

Notice of Meeting and Agenda

Investment Review Board

Date	Time	Venue
Wednesday, 18 November 2020	11:00	Teams Meeting,

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):

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.

Recording of Meeting

This meeting will be recorded for subsequent broadcast via the Council's internet site. If you have any queries regarding this please contact Committee Services on 07534 058160. To find the recording please follow the link which will be attached to this agenda once the meeting has concluded. Please note that this is the first meeting of the Investment Review Board to be recorded for broadcast.

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|----------|---|----------------|
| 1 | Minute of Previous Meeting | 1 - 4 |
| | Minute of previous meeting held on 20 November 2019. | |
| 2 | Review of Statement of Investment Principles | 5 - 12 |
| | Report by the Director of Finance and Resources. | |
| 3 | Paisley and Renfrew Common Good Funds: review of investment and income performance | 13 - 26 |
| | Report by the Director of Finance and 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. David Millar, Associate Consultant, Hymans Robertson LLP, will make a presentation regarding the Renfrewshire investment portfolios and the current economic situation. A written presentation supplied by Gair Brisbane, Head of Charities (Scotland), Aberdeen Standard Capital Limited, will be provided relative to the performance of the Paisley and Renfrew Common Good Fund investments. | |
| 4 | Date of Next Meeting | |
| | Members are asked to note that the next meeting of the Investment Review Board is scheduled for 9 June 2021. | |

Minute of Meeting 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

Present

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

Chair

Councillor Paterson Depute Convener, presided.

In Attendance

A MacArthur, Head of Finance, R Conway, Finance Manager (Financial Accounting) and P Shiach, Committee Services Officer (all Finance & Resources).

Also in Attendance

D Millar, Senior Investment Analyst, Hymans Robertson LLP; G Brisbane, Portfolio Manager (Aberdeen Standard Capital).

Apology

Councillor Shaw.

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 12 June 2019.

DECIDED: That the Minute be approved.

2 Review of Statement of Investment Principles

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 indicated that the Council had arranged for the investments of the Paisley and Renfrew Common Good Funds to be managed by Aberdeen Standard Capital Limited and had agreed with the manager a number of principles which governed decisions regarding these investments. These principles covered a range of issues such as what benchmark should be employed against which to assess the manager's performance, and any restrictions which the manager required to observe when choosing sectors or classes of asset in which to invest. These requirements were formalised in a Statement of Investment Principles document, which is reviewed periodically to ensure that the principles contained therein remained appropriate to the requirements of the Common Good Funds.

The report advised that the Statement of Investment Principles had last been reviewed in December 2018 and was due for review. It was proposed that minor changes be made to the Statement, as detailed in the report

In response to a question in relation to the Climate Emergency, the Head of Finance advised that there were ethical investments contained within the current restrictions and that he could request that the Investment Manager submit options to the next meeting of the Board. It would then be for the Board to determine such options.

In response to a question regarding income achieved above the target rate being re-invested, the Head of Finance advised that this would be kept under review.

DECIDED:

- (a) That the Statement of Investment Principles appended to the report be approved;
- (b) That the that the Investment Manager submit to the next meeting of the Board investment options compatible with Council policies in relation to tackling the Climate Emergency; and
- (c) That the Director of Finance & Resources keep under review possibility of re-investment of income received above the income target.

3 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 markets in 2018/19 and a quarter 4 update; quarter 4 regional equity performance, investing as a long-term activity; bond markets; gilts currencies and currencies since the EU Referendum; GDP Growth; manufacturing; Core CPI inflation; and an asset class views framework which provided a guide to Hymans Robertson's views on markets over the medium term, including fundamentals; valuation and technical, which related to shorter – term factors that may tend to move markets back towards or further away from fir value.

In summary he indicated that markets had performed strongly both in equities and bonds; and that the Council's portfolio was well diversified and gained exposure to a wide range of countries/regions, sectors and assets.

D Miller was then heard in answer to questions from members on various aspects of the briefing.

DECIDED: That the briefing be noted.

Sederunt

G Brisbane, Portfolio Manager, Aberdeen Standard Capital entered the meeting during consideration of the undernoted item.

4 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 30 September 2019. A performance review by Hymans Robertson LLP was attached as an appendix to the report.

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; investment restrictions; and the continuing thematic investment at Aberdeen Standard Capital.

