

## Notice of Meeting and Agenda Investment Review Board

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

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):

### 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  
To find the recording please follow the link which will be attached to this agenda once the meeting has concluded.

[https://youtu.be/eS7\\_tw5XcSs](https://youtu.be/eS7_tw5XcSs)

## 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** **1 - 4**

Minute of previous meeting held on 9 June 2021.
- 2 Paisley and Renfrew Common Good Funds: review of investment and income performance** **5 - 18**

Report by the Director of Finance & Resources relating to the performance of the Paisley and Renfrew Common Good Fund investments, including a presentation and report from Hymans Robertson LLP regarding the key issues to be presented by Kameel Kapitan, Investment Consultant, Hymans Robertson LLP. (David Millar, DC Consultant, Hymans Robertson LLP, will also be in attendance.) Subsequent to this, Gair Brisbane, Head of Charities (Scotland), abrdn Capital Limited (formerly Aberdeen Standard Capital Limited), will deliver a presentation relating to the performance of the Paisley and Renfrew Common Good Fund investments.
- 3 Paisley and Renfrew Common Good Funds: review of annual income targets and fixed interest stocks restriction** **19 - 30**

Report by the Director of Finance & Resources relating to a proposed change to the annual income targets for the Paisley and Renfrew Common Good Fund investments, and detailing proposed changes to the Investment Policy Statement relating to fixed interest stock holding and change of name of the Investment Manager.

## Minute of Meeting Investment Review Board

Date	Time	Venue
Wednesday, 09 June 2021	11:00	Teams Meeting,

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

### Chair

Councillor Shaw, Convener, presided.

### In Attendance

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

### Also in Attendance

D Millar, Associate Consultant, (Hymans Robertson LLP) And Gair Brisbane Senior Charity Portfolio Manager and M Connor, Portfolio Manager (both Aberdeen Standard Capital Limited).

### 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 18 November 2020.

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

## 2 **Investment Policy Statement**

There was submitted a report by the Director of Finance & Resources relative to the scope and content of the proposed Investment Policy Statement

Reference was made to the report considered at the meeting of this Board held on 18 November 2020 which had suggested a 'pathway' to reflect climate change matters in the investment portfolios of the Paisley and Renfrew Common Good Funds. The pathway, prepared by the Council's Investment Manager, Aberdeen Standard Capital Limited (ASC) had set out a proposed approach that Members could use to develop an investment policy that would reflect the decision of the Council to support Climate Emergency measures. Thereafter members of the Board had attended a workshop, on 26 January 2021, along with Julie Hutchison (Charity Specialist) and Gair Brisbane (Senior Charity Portfolio Manager ), both of ASC, as well as officers of the Council, to discuss and develop appropriate updates to the investment policy. This updated policy took the form of a draft "Investment Policy Statement", a copy of which was appended to the report, which would replace the existing "Statement of Investment Principles".

The report highlighted the key changes, within the section entitled Investment Manager restrictions specifically updating the ethical screening criteria, that were intended to support the Council's decision to support Climate Emergency measures.

**DECIDED:** That the Investment Policy Statement a copy of which was appended to the report, be approved as a replacement for the existing Statement of Investment Principles thereby implementing updates to the ethical screening criteria.

## 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 to 31 March 2021.

A performance review by Hymans Robertson LLP was attached as an appendix to the report. D Millar, Associate Consultant, (Hymans Robertson LLP) advised that there had been a significant fall in the equity and corporate bond markets as a result of the coronavirus pandemic. However there had been a significant recovery resulting in only UK equities and property had remained in negative territory for the year. There had been continued recovery in the equities market during 2021 however bonds had fallen back. The Associate Consultant (Hymans Robertson LLP) indicated that the value of the Paisley Common Good Fund had increased slightly from £4.40m on 30

September 2020 to £4.75m on 31 March 2021 During the same period, the Renfrew Common Good Fund assets had risen from £14.87m to £16.07m. Both portfolios had met their income targets. He indicated that the asset allocation had not changed significantly in the last 12 months, and that the portfolios had performed well, outperforming the benchmark during challenging economic conditions. In addition, the Associate Consultant, (Hymans Robertson LLP) provided information on the performance of the markets from 31 December 2020 to 27 May 2021 which indicated continuing recovery. The Associate Consultant, (Hymans Robertson LLP) was then heard in answer to questions from members on the report.

