murray from Schroders Property Investment Management Ltd to the meeting and the Group were given a presentation on market outlook and forecasts, summary of the portfolio and investment strategy. The presentation also covered the long term stability of property returns, and inflation matching credentials of rental income.

The Managers had outperformed the benchmark over the one year, three years and inception to date time periods. The Continental European Fund had been the biggest contributor to out performance. However it was anticipated that like the UK property market, the European Property Market would suffer a downturn and therefore the Managers had reduced exposure in this area as a result.

Following a question and answer session, the Chairman thanked Mr Graeme Rutter and Ms Jennifer Murray for their presentation.

### **4. Inverness Common Good Fund and associated Funds Investment Report**

There had been circulated to Members only Report No. INV/2/09 dated 23 February, 2009 by the Depute Chief Executive which highlighted the diversification of Inverness Common Good and associated Funds under the management of Adam & Company for the quarter ended 31 December, 2008. Adam & Company's investment performances, measured against their respective strategic benchmarks were also provided.

The Group were advised that only the Inverness Burial Grounds Commutation Fund had out performed its benchmark for the quarter ended 31 December, 2008 with all other Funds underperforming their respective benchmarks, which was a reflection of the severe economic downturn and current volatility in stock markets.

It was suggested that another presentation by Adam & Company to the Group and also the Inverness City Committee should be arranged in due course.

Thereafter, the Group :

i **NOTED** the terms of the report; and

- ii **AGREED** that Adam and Company should be invited to meet the Group and the Inverness City Committee at a date to be arranged.

## 5. Any Other Competent Business

### Confidentiality of Investment Managers Quarterly Reports

The Chairman reminded Members to ensure that Quarterly Reports by the Council's Investment Managers should remain confidential, and in this respect referred to the confidentiality requirements for Members contained in 'The Councillors' Code of Conduct'.

The Group **NOTED** the position.

### Investment in Tobacco Stocks

The Chairman advised that concerns had been expressed in relation to the Council's investments in tobacco stocks on ethical grounds. In this respect, a report was to be submitted to the next meeting of The Highland Council which would consider legal advice on excluding such investments on ethical grounds.

The Group **NOTED** the position.

### Common Good Funds Performance Reports

The Chairman advised that while Inverness Common Good Fund and associated Funds performance investment reports were submitted to this Group, performance reports on other Common Good Funds were not. Therefore, it was **AGREED** that consideration would be given to submitting to this Group, performance reports on the market investments of other Common Good Funds administered by the Council.

### Group Visit to London

Members of the Group expressed an interest in visiting the Pension Fund's Investment Managers' Offices in London with a view to better understanding the general governance procedures and practices involved in managing the Fund's investments.

The Group **AGREED** that Members/Officials of the Investment Advisory Group visit Pension Fund's Investment Managers' Offices in London at a date to be arranged.

The meeting ended at 3.30 p.m.