

## Notice of Meeting and Agenda Investment Review Board

Date	Time	Venue
Wednesday, 20 November 2019	11:00	Corporate Meeting Room 1, Council Headquarters, Renfrewshire House, Cotton Street, Paisley, PA1 1AN

KENNETH GRAHAM  
Head of Corporate Governance

### Membership

Councillor John McIntyre: Councillor Iain Nicolson: Councillor Jim Sharkey:  
Councillor John Shaw (Convener): Councillor Jim Paterson (Depute Convener):

### Members of the Press and Public

Members of the press and public wishing to attend the meeting should report to the customer service centre where they will be met and directed to the meeting.

### 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 <http://renfrewshire.cmis.uk.com/renfrewshire/CouncilandBoards.aspx>

For further information, please either email [democratic-services@renfrewshire.gov.uk](mailto: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.

- |          |   |                |
|----------|---|----------------|
| <b>1</b> | <b>Minute of Previous Meeting</b>   | <b>1 - 4</b>   |
|          | Minute of meeting held on 12 June 2019.   |                |
| <b>2</b> | <b>Review of Statement of Investment Principles</b>   | <b>5 - 10</b>  |
|          | Report by Director of Finance & Resources.  |                |
| <b>3</b> | <b>Information Session</b>  |                |
|          | David Millar, Associate Consultant, Hymans Robertson LLP, will make a presentation regarding the Renfrewshire investment portfolios and the current economic situation.   |                |
| <b>4</b> | <b>Paisley and Renfrew Common Good Funds: Review of investment and income performance</b>   | <b>11 - 24</b> |
|          | Report by Director of Finance & Resources relative to the performance of the Paisley and Renfrew Common Good Fund investments; including a briefing note from Hymans Robertson LLP regarding the key issues to be presented by David Millar. Subsequent to this, Gair Brisbane, Senior Charity Portfolio Manager, Aberdeen Standard Capital Limited, will deliver a presentation relative to the performance of the Paisley and Renfrew Common Good Fund investments. |                |
| <b>5</b> | <b>Date of Next Meeting</b>   |                |
|          | Members are asked to note that the next meeting of the Investment Review Board is scheduled for Wednesday 10 June 2020 at 11.00 am.   |                |

## Minute of Meeting

### Investment Review Board

Date	Time	Venue
Wednesday, 12 June 2019	11:00	Corporate Meeting Room 1, Council Headquarters, Renfrewshire House, Cotton Street, Paisley, PA1 1AN

### Present

Councillor John McIntyre, Councillor Iain Nicolson, Councillor Jim Paterson, Councillor John Shaw

### Chair

Councillor Shaw, Convener, presided.

### In Attendance

A MacArthur, Head of Finance and A McNaughton, Senior Committee Services Officer (both Finance & Resources).

### Also Attending

D Millar, Senior Investment Analyst, Hymans Robertson LLP; and M Connor and G Brisbane, Portfolio Managers (both Aberdeen Standard Capital).

### Declarations of Interest

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

## **1 Note of Inquorate Meeting**

There was submitted a note of inquorate meeting, dated 21 November 2018.

**DECIDED:** That the information be noted.

## **2 Minute of Previous Meeting**

There was submitted the Minute of the meeting of the Investment Review Board held on 5 December 2018.

**DECIDED:** That the Minute be approved.

## **3 Investment Manager Tender Exercise**

There was submitted a report by the Director of Finance & Resources relative to the outcome of a tender exercise to appoint Investment Managers. The report outlined the procurement process and advised that Aberdeen Standard Capital Limited (formerly Standard Life Wealth Limited) had been appointed as the Council's Investment Manager with effect from 1 July 2019 for a period of three years, with the option to extend the contract for up to a further two years.

