

Notice of Meeting and Agenda Investment Review Board

Date	Time	Venue
Wednesday, 25 November 2015	13:00	CMR 2, Council Headquarters, Renfrewshire House, Cotton Street, Paisley, PA1 1AN

KENNETH GRAHAM
Head of Corporate Governance

Membership

Councillor Derek Bibby: Councillor James MacLaren: Councillor Allan Noon:

Councillor Michael Holmes (Convener): Councillor Eddie Grady (Depute Convener)

Further Information

This is a meeting which is open to members of the public.

A copy of the agenda and reports for this meeting will be available for inspection prior to the meeting at the Customer Service Centre, Renfrewshire House, Cotton Street, Paisley and online at www.renfrewshire.gov.uk/agendas.

For further information, please either email democratic-services@renfrewshire.gov.uk or telephone 0141 618 7112.

Items of business

Apologies

Apologies from members.

Declarations of Interest

Members are asked to declare an interest in any item(s) on the agenda and to provide a brief explanation of the nature of the interest.

- | | | |
|----------|--|----------------|
| 1 | Minute of Previous Meeting | 3 - 6 |
| | Minute of meeting held on 3 June, 2015 | |
| 2 | Review of Investment Principles | 7 - 12 |
| | Report by the Director of Finance & Resources | |
| 3 | Information Session | 13 - 16 |
| | Briefing by Allison Galbraith, Investment Consultant, and David Millar, Senior Investment Analyst, both Hymans Robertson LLP regarding the Renfrewshire Investment portfolios and the current economic situation. | |
| 4 | Paisley and Renfrew Common Good Funds - Review of Investment and Income Performance | 17 - 30 |
| | Report by the Director of Finance & Resources and briefing note from Allison Galbraith. Subsequent to this Mike Connor, Private Client Head, accompanied by John Gordon, Regulatory Controls Manager, both Standard Life Wealth Limited, will deliver a presentation relative to the performance of the Paisley and Renfrew Common Good Funds. | |
| 5 | Date of Next Meeting | |
| | Members are asked to note that the next meeting of the Investment Review Board will be held on Wednesday 1 June, 2016 | |

Minute of Meeting Investment Review Board

Item No. 1

Date	Time	Venue
Wednesday, 03 June 2015	11:30	CMR 2, Council Headquarters, Renfrewshire House, Cotton Street, Paisley, PA1 1AN

PRESENT

Councillors Bibby, Grady, Holmes and J MacLaren.

CHAIR

Councillor Holmes, Convener, presided.

APOLOGIES

Councillor Noon.

IN ATTENDANCE

A MacArthur, Acting Head of Corporate Finance, and P Shiach, Committee Services Officer (both Finance & Resources).

ALSO IN ATTENDANCE

A Galbraith, Investment Consultant, Hymans Robertson LLP, and M Connor, Senior Portfolio Manager, Standard Life Wealth Limited.

DECLARATIONS OF INTEREST

There were no declarations of interest intimated prior to the commencement of the meeting.

1 MINUTE OF PREVIOUS MEETING

There was submitted the Minute of the meeting of the Investment Review Board held on 26 November, 2014.

DECIDED: That the Minute be noted.

2 INFORMATION SESSION

There was submitted a report by A Galbraith, Hymans Robertson LLP, which made reference to UK and Overseas equities during the period 1 July 2010 to 18 May, 2015; equities versus bonds; UK, US, Eurozone and Japan's gross domestic product between quarter one 2008 to quarter two 2014; Global Equities, value versus growth for the period quarter two 2006 to quarter two 2014; and Headline CPI inflation and Core CPI inflation during the period December 2012 to March 2015.

The Investment Consultant commented on economic and market conditions relative to economic growth, in terms of the global perspective; economic growth in the United Kingdom, quantitative easing in the Eurozone, short term negative inflation and its influence on economic policy, and the performance of different asset classes over the period to the end of May 2015.

She indicated that the fall in inflation had been primarily the result of falling oil and energy prices however oil prices had begun to recover. In addition she intimated that equity and bond markets remained positive.

There followed a question and answer session during which information on quarterly GDP and economic growth relative to the US, Europe, Japan and the UK was provided.

DECIDED: That the information be noted.

3 PAISLEY AND RENFREW COMMON GOOD FUNDS - REVIEW OF INVESTMENT AND INCOME PERFORMANCE

There was submitted a report by the Director of Finance & Resources relative to the performance of the Paisley and Renfrew Common Good Funds during the quarter to 31 March, 2015. A performance review report by Hymans Robertson LLP was appended thereto.

M Connor presented a report in relation to the performance of the Paisley and Renfrew Common Good Funds to 31 March, 2015. The report provided information on world markets; investment guidelines; asset attribution; inflation and deflation and currency divergence.

There followed a question and answer session during which Mr Connor indicated that the income estimates for the Renfrew and Paisley Common Good Funds were presented as net figures after tax, and not gross pre-tax figures. The income targets were also discussed, and it was agreed that the targets remained appropriate.

DECIDED: That the reports be noted.

4 DATE OF NEXT MEETING

It was noted that the next meeting of the Investment Review Board would be held in Renfrewshire House on Wednesday, 25 November, 2015.

To: Investment Review Board

On: 25 November 2015

Report by: Director of Finance and Resources

Heading: Statement of Investment Principles

1. Summary

- 1.1 The Council has arranged for the investments of the Paisley and Renfrew Common Good Funds to be managed by Standard Life Wealth Limited, and has agreed with the manager a number of principles which govern decisions regarding these investments.
- 1.2 These principles cover a range of issues such as which benchmark should be employed against which to assess the managers performance, and any restrictions the manager must observe in choosing sectors or classes of asset in which to invest. These principles are reviewed periodically to ensure they are relevant and appropriate to the requirements of the Common Good Funds.
- 1.3 The Statement of Investment Principles was last reviewed in November 2014, and is due for review. There are no changes proposed to the existing Statement (attached for information), other than to update the job title of the Director of Finance and Resources.
-