The Senior Charity Portfolio Manager ASC then provided a presentation relative to the performance of the Paisley and Renfrew Common Good Fund investments.

The presentation included information in relation to investment guidelines for Common Good Funds; long term performance of the Funds; asset contribution to Common Good Funds; and investment restrictions.

During a general discussion relative to contribution to performance by asset class it was proposed and agreed that a report be prepared and submitted to the next meeting of the Board outlining the historical rationale for, the implications of altering the threshold and options in terms of the portfolio investment restriction which required a minimum of 15% of the portfolio to be held in fixed interest stocks

**DECIDED:** That the report and presentations be noted; and that a report be prepared and submitted to the next meeting of the Board outlining the historical rationale for, the implications of altering the threshold and options in terms of the portfolio investment restriction which required a minimum of 15% of the portfolio to be held in fixed interest stocks.

#### 4 **Investment Management**

There was submitted a report by the Director of Finance & Resources relative to the proposed transfer of a proportion of existing Paisley Common Good Fund and Renfrew Common Good Fund cash balances to the investments currently managed by Aberdeen Standard Capital Limited.

The report reminded members that Aberdeen Standard Capital Limited managed the investments of the Paisley and Renfrew Common Good Funds and that the performance of the Funds was monitored by the Investment Review Board.

Investment of the Funds was undertaken in accordance with the Investment Policy Statement agreed by the Board, which recognised that investment in equities and fixed interest bonds was not without risk. However, the return available generally exceeded that available from holding the funds in cash (ie in bank deposits or money market funds) managed by the Council. Investing in equities and fixed interest stocks also allowed capital growth in addition to dividend or interest returns. In recent years the level of income to the Common Good Funds had exceeded that disbursed, to the point where the cash balance managed by the Council, as at 31 March 2021, was £0.6m for the Paisley Common Good Fund and £4.8m for the Renfrew Common Good Fund. The interest currently generated on these balances was about 0.4% owing to the low interest rate environment which had been experienced for some time. An increase in the bank rate was not anticipated in the near future. The yield on the balances managed by ASC had averaged 3-3.5% over the previous 3 years, excluding capital growth. As a consequence, it was proposed in order to secure an

improved overall return on fund balances, that a proportion of the funds currently held in cash were transferred to the management of ASC. To balance risk and manage liquidity, a cash balance would continue to be managed by the Council. It was considered that maintaining a cash balance of £0.3m in the Paisley Fund and £1.5m in the Renfrew Fund would achieve a prudent balance of liquidity and longer-term investment return.

**DECIDED:**

(a) That it be agreed that funds from the Paisley Common Good Fund and Renfrew Common Good Fund cash balance currently managed by the Council of £0.3m and £3.3m respectively be added to the investments currently managed by Aberdeen Standard Capital Ltd;

(b) That authority be delegated to the Director of Finance and Resources to execute the funds transfer; and

(c) That a report be submitted to the next meeting regarding appropriate revised increased income targets.

**5 Date of Next Meeting**

It was noted that the next meeting of the Investment Review Board was scheduled for Wednesday 19 November 2021 at 10am.

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



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**To:** Investment Review Board

**On:** 17 November 2021

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

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**Heading:** Paisley and Renfrew Common Good Funds  
six-month report to 30 September 2021

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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, abrdn Capital Limited (formerly 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 2021. Hymans Robertson LLP will be represented at the meeting by Kameel Kapitan (Investment Consultant), who will present his report to Members, and by David Millar (DC Consultant). Mr Kapitan will also give a presentation covering an update on markets and the current economic climate.
- 1.3 Gair Brisbane, Senior Charity Portfolio Manager, abrdn Capital Limited, 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.

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2. **Recommendations**
  - 2.1 To consider the attached report and presentation from Hymans Robertson LLP and the presentation by abrdn Capital Limited.
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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 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 Investment Policy Statement.
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 2021