The report advised that the value of the Paisley Common Good Fund had increased slightly from £4.160 million in March 2019 to £4.449 million in September 2019 and estimated income was now £150,171 (£147,019 in the last quarter) against a target of £113,000.

The value of the Renfrew Common Good Fund had also increased from £14.061 million in March 2019 to £15.040 million in September 2019 and estimated income was now £508,427 (£497,704 last quarter) against a target of £380.000.

DECIDED: That performance of investments be noted.

5 Date of Next Meeting

It was noted that the next meeting of the Investment Review Board would be held in Renfrewshire House on Wednesday 10 June 2020 at 11 am.

DECIDED: That the information be noted.



To: Investment Review Board

On: 18 November 2020

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 November 2019, and is due for review. There are currently no changes proposed to the existing Statement (attached for information).
- 1.4 At the Board's previous meeting on 20 November 2019, Members expressed a willingness to review investment options compatible with Council policies in relation to tackling the Climate Emergency. Aberdeen Standard Capital Limited has expertise within the company that can be utilised to advise the Board on options available to them in this regard. A briefing note has been prepared by Julie Hutchison, Charities Specialist at Aberdeen Standard Capital Limited, and is

attached to this report. The document describes an approach that can be used to identify a pathway to reflect climate change matters in the Common Good Funds' investment portfolio. Any change to the investing approach to support policies in relation to tackling the Climate Emergency will require appropriate amendments to the Statement of Investment Principles.

2. Recommendations

- 2.1 To consider and approve the Statement of Investment Principles which is attached to this report.
 - 2.2 To consider the content of the attached "pathway" briefing note prepared by Aberdeen Standard Capital Limited, and to consider what further actions are appropriate with regard to the investing approach in order to support policies in relation to tackling the Climate Emergency.
 - 2.3 Board members are requested to note that any proposed change to the investing approach would require to be considered and agreed at a subsequent Investment Review Board meeting, and that such a change in approach would require to be reflected in an updated Statement of Investment Principles to be approved by Members.
-

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.

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

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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%
		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.

Background

In 2018, OSCR, the Scottish Charity Regulator, published its first investment guidance for charity trustees in Scotland. The guidance creates a new context for trustee decision-making in Scotland.

Approach

The Common Good Funds are both invested via what we call segregated portfolios which means that we have built customised portfolios for each of the funds. As a result this allows us to reflect your investment objectives or ethical restrictions now and as they may evolve in the future.

Ethical restrictions allied to climate change can take a couple of formats:

Negative screening – to exclude oil and gas companies, for example

Positive engagement – there are no hard exclusions but this “Climate Active” strategy looks for companies which are taking the best steps toward future energy technologies. This approach may still contain oil companies.

With both of the above approaches we can still apply the existing negative screens for Armaments and Tobacco.

Recommendation

To progress your discussions we would suggest that an online workshop is arranged with our Charities Specialist, Julie Hutchison.

A workshop will give an overview of the OSCR guidance, and explore how this applies when a charity is considering climate change matters in an investment context. It will also set out the range of options which Aberdeen Standard Capital could build into your portfolio, and the policy choices for the trustees, including:

- Reviewing your investment policy statement to incorporate more explicit commentary on environmental, social and governance matters (ESG), which already underpin your investment portfolio
- The option of ethical screening linked to one or more sectors
- The option of corporate conduct-based screens relating to biodiversity loss
- The option of an additional positive tilt in your portfolio to favour stocks linked to the transition to a lower carbon economy

The OSCR guidance is available to view online via the following weblink:

<https://www.oscr.org.uk/media/3352/2018-11-19-investments-guidance.pdf>

A second resource relevant for the workshop is the Aberdeen Standard Capital guide to writing an investment policy statement. This will be made available to view online before the workshop.



Workshop presenters

Julie Hutchison is the Charities Specialist at Aberdeen Standard Capital. With a background in law and past external roles as a trustee and financial committee member of charities, Julie has extensive experience in the field of charity policy and governance

matters. In 2018, Julie undertook a part-time role with OSCR and co-authored OSCR's first charity investment guidance. Julie is also a Visiting Professor in Governance and Innovation at Edinburgh Napier University.

Gair Brisbane leads the Aberdeen Standard Capital charity investment team in Scotland and has over 20 years' experience in the charity sector as a volunteer and charity Director. Gair is a graduate of Aberdeen University with an MA in Environmental Management. His interest in conservation activity and involvement in the charities sector extends to his role as a trustee and member of the Finance committee for the John Muir Trust.