2. Recommendations

- 2.1 To consider and approve the Statement of Investment Principles.
-

Implications of the Report

1. **Financial** – funds generated by the Investment Manager are made available for distribution through grants and other awards agreed by Local Area Committees and the Finance & Resources Policy Board. All funds are managed in line with the requirements of local government and charities regulations, and in line with the Statement of Investment Principles.
2. **HR & Organisational Development** - *none*
3. **Community Planning** – *none*
4. **Legal** - *none*
5. **Property/Assets** - *none*
6. **Information Technology** - *none*
7. **Equality & Human Rights** - the recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** - *none*
9. **Procurement** – *none*
10. **Risk** – the Statement of Investment Principles outlines a medium level of risk to be adopted by the Investment Manager.
11. **Privacy Impact** - *none*

Author: *Richard Conway, Ext 7377*

Renfrewshire Council

Paisley and Renfrew Common Good Funds

Statement of Investment Principles

INTRODUCTION

Purpose of Statement

1. This statement sets out the principles governing decisions regarding the investment of assets of the Paisley and Renfrew Common Good Funds. The Director of Finance and Resources of Renfrewshire Council has issued this statement.

Consultation

2. The Director of Finance and Resources of Renfrewshire Council has consulted with Standard Life Wealth Limited (the Funds' Investment Manager) and with Hymans Robertson LLP (the appointed Investment Adviser) about the content of the Statement.

Investment Powers

3. The Director of Finance and Resources has the delegated authority per the Council's Financial Regulations to invest the monies of the Paisley and Renfrew Common Good Funds in or upon such investments, securities or property, as may be thought fit.

Investment Policy

4. Other than heritable property, held as investment assets, and cash required in the short-term, the Director and Officers rely on professional investment managers for the day-to-day management of the assets of the Common Good Funds.

Delegation to Fund Managers

5. The investment manager, Standard Life Wealth Limited, is responsible for the allocation of assets between types of investments and for the selection of individual stocks within each type of investment. The funds are managed on a discretionary basis where the investment manager makes all investment decisions in line with the agreed investment objectives and benchmark.

Investment Objectives

6. The investment manager has been instructed to achieve a balance between capital growth and income through investing in a combination of UK and overseas equities and fixed interest securities plus cash.

Income Objective

7. The Council will on an annual basis, present the investment manager with an indication of the income required for each fund.

Diversification and Risk Controls

Risk

8. In order to achieve the stated objective a moderate-risk approach will be adopted that corresponds to a diversified portfolio invested in a broad spread of equities both directly and indirectly through pooled funds but also including a proportion of fixed interest securities, property, cash and such other investments as the Council approves.

Custody

9. Platform Securities acts as custodian for the assets managed by the investment manager.

Manager Restrictions

10. The following investment restrictions have been put in place

- The members of Renfrewshire Council's Investment Review Board believe that social, environmental and ethical considerations are among the factors which its investment managers should take into account, where relevant, when selecting investments for purchase, retention or sale.
- The members consider that public opinion and consumerism is beginning to add a further dimension to corporate life such that companies which act irresponsibly or without consideration for the public view may run serious reputational risk which could have a significant impact upon their earnings and ultimately upon the value of their shares.
- In general terms, this means that there is a group of socially responsible investment concerns that investors need to be aware of and which should be taken into account when the decision whether to invest is being made. This does not mean that the decision whether or not to invest depends entirely on the assessment of these factors but that they should be considered along with all relevant factors when decisions to buy, hold or sell investments are being made.
- The Funds are committed to the development of a positive, practical and sustainable policy on socially responsible investment whilst fulfilling the Funds' fiduciary duties.
- General Policy Statement
The Funds require its investment manager to consider social, environmental and ethical factors in making investment decisions. Each investment decision shall be made on a balanced view on the overall investment case for particular sector or stock.
- Specific Restrictions
 - No direct investment in tobacco stocks
 - A minimum of 15% to be held in fixed interest stocks
 - No direct investment in companies involved in the manufacture or supply of cluster munitions or anti-personnel landmines; or any military production or sales

Manager controls

11. Powers of investment delegated to the investment manager must be exercised with a view to giving effect to the principles contained in this statement so far as is reasonably practicable.

Taxation

12. The investment manager will deal with all taxation issues recovery of tax suffered by funds. The investment manager shall provide annually a H.M. Revenue & Customs approved tax voucher with supporting schedules detailing dividend income received.

Performance Measurement Information

13. The Council will monitor the performance of the portfolio against its objectives on the quarterly basis. The performance will be measured against a composite benchmark as follows:

Asset Class	Benchmark	Proposed Weighting
UK Equities	FTSE all share index	60%
Overseas Equities	FTSE world ex UK index	20%
Fixed Interest Securities	FTA all UK Government Stocks	18%
Cash	UK Interbank 7-day	2%
		100%

The Council will review the suitability of the benchmark annually.

Reporting

14. The investment manager will prepare an investment report on the fund every quarter and will attend every quarter an officer review meeting with the Council's Director of Finance and Resources and his advisors. The investment manager will also attend bi-annual meetings of the Council's Investment Review Board.

Frequency of review

15. The Council will review this statement annually or sooner if there is a change in the policy or any of the areas covered by this statement.

HYMANS ROBERTSON LLP

Investment Review Board

Meeting on Wednesday 25 November 2015

1 Review of Q3 2015 investment report

2 Comments on economic and market conditions

- 2.1 Market background
- 2.2 Interest rates - expectations
- 2.3 Inflation
- 2.4 Equity and bond markets
- 2.5 Summary

