INVESTMENT SUB-COMMITTEE
Minutes of the meeting of the Investment Sub-Committee held on 25th October 2012

Present: Mr J McIlroy (in the chair), Prof P Layzell, Mr G A Robinson, Mrs J Febry, Mr P Blagbrough, Mr G Dehal

In Attendance for item: 8.1 Mr M Turner, Mr Roger Curtis

In Attendance for item: 8.2 Ms H Meades

With: Ms L Rouse (Secretary); Mr K Roopun

APOLOGIES

No apologies were received.

1. MINUTES

1.1 The minutes of the meeting dated 10th May 2012 were agreed and signed.

2. MATTERS ARISING

2.1 It was noted that the Founder’s Endowment Report that was due to be circulated to members had been postponed due to other conflicting Finance requirements. It was agreed that this report should be presented at the next meeting.

3. FOUNDER’S ENDOWMENT FUND 12-13

3.1 It was noted that the RPI adjusted protected value was £35,256k and the market value was £31,564k at 12th October 2012.

4. VALUATIONS AS AT 30 SEPTEMBER 2012

4.1 The Committee noted the following:

4.2 Market valuation at 30th September 2012 of the Founder’s Endowment Fund was £31,646k;

7.3 Market valuation at 30th September 2012 of the Scholarship Fund was £5,091k;

7.4 Market valuation at 30th September 2012 of the GERR was £2,492k;

7.5 Market valuation at 30th September 2012 of the Hilda Martindale Fund was £824k

5. PERFORMANCE ANALYSIS AS AT 30 JUNE 2012

5.1 It was noted that for the second quarter the Scholarship Fund over performed the benchmark by 0.49%; the Hilda Martindale over performed the benchmark by 0.58% and the General Endowment Fund over performed the benchmark by
6. WM COMPANY PROGRESS REPORT AT 30 SEPTEMBER 2012

6.1 It was noted that the total combined FEF over performed the Strategic benchmark by 1.5% for the quarter and 4.0% for the year.

It was noted that the total combined FEF over performed the WM Charity Funds Universe by 0.2% for the quarter and under performed the WM Charity Funds Universe for the year by -0.4%. The quarter’s over performance was attributed 0.3% to stock selection.

6.2 It was noted that the FEF managed by Newton over performed the Strategic benchmark by 2.0% for the quarter and 4.3% for the year.

It was noted that the FEF managed by Newton over performed the customised benchmark by 1.1% for the quarter and 0.4% for the year. The quarter’s over performance was attributed to 0.5% to asset allocation and 0.6% to stock selection.

6.3 It was noted that the FEF managed by Aberdeen over performed the Strategic benchmark by 0.7% for the quarter and 3.7% for the year.

It was noted that the FEF managed by Aberdeen underperformed the customised benchmark by -0.4% for the quarter and -0.5% for the year. The quarter’s performance was attributed to -0.3% asset allocation and -0.1% to stock selection.

7. FUND MANAGERS PRESENTATIONS

8.1 ABERDEEN ASSET MANAGEMENT (AAM)

AAM advised that the market value of the fund at 19th October 2012 was £13,227k.

AAM reviewed the performance over the twelve months period to 30th September 2012 where the period had underperformed the benchmark by 0.4%; within this the UK equities had produced a return well above target, the overseas equities portfolio was constructed more defensively but were only slightly below the target for the sector. International equities performed significantly below target where the investment approach was extremely cautious but the stocks held have a high yield to boost income.

AAM was asked whether or not the secondary target of the Strategic benchmark of having to achieve a 3 – 4% income per annum undermined the portfolio’s ability to achieve the overall Strategic benchmark of 8.5%. AAM’s answer to this was a negative; AAM construct the portfolio with high yield stocks to assist with achieving this income target e.g. investment in property funds where the income yield is 7%. This enables AAM to achieve the income requirement without risk to the portfolio.

AAM currently have 8.1% of the portfolio in cash which is a deliberate strategy decision to enable them to take advantage of the investment opportunities as they arise.
AAM was asked regarding the investment strategy for the Scholarship, GERR and Hilda Martindale funds. AAM confirmed that there is a consistent investment strategy across all the funds. However, there may be small differences due to the inherited funds which they have decided to retain.

8.2 NEWTON INVESTMENT MANAGEMENT (NIM)

NIM advised that the market value of the fund at 25th October 2012 was £18,277k.

NIM was asked whether or not the 8.5% primary return of the Strategic benchmark was achievable; NIM indicated that this return was optimistic in the short term.

NIM stated that it is in the equity markets where the growth is. NIM will not be making any dramatic changes between the asset allocations but may move to index-linked gilts within the bond allocation.

NIM has indicated that with the overseas equities (including Continental Europe) they invest in individual stocks rather than investing in geographical areas.

8. PUBLICATION

It was confirmed that the papers were not exempt from the Freedom of Information Act requirement.

9. ANY OTHER BUSINESS

It was agreed by the Committee that the 8.5% total return would be kept under review.

10. DATE AND TIME OF NEXT MEETING

The date of the next meeting is 9th May 2013 at 10am in the Huntersdale Boardroom.

Actions arising from the above:

a) Report of the FEF Committee to be presented at the next meeting.

Lynne Rouse
Exchequer Accountant
31st October 2012