To: Investment Review Board

On: 18 November 2020

Report by: Director of Finance and Resources

Heading: Paisley and Renfrew Common Good Funds
six-month report to 30 September 2020

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 2020. Hymans Robertson LLP will be represented at the meeting by David Millar (Associate Consultant), who will present his report to Members.
- 1.3 A presentation from Gair Brisbane, Head of Charities (Scotland), Aberdeen Standard Capital Limited, will be provided relative to the performance of the Paisley and Renfrew Common Good Fund investments.
-

2. **Recommendations**

- 2.1 To consider the attached report from Hymans Robertson LLP and the written 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
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List of Background Papers

None

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Renfrewshire Council Common Good Funds

Review of Investment Managers' Performance for the 6 Months to 30 September 2020



Prepared by:





David Millar- Associate Consultant

For and on behalf of Hymans Robertson LLP

November 2020

Contents

Page

	Markets	
	Historic Returns for World Markets to 30 September 2020	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

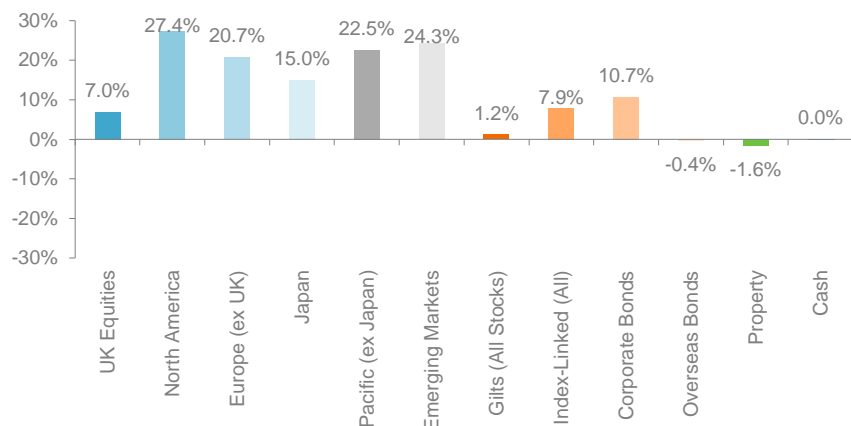
Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile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

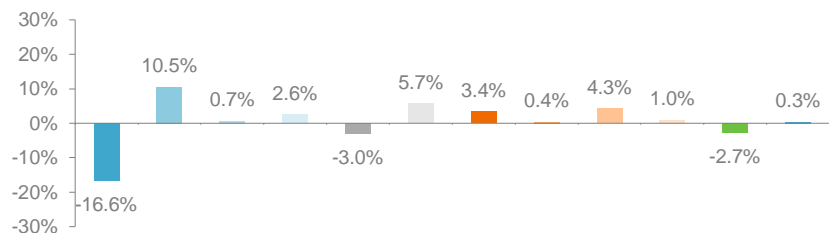


Historic Returns for World Markets to 30 September 2020

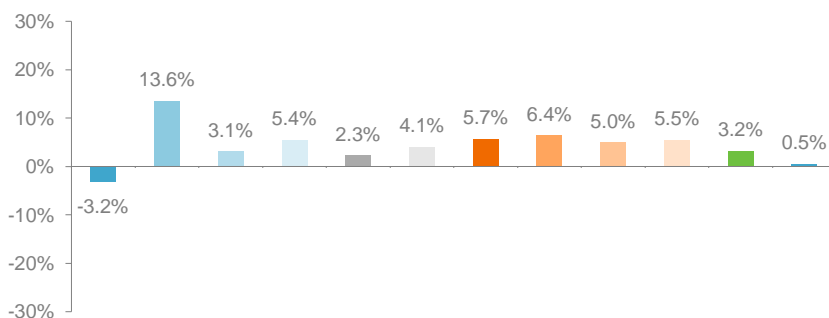
6 Months (%)



12 Months (%)



3 Years (% p.a.)



Market Comments.

First releases of Q3 GDP showed a sharp rebound in activity, following Q2's record-breaking declines. High frequency activity data showed a plateauing of the recovery in the US and evidence of a renewed downturn in the UK and Europe, even prior to the imposition of new restrictions. The IMF World Economic Outlook forecasts global growth in 2020 will contract 4.4% this year followed by a 5.2% expansion next, leaving two-year global aggregate output a little above its end-2019 level.

