

Minute of Meeting Investment Review Board

Date	Time	Venue
Wednesday, 17 November 2021	11:00	Remotely by MS Teams,

Present: Councillor John McIntyre, Councillor Iain Nicolson, Councillor Jim Sharkey, Councillor John Shaw

Chair

Councillor Shaw, Convener, presided.

In Attendance

A MacArthur, Head of Finance, R Conway, Finance Manager; C MacDonald and P Shiach, both Senior Committee Services Officers (all Finance & Resources).

Also in Attendance

D Millar, Senior Investment Analyst and K Kapitan, Investment Consultant Hymans Robertson LLP; and G Brisbane, abrdn Capital Limited.

Recording of Meeting

Prior to the commencement of the meeting, the Convener intimated that this meeting of the Policy Board would be recorded and that the recording would be available to watch on the Council's website.

Apology

Councillor Paterson.

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 9 June 2021.

DECIDED: That the Minute be approved.

2 **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 Review of Investment Principles in relation to the Paisley and Renfrew Common Good Funds.

The report advised that Hymans Robertson LLP had 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, abrdn Capital Limited (formerly Aberdeen Standard Capital Limited).

A report by Hymans Robertson LLP was submitted for Members' consideration. The report provided an assessment of the performance of the Funds' investments and income levels during the six-month period ending 30 September 2021. Hymans Robertson LLP were represented at the meeting by Mr K Kapitan (Investment Consultant), who presented his report to Members, and by Mr D Millar (DC Consultant). Mr Kapitan also gave a presentation covering an update on markets and the current economic climate.

G Brisbane, Senior Charity Portfolio Manager, abrdn Capital Limited, gave a short presentation on the management of the fund. Members took the opportunity to question him directly in regard to his presentation and Fund performance.

DECIDED: That the report and presentations be noted.

3 **Paisley and Renfrew Common Good Funds: review of annual income targets and fixed interest stocks restriction**

There was submitted a report by the Director of Finance & Resources relative to a review of annual income targets and fixed interest stocks restriction.

The report advised that the Investment Review Board at its meeting on 9 June 2021 agreed that funds from the Paisley Common Good Fund and Renfrew Common Good Fund cash balance (managed by the Council) be added to the investments managed by Aberdeen Standard Capital Limited (now abrdn Capital Limited): £0.3m for the Paisley Common Good Fund and £3.3m for the Renfrew Common Good Fund.

This transfer of funds was completed on 21 June 2021 and had contributed to a material increase in the value of funds held within each of the two investment portfolios. The corresponding increase in expected yield from each of the portfolios had not yet been reflected in any increase to the annual income targets that were in

place for the Investment Manager, these targets currently being set at £113,000 for the Paisley Common Good Fund and £380,000 for the Renfrew Common Good Fund.

The report indicated that an appropriate revision to the income targets would be to apply a proportional increase in the absolute annual income target so that the target yield, based on the fund valuations prior to and subsequent to the transfer of funds that took place in June 2021, was kept relatively static.

The proposed revised annual income targets – of £125,000 for the Paisley Common Good Fund and £475,000 for the Renfrew Common Good Fund – equated approximately to a 2.4% yield, were in line with the benchmark yield and represent a demanding target, but not so much that the Investment Manager was forced to sacrifice potential capital growth in the pursuit of income.

In achieving the annual income targets set for each fund, the Investment Manager managed the funds on a discretionary basis in line with the Investment Policy Statement. The Investment Policy Statement currently contained a restriction that a minimum of 15% of the fund value should be held in fixed interest stocks. This restriction had been in place for many years and would have been established initially to ensure that income be maintained above a minimum level. However, this restriction was now forcing the manager to keep a level of fixed interest stocks which, given current market conditions, was to the detriment of overall performance.

The report intimated that since it could be demonstrated that income had compared favourably to the annual income target over several years, a minor amendment was proposed to the Investment Policy Statement that, whilst maintaining the 15% target holding in fixed interest stocks, the Investment Manager could vary from this level down to 10% or up to 20% depending on market conditions. This proposed change was reflected within an updated Investment Policy Statement appended to the report.

The report intimated that the updated Investment Policy Statement also incorporated amendments resulting from the change of name of the Investment Manager on 24 September 2021 from Aberdeen Standard Capital Limited to abrdn Capital Limited.

DECIDED:

(a) That the revisions proposed to the annual income targets of the two portfolios: £125,000 for the Paisley Common Good Fund and £475,000 for the Renfrew Common Good Fund be approved; and

(b) That the updated Investment Policy Statements, one for Paisley Common Good Fund, one for Renfrew Common Good Fund, appended to the report, incorporating an amendment to the restriction relating to the holding of fixed interest stocks, as described in the report, and incorporating amendments reflecting the change of name of the Investment Manager be approved.