

Notice of Meeting and Agenda Investment Review Board

Date	Time	Venue
Wednesday, 23 November 2016	13:00	CMR 2, Council Headquarters, Renfrewshire House, Cotton Street, Paisley, PA1 1AN

KENNETH GRAHAM
Head of Corporate Governance

Membership

Councillor Jacqueline Henry: Councillor James MacLaren: Councillor Allan Noon:

Councillor Michael Holmes (Convener): Councillor Derek Bibby (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.cmis.uk.com/renfrewshire/CouncilandBoards.aspx

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

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.

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 previous meeting held on 1 June 2016 | |
| 2 | Review of Statement of Investment Principles | 7 - 12 |
| | Report by the Director of Finance & Resources | |
| 3 | Information Session | |
| | Briefing by David Millar, Senior Investment Consultant, Hymans Robertson LLP regarding the Renfrewshire investment portfolios and the current economic situation. | |
| 4 | Paisley and Refrew Common Good Funds - Review of Investment and Income Performance | 13 - 26 |
| | Report by the Director of Finance & Resources and briefing note from Hymans Robertson LLP regarding the key issues to be presented by David Millar. Subsequent to this Gair Brisbane, Standard Life Wealth Limited will deliver a presentation relative to the performance of the Paisley and Renfrew Common Good Funds | |

Minute of Meeting Investment Review Board

Date	Time	Venue
Wednesday, 01 June 2016	13:00	CMR 2, Council Headquarters, Renfrewshire House, Cotton Street, Paisley, PA1 1AN

PRESENT

Councillors Bibby, Holmes and Noon.

CHAIR

Councillor Holmes, Convener, presided.

IN ATTENDANCE

A MacArthur, Head of Finance, L Dickie, Finance Manager and P Shiach, Committee Services Officer (all Finance & Resources).

ALSO IN ATTENDANCE

D Millar, Senior Investment Analyst, Hymans Robertson LLP; and M Connor, Senior Portfolio Manager and G Brisbane, (both Standard Life Wealth Limited).

APOLOGY

Councillor J MacLaren.

DECLARATIONS OF INTEREST

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

OBITUARY

Prior to the start of the meeting of the meeting the Convener referred with sadness to the sudden death of Councillor Eddie Grady. Reference was made to the contribution Councillor Grady had made to the Investment Review Board as Depute Convener. The Convener intimated that he would be missed by all and offered his condolences and those of the Board to Councillor Grady's family.

1 MINUTE OF PREVIOUS MEETING

There was submitted the Minute of the meeting of the Investment Review Board held on 25 November 2015.

DECIDED: That the Minute be noted.

2 UK/INTERNATIONAL EQUITIES BENCHMARK ALLOCATION

There was submitted a report by Hymans Robertson LLP relative to a review of the benchmark of the Renfrewshire Common Good Funds.

The report advised that the Renfrewshire Common Good Funds comprised the Paisley Common Good Fund and the Renfrew Common Good Fund. The value of the funds as at 31 March 2016 was detailed in table 1 of the report.

The report indicated that the investment objective was to achieve a return on the assets balanced between capital growth and income through investing in a combination of UK and overseas equities, fixed interest securities and cash whilst meeting the income target set each year by Renfrewshire Council.

The report provided information on the income requirement; rolling 5-year equity returns; volatility of returns; rolling 5-year equity volatility; manager skill; and concentration and globalisation.

DECIDED: That the report 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 for the six month period ending 31 March 2016. A performance review report by Hymans Robertson LLP was appended thereto.

D Millar, Investment Consultant commented on economic and market conditions relative to economic growth, in terms of the global perspective; the performance of equities and bonds over the period and provided information in relation to the general performance, asset allocation and performance by asset class of the Paisley and Renfrew Common Good Funds.

There followed a question and answer session during which reference was made to factors influencing the performance of equities during the period, and the resultant impact on the Funds.

M Connor, Senior Portfolio Manager, and G Brisbane presented a report in relation to the performance of the Paisley and Renfrew Common Good Funds to 30 September 2016. The report provided information on the Portfolio manager; world markets; investment guidelines and restrictions; performance to 31 March 2016; asset attribution in relation to Quarter 1 of 2016; the top 10 equity holdings in the Common Good Funds; performance attribution on the funds in the three months to 31 March 2016; notable events in global equities and gilts; continuing pressures on crude oil prices; and currencies.