Over the past six months most economies have seen core inflation fall. UK CPI inflation fell from 1.5% in March to 0.5% in September, having reached its lowest level since December 2015 of 0.2% in August.

In response to falling global growth and inflation, the US Federal Reserve (the Fed) and the Bank of England (BoE) cut rates to record low levels and the European Central Bank and Bank of Japan have joined the Fed and the BoE in announcing large expansions of their quantitative easing programs. The Fed's shift to "flexible" average inflation targeting, allowing above-target inflation to make up for periods of below-target inflation, likely means interest rate rises are even further away than previously envisaged.

Despite economic uncertainty global sovereign bond yields were relatively unchanged over the period. 10-year gilt implied inflation drifted higher as real yields fell and nominal yields moved marginally higher.

Credit spreads have seen a sharp snapback since the material widening witnessed in March. Investment-grade spreads fell from 2.8% p.a. in March to 1.4% p.a. in September. Unsurprisingly, the reversal was more significant in speculative grade credit spreads which fell from 9.2% p.a. to 5.6% p.a. over the same period.

Similarly, global equity markets have rebounded strongly since the sell-off in Q1. Since the end of March, global equities have experienced a 27% rise and are now in positive territory year-to-date. The rebound in equity markets has been far from uniform with the US leading the way and the UK a stand-out underperformer. From a sector perspective technology extended its large year-to-date lead at the top of the performance rankings while oil & gas massively underperformed, cementing its place at the bottom.

The lasting effects of the pandemic on the property market are evident with capital values having fallen 4.3% over the past 6 months. A large part of this can be attributed to the retail sector which has seen capital values fall 9.1% over the period.



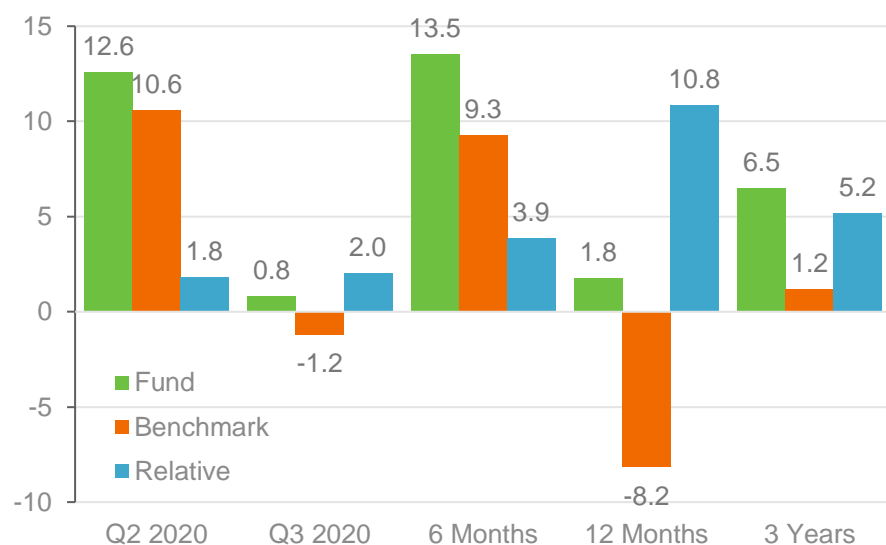
Paisley Common Good Fund: Portfolio Summary