Allison Galbraith

Investment Consultant

For and on behalf of Hymans Robertson LLP

Chart 1: UK and overseas equities; 1 July 2010 to 16 November 2015

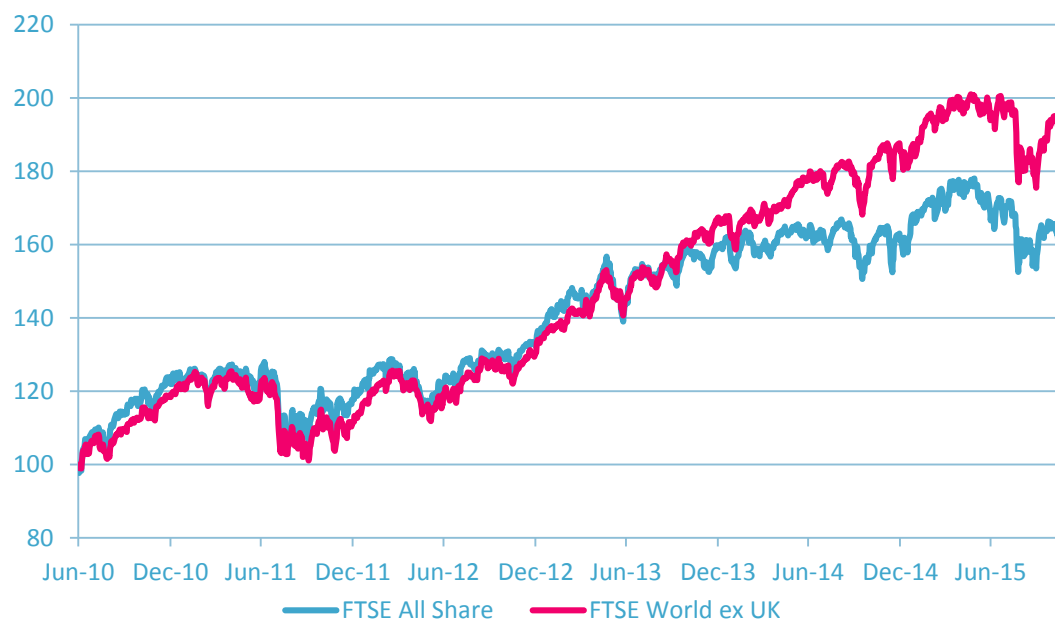


Chart 2: Equities versus Bonds; 1 July 2010 to 16 November 2015

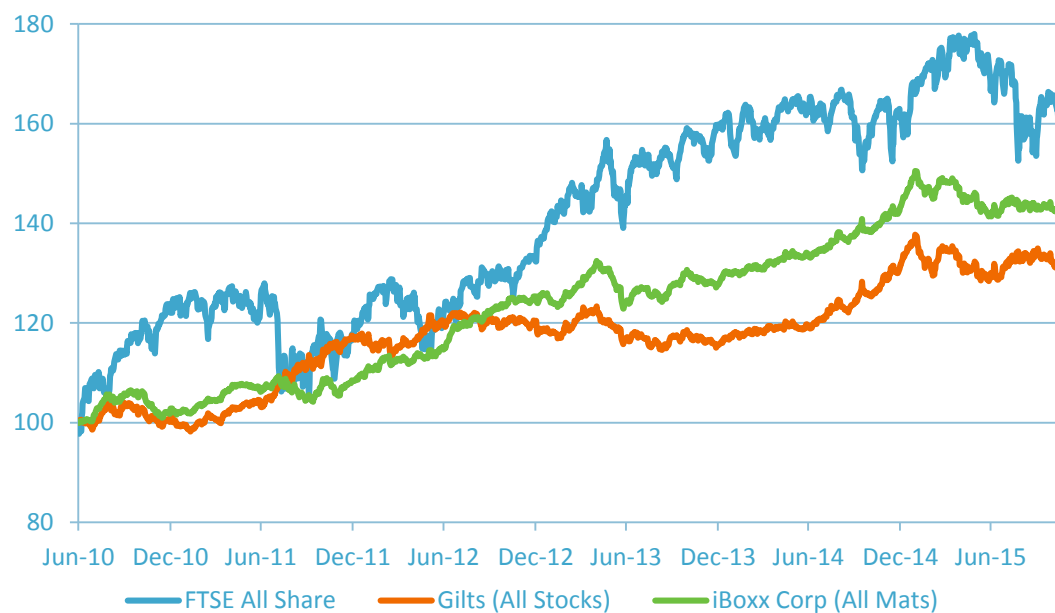