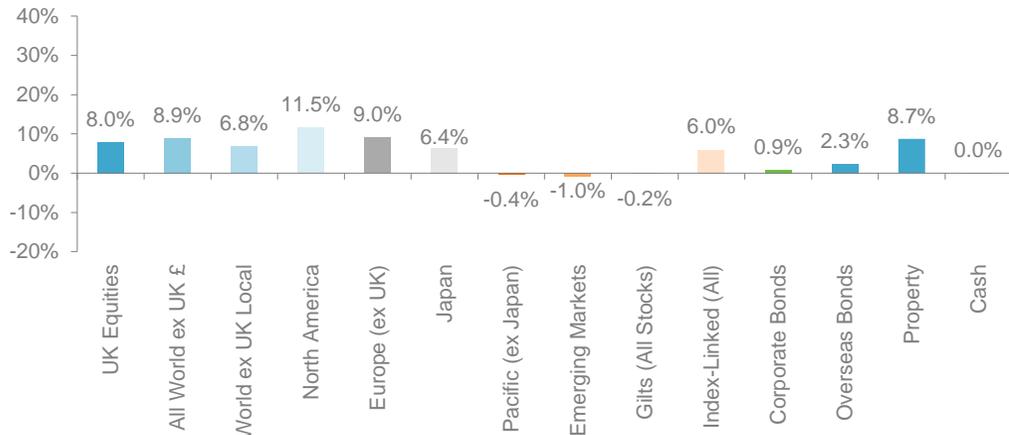
Kameel Kapitan, Investment Consultant

David Millar, DC Consultant

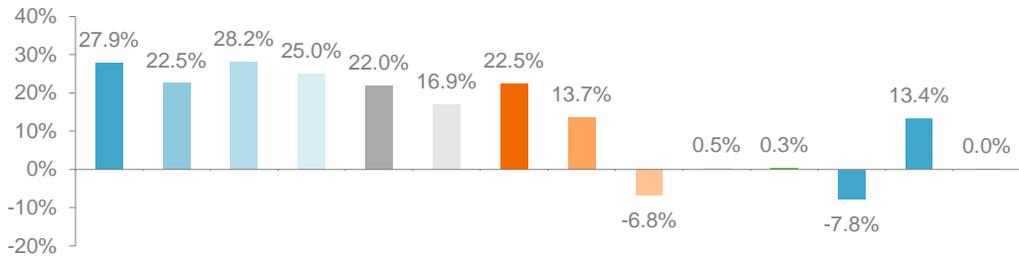


# Market Background – 6 Months to 30 September 2021<sup>[1]</sup>

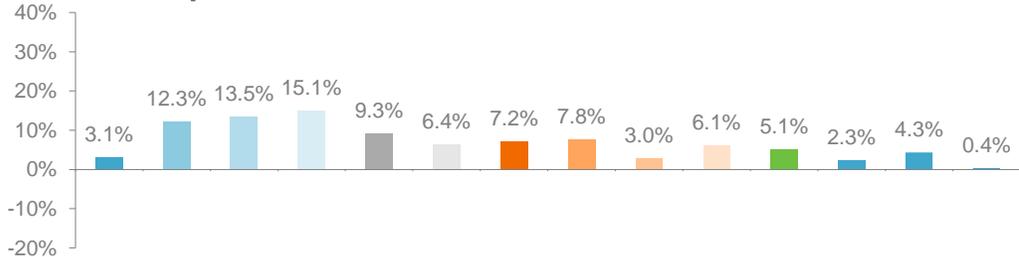
## 6 Months %



## 12 Months %



## 3 Years % p.a.



The 6 month period to end September 2021 was a tale of two halves. Q2 2021 provided most of the impetus with growth forecasts continuing to see upward revisions amid accumulating evidence of the effectiveness of vaccines, the deployment of large US fiscal stimulus and greater economic resilience to the latest waves of COVID-19. However, despite continued resilience in Q3, market sentiment was somewhat dampened, particularly by increasing concerns around supply chain constraints and inflationary fears.

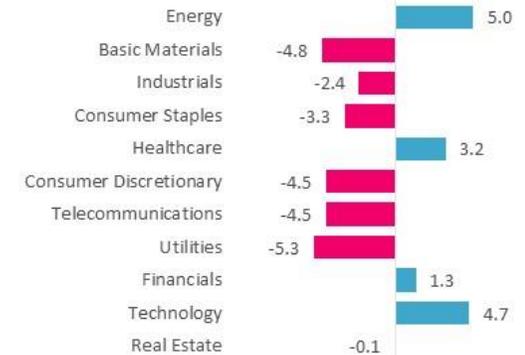
Global equity markets gained 6.9% (local currency) over the six month period. There was a rotation back into cyclical sectors, such as energy, industrials and basic materials in Q3 whilst the technology sector continued to perform well. From a regional standpoint, Europe and North America outperformed eastern economies whilst more broadly, developed markets outperformed emerging. A slower vaccination campaign and a resurgence in COVID-19 cases weighed on Japanese markets in Q2. Unsurprisingly, the US continues to be buoyed by the technology sector. Emerging markets meanwhile have significantly underperformed as policy tightening and regulatory concerns weighed on Chinese markets.