Mr Connor and Mr Brisbane were then heard in answer to questions from members on their report.

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, 23 November 2016.



To: Investment Review Board

On: 26 November 2016

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 2015, and is due for review. There are no changes proposed to the existing Statement (attached for information).
-

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: *Lisa Dickie, Ext 7384*

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.



To: Investment Review Board

On: 23 November 2016

Report by: Director of Finance and Resources

Heading: Paisley and Renfrew Common Good Funds
six-month report to 30 September 2016

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 2016. Hymans Robertson LLP will be represented at the meeting by David Millar (Senior Investment Consultant), who will present his report to Members. The investment managers will not be present during this part of the meeting.
 - 1.3 Gair Brisbane (Standard Life Wealth 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 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: *Alastair MacArthur, Ext 7363*

Renfrewshire Council Common Good Funds

Review of Investment Managers' Performance for the six months to 31 September 2016

Prepared by:
David Millar- Associate Consultant
Allison Galbraith - Investment Consultant
For and on behalf of Hymans Robertson LLP
November 2016

Contents

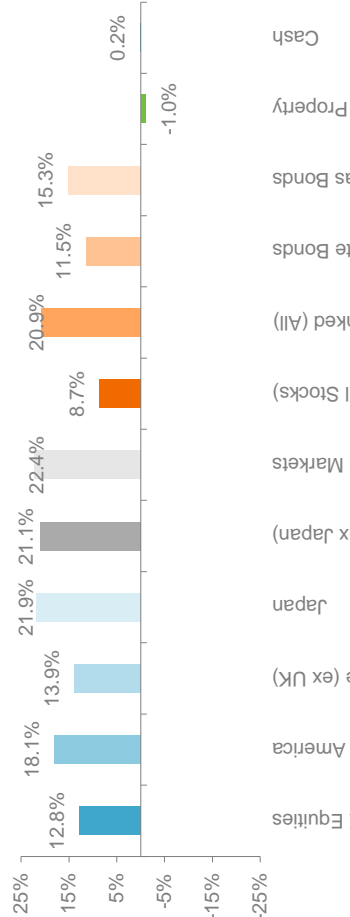
	Page
Markets	3
Portfolio Summary	4
Paisley Common Good Fund	5
Renfrew Common Good Fund	
Fund Specific Asset Allocation and Performance	
Paisley Common Good Fund	6
Renfrew Common Good Fund	7
Appendices	
Asset Allocation	8
Performance by Asset Class	9
Explanation of Performance Calculations	10

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.

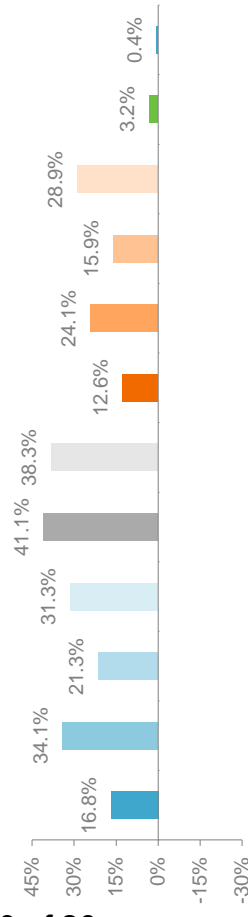
Hymans Robertson LLP, has relied upon third parties and may use internally generated estimates for the provision of data quoted, or used, in the preparation of this report. Whilst every effort has been made to ensure the accuracy of such estimates or data, we cannot accept responsibility for any loss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

Historic Returns for World Markets to 30 September 2016

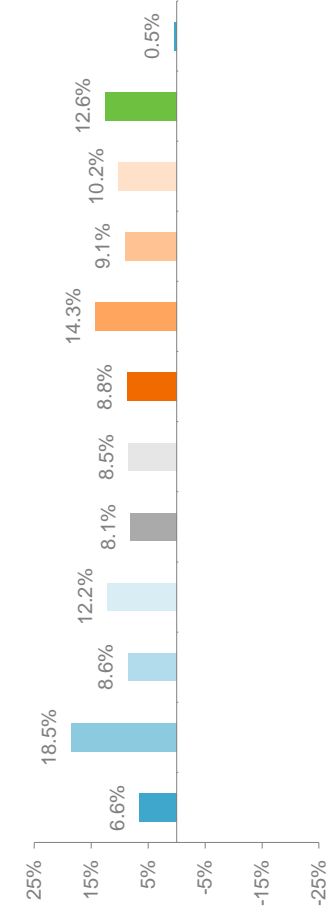
6 Months (%)



