

THE HIGHLAND COUNCIL

Minutes of Meeting of the **Investment Sub Committee** held in Council Headquarters, Inverness on **Wednesday, 17 December, 2025 at 2.00 p.m.**

Present:

Mr B Lobban

Mr P Oldham (Chair)

Mrs T Robertson

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

Non Members in attendance:-

Mr S Kennedy, Pension Board Observer

Officials in attendance:-

Mr B Porter, Chief Officer Corporate Finance

Ms C Stachan, Pensions Manager, Corporate

Ms L Harrison, Pensions Accountant, Corporate

Mr D Haas, Senior Community Development Manager, Communities and Place (remote)

Mr A MacInnes, Senior Committee Officer, Corporate

Also in attendance :-

Mr D Walker, Chief Investment Officer, Hymans Robertson

Mr P Oldham in the Chair

1. Apologies for Absence

Apologies for absence were intimated on behalf of Mr R Gale and Mrs M Paterson.

2. Declarations of Interest/Transparency Statement

There were none.

3. Minutes of Last Meeting

There had been circulated and **Noted** minutes of meeting of the Sub-Committee held on 26 September, 2025, which were approved at the Highland Council meeting on 30 October, 2025.

4. 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 items 5 to 9 on the grounds that they involved the likely disclosure of exempt information as defined in paragraph 6 of Part 1 of schedule 7A of the Act.

5. Investment Advisor - Introduction

Hymans Robertson had been appointed as investment advisor to Highland Pension Fund effective from 1 November 2025. David Walker from Hymans was in attendance and provided an introductory presentation about himself and Hymans.

The Sub Committee welcomed Mr Walker to his first meeting of the Sub Committee.

6. Investment Activity Update and Performance Report

- a) There had been circulated to Members only Report No INV/12/25 by the Chief Officer Corporate Finance with an update on Highland Pension Fund investment matters for the quarter to 30 September 2025 and any significant events since that date. The Pensions Manager provided commentary on the report and highlighted that equity protection expires in December 2025 and officers were working with the Investment Advisor to prepare the relevant paperwork. The Investment Advisor had prepared a report on their recommended approach to equity protection which was covered at item 8 of this minute.

With regard to the investment with Dodge and Cox and implementation of equity portfolio changes, this was covered at Item 7 of the Minute. Officers had now completed the onboarding process which was necessary before funding the Dodge and Cox investment.

The Sub Committee **Noted** the content of the report.

- b) There had been circulated to Members only Report No. INV/13/25 by the Fund's Investment Advisor setting out Pension Fund investment performance for the quarter ended 30 September, 2025.

The Investment Advisor provided commentary on the report and highlighted that the Fund delivered positive returns of 3.8% over quarter 3, slightly underperforming the benchmark return of 4.2%. The positive returns were mainly as a result of a continued rise in equity markets, supported by robust artificial intelligence and technology demand. In terms of asset allocation, the main highlight was that the investment in Dodge and Cox had still to be made. Commentary was also provided on individual manager performance against benchmark; managers business related updates and performance of the Inverness Common Good and Associated Funds. A detailed investment review of the latter Funds was subject to a separate report at item 9 of this minute.

Hymans were thanked for their work to date regarding the Pension Fund and the Sub Committee were pleased how quickly they had come up to speed and assimilate information on the Fund. Feedback was welcomed on the format and style of the Advisor's investment performance reports. In particular, it was requested that the formatting of the data on the asset allocation main fund be aligned in future reports.

The Committee **Noted** the content of the report.

7. Equity Portfolio Review Implementation

There had been circulated to Members only Report No. INV/14/25 a covering report by the Chief Officer Corporate Finance, which reviewed the Highland Pension Fund equity portfolio.

At the Investment Sub Committee on 26 September, 2025 there was a report by the Investment Advisor on recommendations to make to the equity portfolio, which were approved. It was also noted that a report would be submitted to a future meeting on the implementation of the equity portfolio changes. At the same meeting members approved the change of Investment Advisor from Aon to Hymans Robertson (Hymans). The investment advisor contract with Hymans started on 1 November 2025. In view of this change of advisor, officers requested that Hymans provide a view on the new target equity allocations alongside recommendations on implementing these portfolio changes. The professional advice from the Fund's Investment Advisor was attached as Appendix 1 to the report, which the Committee was invited to consider.

In response to a query regarding the magnificent seven US based technology companies and their exceptional market value, it was advised that the Fund did have reasonable exposure to some of these companies.

Thereafter, the Sub-Committee **Approved** the recommendations in the Investment Advisor's report that there is a phased approach to implementing the revised equity portfolio (option 2).

8. Equity Protection Options

There had been circulated to Members only Report No. INV/15/25 a covering report by the Chief Officer Corporate Finance, which reviewed the Highland Pension Fund equity protection options. Equity protection would expire in December, 2025 and the professional advice from the Investment Advisor on the overall equity protection structure in place and assessment whether it was effective in mitigating equity market risk in the portfolio was included in Appendix 1 to the report.

Following commentary on the report by the Investment Advisor during which he set out conclusions and recommendations regarding equity protection which were that more effective ways can be used to manage equity market risk. Therefore, the Investment Advisor recommended that December equity options due to expire should be settled and processes for this were set out in the report.

It was queried what impact a downturn in artificial intelligence (AI) equities would have on the Fund. It was advised that a sell off in AI stocks would impact equity markets as a whole. Some of the changes recommended in Managers mandates should mitigate this to an extent with a mix of different investment styles that had less exposure to the magnificent seven US based technology companies.

The Sub Committee **Approved** the professional advice and recommendations from the Fund's Investment Advisor (Appendix 1).

9. Highland Common Good and Associated Funds Investment review

There had been circulated to Members only Report No. INV/16/25 by the Chief Officer Corporate Finance. At the last meeting of the Sub Committee it had been agreed that given performance, a formal market review of the manager's portfolio be undertaken, with options for the portfolio being reported back to the Sub Committee for consideration. In this respect, there had been included as Appendix 1 to the report the professional advice from the Investment Advisor.

In discussion, reference was made of the need to evaluate what the common good funds are trying to achieve and what their practical investment objectives should be. The relevant Area Committees would require to decide what these objectives should be and the Sub Committee would require to decide on how to translate these objectives into an investment manager mandate. There would be a cost to advisory work undertaken on this.

Thereafter, the Sub-Committee **Approved** the next steps proposed by the Investment Advisor are implemented, as detailed in the Investment Advisor's report, Appendix 1.

10. Dates for Meetings 2026

The undernoted dates for meetings of the Sub Committee in 2026 were **Approved**. Consideration would also be given to aligning Pension Board and Joint Pension Committee/Pension Board meetings with these dates.

Thursday, 12 March – 2pm

Thursday, 18 June – 10am

Wednesday, 23 September – 10 am

Wednesday, 16 December – 10 a.m.

The meeting ended at 3.06 p.m.