**DECIDED:** That the appointment of Aberdeen Standard Capital Limited as the Council's Investment Manager be noted.

## **4 Information Session**

D Miller, Consultant (Hymans Robertson LLP) delivered a briefing relative to the performance of Renfrewshire Council's investment portfolios giving an update on current market and other economic news; equities; investing as a long-term activity; bond markets; property; currencies and infrastructure. He explained that despite a difficult trading period, Q4 had shown good returns. The multi-asset approach to investment adopted by the Council's Investment Manager had provided steady growth and performance, in terms of income generation, was ahead of the benchmark.

**DECIDED:** That the briefing be noted.

## **Sederunt**

M Connor and G Brisbane, Portfolio Managers (both Aberdeen Standard Capital Limited) entered the meeting during consideration of the undernoted item.

## **5 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 six-months to

31 March 2019. A performance review by Hymans Robertson LLP was attached as an appendix to the report.

M Connor and G Brisbane provided commentary on the performance of world markets; the global macroeconomic environment; Brexit; investment guidelines for Common Good Funds; long-term performance of Common Good Funds; asset contribution to Common Good Funds; stock contribution to Common Good Funds; and a rationale for remaining invested in risk assets.

The report advised that the value of the Paisley Common Good Fund had reduced slightly from £4.182 million in 2018 to £4.160 million in 2019 and estimated income was now £147,780 (£149.218 last quarter) against a target of £113,000.

The value of the Renfrew Common Good Fund had also reduced slightly from £14.140 million in 2018 to £14.061 million in 2019 and estimated income was now £479,834 (£504,264 last quarter) against a target of £380.000.

**DECIDED:** That performance of investments be noted.

## **6 Date of Next Meeting**

It was noted that the next meeting of the Investment Review Board would be held in Renfrewshire House on Wednesday 20 November 2019 at 11am.

**DECIDED:** That the information be noted.






---

**To:** Investment Review Board

**On:** 20 November 2019

---

**Report by:** Director of Finance and Resources

---

**Heading:** Review of 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 Aberdeen Standard Capital Limited, and has agreed with the manager a number of principles which govern decisions regarding those investments.

1.2 These principles cover a range of issues, such as what benchmark should be employed against which to assess the manager's performance, and any restrictions the manager must observe in choosing sectors or classes of asset in which to invest. These requirements are formalised in a *Statement of Investment Principles* document, and this document is reviewed periodically to ensure that the principles contained therein remain appropriate to the requirements of the Common Good Funds.

1.3 The Statement of Investment Principles was last reviewed in December 2018, and is due for review. It is proposed that minor amendments be made to the Statement as detailed below, and these changes are contained in an updated version attached to this report:

- The name of the investment manager has been amended throughout the Statement to reflect the change of company name on 21 January 2019 from Standard Life Wealth Limited to Aberdeen Standard Capital Limited. This change of name is the result of a re-branding exercise following the merger of Standard Life and Aberdeen Asset Management in March 2017.

- The term “fund manager” has been replaced with “investment manager” for consistency of terminology across the Statement and other Trust documents, such as the annual report and financial statements and the regular investment review reports.

---

2.           **Recommendations**

- 2.1           To consider and approve the Statement of Investment Principles which is attached to this report.
-



## 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 Partnerships and the Finance, Resources and Customer Services 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
12. **COSLA Policy Position** – none
13. **Climate Risk** - none

---

**Author:** Richard Conway, Finance Manager (Financial Accounting)  
0141-618 7377  
richard.conway@renfrewshire.gov.uk

# **Renfrewshire Council**

## **Paisley and Renfrew Common Good Funds**

### **Statement of Investment Principles**

#### **A: 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 Aberdeen Standard Capital 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 investment managers**

5. The investment manager, Aberdeen Standard Capital 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 regular stream of income, and thereafter capital growth, 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.

## **B: 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 LLP 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 including the recovery of tax suffered by funds. The investment manager shall provide annually an HM 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 a 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%
		<b>100%</b>

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.



