

Notice of Meeting and Agenda Investment Review Board

Date	Time	Venue
Wednesday, 21 November 2018	11:00	Corporate Meeting Room 1, Council Headquarters, Renfrewshire House, Cotton Street, Paisley, PA1 1AN

KENNETH GRAHAM
Head of Corporate Governance

Membership

Councillor Alison Jean Dowling: Councillor John McIntyre: Councillor Iain Nicolson:
Councillor John Shaw (Convener): Councillor Jim Paterson (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 <http://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.

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.

Items of business

- | | | |
|----------|--|----------------|
| 1 | Minute of Previous Meeting
Minute of meeting held on 13 June 2018. | 3 - 6 |
| 2 | Investment Manager Tender Exercise
Report by the Director of Finance. | 7 - 10 |
| 3 | Review of Statement of Investment Principles
Report by the Director of Finance. | 11 - 18 |
| 4 | Information Session
Briefing by David Millar, Associate Consultant, Hymans Robertson LLP, regarding the Renfrewshire investment portfolios and the current economic situation. | |
| 5 | Paisley and Renfrew Common Good Funds six-month report to 30 September 2018
Report by the Director of Finance relative to the performance of the Paisley and Renfrew Common Good Funds; including a briefing note from Hymans LLP on the key issues to be presented by David Millar. Subsequent to this, Mike Connor, Private Client Head of Office, and Gair Brisbane, Senior Charity Portfolio Manager, both of Standard Life Wealth Limited, will deliver a presentation relative to the performance of the Paisley and Renfrew Common Good Fund investments. | 19 - 32 |
| 6 | Date of Next Meeting
Members are asked to note that the next meeting of the Investment Review Board is scheduled for Wednesday 12 June 2019 at 11.00 am. | |

Minute of Meeting

Investment Review Board

Date	Time	Venue
Wednesday, 13 June 2018	11:00	Corporate Meeting Room 3, Council Headquarters, Renfrewshire House, Cotton Street, Paisley, PA1 1AN

Present

Councillor John McIntyre, Councillor Iain Nicolson, Councillor John Shaw

Present

Councillor John McIntyre, Councillor John Shaw and Councillor Iain Nicolson.

Chair

Councillor Shaw, Convener, presided.

In Attendance

A MacArthur, Head of Finance, L Dickie, Finance Manager and R Devine, Senior Committee Services Officer (all Finance & Resources).

Also in Attendance

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

Apologies

Councillor Alison Dowling.

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 22 November, 2017.

DECIDED: That the Minute be approved.

2 Information Session

D Miller, Hymans Robertson LLP, provided a briefing on market and economic news since the last meeting. In addition, he made reference to the performance of the markets in 2018; outlined trends encountered by investors in the equity markets during the last quarter of 2017 and first quarter of 2018; and summarised the influencing factors which had impacted on the performance of the equities market. It was highlighted that although performance had dipped in comparison to recent quarters equity investments were viewed as a long-term activity. Performance in terms of the Bond markets was outlined, together with the reasons for the poorer performance and potential actions to alleviate the situation. It was noted that the portfolios were well diversified and gained exposure to a wide range of countries/regions, sectors and assets.

DECIDED: That the briefing be noted.

3 Paisley and Renfrew Common Good Funds - Review of Investment and Income Performance.

There was submitted a report by the Director of Finance & Resources relative to the performance of the Paisley and Renfrew Common Good Funds during the six-month period ending 31 March 2018. A performance review by Hymans Robertson LLP was attached as an appendix to the report.

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M Connor and G Brisbane, Portfolio Managers (both Standard Life Wealth Limited) entered the meeting.

M Connor and G Brisbane provided a presentation which advised of the performance of the world markets during the first quarter of 2018; highlighted the effect of notable events on global equities and gilts; made reference to the investment guidelines pertaining to the Funds; highlighted the performance of the Common Good Funds as at 31 March 2018 and, in particular, the asset contribution by asset class. Mention was made of the best and worst performing stocks and equity holdings within the portfolios and a summary of factors which could impact on future prospect was provided. Actions taken to address these factors were outlined.

DECIDED: That the report and presentation 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 21 November 2018 at 11am.

DECIDED: That the information be noted.