12 Months (%)



3 Years (% p.a.)



Market Comments

Economic data and business surveys suggested that global growth held up reasonably well during the six month period, despite the UK's surprise vote to leave the EU on 23 June. The immediate response of forecasters was to revise down GDP growth expectations for the UK and, to a lesser extent, the Eurozone, particularly for 2017.

The market's gloom about the economic outlook for the UK was shared by the Bank of England, which decided to cut interest rates from 0.5% p.a. to 0.25% p.a. in August and extend its quantitative easing (QE) programme. Responding to intensifying deflation, the Bank of Japan reaffirmed its 2% p.a. inflation target and beefed up its own QE programme. In the US, the Fed's vote to leave rates unchanged in September was not unanimous and, despite some signs of flagging economic momentum, investors think a US rate rise before the end of the year is a little more likely than not.

Global equity markets had traded in a narrow range in the first half of the period. They fell sharply in the few days following the Brexit vote but recovered quickly and pushed on to higher levels. The FTSE All World index returned 6.6% in local currency terms over the period. A post-referendum collapse in sterling raised the return to unhedged UK investors to 18% and, by boosting the value of the profits earned overseas by UK companies, propelled a 13.9% return from the FTSE100.

Key events during the 6 month period included;

- The "Leave" vote in the EU referendum and subsequent political fallout caught investors by surprise.
- The UK's manufacturing PMI plunged after the referendum, but recovered to reach its highest level since June 2014 in September.
- Oil prices rose from around \$40 to around \$50 a barrel over the period. A fall in Q3 was recouped at the end of September when OPEC reached an outline agreement to cut production.

Equities:

- The strongest sectors relative to the FTSE All World Index were Oil & Gas (+5.0%) and Basic Materials (+4.9%); the weakest were Telecommunications (-5.1%) and Consumer Services (-4.3%).
- In local currency terms, the UK and Emerging Market equity markets were the strongest performers during the period, while Japan was the worst.

Bonds and currencies

- UK gilts performed strongly in the wake of the "Brexit" vote. 10-year yields plunged close to 0.6% p.a. in the middle of August.
- UK investment-grade credit spreads tightened over the period, narrowing to their lowest levels for over a year.
- Sterling fell sharply against all major currencies, finishing close to its lowest trade-weighted level since Q1 2009.



Paisley Common Good Fund: Portfolio Summary

Valuation Summary

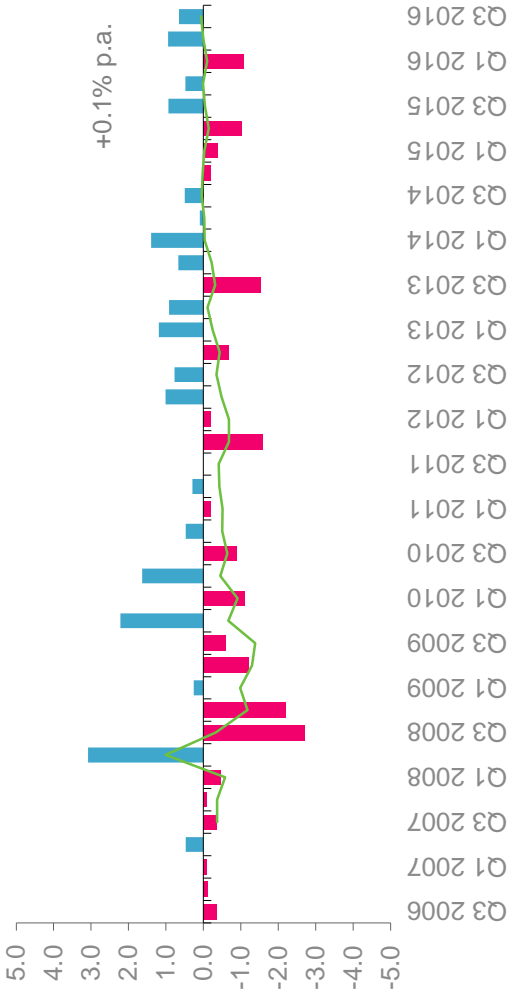
	Values (£m)		Actual Proportion %	Target Proportion %	Difference	
	31/03/2016	30/09/2016			%	
UK Equities	1.633	1.753	45.9	60.0	-14.1	
International Equities	1.177	1.348	35.3	20.0	15.3	
UK Bonds	0.441	0.513	13.4	18.0	-4.6	
International Bonds	0.114	0.120	3.1	0.0	3.1	
Property	0.000	0.000	0.0	0.0	0.0	
Cash/Other	0.039	0.084	2.2	2.0	0.2	
Total	3.404	3.818	100.0%	100.0%		
(Standard Life) Estimated Annual Income		30/09/2016	Target			
		31/03/2016	30/06/2016	30/09/2016		
		£132,171	£135,043	£136,856		
				£102,700		

