THE HIGHLAND COUNCIL

Minutes of Meeting of the **Investment Sub Committee** held in Council Headquarters, Inverness/Remotely on **Thursday, 18 June**, **2026 at 1.30 p.m**.

Present:

Mr B Lobban
Mr P Logue
Mr A MacKintosh (remote)
Mr R MacKintosh
Mr P Oldham
Mrs T Robertson

Non Members in attendance:-
Mr S Coghill (remote)
Mr S Kennedy, Pension Board Observer
Mrs J Hendry (remote)
Mr T MacLennan (remote)

Officials in attendance:-
Mr B Porter, Chief Officer Corporate Finance
Ms C Stachan, Pensions Manager, Corporate
Mr D Haas, Community Development Manager, Communities and Place
Mr A MacInnes, Senior Committee Officer, Corporate

Also in attendance:-
Mr D Walker, Chief Investment Officer, Hymans Robertson
Mr C Fowler & Mr D Bloch, CVC Advisers Ltd (remote) (item 5 only)
Ms S Varlet & Ms K Jungers, Mirova (remote) (item 6 only)

Mr P Oldham in the Chair

1. Apologies for Absence

There were none.

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 16 March, 2026 which were approved at the joint Pensions Committee/Pension Board meeting on 18 June, 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: CVC Advisers Ltd

There was circulated to Members only Report No. INV/07/26 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 CVC Advisers Ltd who were the Fund's private debt manager focused on European lending. Reference was made to their good performance over the longer term and areas the Committee may wish to focus on when questioning the managers.

Thereafter, Chris Fowler and Daniel Bloch from CVC Advisers Ltd were welcomed to the meeting and they gave a presentation in relation to their portfolio, investment strategy and performance. It was highlighted that the Fund's portfolios in European corporate direct lending with CVC were performing well. An overview of Funds held with CVC was provided, namely the CVC European Direct Lending 2021 Fund and CVC European Direct Lending Fund IV. Information on CVC European Direct Lending Fund V that had recently been launched was provided. Also, there was an update on the CVC team.

During discussion clarification was sought and provided on several issues including the portfolio's exposure to software; uses of payment in kind to give borrowers some time until their revenues improved, the extent this was prevalent in the portfolio and what controls over loans CVC had; companies who were on the watchlist, CVC would work with them and try and support them, along with other options to protect against a default on loans; Artificial intelligence becoming more integrated in systems and malware becoming more of a risk, and how the risk could be contained.

Thereafter, the Sub-Committee thanked Mr Fowler and Mr Bloch from CVC Advisers Ltd for attending the meeting and **NOTED** the presentation and discussion.

6. Presentation: Mirova

There was circulated to Members only Report No. INV/08/26 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 and highlighted that the last 3 to 5 years had been a difficult period for active equity managers given market conditions which had reflected on Mirova's performance and key areas the Committee may wish to question the managers on were highlighted.

Thereafter, Soliane Varlet and Katie Jungers were welcomed to the meeting and gave a presentation in relation to Mirova Global Sustainable Equity fund and the strategy and performance of the Fund.

During discussion clarification was sought and provided on several issues including the potential reclassification of the Fund from Sustainable Financial Disclosure Regulation Article 9 to Article 8 and whether this would change the managers investment approach; the impact of Artificial intelligence on software companies.

Thereafter, the Sub-Committee thanked Ms S Varlet and Ms K Jungers from Mirova for their attendance at the meeting and **NOTED** the presentation and discussion.

7. Revised Asset Framework Proposal

There was circulated to Members only Report No. INV/09/26 by the Chief Officer Corporate Finance which provided information on proposals to revise the way the asset framework is currently presented as recommended by the Fund's investment advisor, Hymans Robertson. It was proposed that the presentation of assets is changed to reduce complexity and remove the split between total liabilities backing assets and total surplus assets going forward.