To: Investment Review Board

On: 21 November 2018

Report by: Director of Finance and Resources

Heading: Investment manager tender exercise

1. Summary

- 1.1 The Council has an arrangement in place for the investments of the Paisley and Renfrew Common Good Funds to be managed by Standard Life Wealth Limited.
- 1.2 This arrangement between the Council and Standard Life Wealth Limited is in the form of a contract that commenced on 1 July 2014 for a period of three years with an option (that was exercised) to extend the contract for a further two years. Thus, the current arrangement comes to a contractual end on 30 June 2019.
- 1.3 A tender exercise is currently being undertaken by Council officers that follows the Council's normal procurement procedures, and that takes a similar form to the previous investment manager tender exercise in 2013/14. A contract specification will be issued and expressions of interest sought from prospective investment managers.
- 1.4 As with the previous tender exercise in 2013/14, Hymans Robertson LLP have been engaged to assist the Council with the contract specification and bid evaluation process.
- 1.5 It is intended that a recommendation on the tender award be submitted to the meeting scheduled for 27 March 2019 of the Council's Finance, Resources and Customer Services Policy Board, in order to enable a contract to be in place for commencement on 1 July 2019.

- 1.6 An update on the outcome of the tender exercise will be provided at the next meeting of the Investment Review Board, scheduled for 12 June 2019.
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2. **Recommendations**

- 2.1 To note that the current contract for investment manager services will come to an end on 30 June 2019, and that a tender exercise is currently being undertaken for the provision of investment manager services, to commence on 1 July 2019.
- 2.2 To note that Hymans Robertson LLP have been engaged to assist the Council with the contract specification and bid evaluation process.
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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 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

Author: Richard Conway, extension 7377



To: Investment Review Board

On: 21 November 2018

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 Standard Life Wealth 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 which 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 2017, and is due for review. There are no changes proposed to the existing Statement (attached for information), other than some minor presentational amendments.
- 1.4 Paragraph 7 of the Statement of Investment Principles sets out the Council's approach to the annual income requirement that is set for each fund. The existing levels of income required for both the Paisley and Renfrew Common Good Funds have been unchanged for a number of years, and a recent review of the suitability of these values supports a marginal increase. This review focused on the growth in size

of the capital funds available and the level of actual income yielded by each fund in recent years.

- 1.5 It is proposed that the existing income requirements, as set for each fund in terms of paragraph 7 of the Statement of Investment Principles, be increased for each Fund by approximately 10%. For the Renfrew Common Good Fund this represents an increase from £346,000 per annum to £380,000 per annum, and for the Paisley Common Good Fund this represents an increase from £102,700 per annum to £113,000 per annum.

2. **Recommendations**

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

- 2.2 To approve the undernoted sums as the amended levels of annual income required for each fund, effective from 1 January 2019, in terms of paragraph 7 of the Statement of Investment Principles:

Renfrew Common Good Fund: £380,000 (9.83% increase)

Paisley Common Good Fund: £113,000 (10.03% increase)

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 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

Author: Richard Conway, extension 7377

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 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 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%
		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: 21 November 2018

Report by: Director of Finance and Resources

Heading: Paisley and Renfrew Common Good Funds
six-month report to 30 September 2018

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 2018. Hymans Robertson LLP will be represented at the meeting by David Millar (Associate Consultant), who will present his report to Members. The investment managers will not be present during this part of the meeting.
 - 1.3 Mike Connor, Private Client Head of Office, and Gair Brisbane, Senior Charity Portfolio Manager, both of Standard Life Wealth Limited, will then join the meeting. Messrs Connor and Brisbane will give a short presentation during which there will be an opportunity for Members to question them directly in regard to their presentation and Fund performance.
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2. **Recommendations**

- 2.1 To consider the attached report from 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 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
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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

Author: Richard Conway, extension 7377

Renfrewshire Council Common Good Funds

Review of Investment Managers' Performance for the 6 Months to 30 September 2018



Prepared by:

David Millar- Associate Consultant

Allison Galbraith - Investment Consultant

For and on behalf of Hymans Robertson LLP

October 2018

Contents

Page



Markets

Historic Returns for World Markets to 30 September 2018

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

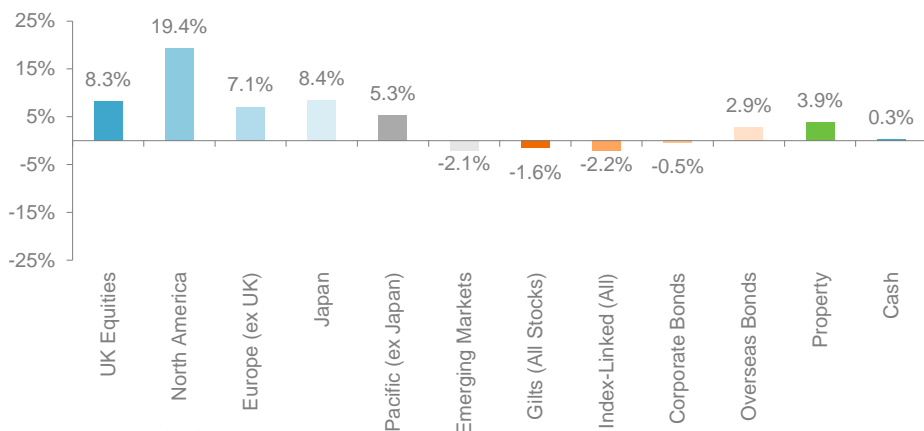
Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile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

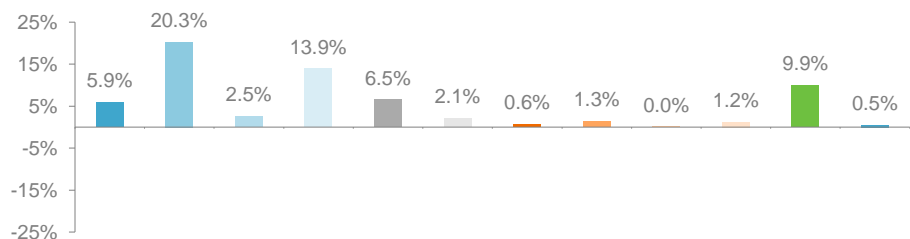


Historic Returns for World Markets to 30 September 2018

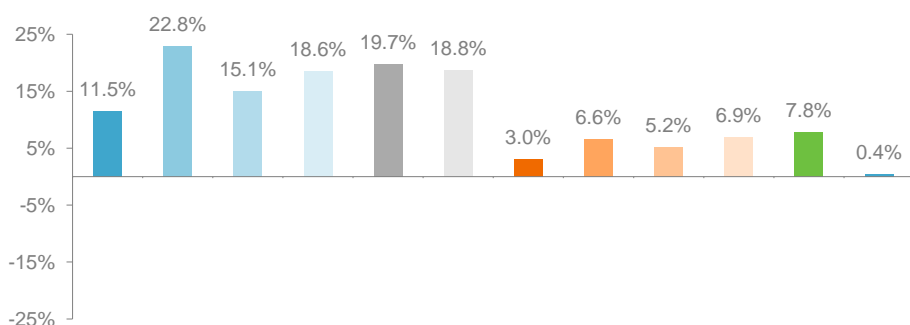
6 Months (%)



12 Months (%)



3 Years (% p.a.)



Market Comments.

After a disappointing start to the year, global growth picked up in the second quarter. The US, boosted by recent tax cuts, led the way. Business surveys suggested the momentum was largely sustained over the summer, although risks to the outlook – trade wars, Brexit, Eurozone political tension – assumed greater prominence.

Oil prices continued to rise as the US re-imposed sanctions on Iran; the Venezuelan economy imploded; and OPEC and Russia ignored US requests to increase output. Brent crude reached a 4-year high of \$82 a barrel in September.

The downward drift in headline UK CPI inflation stalled, although underlying inflation measures continued to ease. However, the Bank of England raised interest rates from 0.5% p.a. to 0.75% p.a. in August, citing a limited degree of 'slack' in the economy.

In the US, economic strength and another two interest rate rises helped to propel government bond yields to their highest level for seven years. Gilts followed in their wake: 10-year yields rose from 1.4% p.a. to 1.6% p.a. The rise in index-linked yields was smaller.