Chart 3: UK, US, Eurozone and Japan GDP; Q1 2008 to Q3 2015

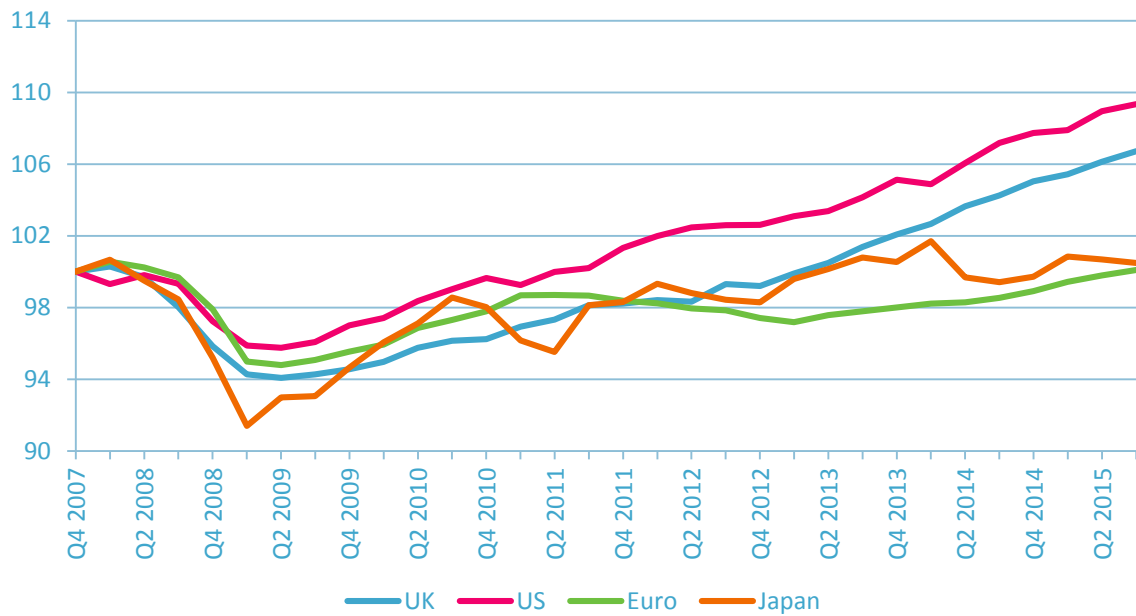


Chart 4: Global Equities – Value versus Growth; Q2 2006 to Q3 2015

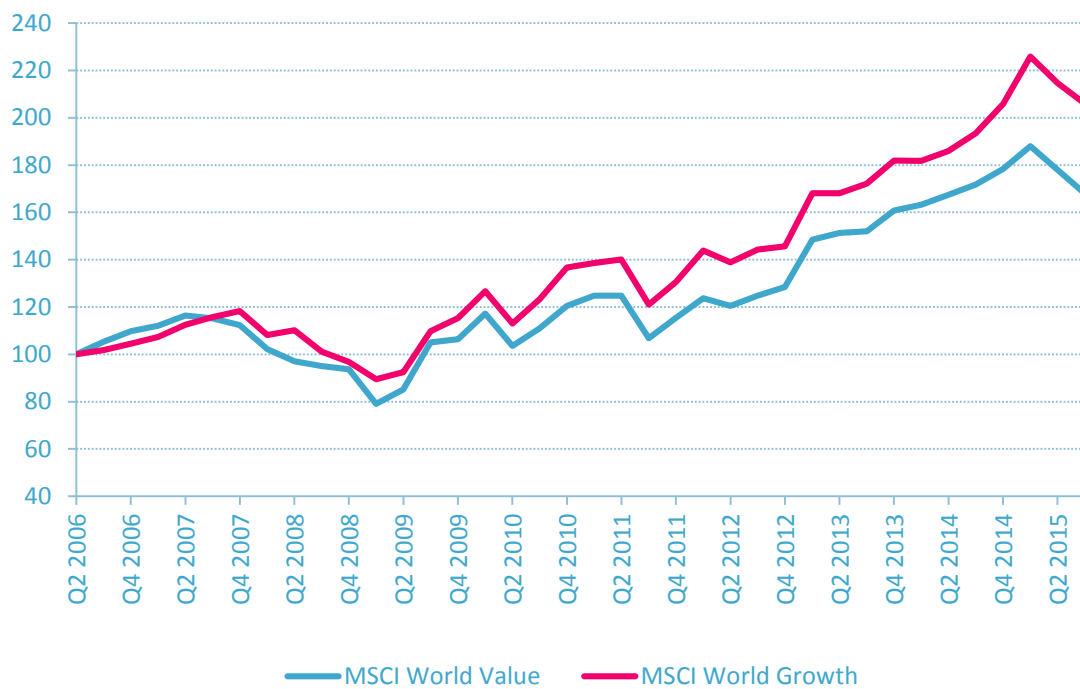


Chart 5: Headline CPI Inflation

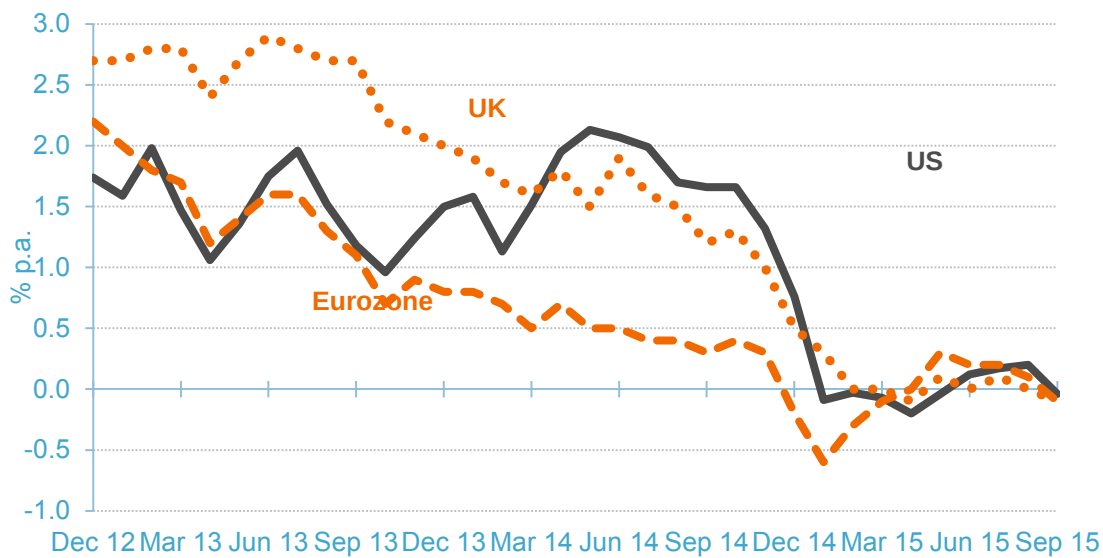
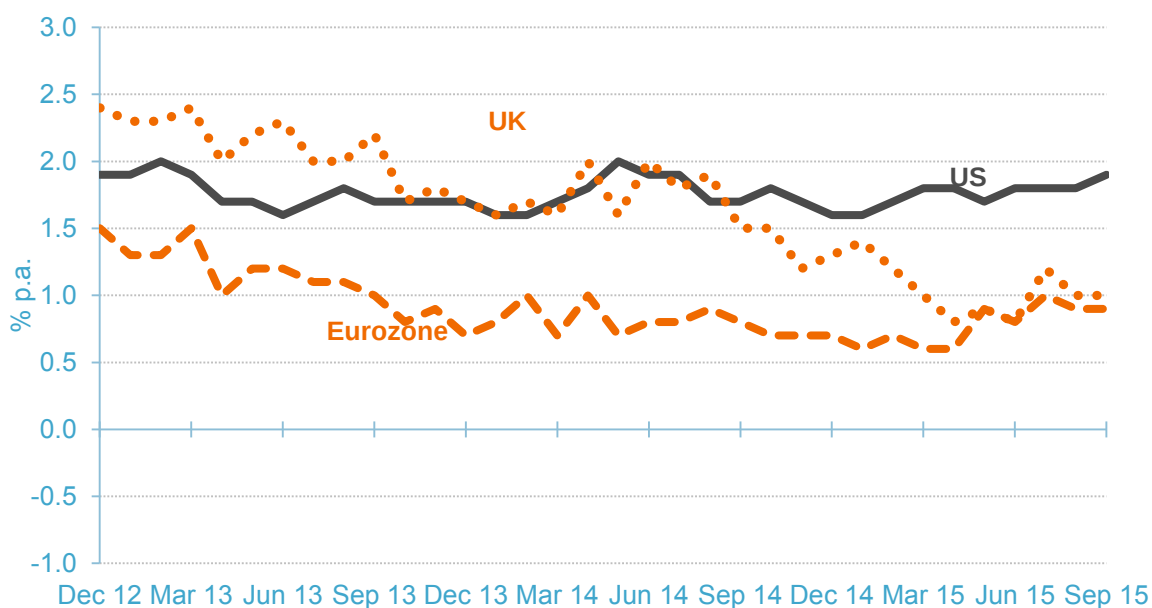