Valuation Summary

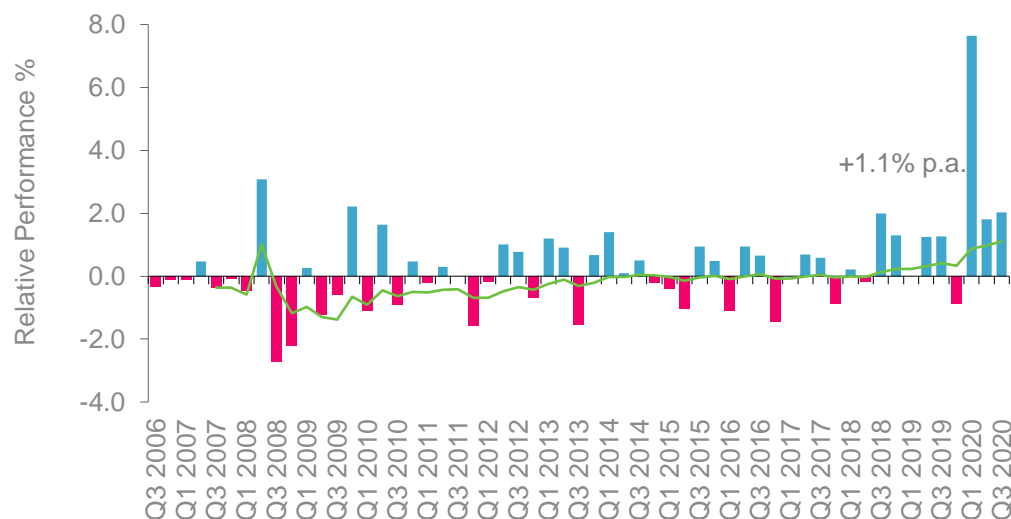
	Values (£m)		Actual Proportion %	Target Proportion %	Difference %	(Standard Life) Estimated Annual Income			Target
	31/03/2020	30/09/2020				31/03/2020	30/06/2020	30/09/2020	
UK Equities	1.499	1.613	36.7	60.0	-23.3				
International	1.682	2.025	46.0	20.0	26.0				
UK Bonds	0.526	0.545	12.4	18.0	-5.6				
International	0.119	0.133	3.0	0.0	3.0				
Property	0.000	0.000	0.0	0.0	0.0				
Cash/Other	0.113	0.083	1.9	2.0	-0.1				
Total	3.939	4.399	100.0%	100.0%		£151,532	£141,881	£135,532	£113,000

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

Performance Summary



Relative Quarterly and Relative Cumulative Performance



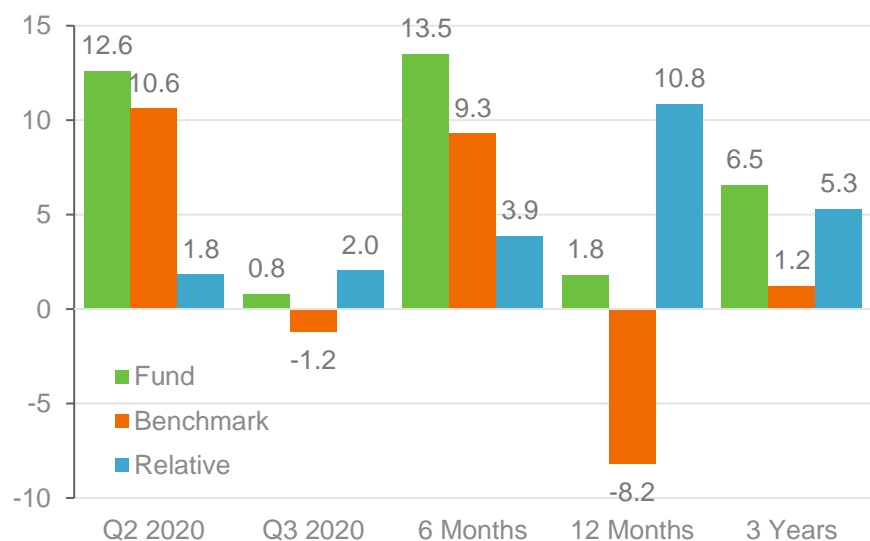
Renfrew Common Good Fund: Portfolio Summary