In general, speculative grade credit markets outperformed investment grade counterparts. Light supply supported US credit while Eurozone political risk weighed on European assets. UK investment grade credit spreads rose marginally over the period.

The main feature of foreign exchange markets was the strength of the US dollar, although its momentum faded towards the end of the period. Sterling was the weakest of the major currencies, falling 2% in trade-weighted terms.

Dollar strength was the catalyst for foreign investors to reduce their exposure to emerging markets (EM). The yield on the benchmark EM debt index rose from 6.0% p.a. to 6.6% p.a. The return from EM equity indices was around -3% in local currency terms.

By contrast, developed equity markets bounced back strongly from an uneasy start to 2018; North America was the best regional performer. The UK performed in line with broad developed market indices over the period – a very strong second quarter was offset by an equally poor third quarter.

Perhaps surprisingly in a strongly rising market, the defensive Healthcare sector was the strongest performer. Boosted by the strength of oil prices, the Oil & Gas sector was also performed strongly. Other defensive areas – Consumer Goods, Telecoms and Utilities – were amongst the poorer performers.

The UK commercial property market carried on with its steady advance. Sector divergence has, if anything, increased: retail values have fallen over the last year, while industrial values are 15% higher.



Paisley Common Good Fund: Portfolio Summary

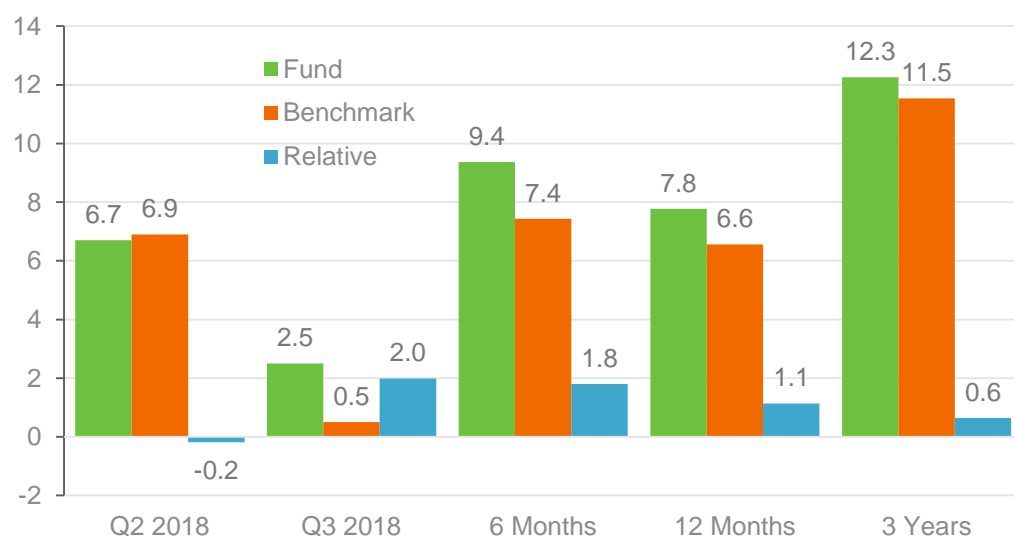
Valuation Summary

	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	31/03/2018	30/09/2018			
UK Equities	1.754	1.808	43.2	60.0	16.8
International Equities	1.444	1.579	37.8	20.0	17.8
UK Bonds	0.507	0.505	12.1	18.0	-5.9
International Bonds	0.122	0.131	3.1	0.0	3.1
Property	0.000	0.000	0.0	0.0	0.0
Cash/Other	0.084	0.160	3.8	2.0	1.8
Total	3.911	4.182	100.0%	100.0%	