Chart 6: Core CPI Inflation



General Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets.

Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

To: Investment Review Board

On: 25 November 2015

Report by: Director of Finance and Resources

Heading: Paisley and Renfrew Common Good Funds
six-month report to 30 September 2015

1. Summary

- 1.1 Hymans Robertson LLP have been engaged by the Council to provide investment advice pertaining to the Paisley and Renfrew Common Good Funds, and to assess the performance of the Funds' investment managers, Standard Life Wealth Limited.
- 1.2 A report by Hymans Robertson LLP is attached for Members' consideration. The report provides an assessment of the performance of the Funds' investments and income levels during the six-month period ending 30 September 2015. Hymans Robertson LLP will be represented at the meeting by Allison Galbraith (Investment Consultant), who will present her report to Members, and by David Millar (Senior Investment Analyst). The investment managers will not be present during this part of the meeting.
- 1.3 Mike Connor (Private Client Head, Standard Life Wealth Limited) and John Gordon (Regulatory Controls Manager, Standard Life Wealth Limited) will then join the meeting. Mr Connor will give a short presentation during which there will be an opportunity for Members to question him directly in regard to his presentation and Fund performance.
-

2. **Recommendations**

- 2.1 To consider the attached reports by Hymans Robertson LLP and the presentation by Standard Life Wealth Limited.
-

Implications of the Report

1. **Financial** – funds generated by the Investment Manager are made available for distribution through grants and other awards agreed by Local Area Committees and the Finance & Resources Policy Board. All funds are managed in line with the requirements of local government and charities regulations, and in line with the Statement of Investment Principles.
2. **HR & Organisational Development** - *none*
3. **Community Planning** – *none*
4. **Legal** - *none*
5. **Property/Assets** - *none*
6. **Information Technology** - *none*
7. **Equality & Human Rights** - the recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** - *none*
9. **Procurement** – *none*
10. **Risk** – the Statement of Investment Principles outlines a medium level of risk to be adopted by the Investment Manager.
11. **Privacy Impact** - *none*

Author: *Richard Conway, Ext 7377*

Renfrewshire Council Common Good Funds

Review of Investment Managers' Performance for the six months to 30 September 2015

Prepared by:
Bruce A Lindsay - Senior Investment Consultant
Allison Galbraith - Investment Consultant

For and on behalf of Hymans Robertson LLP
November 2015

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Hymans Robertson LLP, has relied upon third parties and may use internally generated estimates for the provision of data quoted, or used, in the preparation of this report. Whilst every effort has been made to ensure the accuracy of such estimates or data, we cannot accept responsibility for any loss arising from their use.

Historic Returns for Worlds Markets to 30 September 2015

Market Comments

Global equity markets recorded their worst three month returns in four years. In the UK the FTSE All Share index fell by 5.7%; in the US, the S&P 500 index fell by 2.9%. August was a particularly difficult month, with global equities falling by more than 5% and government bonds offering little in the way of a safe haven.

The economic slowdown in China dominated the headlines during the quarter, with the country's economy growing at its slowest rate in over six years. In August, the benchmark interest rate was cut for the fifth time since November 2014.

An increase in short-term interest rates in the US had been widely anticipated at the start of the quarter, but developments in China shifted expectations. Many commentators are now anticipating that the first US rate rise will be pushed into 2016. However, the US economy continued to be robust, with falling unemployment and upward revisions to growth forecasts. The chairman of the Federal Reserve suggested, at the end of the quarter, that a US rate rise was still likely before the end of 2015.

Key events during the quarter included;

Global Economy

- Short-term interest rates were unchanged in the UK, US, Eurozone and Japan;
- Headline inflation in the US, Eurozone and UK remained close to zero;
- The VIX volatility index spiked as equity markets collapsed, peaking at more than double its historic average since 1990;
- Oil prices slid back to their lows of early 2015, dipping under \$50 per barrel;
- Commodity prices suffered their biggest quarterly decline since 2008.

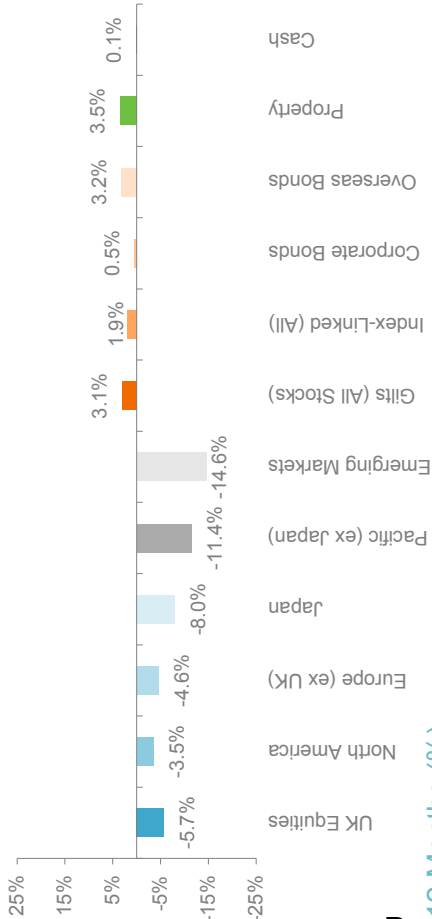
Equities

- The strongest sectors relative to the FTSE All World Index were Utilities (+7.6%) and Consumer Services (+5.1%); the weakest were Basic Materials (-11.4%) and Oil & Gas (-9.9%);
- Emerging market equities struggled; local currency weakness compounded the falls for UK investors.

