

THE HIGHLAND COUNCIL

Minutes of Meeting of the **Investment Sub Committee** held in Council Headquarters, Inverness/Remotely on **Monday, 16 March, 2026 at 1.30 p.m.**

Present:

Mr B Lobban (remote)
Mr P Logue
Mr R MacKintosh (remote)
Mr P Oldham (Chair)

Mrs M Paterson (remote)
Mrs T Robertson (remote)
Ms E Johnston (Trade Unions representative) (remote)

Non Members in attendance:-

Mrs J Hendry
Mr T MacLennan (remote)

Officials in attendance:-

Mr B Porter, Chief Officer Corporate Finance
Ms C Stachan, Pensions Manager, Corporate
Ms L Harrison, Pensions Accountant, Corporate
Mr M Greig, Community Development Manager, Communities and Place (remote)
Mr L Hannah, 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
Ms N McRae, Hymans Robertson

Representatives of Baillie Gifford:-Ms C Erskine-Murray, Client Relationship Director;
Ms S Derbyshire, Client Relationship Director; Ms K Potter, Investment Specialist
Manager

Representatives of Schroders:- Ms O Docker, Client Director; Ms N Green, Fund
Manager

Mr P Oldham in the Chair

1. Apologies for Absence

An apology for absence was intimated on behalf of Mr S Kennedy, Pension Board Observer.

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 17 December, 2025, which were approved at the joint Pensions Committee/Pension Board meeting on 16 March, 2026.

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 the following items 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. Presentation: Baillie Gifford

There was circulated to Members only Report No. INV/01/26 which provided Members with possible questions for the Managers and further information regarding the performance of the Managers.

The Fund's Investment Advisor gave a short introduction about Baillie Gifford who managed a global equity allocation and invested in companies that they believed would grow significantly over the long term. The portfolio had emissions targets to limit the carbon footprint the Fund was exposed to. An update was provided in relation to staffing in the Baillie Gifford team and investment performance. The Committee had revised the equity structure within the Fund which had reduced Baillie Gifford's allocation. This would help diversify investment styles within the portfolio and the risk the Fund was exposed to.

Thereafter, Clare Erskine-Murray, Susan Derbyshire and Kirsty Potter from Baillie Gifford were welcomed to the meeting and they gave a presentation in relation to their portfolio, investment strategy and performance. It was highlighted that it had been a difficult few years for the portfolio due to the markets and investment approach and it was being looked at how to address this. The value of assets under the management of Baillie Gifford had fallen due to the Committee's decision to further diversify the Fund given current assumptions on markets. Baillie Gifford had been a client with Highland Council for over 35 years and investments had grown by £180m. This was over and above what the Fund would have got if it had invested in passive investments. It was hoped that this value creation would continue going forward.

It was explained that the managers focus was on investment in companies that they felt would deliver above average earnings growth which should translate into good share price performance. The companies that the managers invested in were performing well. The managers had reassessed the portfolio to ensure it was well balanced, diversified and resilient.

It was noted that the managers held investments in some of the magnificent seven US based technology companies which were working on artificial intelligence (AI). The manager's view was that this was an exceptional opportunity but selective exposure to these companies was key. However, as with all investments the managers were constantly re-evaluating the portfolio and this would apply to companies developing AI.

It was queried how robust the portfolio would be in a higher inflationary environment given the recent geopolitical turmoil. It was important to have a well diversified portfolio as some companies would be impacted greater than others with higher inflation and interest rates. It was the manager's view that the portfolio was in a very good position to meet these challenges.

In response to a query, pooling of pension funds in England and Wales was work in progress and the manager were working with five of the new pension fund pools.

In terms of the portfolio of investments listed in the USA, these companies would do business in other countries and it was queried what the revenues were from these companies that came from outwith the USA. An undertaking was given to provide Members with this information.

Thereafter, the Sub-Committee thanked the representatives from Baillie Gifford for their attendance at the meeting and **NOTED** the presentation and discussion.

6. Presentation: Schroders

There was circulated to Members only Report No. INV/02/26 which provided Members with possible questions for the Managers and further information regarding the performance of the Managers.