Following commentary on the report by the Investment Advisor, the Sub Committee **AGREED** the professional advice from the Highland Pension Fund's Investment Advisor to update the presentation of assets as growth/income/protection and remove the presentational split between total liabilities backing assets and total surplus assets (Appendix 1 to the report).

8. Update on Scottish LGPS collaboration and related developments

There was circulated to Members only Report No. INV/10/26 by the Chief Officer Corporate Finance which provided an update on Scottish Local Government Pension Scheme (LGPS) collaboration and related developments and provided a timeline of events.

There was commentary on the report by the Chief Officer Corporate Finance who highlighted developments from the initial Mansion House pension reform proposals in November 2024 to the royal assent of the Pensions Bill with detailed guidance for England and Wales to be in place from June 2026; information on correspondence between the Scottish Government before the approval of legislative consent; contextual information on the Scottish LGPS which includes previous discussions in 2018 on proposals for Scottish LGPS structural reform which were not taken forward; update on ongoing developments in Scotland along with a Vision Statement and Memorandum of Understanding (MoU) which was developed as part of discussions at an LGPS conference. Members were invited to discuss the update on Scottish LGPS collaboration and related developments.

In discussion, it was noted that the majority of other Scottish LGPS had noted the LGPS collaboration and related developments and some of the investment arrangements for other Scottish LGPS were detailed. Officers would continue to monitor other Funds views on this issue. The importance of the fiduciary duty to achieve the best return for the Fund and Scheme Members was highlighted in the context that Scottish LGPS collaboration may include proposals for investment to be made in specific areas such as infrastructure projects. However, the returns should be as good as you could get elsewhere.

The Sub Committee **NOTED**:-

i. the update on Scottish LGPS collaboration and related developments as outlined in the report; and

ii. concern by Members on the Scottish LGPS collaboration and related developments in the context of the need to protect the fiduciary duty of the Pension Fund and Scheme Members; and the need for engagement with all stakeholders on this matter going forward.

9. Investment Activity Update and Performance Report

a) There had been circulated to Members only Report No INV/11/26 by the Chief Officer Corporate Finance with an update on Highland Pension Fund investment matters for the quarter to 31 March, 2026 and any significant events since that date.

It was highlighted that the final phase 3 of the asset allocation to implement the equity changes was now complete. Credit was extended to all those involved in this process in order to manage market risk due to ongoing market volatility.

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

b) There had been circulated to Members only Report No. INV/12/26 by the Fund's Investment Advisor setting out Pension Fund investment performance for the quarter ended 31 March, 2026.

The Investment Advisor provided commentary on the report and highlighted the volatility in markets due to the US and Iran conflict, inflation expectations and rising Bond yields. The Fund value had dropped slightly at the end of the quarter, but had since recovered.

Following discussion on investment performance, the Committee **NOTED** the content of the report.

10. Inverness Common Good and Associated Funds Investment Report

a) There was circulated to Members only Report No. INV/13/26 by the Investment Advisor, which set out Common Good and Associated Funds investment performance for the quarter ended 31 March, 2026.

It was highlighted that each of the funds posted negative returns over Q1 2026 as global equities fell, driven by the conflict in Iran and fears energy costs would spike, driving up costs for businesses. The funds also underperformed their respective benchmarks.

Further, work was continuing on Common Good Fund Policy and the strategy for the Inverness Common Good Fund.

Reference was made to the Invergordon Common Good Fund potentially receiving a large sum of money from the sale of the marble bust. It was understood that any returns from this sale would need to be used for capital funding purposes and not part of a managed investment portfolio. This would be looked at further as the sale progressed.

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

b) There was circulated to Members only Report No. INV/14/26 by the Chief Officer Corporate Finance with revised benchmarks for the Nairnshire Common Good Fund.

The Sub-Committee **APPROVED** the recommendation that the benchmark for the Nairn Common Good Fund investment with Canaccord is changed to:
• 75% global equities/20% fixed income/5% cash
(current benchmark is 60% UK equities/15% global equities/20% fixed income/5% cash).

The meeting ended at 3.30 p.m.