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

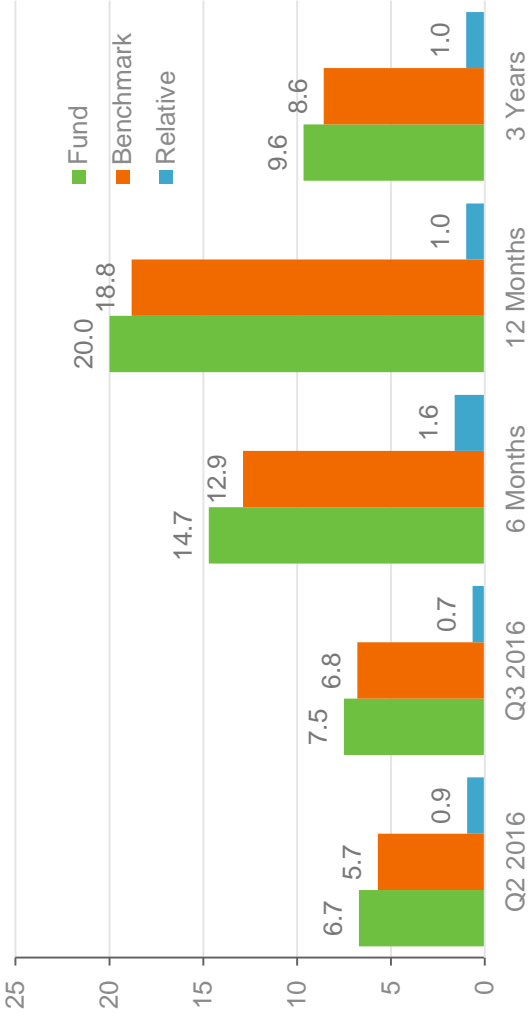
Renfrew Common Good Fund: Portfolio Summary

Valuation Summary

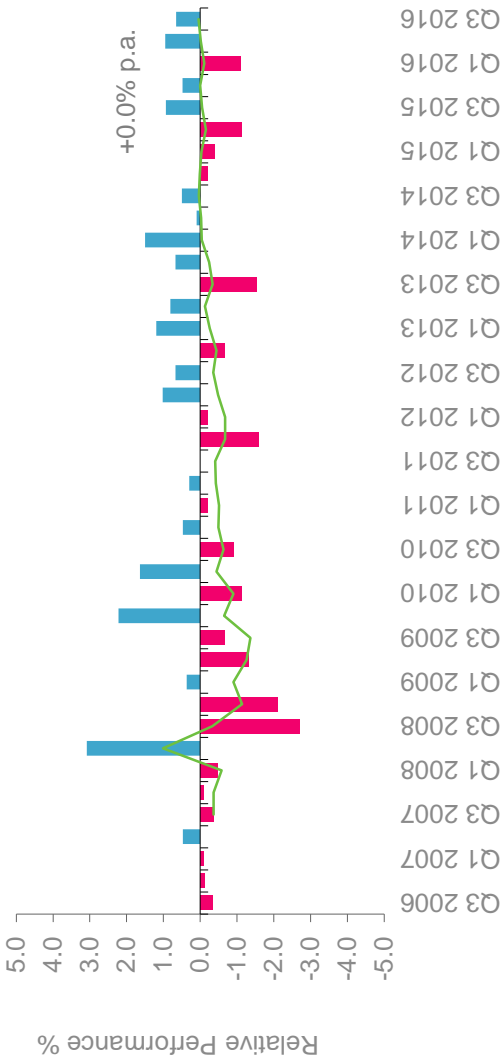
	Values (£m)		Actual Proportion %	Target Proportion %	Difference	
	31/03/2016	30/09/2016			%	
UK Equities	5.495	5.927	46.0	60.0	-14.0	
International Equities	3.992	4.566	35.4	20.0		15.4
UK Bonds	1.494	1.748	13.6	18.0	-4.4	
International Bonds	0.379	0.399	3.1	0.0		3.1
Property	0.000	0.000	0.0	0.0		0.0
Cash/Other	0.120	0.256	2.0	2.0		0.0
Total	11.480	12.896	100.0%	100.0%		
		£445,136		£455,005		£ 461,209.00
						£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 14.7% between end March 2016 (the effective date of the immediately preceding report) and end September 2016; over the same period, the benchmark achieved a return of 12.9%. The manager's equity and gilt holdings outperformed.