In fixed income markets, increasing inflationary expectations resulted in a divergence between nominal and real yields, nominal yields rose whilst real yields fell. Within investment grade credit markets, spreads and yields were down over the period on the back of continued improvement in credit fundamentals and declining default rates.

## Regional Equity Returns % <sup>[2]</sup>



## Global Equity Sector Returns % <sup>[3]</sup>



Source: DataStream. <sup>[1]</sup> Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All Share, FTSE all World ex UK £, FTSE All World ex UK Local, FTSE North America, FTSE AW Developed Europe ex-UK, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, MSCI Emerging, FTSE Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, ICE BoA Global Govt Bond ex UK, MSCI UK Monthly Property; UK Interbank 7 Day Rate, FTSE All World Indices. Commentary compares regional equity returns in local currency. <sup>[3]</sup> Returns shown relative to FTSE All World. FTSE indices migrated to a new ICB structure in Q1 2021 – returns for Real Estate will be included when there is a sufficient track record.

# Valuation and Performance - Paisley Common Good Fund

## Valuation

	Value (£m)		Proportions		Difference
	31/03/2021	30/09/2021	Actual %	Benchmark %	
UK Equity	1.69	1.91	36.3%	60.0%	-23.7%
Overseas Equity	2.26	2.49	47.1%	20.0%	27.1%
Total Equity	3.96	4.40	83.4%	80.0%	3.4%
UK Government Bonds	0.25	0.25	4.7%	18.0%	-13.3%
UK Non Government Bonds	0.34	0.39	7.4%		7.4%
International Bonds	0.13	0.17	3.2%		3.2%
Total Bonds	0.72	0.81	15.3%	18.0%	-2.7%
Cash	0.08	0.07	1.3%	2.0%	-0.7%
<b>Total</b>	<b>4.75</b>	<b>5.28</b>			

## Income

(Standard Life) Estimated Annual Income	
31/12/2020	£142,603
31/03/2021	£151,155
30/06/2021	£169,442
Target	£113,000

## Performance



## Cumulative Performance



# Valuation and Performance - Renfrew Common Good Fund

## Valuation

	Value (£m)		Proportions		Difference
	31/03/2021	30/09/2021	Actual %	Benchmark %	
<b>UK Equity</b>	5.71	7.32	36.4%	60.0%	-23.6%
<b>Overseas Equity</b>	7.63	9.37	46.6%	20.0%	26.6%
<b>Total Equity</b>	13.34	16.70	83.1%	80.0%	3.1%
<b>UK Government Bonds</b>	0.83	0.84	4.2%	18.0%	-13.8%
<b>UK Non Government Bonds</b>	1.10	1.53	7.6%		7.6%
<b>International Bonds</b>	0.51	0.72	3.6%		3.6%
<b>Total Bonds</b>	2.44	3.10	15.4%	18.0%	-2.6%
<b>Cash</b>	0.29	0.31	1.5%	2.0%	-0.5%
<b>Total</b>	<b>16.07</b>	<b>20.10</b>			

## Income

(Standard Life) Estimated Annual Income	
31/12/2020	£480,796
31/03/2021	£554,692
30/06/2021	£649,710
<b>Target</b>	<b>£380,000</b>

## Performance



## Cumulative Performance



## Commentary

Both the Paisley and Renfrew funds in aggregate, returned around 6.5% over the 6 months to 30 September 2021; over the same period, the benchmark achieved a return of 6.7%. The reopening of global economies provided further tailwinds to the funds' equity holdings, particularly in Q2. Within fixed income markets, fixed interest government bonds struggled as with the recovery in growth has come inflationary pressures which has increased expectations of interest rate rises. Index-link bonds though have benefited, with real yields falling.

Performance over Q2 2021 was strong in absolute terms and in line with benchmark (5.2%). Positive stock selection within the healthcare sector and an overweight to the sector were beneficial to performance.

Performance was more subdued in Q3, as supply chain constraints, an increase in coronavirus cases from the delta variant and a resurgence in inflationary fears dampened market sentiment. In such an environment there was a rotation back to cyclical sectors globally with positive returns in July and August largely offset by falls in September. Contributing to performance were the technology and energy sectors. The former continues to benefit from the increased use of technology as a result of the pandemic whilst the latter has benefited from higher oil and gas prices.