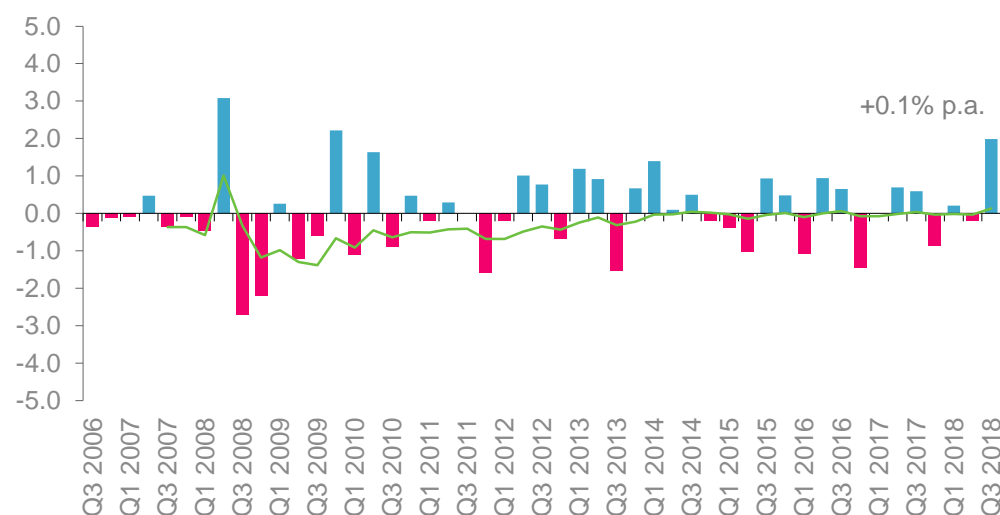
(Standard Life) Estimated Annual Income			Target
31/03/2018	30/06/2018	30/09/2018	
£147,737	£145,053	£146,069	£102,700

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 9.4% between end March 2018 (the effective date of the immediately preceding report) and end September 2018; over the same period, the benchmark achieved a return of 7.4%. Fund returns had remained positive in absolute terms recovering from the negative returns at the start of 2018.

Equity markets have been the main source of absolute return, with UK equities strong in the second quarter of the year but less so in quarter 3. In quarter 3, equity markets were driven by returns from the US as the market advanced on the back of robust economic growth and earnings data.

In terms of relative performance, the Fund significantly outperformed its benchmark over 6 months. This was primarily driven by equity performance in Q3. The Fund's overweight to overseas equities was beneficial. In particular, technology and consumer goods holdings performed well. Positive returns from holdings in alternatives (such as infrastructure) and property boosted the portfolio. The underweight to bonds, especially gilts was beneficial.

Over 12 months, fund returns are positive in absolute terms (+7.8%) and ahead of benchmark by 1.1%. Since the inception of the mandate, on 1 July 2006, the Fund return of +7.3% p.a. is strong in absolute terms and modestly ahead of the benchmark return of +7.1% p.a. Throughout this time, the investment manager has met a demanding income target.

As at end September 2018, the allocation to equities (81.0%) 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 15.1% at end September 2018 compared with the benchmark of 18% and a minimum allocation of 15%. The allocation to cash at end March 2018 was 3.8% (modestly above the benchmark allocation).

Questions for the investment manager;

What is your view on the impact of a "no deal" Brexit on markets?

Your House View remains constructive on risk assets (such as equities) but with caution and with a more subdued outlook for returns. In what ways is the portfolio evolving to take a more cautious view?

What areas of the market in particular are supportive of long term growth?

Performance Summary

		Paisley CGF
6 Months (%)	Fund	9.4
	Benchmark	7.4
	Relative	1.8
12 Months (%)	Fund	7.8
	Benchmark	6.6
	Relative	1.1
3 years (%)	Fund	12.3
	Benchmark	11.5
	Relative	0.6
Since Inception (% p.a.) (1 July 2006)	Fund	7.3
	Benchmark	7.1
	Relative	0.1