---

**To:** Investment Review Board

**On:** 20 November 2019

---

**Report by:** Director of Finance and Resources

---

**Heading:** Paisley and Renfrew Common Good Funds  
six-month report to 30 September 2019

---

**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, Aberdeen Standard Capital 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 2019. Hymans Robertson LLP will be represented at the meeting by David Millar (Associate Consultant), who will present his report to Members. The investment manager will not be present during this part of the meeting.
- 1.3 Gair Brisbane, Senior Charity Portfolio Manager, Aberdeen Standard Capital Limited, will then join the meeting. Mr Brisbane 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 report from Hymans Robertson LLP and the presentation by Aberdeen Standard Capital 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 Partnerships and the Finance, Resources and Customer Services 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** – none
11. **Privacy Impact** – none
12. **COSLA Policy Position** – none
13. **Climate Risk** - none

## List of Background Papers

None

---

**Author:** Richard Conway, Finance Manager (Financial Accounting)  
0141-618 7377  
richard.conway@renfrewshire.gov.uk





# Renfrewshire Council Common Good Funds

Review of Investment Managers' Performance for the 6 Months to 30 September 2019



Prepared by:

David Millar- Associate Consultant

Allison Galbraith - Investment Consultant

For and on behalf of Hymans Robertson LLP

November 2019

### Contents

Page



#### Markets

Historic Returns for World Markets to 30 September 2019

3



#### Portfolio Summary

Paisley Common Good Fund

4

Renfrew Common Good Fund

5



#### Fund Specific Asset Allocation and Performance

Paisley Common Good Fund

6

Renfrew Common Good Fund

7



#### Appendices

Asset Allocation

8

Performance by Asset Class

9

Explanation of Performance Calculations

10

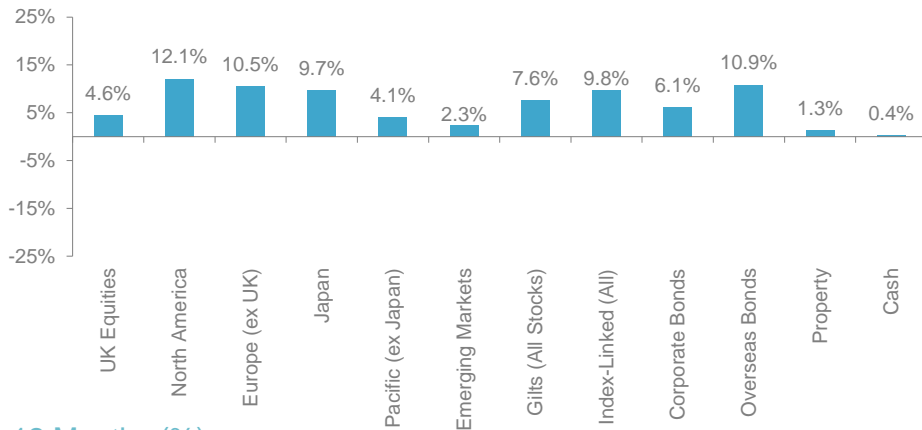
Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

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.