Over 12 months, fund returns are very positive in absolute terms (+16.5%) albeit behind the benchmark return of 19.7%. However, returns over 3 and 5 years are both strong in absolute and relative terms. Returns of 9.0% p.a. and 9.2% p.a. are significantly ahead of benchmark (3.8% p.a. and 2.5% p.a. respectively). Since the inception of the mandate, on 1 July 2006, the Fund return of +7.7% p.a. is strong in absolute terms and comfortably ahead of the benchmark return of +6.8% p.a. Throughout this time, the investment manager has continued to meet a demanding income target.

As at the end of September 2021, the allocation to equities (c83%) was above the benchmark allocation (80%). The portfolio continues to be significantly underweight to UK equities and overweight in overseas equities. The underweighting to UK equities has been beneficial over the longer term as UK equities have lagged other regions (although this has receded somewhat since Q4 2020) whilst the marginal overweight to equities as whole has been beneficial as equities have outperformed bonds. Going forward, the manager may look to alter this regional balance and allocate more to the UK.

The exposure to bonds was 15.4% at end September 2021, just above the minimum allocation of 15%. This compares to a benchmark allocation of 18%. The allocation to cash at end September 2021 was 1.5% (0.5% below the 2% benchmark allocation).

# Appendices



# Asset Allocation

## Paisley Common Good Fund

31/03/2021	Benchmark	Fund	Difference
UK Equity	60.0%	35.6%	-24.4%
Overseas Equity	20.0%	47.6%	27.6%
Total Equity	80.0%	83.2%	3.2%
UK Government Bonds	18.0%	5.2%	-12.8%
UK Non Government Bonds		7.2%	7.2%
International Bonds		2.8%	2.8%
Total Bonds	18.0%	15.2%	-2.8%
Cash	2.0%	1.6%	-0.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

30/09/2021	Benchmark	Fund	Difference
UK Equity	60.0%	36.3%	-23.7%
Overseas Equity	20.0%	47.1%	27.1%
Total Equity	80.0%	83.4%	3.4%
UK Government Bonds	18.0%	4.7%	-13.3%
UK Non Government Bonds		7.4%	7.4%
International Bonds		3.2%	3.2%
Total Bonds	18.0%	15.3%	-2.7%
Cash	2.0%	1.3%	-0.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

## Renfrew Common Good Fund

31/03/2021	Benchmark	Fund	Difference
UK Equity	60.0%	35.5%	-24.5%
Overseas Equity	20.0%	47.5%	27.5%
Total Equity	80.0%	83.0%	3.0%
UK Government Bonds	18.0%	5.2%	-12.8%
UK Non Government Bonds		6.8%	6.8%
International Bonds		3.2%	3.2%
Total Bonds	18.0%	15.2%	-2.8%
Cash	2.0%	1.8%	-0.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

30/09/2021	Benchmark	Fund	Difference
UK Equity	60.0%	36.4%	-23.6%
Overseas Equity	20.0%	46.6%	26.6%
Total Equity	80.0%	83.1%	3.1%
UK Government Bonds	18.0%	4.2%	-13.8%
UK Non Government Bonds		7.6%	7.6%
International Bonds		3.6%	3.6%
Total Bonds	18.0%	15.4%	-2.6%
Cash	2.0%	1.5%	-0.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

# 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 %
<b>UK Gov't Bonds</b>	0.0	-0.1	-7.5	-6.8	0.0	-0.4	0.0	0.0
<b>Corporate Bonds</b>	0.5	0.7	1.4	-0.4	0.0	0.1	0.0	0.6
<b>International Bonds</b>	2.4	2.2	4.1	-7.6	0.1	0.1	0.0	0.4
<b>UK Equities</b>	7.6	7.9	27.4	27.8	2.7	9.5	-0.1	-0.1
<b>Overseas Equities</b>	8.0	9.8	20.1	23.8	3.8	9.1	-0.7	-1.4
<b>Total Assets</b>	<b>6.5</b>	<b>6.7</b>	<b>16.5</b>	<b>19.7</b>				
<b>Estimated Contribution to relative returns from asset allocation</b>							0.6	-2.6