Renfrewshire Council Common Good Funds

Hymans Robertson LLP

Renfrew Common Good Fund: Portfolio Summary

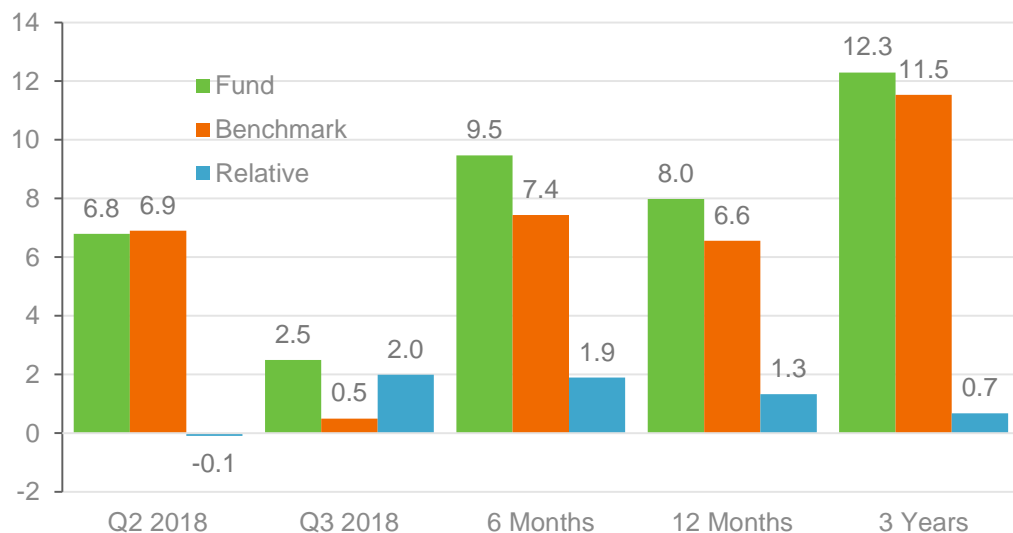
Valuation Summary

	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	31/03/2018	30/09/2018			
UK Equities	5.921	6.107	43.2	60.0	-16.8
International Equities	4.912	5.366	37.9	20.0	17.9
UK Bonds	1.724	1.713	12.1	18.0	-5.9
International Bonds	0.386	0.423	3.0	0.0	3.0
Property	0.000	0.000	0.0	0.0	0.0
Cash/Other	0.277	0.532	3.8	2.0	1.8
Total	13.219	14.140	100.0%	100.0%	

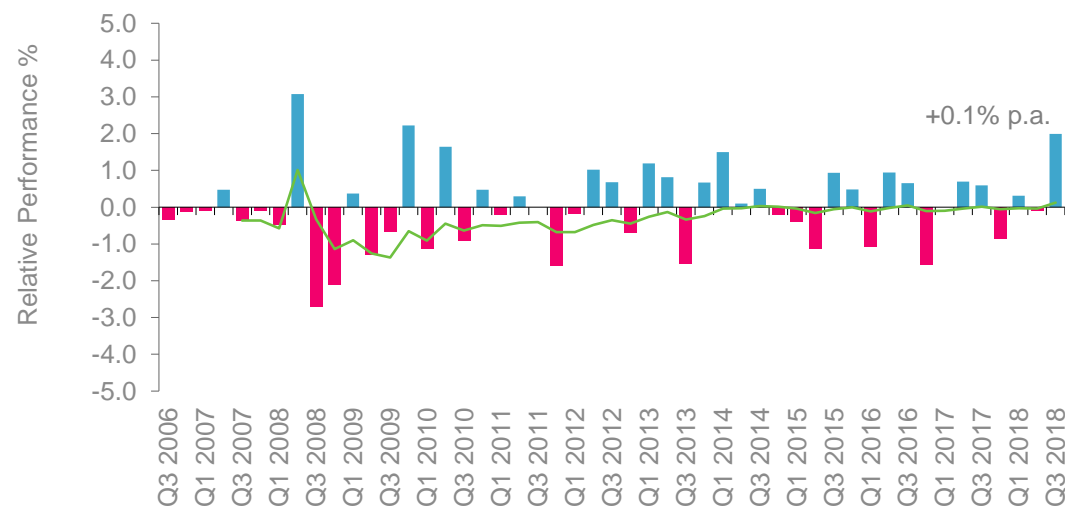
(Standard Life) Estimated Annual Income			Target
31/03/2018	30/06/2018	30/09/2018	
£499,993	£490,756	£ 494,162.00	£346,000

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

Performance Summary



Relative Quarterly and Relative Cumulative Performance



Renfrew Common Good Fund: Allocation and Performance

Commentary on Renfrew Common Good Fund

The Fund, in aggregate, returned 9.5% between end March 2018 (the effective date of the immediately preceding report) and end September 2018; over the same period, the benchmark achieved a return of 7.4%. Fund returns had remained positive in absolute terms recovering from the negative returns at the start of 2018.