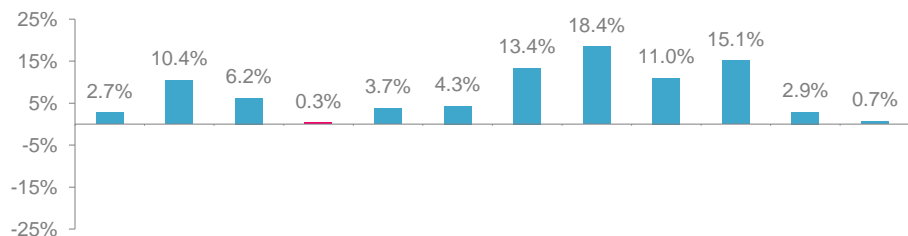


## Historic Returns for World Markets to 30 September 2019

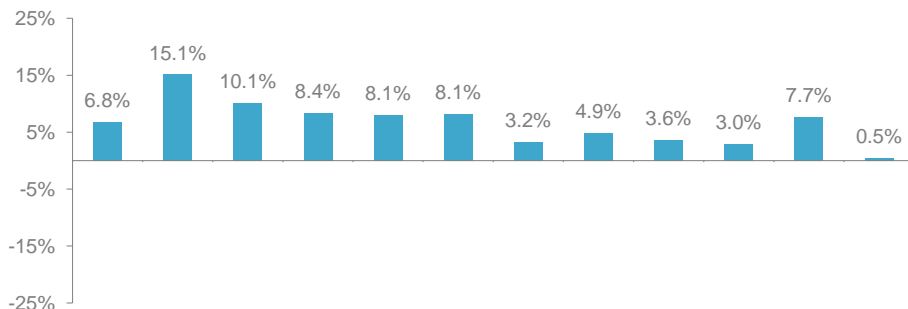
### 6 Months (%)



### 12 Months (%)



### 3 Years (% p.a.)



#### Market Comments.

The ongoing trade war between the US and China, and its disruption to external demand and global supply chains, particularly in the manufacturing sector, continued to impact global growth. Consensus forecasts still suggest most major economies will avoid technical recession next year but GDP growth for many countries has slowed.

The US economy has outperformed developed market peers but, here too, growth has slowed as tariffs raise costs for domestic producers and consumers. Disruption has been particularly notable in large open and export-orientated economies – in Germany, last year's fall in industrial production has worsened in 2019 on the back of trade uncertainty. Though the UK probably returned to growth in Q3, following contraction in Q2, forecasts for 2019 and 2020 have fallen, reflecting acute Brexit uncertainty and its impact on business investment.

Against this backdrop and with inflationary pressures still largely absent, the shift towards more accommodative monetary policy is now well established. The Federal Reserve cut rates for the second time in three months in September, while the ECB cut rates further in to negative territory and announced it would resume quantitative easing in November.

A fall in global government bond yields is consistent with the weakening economic data and outlook. US Treasuries outperformed, with yields falling over 0.7% p.a., while UK and German bund yields both slid 0.5% p.a. – each touching their respective record lows in August. In contrast to the US and other advanced markets, UK Implied inflation has risen in the front end of the curve, reflecting fears of a near-term spike in inflation on the back post-Brexit sterling depreciation.

Positive total returns in investment-grade credit markets were primarily driven by falling underlying government bond yields as credit spreads moved marginally tighter. European high yield spreads outperformed their investment-grade counterparts while US high yield spreads moved in-line with US investment-grade markets. In contrast, US leveraged loan spreads moved wider as expectations of further interest rate cuts have made floating-rate assets less attractive to prospective investors.

Despite volatility over the period, and May being among the worst 5 months in history, global equities produced returns of 4.7% (9.9% in Sterling terms). More accommodative monetary policy has outweighed concerns over the growth outlook and trade disputes. Europe (ex UK) was the top performing region in local currency terms, whilst the US-China trade disputes continued to weigh on Emerging Market equities. There was little overall sectoral pattern, but the cyclical Oil & Gas sector significantly underperformed while the more defensive Utilities sector outperformed.

UK commercial property produced modest returns of 1.3% over the period as capital declines, which have increasingly detracted from income and marginally positive rental growth, saw year-on-year returns slow to 2.9%.