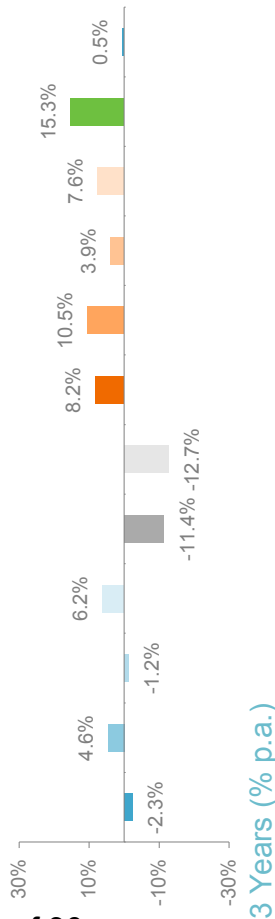
Bonds

- Sterling fell against the Dollar, Euro and Yen, largely reversing gains made during the preceding quarter;
- UK gilt yields fell (prices rose), with nominal yields falling further than real yields.

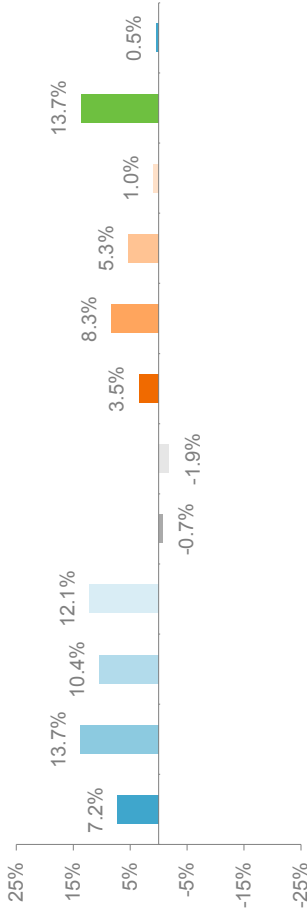
3 Months (%)



12 Months (%)



3 Years (% p.a.)



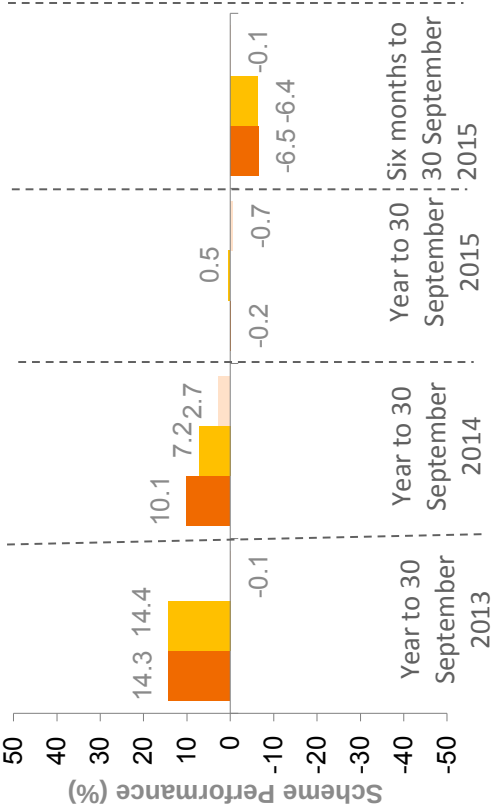
Paisley Common Good Fund: Portfolio Summary

Valuation Summary

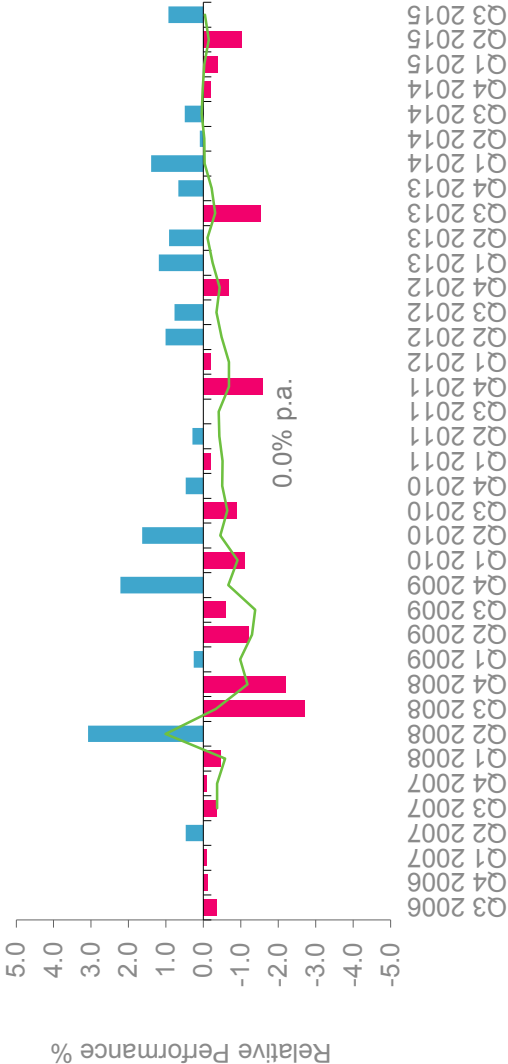
	Values (£m)		Actual Proportion %	Target Proportion %	Difference	
	31/03/2015	30/09/2015			%	
UK Equities	1.804	1.560	47.1	60.0	-12.9	
International Equities	1.110	1.094	33.0	20.0	13.0	
UK Bonds	0.573	0.536	16.2	18.0	-1.8	
International Bonds	0.046	0.040	1.2	0.0	1.2	
Property	0.000	0.000	0.0	0.0	0.0	
Cash/Other	0.094	0.081	2.5	2.0	0.5	
Total	3.626	3.311	100.0%	100.0%		
	£130,823	£135,768		£130,067		£102,700

Estimated income includes UK equity dividends on a net, cash received, basis.