Equity markets have been the main source of absolute return, with UK equities strong in the second quarter of the year but less so in quarter 3. In quarter 3, equity markets were driven by returns from the US as the market advanced on the back of robust economic growth and earnings data.

In terms of relative performance, the Fund significantly outperformed its benchmark over 6 months. This was primarily driven by equity performance in Q3. The Fund's overweight to overseas equities was beneficial. In particular, technology and consumer goods holdings performed well. Positive returns from holdings in alternatives (such as infrastructure) and property boosted the portfolio. The underweight to bonds, especially gilts was beneficial.

Over 12 months, fund returns are positive in absolute terms (+8.0%) and ahead of benchmark by 1.3%. Since the inception of the mandate, on 1 July 2006, the Fund return of +7.3% p.a. is strong in absolute terms and modestly ahead of the benchmark return of +7.1% p.a. Throughout this time, the investment manager has met a demanding income target.

As at end September 2018, the allocation to equities (81.1%) 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 15.1% at end September 2018 compared with the benchmark of 18% and a minimum allocation of 15%. The allocation to cash at end March 2018 was 3.8% (modestly above the benchmark allocation).

Questions for the investment manager;

What is your view on the impact of a "no deal" Brexit on markets?

Your House View remains constructive on risk assets (such as equities) but with caution and with a more subdued outlook for returns. In what ways is the portfolio evolving to take a more cautious view?

What areas of the market in particular are supportive of long term growth?

Performance Summary

		Renfrew CGF
6 Months (%)	Fund	9.5
	Benchmark	7.4
	Relative	1.9
12 Months (%)	Fund	8.0
	Benchmark	6.6
	Relative	1.3
3 years (%)	Fund	12.3
	Benchmark	11.5
	Relative	0.7
Since Inception (% p.a.) (1 July 2006)	Fund	7.3
	Benchmark	7.1
	Relative	0.1



Renfrewshire Council Common Good Funds

Hymans Robertson LLP

Appendix 1: Asset Allocation

Paisley Common Good Fund

Asset Allocation

31 March 2018

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	44.9%	-15.1%
International Equities	20.0%	36.9%	16.9%
UK Bonds	18.0%	13.0%	-5.0%
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%

Asset Allocation

30 September 2018

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	43.2%	-16.8%
International Equities	20.0%	37.8%	17.8%
UK Bonds	18.0%	12.1%	-5.9%
International Bonds	0.0%	3.1%	3.1%
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	3.8%	1.8%
Total	100.0%	100.0%	0.0%

Renfrew Common Good Fund

Asset Allocation

31 March 2018

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	44.8%	-15.2%
International Equities	20.0%	37.2%	17.2%
UK Bonds	18.0%	13.0%	-5.0%
International Bonds	0.0%	2.9%	2.9%
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	2.1%	0.1%
Total	100.0%	100.0%	0.0%

Asset Allocation

30 September 2018

Asset Class	Benchmark	Fund	Difference
UK Equities	60.0%	43.2%	-16.8%
International Equities	20.0%	37.9%	17.9%
UK Bonds	18.0%	12.1%	-5.9%
International Bonds	0.0%	3.0%	3.0%
Property	0.0%	0.0%	0.0%
Cash/Other	2.0%	3.8%	1.8%
Total	100.0%	100.0%	0.0%



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	-2.1	-1.5	1.5	0.8	-0.1	0.0
Corporate Bonds	0.5	-0.4	0.9	0.2	0.0	0.1
International Bonds	-0.6	2.5	-0.5	1.1	0.0	-0.1
UK Equities	8.3	8.3	5.9	5.9	3.7	0.0
Overseas Equities	15.6	14.2	15.8	14.8	5.5	0.4
Total Assets	9.4	7.4	7.8	6.6		

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	-2.1	-1.5	1.5	0.8	-0.1	0.0
Corporate Bonds	0.5	-0.4	2.1	0.2	0.0	0.1
International Bonds	-0.6	2.5	-0.6	1.1	0.0	-0.1
UK Equities	8.3	8.3	5.9	5.9	3.7	0.0
Overseas Equities	15.7	14.2	15.9	14.8	5.5	0.5
Total Assets	9.5	7.4	8.0	6.6		



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.