### Paisley Common Good Fund: Portfolio Summary

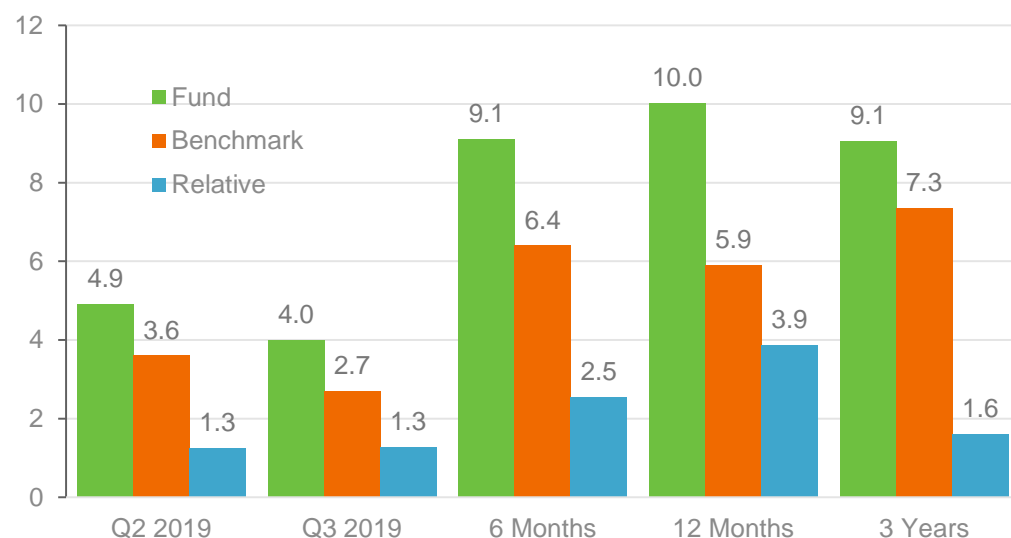
#### Valuation Summary

	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	31/03/2019	30/09/2019			
UK Equities	1.881	1.912	43.0	60.0	-17.0
International Equities	1.508	1.755	39.4	20.0	19.4
UK Bonds	0.505	0.551	12.4	18.0	-5.6
International Bonds	0.132	0.136	3.1	0.0	3.1
Property	0.000	0.000	0.0	0.0	0.0
Cash/Other	0.135	0.095	2.1	2.0	0.1
<b>Total</b>	<b>4.160</b>	<b>4.449</b>	<b>100.0%</b>	<b>100.0%</b>	

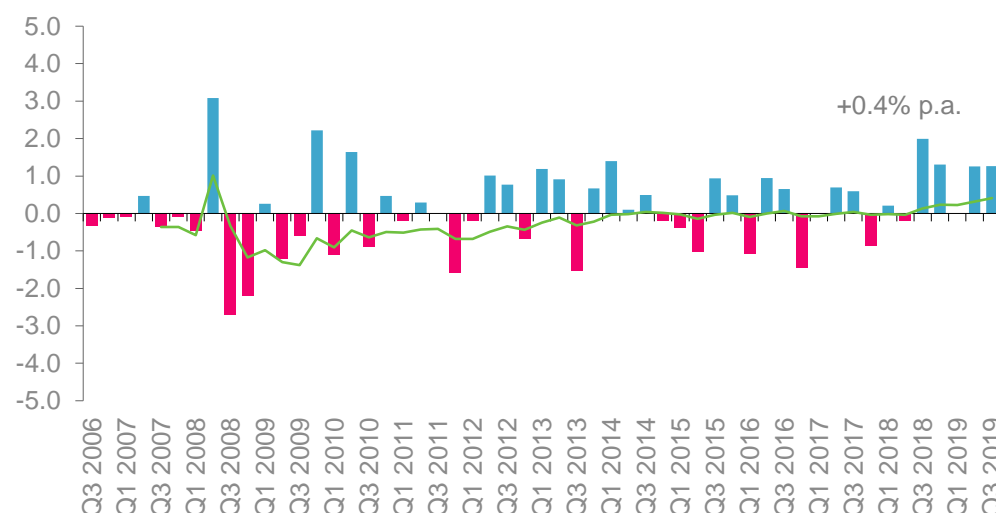
(Standard Life) Estimated Annual Income			Target
31/03/2019	30/06/2019	30/09/2019	
<b>£147,780</b>	<b>£147,014</b>	<b>£150,171</b>	<b>£113,000</b>