Valuation Summary

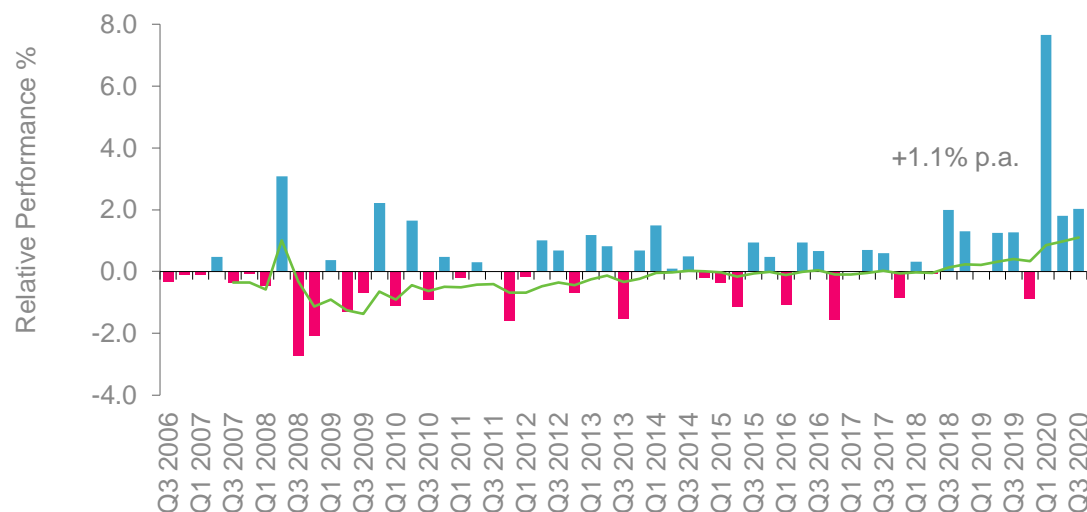
	Values (£m)		Actual Proportion %	Target Proportion %	Difference %	(Standard Life) Estimated Annual Income			Target
	31/03/2020	30/09/2020				31/03/2020	30/06/2020	30/09/2020	
UK Equities	5.050	5.495	37.0	60.0	-23.0				
International	5.697	6.840	46.0	20.0	26.0				
UK Bonds	1.724	1.719	11.6	18.0	-6.4				
International	0.455	0.507	3.4	0.0	3.4				
Property	0.000	0.000	0.0	0.0	0.0				
Cash/Other	0.388	0.307	2.1	2.0	0.1				
Total	13.313	14.869	100.0%	100.0%		£511,672	£478,858	£ 457,019.00	£380,000

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 13.5% between end March 2020 (the effective date of the immediately preceding report) and end September 2020; over the same period, the benchmark achieved a return of 9.3%. The performance over the period reflects the market recovery (equities and corporate bonds) since the downturn and market volatility witnessed in March 2020 as a result of containment measure put in place by governments across the globe due to the spread of Covid-19.

The Fund's outperformance in Q2 was driven by allocations to the best performing sectors, healthcare and technology. Allocation to the renewables sector and good stock selection within it was also beneficial. In Q3, it was asset allocation that drove returns with stock selection marginally negative, allocations to technology and utilities (continuing to be positive). Underweighting Oil and Gas was beneficial. Infrastructure and renewables outperformed the equity market, so allocations to these areas boosted performance. Overweighting UK equities and corporate bonds continues to be positive.

Over 12 months, fund returns are positive in absolute terms (+1.8%) and significantly ahead of the benchmark return of -8.2%. Since the inception of the mandate, on 1 July 2006, the Fund return of +7.1% p.a. is strong in absolute terms and ahead of the benchmark return of +5.9% p.a. Throughout this time, the investment manager has met a demanding income target.

As at end of September 2020, the allocation to equities (82.7%) 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 underweighting to UK equities has been beneficial as UK equities have lagged other regions significantly over the year and have not recovered as far from the falls in March.

The exposure to bonds was 15.4% at end September 2020 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). The manager favours corporate bonds which have outperformed gilts over the last 6 months and this has benefitted performance relative to benchmark.

Performance Summary

Paisley CGF		
6 Months (%)	Fund	13.5
	Benchmark	9.3
	Relative	3.9
12 Months (%)	Fund	1.8
	Benchmark	-8.2
	Relative	10.8
3 years (%)	Fund	6.5
	Benchmark	1.2
	Relative	5.2
Since Inception (% p.a.) (1 July 2006)	Fund	7.1
	Benchmark	5.9
	Relative	1.1



Renfrew Common Good Fund: Allocation and Performance

Commentary on Renfrew Common Good Fund

The Fund, in aggregate, returned 13.5% between end March 2020 (the effective date of the immediately preceding report) and end September 2020; over the same period, the benchmark achieved a return of 9.3%. The performance over the period reflects the market recovery (equities and corporate bonds) since the downturn and market volatility witnessed in March 2020 as a result of containment measure put in place by governments across the globe due to the spread of Covid-19.

The Fund's outperformance in Q2 was driven by allocations to the best performing sectors, healthcare and technology. Allocation to the renewables sector and good stock selection within it was also beneficial. In Q3, it was asset allocation that drove returns with stock selection marginally negative, allocations to technology and utilities (continuing to be positive). Underweighting Oil and Gas was beneficial. Infrastructure and renewables outperformed the equity market, so allocations to these areas boosted performance. Overweighting UK equities and corporate bonds continues to be positive.