Performance Summary



Relative Quarterly and Relative Cumulative Performance



Renfrew Common Good Fund: Portfolio Summary

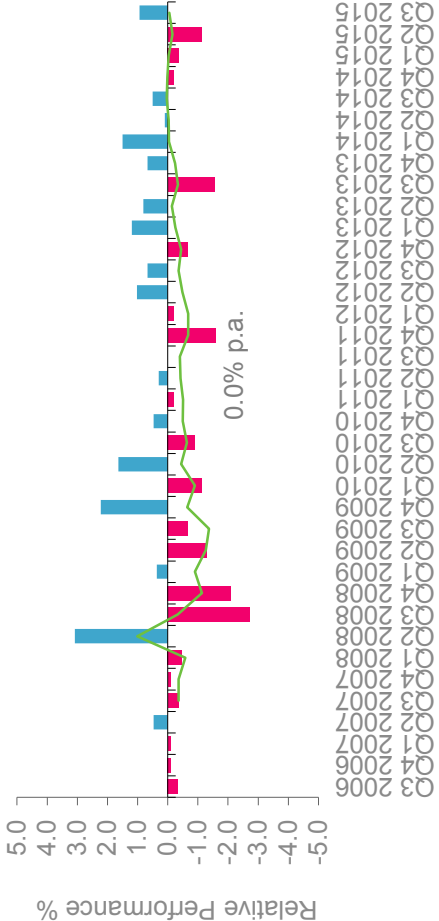
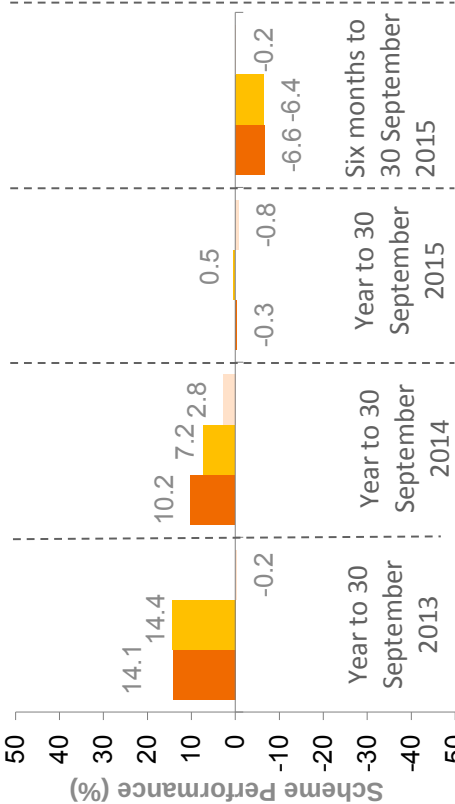
Valuation Summary

	Values (£m)		Actual Proportion %	Target Proportion %	Difference	
	31/03/2015	30/09/2015			%	
UK Equities	5.879	5.240	47.0	60.0	-13.0	
International Equities	3.943	3.704	33.2	20.0	13.2	
UK Bonds	1.938	1.807	16.2	18.0	-1.8	
International Bonds	0.157	0.135	1.2	0.0	1.2	
Property	0.000	0.000	0.0	0.0	0.0	
Cash/Other	0.313	0.272	2.4	2.0	0.4	
Total	12.230	11.158	100.0%	100.0%		
(Standard Life) Estimated Annual Income		30/09/2015	Target			
		31/03/2015	30/06/2015	30/09/2015		
		£439,801	£456,178	£ 442,878.00		
				£346,000		

Estimated income includes UK equity dividends on a net, cash received, basis.

Performance Summary

Relative Quarterly and Relative Cumulative Performance



Paisley Common Good Fund: Allocation and Performance

Commentary on Paisley Common Good Fund

The Fund, in aggregate, returned -6.5% between end March 2015 (the effective date of the immediately preceding report) and end September 2015; over the same period, the benchmark achieved a return of -6.4%.

Since the inception of the mandate, on 1 July 2006, the Fund return, +5.7% p.a., is marginally below that of the benchmark, +5.8% p.a. Throughout this time, the investment manager has met a demanding income target.

As at end September 2015, the allocation to equities (80.1%) was broadly in line with the benchmark allocation (80%). The portfolio continues to be underweight in UK equities and overweight in overseas equities. This reflects the investment manager's global investment perspective. The exposure to bonds was 17.4% at end September 2015 compared with the benchmark of 18% and a minimum allocation of 15%. The allocation to cash at end September 2015 was 2.5% (0.5% above the benchmark allocation) compared with 2.6% at the end of March 2015.

Although falling in absolute terms over the six months to end September 2015, both UK and overseas equities outperformed their respective benchmarks (by +1.2% and +0.8% respectively). The overweight position in overseas equities, which underperformed their UK counterparts in Sterling terms, will have had a detrimental impact on performance at aggregate level. Over the same period, corporate bonds will have had a detrimental impact on aggregate performance as they underperformed their benchmark.

As stated in our report for the quarter to end March 2015, we are unable to comment in detail on the returns achieved by equities as the Investment Manager does not provide sufficient information. We have asked the Investment Manager to provide an attribution analysis that allows us to understand more about performance and await a response.

Questions for the investment manager;

Which equity sectors and stocks contributed/detracted most to/from performance over the period?

Which regional equity markets contributed/detracted most to/from performance over the period?

What is your policy regarding investment in Far East and emerging markets? Opportunity, or an area to avoid?

What is the reason for the significant underperformance of international bonds during the quarter to end September 2015?

How are you positioning the fixed interest element of the portfolio in the context of potential rises in short-term interest rates in the UK and US?