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

#### Performance Summary



#### Relative Quarterly and Relative Cumulative Performance



# Renfrewshire Council Common Good Funds

Hymans Robertson LLP

## Renfrew Common Good Fund: Portfolio Summary

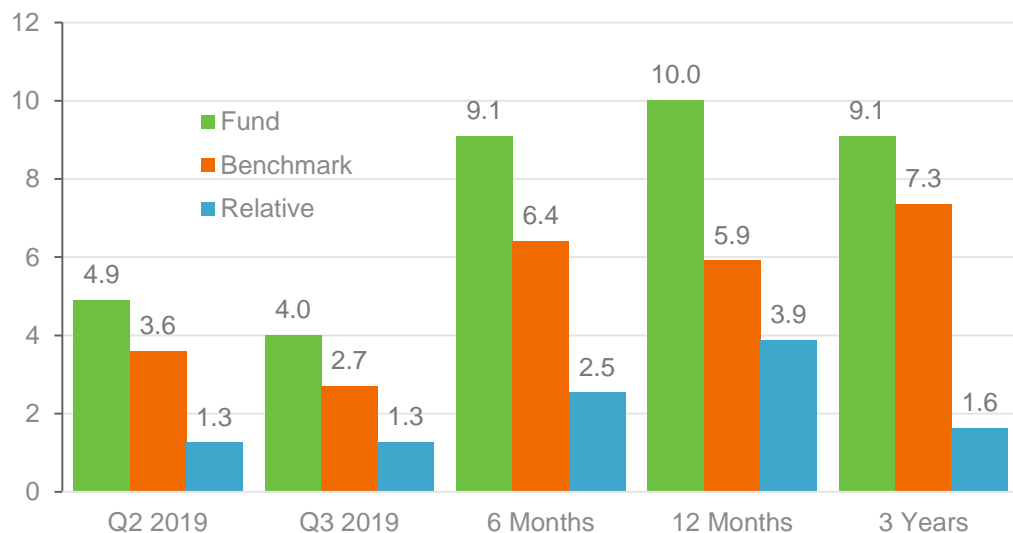
### Valuation Summary

	Values (£m)		Actual Proportion %	Target Proportion %	Difference	
	31/03/2019	30/09/2019			%	
UK Equities	6.345	6.507	43.3	60.0	-16.7	
International Equities	5.099	5.936	39.5	20.0		19.5
UK Bonds	1.701	1.797	12.0	18.0	-6.0	
International Bonds	0.445	0.518	3.4	0.0		3.4
Property	0.000	0.000	0.0	0.0		0.0
Cash/Other	0.470	0.282	1.9	2.0	-0.1	
<b>Total</b>	<b>14.061</b>	<b>15.040</b>	<b>100.0%</b>	<b>100.0%</b>		

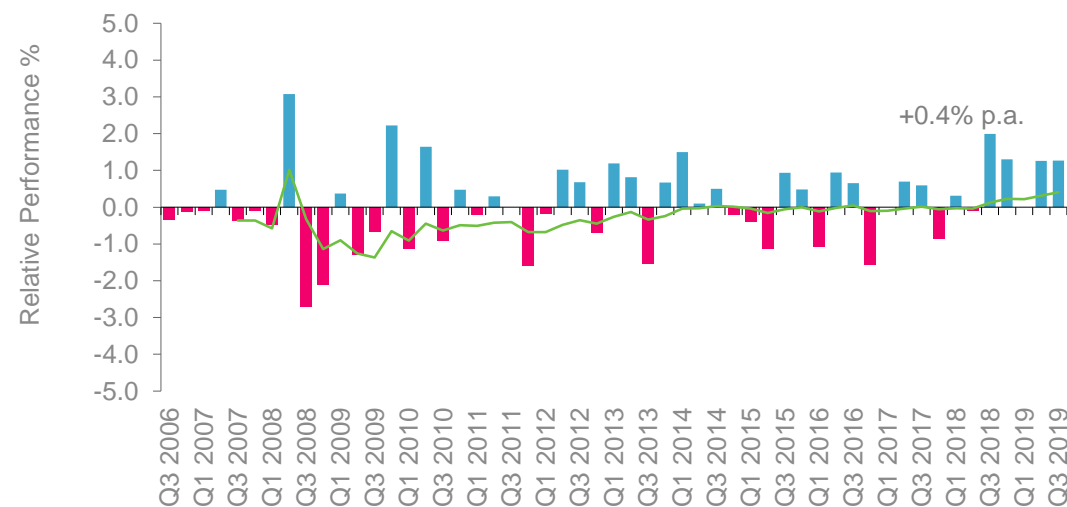
(Standard Life) Estimated Annual Income			Target
31/03/2019	30/06/2019	30/09/2019	
<b>£479,834</b>	<b>£497,704</b>	<b>£ 508,427.00</b>	<b>£380,000</b>