Since the inception of the mandate, on 1 July 2006, the Fund return of +7.0% p.a. broadly matched the benchmark return of +7.0% p.a. Throughout this time, the investment manager has met a demanding income target.

As at end September 2016, the allocation to equities (81.2%) was modestly 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. The exposure to bonds was 16.5% at end September 2016 compared with the benchmark of 18% and a minimum allocation of 15%. The allocation to cash at end September 2016 was 2.2% (0.2% above the benchmark allocation) compared with 1.2% at the end of March 2016.

Over the 6 month period, equities performed strongly despite a decline immediately following the result of the EU referendum and provided the best asset class returns. Sterling depreciation has been a notable feature of 2016 and this was further evidenced by the sharp decline in sterling immediately after the referendum result. Sterling depreciation had the effect of enhancing returns from overseas equities for UK investors. The manager's overweight position to overseas equities has been beneficial. However, UK equity performance has also been very strong and the UK equity portfolio outperformed its benchmark significantly.

The Fund's bond benchmark component (15%) is measured against the UK gilt index. The portfolio has exposure to non UK gilts (corporate and overseas bonds). In the aftermath of the EU referendum the "flight to safety" to gilts pushed gilt prices up and although corporate bonds also saw positive returns, these were lower than gilts. The corporate bond exposure will have been a modest drag on performance against the all gilts benchmark. The manager's positioning, favouring longer dated gilts, was beneficial as longer dated gilts outperformed their shorter dated counterparts.

Questions for the investment manager;

With strong returns across a wide range of asset classes, what areas of the market now appear overvalued and where is the manager seeking out value?

Performance Summary

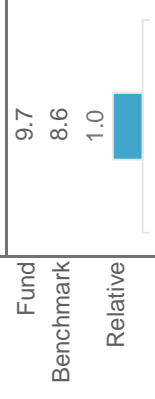
6 Months (%)



12 Months (%)



3 years (%)



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



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 14.7% between end March 2016 (the effective date of the immediately preceding report) and end September 2016; over the same period, the benchmark achieved a return of 12.9%. The manager's equity and gilt holdings outperformed.

Since the inception of the mandate, on 1 July 2006, the Fund return of +7.0% p.a. broadly matched the benchmark return of +7.0% p.a. Throughout this time, the investment manager has met a demanding income target.

As at end September 2016, the allocation to equities (81.4%) was modestly 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. The exposure to bonds was 16.7% at end September 2016 compared with the benchmark of 18% and a minimum allocation of 15%. The allocation to cash at end September 2016 was 2.0% (in line with the benchmark allocation) compared with 1.2% at the end of March 2016.

Over the 6 month period, equities performed strongly despite a decline immediately following the result of the EU referendum and provided the best asset class returns. Sterling depreciation has been a notable feature of 2016 and this was further evidenced by the sharp decline in sterling immediately after the referendum result. Sterling depreciation had the effect of enhancing returns from overseas equities for UK investors. The manager's overweight position to overseas equities has been beneficial. However, UK equity performance has also been very strong and the UK equity portfolio outperformed its benchmark significantly.