Performance Summary

6 Months (%)

Fund	-6.5	Paisley CGF
Benchmark	-6.4	
Relative	_____ -0.1%	

12 Months (%)

Fund	-0.2	
Benchmark	0.5	
Relative	_____ -0.7%	

3 years (%)

Fund	7.9	
Benchmark	7.2	
Relative	_____ 0.6%	

Since Inception (% p.a.) (1 July 2006)

Fund	5.7	
Benchmark	5.8	
Relative	_____ 0.0%	



Renfrewshire Council Common Good Funds

Hymans Robertson LLP

Renfrew Common Good Fund: Allocation and Performance

Commentary on Renfrew Common Good Fund

The Fund, in aggregate, returned -6.6% between end March 2015 (the effective date of the immediately preceding report) and end September 2015; over the same period, the benchmark achieved a return of -6.4%.

Since the inception of the mandate, on 1 July 2006, the Fund return, +5.7% p.a., is marginally below that of the benchmark, +5.8% p.a. Throughout this time, the investment manager has met a demanding income target.

As at end September 2015, the allocation to equities (80.2%) was broadly in line with the benchmark allocation (80%). The portfolio continues to be underweight in UK equities and overweight in overseas equities. This reflects the investment manager's global investment perspective. The exposure to bonds was 17.4% at end September 2015 compared with the benchmark of 18% and a minimum allocation of 15%. The allocation to cash at end September 2015 was 2.4% (0.4% above the benchmark allocation) compared with 2.6% at the end of March 2015.

Although falling in absolute terms over the six months to end September 2015, both UK and overseas equities outperformed their respective benchmarks (by +1.2% and +0.8% respectively). The overweight position in overseas equities, which underperformed their UK counterparts in Sterling terms, will have had a detrimental impact on performance at aggregate level. Over the same period, corporate bonds will have had a detrimental impact on aggregate performance as they underperformed their benchmark.

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Questions for the investment manager;

Which equity sectors and stocks contributed/detracted most to/from performance over the period?

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What is your policy regarding investment in Far East and emerging markets? Opportunity, or an area to avoid?

What is the reason for the significant underperformance of international bonds during the quarter to end September 2015?

How are you positioning the fixed interest element of the portfolio in the context of potential rises in short-term interest rates in the UK and US?

Performance Summary

6 Months (%)

Renfrew CGF	
Fund	-6.6
Benchmark	-6.4
Relative	-0.2%
Fund	-0.3
Benchmark	0.5
Relative	-0.8%
Fund	7.8
Benchmark	7.2
Relative	0.6%
Fund	5.7
Benchmark	5.8
Relative	0.0%

12 Months (%)

3 years (%)

Since Inception (% p.a.) (1 July 2006)

Renfrewshire Council Common Good Funds

Hymans Robertson LLP

Appendix 1: Asset Allocation

Paisley Common Good Fund

Asset Allocation 31 March 2015

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	49.7%	-10.3%
International Equities	20.0%	30.6%	10.6%
UK Bonds	18.0%	15.8%	-2.2%
International Bonds	0.0%	1.3%	1.3%
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	2.6%	0.6%
Total	100.0%	100.0%	0.0%

Renfrew Common Good Fund

Asset Allocation 31 March 2015

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	48.1%	-11.9%
International Equities	20.0%	32.2%	12.2%
UK Bonds	18.0%	15.8%	-2.2%
International Bonds	0.0%	1.3%	1.3%
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	2.6%	0.6%
Total	100.0%	100.0%	0.0%

Asset Allocation 30 September 2015

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	47.1%	-12.9%
International Equities	20.0%	33.0%	13.0%
UK Bonds	18.0%	16.2%	-1.8%
International Bonds	0.0%	1.2%	1.2%
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	2.5%	0.5%
Total	100.0%	100.0%	0.0%

Asset Allocation 30 September 2015

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	47.0%	-13.0%
International Equities	20.0%	33.2%	13.2%
UK Bonds	18.0%	16.2%	-1.8%
International Bonds	0.0%	1.2%	1.2%
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	2.4%	0.4%
Total	100.0%	100.0%	0.0%

Renfrewshire Council Common Good Funds

Hymans Robertson LLP

Appendix 2: Performance by Asset Class

Renfrew Common Good Fund

	3 months		12 months	
	Fund %	Benchmark %	Fund %	Benchmark %
UK Bonds	4.1	3.1	12.6	8.2
International Bonds	-6.0	5.9	-2.4	4.5
UK Equities	-3.9	-5.7	-0.2	-2.3
Overseas Equities	-4.2	-5.3	-3.0	1.3
Total Assets	-3.0	-3.9	-0.3	0.4

Paisley Common Good Fund

	3 months		12 months	
	Fund %	Benchmark %	Fund %	Benchmark %
UK Bonds	4.0	3.1	12.9	8.2
International Bonds	-6.0	5.9	-2.5	4.5
UK Equities	-3.9	-5.7	-0.2	-2.3
Overseas Equities	-4.2	-5.3	-2.9	1.3
Total Assets	-3.0	-3.9	-0.2	0.4

Appendix 3: Explanation of Performance Calculations

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\left((1 + \text{Fund Performance}) / (1 + \text{Benchmark Performance}) \right) - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The following example illustrates the shortcomings of the arithmetic method in comparing short term relative performance with the longer term picture :

Arithmetic Method

	Fund Performance	Benchmark Performance	Relative Performance
Quarter 1	7.0%	2.0%	5.00%
Quarter 2	28.0%	33.0%	-5.00%
Linked 6 months			-0.25%
6 month performance	37.0%	35.7%	1.30%

- If fund performance is measured quarterly, there is a relative underperformance of 0.25% over the six month period.
- If fund performance is measured half yearly, there is a relative outperformance of 1.3% over the six month period.
- The arithmetic method makes it difficult to compare long term relative performance with shorter term relative performance.

Geometric Method

	Fund Performance	Benchmark Performance	Relative Performance
Quarter 1	7.0%	2.0%	4.90%
Quarter 2	28.0%	33.0%	-3.76%
Linked 6 months			0.96%
6 month performance	37.0%	35.7%	0.96%

- If fund performance is measured quarterly, there is a relative outperformance of 0.96% over the six month period.
- If fund performance is measured half yearly, an identical result is produced.
- The geometric method therefore makes it possible to directly compare long term relative performance with shorter term relative performance.