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 9.1% between end March 2019 (the effective date of the immediately preceding report) and end September 2019; over the same period, the benchmark achieved a return of 6.4%. The return over the period reflects the widespread market gains over the whole 6-month period – despite fears of slowing growth /trade wars. Accommodative central bank policies (lower interest rates) helped offset these factors.

Positive stock selection within equities was the main driver of outperformance over the 6-month period. In quarter 2, the portfolio's zero holding in the tobacco sector was particularly beneficial. In quarter 3, semi-conductor holdings boosted performance. Another strong positive contributor was consumer goods stock Estee Lauder which outperformed on the back of strong results. Within bonds, gilts outperformed corporate bonds (reflecting economic concerns) so the portfolio's underweighting of gilts in favour of corporate bonds detracted from performance.

Over 12 months, fund returns are positive in absolute terms (+10.0%) and significantly ahead of the benchmark return of 5.9%. Since the inception of the mandate, on 1 July 2006, the Fund return of +7.5% p.a. is strong in absolute terms and ahead of the benchmark return of +7.1% p.a. Both absolute and relative performance over 12 months are boosted by overseas equities which have returned 16.6% versus a benchmark return of 8.1% over the 12-month period. Throughout this time, the investment manager has met a demanding income target.

As at end of September 2019, the allocation to equities (82.4%) was above 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 (and a view on Brexit where they maintain a global perspective avoiding domestic UK companies).

The exposure to bonds was 15.5% at end September 2019 compared with the benchmark of 18% and a minimum allocation of 15%. The allocation to cash at end September 2019 was 2.1% (broadly in-line with the benchmark allocation).

Questions for the investment manager:

With indications of slowing global growth, are you considering any changes to the portfolio?

UK government gilts have outperformed corporate bonds over the last 12 months, what are the relative attractions of both asset classes and do you retain your preference for corporate bonds?

What is your view on the impact of currency exchange rates going forward?

#### Performance Summary

		Paisley CGF
6 Months (%)	Fund	9.1
	Benchmark	6.4
	Relative	2.5
12 Months (%)	Fund	10.0
	Benchmark	5.9
	Relative	3.9
3 years (%)	Fund	9.1
	Benchmark	7.3
	Relative	1.6
Since Inception (% p.a.) (1 July 2006)	Fund	7.5
	Benchmark	7.1
	Relative	0.4



## Renfrewshire Council Common Good Funds






Hymans Robertson LLP

### Appendix 1: Asset Allocation

#### Paisley Common Good Fund





Asset Allocation

31 March 2019

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	45.2%	-14.8% 
International Equities	20.0%	36.2%	16.2% 
UK Bonds	18.0%	12.1%	-5.9% 
International Bonds	0.0%	3.2%	3.2% 
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	3.2%	1.2% 
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	0.0%

Asset Allocation






30 September 2019

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	43.0%	-17.0% 
International Equities	20.0%	39.4%	19.4% 
UK Bonds	18.0%	12.4%	-5.6% 
International Bonds	0.0%	3.1%	3.1% 
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	2.1%	0.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	0.0%

#### Renfrew Common Good Fund





Asset Allocation

31 March 2019

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	45.1%	-14.9% 
International Equities	20.0%	36.3%	16.3% 
UK Bonds	18.0%	12.1%	-5.9% 
International Bonds	0.0%	3.2%	3.2% 
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	3.3%	1.3% 
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	0.0%

Asset Allocation

30 September 2019

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	43.3%	-16.7% 
International Equities	20.0%	39.5%	19.5% 
UK Bonds	18.0%	12.0%	-6.0% 
International Bonds	0.0%	3.4%	3.4% 
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	1.9%	-0.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	0.0%



## Renfrew Common Good Fund: Allocation and Performance

## Commentary on Renfrew Common Good Fund

The Fund, in aggregate, returned 9.1% between end March 2019 (the effective date of the immediately preceding report) and end September 2019; over the same period, the benchmark achieved a return of 6.4%. The return over the period reflects the widespread market gains over the whole 6-month period – despite fears of slowing growth /trade wars. Accommodative central bank policies (lower interest rates) helped offset these factors.