The Fund's Investment Advisor gave a short introduction about Schroders who managed the Fund's UK property allocation via a multi manager solution. The Advisor referred to Schroders investment performance; structural changes in the UK property market; the USA asset manager Nuveen's acquisition of the Schroders business; pension funds pooling in England & Wales and what impact this could have on the property market.

Thereafter, Naomi Green and Olivia Docker from Schroders were welcomed to the meeting and they gave a presentation in relation to their portfolio, investment strategy and performance. Schroders were the Fund's real estate manager and managed real estate indirectly through funds and this allowed for diversification of risk and opportunities across the property market. It was an actively managed portfolio and there was ongoing monitoring of it to see opportunities to deploy capital. It was highlighted that currently there was a stable period for real estate markets and signs of a recovery in valuations. There were changes in the structure of the UK pensions market with pooling of pension funds in England and Wales. There had been some selling pressures and this had impacted on performance.

Further details were provided on the real estate market overview, portfolio overview, investment performance and strategy. In particular, Nuveen and Schroders combining their businesses would be positive and would make it one of the largest global asset management firms and would provide greater scope for investment capabilities and solutions to clients.

In discussion, it was confirmed that there would be no change to the investment mandate the managers were following on behalf of the Fund. In terms of a higher inflation and interest rate environment this could slow the recovery in the property market. In terms of challenges in the office market, most of the funds that had offices in them were being wound down or being sold, so this impact on the portfolio should decrease over time. It was advised that there were limits that the managers could invest into Schroders own funds and no new Schroders funds were being created at present. There were good opportunities for investing in third party funds.

Thereafter, the Sub-Committee thanked the representatives from Schroders for their attendance at the meeting and **NOTED** the presentation and discussion.

7. Property Allocation Review

There was circulated to Members only Report No. INV/03/26 by the Chief Officer Corporate Finance which provided Members with information on the property allocation review completed by the Highland Pension Fund investment advisor, Hymans Robertson and included options for the future of the property mandate.

There was commentary on the report by the Investment Advisor. In discussion, it was advised that property still remained an attractive asset class for pension funds with potential for good returns on investments. The outlook for the UK property market was for it to be more stable going forward.

The Sub-Committee **APPROVED** the professional advice and recommendations from the Fund's Investment Advisor on the property allocation (Appendix 1 of the report).

8. Investment Activity Update and Performance Report

- a) There had been circulated to Members only Report No INV/04/26 by the Chief Officer Corporate Finance with an update on Highland Pension Fund investment matters for the quarter to 31 December, 2025 and any significant events since that date.

The Pensions Manager provided commentary on the report and highlighted that in terms of the investment strategy, Officers had been working with the investment advisor on transition activity to implement the approved equity asset allocation.

In discussion, reference was made to the heightened risk in private credit/direct lending markets. The importance of CVC, who were the Fund's direct lending manager, carrying out their credit due diligence was emphasised. CVC were to be invited to the next meeting to give a presentation.

In terms of the geopolitical events and the impact on the Pension funds investments, the current market value of the Fund was similar to that at the end of December, 2025. Therefore, the value of the Fund had decreased and this emphasised the importance of having a diversified portfolio in managing risks.

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

- b) There had been circulated to Members only Report No. INV/05/26 by the Fund's Investment Advisor setting out Pension Fund investment performance for the quarter ended 31 December, 2025.

The Investment Advisor provided commentary on the report and highlighted that the Fund delivered positive returns over quarter 4 of 2025 and there had been positive returns across the majority of assets. However, the returns had

underperformed the benchmark and contributors to this were highlighted. It was expected to see some volatility in markets in the next quarter given current geopolitical events.

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

9. Inverness Common Good and Associated Funds Investment Report

There was circulated to Members only Report No. INV/06/26 by the Investment Advisor, which set out Common Good and Associated Funds investment performance for the quarter ended 31 December 2025.

It was advised that each of the Funds posted strong returns over quarter 4 of 2025, but all had underperformed their benchmark. In terms of the decision taken at the last meeting of the Sub Committee, an evaluation was being undertaken of what the common good funds are trying to achieve and what their practical investment objectives should be.

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

The meeting ended at 3.17 p.m.