Over 12 months, fund returns are positive in absolute terms (+1.8%) and significantly ahead of the benchmark return of 8.2%. Since the inception of the mandate, on 1 July 2006, the Fund return of +7.1% p.a. is strong in absolute terms and ahead of the benchmark return of +5.9% p.a. Throughout this time, the investment manager has met a demanding income target.

As at end of September 2020, the allocation to equities (83.0%) 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 underweighting to UK equities has been beneficial as UK equities have lagged other regions significantly over the year and have not recovered as far from the falls in March.

The exposure to bonds was 15.0% at end September 2020 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). The manager favours corporate bonds which have outperformed gilts over the last 6 months and this has benefitted performance relative to benchmark.

Performance Summary

Renfrew CGF		
6 Months (%)	Fund	13.5
	Benchmark	9.3
	Relative	3.9
12 Months (%)	Fund	1.8
	Benchmark	-8.2
	Relative	10.0
3 years (%)	Fund	6.5
	Benchmark	1.2
	Relative	5.3
Since Inception (% p.a.) (1 July 2006)	Fund	7.1
	Benchmark	5.9
	Relative	1.2



Renfrewshire Council Common Good Funds

Hymans Robertson LLP

Appendix 1: Asset Allocation

Paisley Common Good Fund

Asset Allocation

31 March 2020

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	38.1%	-21.9%
International Equities	20.0%	42.7%	22.7%
UK Bonds	18.0%	13.4%	-4.6%
International Bonds	0.0%	3.0%	3.0%
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	2.9%	0.9%
Total	100.0%	100.0%	0.0%

Asset Allocation

30 September 2020

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	36.7%	-23.3%
International Equities	20.0%	46.0%	26.0%
UK Bonds	18.0%	12.4%	-5.6%
International Bonds	0.0%	3.0%	3.0%
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	1.9%	-0.1%
Total	100.0%	100.0%	0.0%

Renfrew Common Good Fund

Asset Allocation

31 March 2020

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	37.9%	-22.1%
International Equities	20.0%	42.8%	22.8%
UK Bonds	18.0%	12.9%	-5.1%
International Bonds	0.0%	3.4%	3.4%
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	2.9%	0.9%
Total	100.0%	100.0%	0.0%

Asset Allocation

30 September 2020

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	37.0%	-23.0%
International Equities	20.0%	46.0%	26.0%
UK Bonds	18.0%	11.6%	-6.4%
International Bonds	0.0%	3.4%	3.4%
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	2.1%	0.1%
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		Contribution to Relative Return	
	Fund %	Benchmark %	Fund %	Benchmark %	6 months %	12 months %	6 months %	12 months %
UK Gov't Bonds	2.0	1.3	4.4	3.5	0.1	0.3	0.0	0.1
Corporate Bonds	9.8	8.1	3.3	3.9	0.7	0.3	0.6	0.1
International Bonds	13.4	-0.2	3.2	1.6	0.4	0.1	0.4	0.1
UK Equities	7.8	7.0	-16.2	-16.5	3.1	-5.4	0.3	0.1
Overseas Equities	20.9	24.8	15.4	6.6	8.9	6.8	-1.4	3.4
Total Assets	13.5	9.3	1.8	-8.2				

Estimated Contribution to relative returns from asset allocation 4.3 6.2

Renfrew Common Good Fund

	6 months		12 months		Contribution to Absolute Return		Contribution to Relative Return	
	Fund %	Benchmark %	Fund %	Benchmark %	6 months %	12 months %	6 months %	12 months %
UK Gov't Bonds	2.0	1.3	4.2	3.5	0.1	0.3	0.0	0.1
Corporate Bonds	9.7	8.1	3.3	3.9	0.6	0.2	0.5	0.1
International Bonds	13.5	-0.2	3.1	1.6	0.5	0.1	0.5	0.1
UK Equities	7.8	7.0	-16.2	-16.5	3.1	-5.4	0.3	0.1
Overseas Equities	20.9	24.8	15.4	6.6	8.9	6.8	-1.4	3.4
Total Assets	13.5	9.3	1.8	-8.2				

Estimated Contribution to relative returns from asset allocation 4.3 6.1



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.