## 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 %
<b>UK Gov't Bonds</b>	0.0	-0.1	-7.2	-6.8	0.0	-0.4	0.0	0.0
<b>Corporate Bonds</b>	0.6	0.7	1.6	-0.4	0.0	0.1	0.1	0.5
<b>International Bonds</b>	2.5	2.2	4.3	-7.6	0.1	0.1	0.0	0.4
<b>UK Equities</b>	7.4	7.9	27.2	27.8	2.6	9.4	-0.1	-0.1
<b>Overseas Equities</b>	7.9	9.8	20.0	23.8	3.6	8.9	-0.8	-1.5
<b>Total Assets</b>	<b>6.4</b>	<b>6.7</b>	<b>16.4</b>	<b>19.7</b>				
<b>Estimated Contribution to relative returns from asset allocation</b>							0.5	-2.7

## Appendix 4 – Explanation of Performance Calculations

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

$$\left( \frac{1 + \text{Fund Performance}}{1 + \text{Benchmark Performance}} \right) - 1$$

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*

	<b>Fund Performance</b>	<b>Benchmark Performance</b>	<b>Relative Performance</b>
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*

	<b>Fund Performance</b>	<b>Benchmark Performance</b>	<b>Relative Performance</b>
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.

### Risk Warning

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, investment 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.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

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**To:** Investment Review Board

**On:** 17 November 2021

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

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**Heading:** Review of annual income targets and fixed interest stocks restriction

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**1. Summary**

1.1 The Investment Review Board at their previous 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.

1.2 This transfer of funds was completed on 21 June 2021, and has 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 has not yet been reflected in any increase to the annual income targets that are 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.

1.3 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, is kept relatively static.

1.4 The proposed revised annual income targets – of £125,000 for the Paisley Common Good Fund and £475,000 for the Renfrew Common Good Fund – equate approximately to a 2.4% yield, are in line with the

benchmark yield and represent a demanding target, but not so much that the Investment Manager is forced to sacrifice potential capital growth in the pursuit of income.

- 1.5 In achieving the annual income targets set for each fund, the Investment Manager manages the funds on a discretionary basis in line with the Investment Policy Statement. The Investment Policy Statement currently contains a restriction that a minimum of 15% of the fund value should be held in fixed interest stocks. This restriction has 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 is now forcing the manager to keep a level of fixed interest stocks which, given current market conditions, is to the detriment of overall performance.
- 1.6 Since it can be demonstrated that income has compared favourably to the annual income target over several years, a minor amendment is proposed to the Investment Policy Statement that, whilst maintaining the 15% target holding in fixed interest stocks, the Investment Manager can vary from this level down to 10% or up to 20% depending on market conditions. This proposed change is reflected within an updated Investment Policy Statement attached to this report.
- 1.7 The updated Investment Policy Statement attached also incorporates amendments resulting from the change of name of the Investment Manager on 24 September 2021 from Aberdeen Standard Capital Limited to abrdn Capital Limited.

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## 2. **Recommendations**

- 2.1 Members are requested to consider and approve 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.
- 2.2 Members are requested to consider and approve the updated Investment Policy Statements (one for Paisley Common Good Fund, one for Renfrew Common Good Fund) attached to this report, incorporating an amendment to the restriction relating to the holding of fixed interest stocks, as described in this report, and incorporating amendments reflecting the change of name of the Investment Manager.

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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 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 Investment Policy Statement.
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 Paisley Common Good Fund**

## **Investment Policy Statement**

### **A: Introduction**

1. The Paisley Common Good Fund (a charity registered in Scotland – SC019478) operates for the benefit (or “common good”) of the inhabitants living within the former burghs of Paisley. The Paisley Common Good Fund (hereinafter “the charity”) provides financial support to third party organisations and also support activities taking place within the former burgh boundaries.
2. The elected members of Renfrewshire Council are ex-officio Trustees of the charity. Decisions regarding the operation, assets, processes or policies of the charities are delegated by the Council to the Finance, Resources and Customer Services Policy Board (FRCSPB). The investment performance of the charity is monitored regularly by Council officers, and is reported bi-annually to the Investment Review Board (a sub-committee of the FRCSPB), which is comprised of 5 cross party elected members.

### **Purpose of statement**

3. This policy statement sets out the principles and governance under which the investment of the assets of the charity is managed. The Director of Finance and Resources of Renfrewshire Council has issued this statement as Treasurer on behalf of the charity.

### **Consultation**

4. The Director of Finance and Resources of Renfrewshire Council has consulted with abrdn Capital Limited (the charity’s investment manager) and with Hymans Robertson LLP (the investment advisor) about the content of the statement.