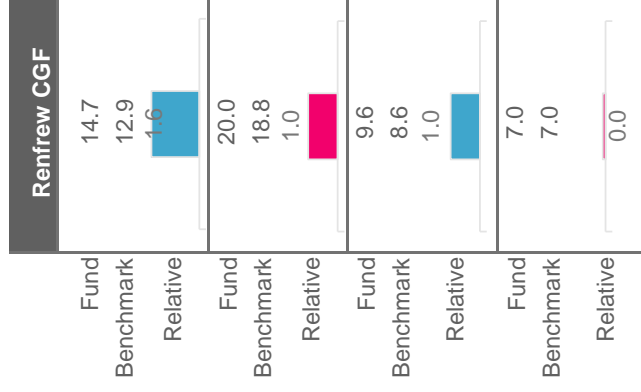
The Fund's bond benchmark component (15%) is measured against the UK gilt index. The portfolio has exposure to non UK gilts (corporate and overseas bonds). In the aftermath of the EU referendum the "flight to safety" to gilts pushed gilt prices up and although corporate bonds also saw positive returns, these were lower than gilts. The corporate bond exposure will have been a modest drag on performance against the all gilts benchmark. The manager's positioning, favouring longer dated gilts, was beneficial as longer dated gilts outperformed their shorter dated counterparts.

Questions for the investment manager;

With strong returns across a wide range of asset classes, what areas of the market now appear overvalued and where is the manager seeking out value?

Performance Summary

6 Months (%)



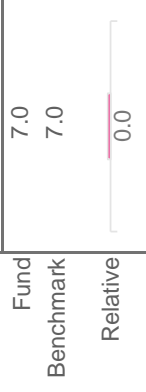
12 Months (%)



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 2016

Asset Allocation

30 September 2016

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	48.0%	-12.0%
International Equities	20.0%	34.6%	14.6%
UK Bonds	18.0%	13.0%	-5.0%
International Bonds	0.0%	3.3%	3.3%
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	1.2%	-0.8%
Total	100.0%	100.0%	0.0%

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	45.9%	-14.1%
International Equities	20.0%	35.3%	15.3%
UK Bonds	18.0%	13.4%	-4.6%
International Bonds	0.0%	3.1%	3.1%
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	2.2%	0.2%
Total	100.0%	100.0%	0.0%

Renfrew Common Good Fund

Asset Allocation

31 March 2016

Asset Allocation

30 September 2016

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	47.9%	-12.1%
International Equities	20.0%	34.8%	14.8%
UK Bonds	18.0%	13.0%	-5.0%
International Bonds	0.0%	3.3%	3.3%
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	1.0%	-1.0%
Total	100.0%	100.0%	0.0%

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	46.0%	-14.0%
International Equities	20.0%	35.4%	15.4%
UK Bonds	18.0%	13.6%	-4.4%
International Bonds	0.0%	3.1%	3.1%
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	2.0%	0.0%
Total	100.0%	100.0%	0.0%

Renfrewshire Council Common Good Funds

Hymans Robertson LLP

Appendix 2: Performance by Asset Class

Paisley Common Good Fund

	6 months		12 months		Contribution to Absolute Return 6 months %	Contribution to Relative Return 6 months %
	Fund %	Benchmark %	Fund %	Benchmark %		
UK Gov't Bonds	11.7	8.6	16.6	12.6	0.6	0.1
Corporate Bonds	10.0	10.5	13.8	14.3	0.8	0.1
International Bonds	8.0	6.0	2.1	17.9	0.3	0.1
UK Equities	16.4	12.9	22.2	16.9	7.7	1.5
Overseas Equities	17.1	18.0	24.3	32.3	5.7	-0.3
Total Assets	14.7	12.9	20.0	18.8		

Renfrew Common Good Fund

	6 months		12 months		Contribution to Absolute Return 6 months %	Contribution to Relative Return 6 months %
	Fund %	Benchmark %	Fund %	Benchmark %		
UK Gov't Bonds	11.7	8.6	16.6	12.6	0.6	0.1
Corporate Bonds	10.7	10.5	14.8	14.3	0.8	0.1
International Bonds	8.0	6.0	2.1	17.9	0.3	0.1
UK Equities	16.4	12.9	22.2	16.9	7.7	1.5
Overseas Equities	17.1	18.0	24.3	32.3	5.7	-0.3
Total Assets	14.7	12.9	20.0	18.8		

Monitoring Report for the six months to 30 September 2016



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.