Positive stock selection within equities was the main driver of outperformance over the 6-month period. In quarter 2, the portfolio's zero holding in the tobacco sector was particularly beneficial. In quarter 3, semi-conductor holdings boosted performance. Another strong positive contributor was consumer goods stock Estee Lauder which outperformed on the back of strong results. Within bonds, gilts outperformed corporate bonds (reflecting economic concerns) so the portfolio's underweighting of gilts in favour of corporate bonds detracted from performance.

Over 12 months, fund returns are positive in absolute terms (+10.0%) and significantly ahead of the benchmark return of 5.9%. Since the inception of the mandate, on 1 July 2006, the Fund return of +7.5% p.a. is strong in absolute terms and ahead of the benchmark return of +7.1% p.a. Both absolute and relative performance over 12 months are boosted by overseas equities which have returned 16.6% versus a benchmark return of 8.1% over the 12-month period. Throughout this time, the investment manager has met a demanding income target.

As at end of September 2019, the allocation to equities (82.4%) was above 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 (and a view on Brexit where they maintain a global perspective avoiding domestic UK companies).

The exposure to bonds was 15.4% at end September 2019 compared with the benchmark of 18% and a minimum allocation of 15%. The allocation to cash at end September 2019 was 1.9% (broadly in-line with the benchmark allocation).

Questions for the investment manager:

With indications of slowing global growth, are you considering any changes to the portfolio?

UK government gilts have outperformed corporate bonds over the last 12 months, what are the relative attractions of both asset classes and do you retain your preference for corporate bonds?

What is your view on the impact of currency exchange rates going forward?

## Performance Summary

Renfrew CGF		
6 Months (%)	Fund	9.1
	Benchmark	6.4
	Relative	2.5
12 Months (%)	Fund	10.0
	Benchmark	5.9
	Relative	3.9
3 years (%)	Fund	9.1
	Benchmark	7.3
	Relative	1.6
Since Inception (% p.a.) (1 July 2006)	Fund	7.5
	Benchmark	7.1
	Relative	0.4





## Appendix 2: Performance by Asset Class

### Paisley Common Good Fund

	6 months		12 months		Contribution to Absolute Return	Contribution to Relative Return
	Fund %	Benchmark %	Fund %	Benchmark %	6 months %	6 months %
UK Gov't Bonds	9.8	7.6	17.4	13.4	0.5	0.1
Corporate Bonds	5.3	5.8	9.4	10.2	0.4	-0.1
International Bonds	6.3	10.8	10.0	15.1	0.2	-0.1
UK Equities	4.1	4.6	3.0	2.8	1.9	-0.2
Overseas Equities	15.2	10.9	16.6	8.1	5.6	1.5
Total Assets	9.1	6.4	10.0	5.9		

### Renfrew Common Good Fund

	6 months		12 months		Contribution to Absolute Return	Contribution to Relative Return
	Fund %	Benchmark %	Fund %	Benchmark %	6 months %	6 months %
UK Gov't Bonds	9.5	7.6	17.1	13.4	0.5	0.1
Corporate Bonds	5.3	5.8	9.2	10.2	0.3	-0.1
International Bonds	6.2	10.8	9.8	15.1	0.2	-0.1
UK Equities	4.1	4.6	3.0	2.8	1.8	-0.2
Overseas Equities	15.2	10.9	16.6	8.1	5.6	1.5
Total Assets	9.1	6.4	10.0	5.9		



## Appendix 3: Explanation of Performance Calculations

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

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

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.