### **Investment powers**

5. The Director of Finance and Resources has authority as Treasurer of the charity to invest the funds of the charity in such investments, securities or property, as may be thought fit.
6. The investment manager, abrdn 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 this policy.
7. 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 charity.

## **Investment objectives**

8. The investment manager has been instructed as a primary objective to achieve a regular stream of income. The outgoings shall be as determined on an annual basis by the Investment Review Board. A secondary objective is to grow the real value of capital over the longer term.

## **B: Diversification and risk controls**

### **Risk**

9. The Trustees seek a moderate risk approach (classed as “medium high” in the rating methodology employed by abrdn Capital Limited) through a diversified portfolio invested in a broad spread of equities but also including a proportion of fixed interest securities, property, cash and other such investments as the Trustees approve.

### **Custody**

10. Our appointed investment manager is responsible for appointing a recognised custodian for the assets of the charity.

## **Investment Manager restrictions**

11. The Trustees require their investment manager to consider environmental, social and governance (ESG) factors in making investment decisions. Each investment decision shall be made on a balanced view on the overall investment case for a particular sector or stock. In general terms, this means that ESG investment concerns 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.
12. The Trustees note the UN Principles for Responsible Investment (UNPRI) as an approach which sets out global best practice in the area of ESG. The Trustees prefer to work with an investment manager who is a signatory to the UNPRI and note abrdn Capital, as part of Aberdeen Standard Investments, is a signatory.
13. As a charity with an interest in environmental sustainability and the impact of climate change on the planet and communities, the Trustees consider that there are some investments which they would wish to exclude from the portfolio as they are not aligned with or run contrary to the objectives of the charity; or because they may cause reputational damage to the charity. The Investment Review Board (on behalf of Trustees) has agreed the following specific restrictions:
  - Ethical screening criteria
    - No direct investment in tobacco stocks.
    - No direct investment in any company generating more than 5% of revenue from gambling
    - No direct investment in any company involved in the production of armaments (noting that abrdn Capital, as part of Aberdeen Standard Investments, supports the principles in both the Convention on Cluster Munitions 2008 and the 1997 Convention on Anti-Personnel Mines, which ban these weapons as defined by the conventions; and will not knowingly invest in companies producing or selling these weapons)

- No direct investment in fossil fuel stocks, by which we mean the oil and gas majors and thermal coal extractive companies
- Other restrictions
  - A target of 15%, variable to any level between 10% and 20% at the discretion of the investment manager depending on market conditions, to be held in fixed interest stocks.

## Manager controls

14. Powers of investment delegated to the investment manager must be exercised with a view to giving effect to the principles contained in this policy so far as is reasonably practicable.

## Taxation

15. The investment manager shall provide annually an HM Revenue & Customs approved tax voucher with supporting schedules detailing dividend income received.

## Performance measurement

16. The Treasurer on behalf of Trustees will monitor the performance of the portfolio against its objectives on a quarterly basis. The performance of the respective elements of the portfolio will be measured against the respective benchmark for that investment as outlined in the table below:

Asset class	Index	Weighting
UK Equities	FTSE All-Share Index	60%
Global Equities	FTSE World ex UK	20%
Fixed interest securities	FTA All-UK Government Stocks Index	18%
Cash	UK Interbank 7 day	2%

The Investment Review Board will review the suitability of the benchmarks annually.

## Reporting

17. The investment manager will prepare an investment report on the funds every quarter plus an annual review of the year. The investment manager will also attend bi-annual meetings of the Investment Review Board.

## Duration of contract

18. The contract with abrdn Capital Limited was renewed on 1 July 2019 for a three-year period ending on 30 June 2022 with the option to extend for up to a further two years, at the discretion of Renfrewshire Council.

## Frequency of review

19. The Investment Review Board will review this policy annually, or sooner if circumstances demand it.



# **Renfrewshire Council Renfrew Common Good Fund**

## **Investment Policy Statement**

### **A: Introduction**

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2. The elected members of Renfrewshire Council are ex-officio Trustees of the charity. Decisions regarding the operation, assets, processes or policies of the charity are delegated by the Council to the Finance, Resources and Customer Services Policy Board (FRCSPB). The investment performance of the charity is monitored regularly by Council officers, and is reported bi-annually to the Investment Review Board (a sub-committee of the FRCSPB), which is comprised of 5 cross party elected members.

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