

THE HIGHLAND COUNCIL

Minutes of Meeting of the **Investment Sub Committee** held in Council Headquarters, Glenurquhart Road, Inverness on Friday 14 June, 2019 at 10.30 a.m.

PRESENT

Mr R Bremner (by VC)
Mr D Louden
Mr P Siggers

Mr B Thompson
Mr C Nicolson (Comhairle nan Eilean Siar)
Mr E Macniven (representative from Trade Unions)

Officials in attendance:-

Mrs M Grigor, Finance Manager (Corporate Budgeting, Treasury and Taxation)
Ms C Stachan, Accountant, Corporate Resources Service
Mr A MacInnes, Administrative Assistant, Chief Executive's Service

Also in attendance :-

Mr R Fea, Pension Board representative
Mr K Ettles, AON Hewitt, Investment Principal and Actuary

Mr B Thompson in the Chair

1. Apologies for Absence

Apologies for absence were intimated on behalf of Mrs H Carmichael, Mr R Gale, Mr B Lobban, Mr D MacDonald - Pension Board representative, Mr D Haas - Inverness City Area Manager and Mr E Foster - Head of Corporate Finance and Commercialism.

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 15 March, 2019 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/6/19 by the

Depute Chief Executive/Director of Corporate Resources which provided an update on Pension Fund investment matters for the quarter to 31 March 2019 and details of significant events since that date.

The report also provided details on the following matters: Private Equity funding draw-down; Commercial real estate debt; Fund Performance; Training; Investment Strategy Review; Investment Adviser fees and Vote reports.

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

b) Quarterly Performance Report to 31 March 2019

There was circulated to Members only Report No. INV/7/19 by the Fund's Investment Advisor setting out Pension Fund investment performance for the quarter to 31 March 2019.

It was reported that over the quarter the combined Fund's performance had delivered absolute performance of 6.8% (net of fees) which was in line with the benchmark return of 6.8%. Longer term performance had been strong in absolute and relative terms with the Fund outperforming the benchmark by 1.0% p.a. and 0.8% p.a. over the 3 year and 5 year periods respectively to 31 March 2019 (before fees). The report also detailed a Market summary, Fund asset allocation, Strategic asset allocation and all the Managers investment performances. In addition, the Investment Principal and Actuary, Mr K Ettles from AON Hewitt, gave further commentary on the report and responded to a number of individual questions.

Members discussed Managers individual investment portfolios and performances and thereafter Members welcomed the overall performance of the Fund. In particular, it was noted that in terms of retail failures, the impact on the Fund had been nominal. The Investment Principal and Actuary undertook to respond to Councillor D Loudon on whether the Fund was exposed to retailers referred to at the meeting.

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

6. Inverness Common Good and Associated Funds Investment Report

There was circulated to Members only Report No. INV/8/19 by the Investment Advisor, which sets out Common Good and Associated Funds investment performance for the quarter ended 31 March, 2019.

During this quarter the total value of the Funds decreased. Whilst all portfolios generated positive returns, a significant withdrawal from the Inverness Common Good Fund reduced the total value over the quarter. The Inverness Common Good Fund outperformed its benchmark, whilst the Burial Grounds Commutation Fund, the Nairn Common Good Fund and the Benevolent Fund underperformed their benchmarks.

Over the five year period to 31 March, 2019 the Benevolent Fund and Burial Grounds Commutation Fund were ahead of the benchmark by 0.5% p.a. and

0.4% p.a. whereas the Inverness Common Good Fund performed broadly in line with its benchmark over the five year period.

Following commentary on the report by the Investment Principal and Actuary, it was suggested that a target portfolio for the Inverness Common Good Fund should be considered after the disinvestment process was concluded in order to inform Adam & Co which asset classes to take disinvestments from. Inverness City Committee members would need to be consulted on any review of strategy for the Common Good Fund and provided with an estimate of the costs involved.

The Investment Principal and Actuary undertook to provide an estimate of fees if there was a change in the regional mix of overseas direct equity investments for the Common Good Fund.

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

7. Presentation – Baillie Gifford

The chairman welcomed Lynn Dewar from Baillie Gifford who gave a presentation in relation to their portfolio, investment strategy and performance.

In this connection there was circulated to Members only_Report No. INV/9/19 which provided Members with possible questions for the Managers and further information regarding the performance of the Managers.

In summary, it was explained that most holdings demonstrated strong operational progress and governance and sustainability was crucial to long term investing. The Managers were encouraged by the range and quality of new investment opportunities. Further, Baillie Gifford's Governance and Sustainability report was available for Members to view on the Managers website. An explanation was also provided on the Managers engagement with companies in relation to tackling climate change.

Following a question and answer session, the Chairman thanked Ms Dewar for her presentation, the details of which were **NOTED**.

The meeting ended at 12.35 p.m.