INVESTMENT SUB-COMMITTEE

Minutes of the meeting of the Investment Sub-Committee held on 9th May 2013

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: 6 Ms F Moncur
In Attendance for item: 7.1 Ms H Meades, Mr R Stewart
In Attendance for item: 7.2 Mr M Turner, Mr R Curtis
With: Mr K Roopun

APOLOGIES

No apologies were received.

1. MINUTES

1.1 The minutes of the meeting dated 25th October 2012 were agreed and signed.

2. MATTERS ARISING

2.1 It was noted that the Founder’s Endowment Fund (FEF) Report that was due to be circulated to members has been postponed due to other conflicting Finance requirements. It was agreed that this report should be presented at a subsequent meeting.

2.2 It was noted on the 27th February 2013, Newton reached an agreement with Standard Life Wealth whereby Standard Life purchased Newton’s private client business.

3. FOUNDERS ENDOWMENT FUND 12-13

3.1 It was noted that the RPI adjusted protected value was £35,747k and the market value was £33,473k at 26th April 2013.

4. VALUATIONS AS AT 31 MARCH 2013

4.1 The Committee noted the following:

4.2 Market valuation as at 31st March 2013 of the Founder’s Endowment Fund was £34,087k

4.3 Market valuation as at 31st March 2013 of the Scholarship Fund was £5,443k;

4.4 Market valuation as at 31st March 2013 of the GERR was £2,667k;
4.5 Market valuation as at 31st March 2013 of the Hilda Martindale fund was £883k

5. PERFORMANCE ANALYSIS AS AT 31 DECEMBER 2012

5.1 It was noted that for the quarter ending 31 December 2012, the Scholarship Fund underperformed against the benchmark by 0.56%.

For the same period the Hilda Martindale and General Endowment Fund underperformed against the benchmark by 0.48%.

6. WM COMPANY PROGRESS REPORT AT 31 DECEMBER 2012

6.1 The Committee received a presentation from WM on performance for the year to 31 December 2012.

It was noted that the total combined FEF narrowly underperformed against the strategic benchmark by 0.1%.

It was noted that the FEF underperformed against the WM Charity Funds Universe by 2.5% for the year (2012). The underperformance could be attributed to the fund being underweight in UK Equities and overweight in UK Bonds and cash, overall asset allocation had an impact of -0.6%. The year’s underperformance was -1.8% attributable to stock selection.

6.2 It was noted that the FEF managed by Newton matched the Strategic benchmark for 2012.

It was noted that the FEF managed by Newton slightly underperformed against the customised benchmark by -0.1%.

6.3 It was noted that the FEF managed by Aberdeen underperformed against the Benchmark by -0.2%.

It was noted that the FEF managed by Aberdeen underperformed against the customised benchmark by 1.2%. Using a 9% asset allocation of cash where the benchmark did not have any cash asset class contributed -0.7% to this underperformance.

7. FUND MANAGERS PRESENTATIONS

7.1 NEWTON ASSET MANAGEMENT (NIM)

NIM advised that the market value of the fund at 9 May 2013 was £ 20,298K.

It was discussed as to whether the benchmark for cash at 5% was too high particularly in the current climate of low interest rates.

NIM indicated that significant quantitative easing in markets and the European
Central Bank’s promise to save the Euro at all costs could be interpreted as helping to protect and reinforce asset values.

NIM stated that both the US and Japan had shown strong performance recently. NIM stated the fund benefited from investments in the Real Return Fund which was mainly boosted by the equities within it. NIM stated that health care was a particularly successful sector for the recent quarter performance.

NIM warned about high level of debts in the markets that will take time to deleverage and the potential economic outcomes of this. The knock on effect of this is that there will be little growth and more volatility. NIM would invest in established companies where entry into their market would be difficult.

NIM stated that it would be difficult to meet the investment objectives in an environment of low interest rates. The only way to do this would be to increase holdings in equities which would consequently affect risk.

7.2 ABERDEEN ASSET MANAGEMENT (AAM)

AAM advised that the market value of the fund at 3 May 2013 was £ 14,329K.

Aberdeen outlined their strategy in weighting their portfolios 50% equities, 30% in bonds and 20% in alternatives. These are set in order to meet the primary and secondary objectives of the Fund. AAM stated that the reason for underperformance against the benchmarks was the higher weighting towards equities in both benchmarks and that the Royal Holloway portfolio was set up defensively.

AAM asked about the capital drawdown/cash flow requirements from the Fund. The Director of Finance confirmed that there were no immediate requirements to drawdown on capital (or excess over income). Therefore the lower yielding bonds and cash could be reduced and only the two investment objectives should be focussed on. AAM suggested increasing portfolio holdings particularly real assets such as commercial property where yields of 6% are common.

AAM demonstrated that their strategy achieved similar returns versus the composite benchmark and WM Charity Universe with less volatility. However AAM would like to discuss at the next meeting some planning ideas on restructuring the asset allocation to improve returns in line with the fund objectives.

AAM are sceptical about the strength of the global economy particularly because of the impact of reduced government expenditure in the US. However this has not yet been reflected in the stock market but AAM have reduced their holdings in equities from around 52% to around 48% currently. This reduction was reallocated to bonds in a tactical move. AAM are have also increased holdings in infrastructure particularly renewable energy encouraged by government backing.
AAM warned that as we enter 2014 monetary policy environment may change. They anticipate increasing the property element of the portfolio after analysis at the next sub-committee and will not hesitate from reducing exposure to bonds in the interim period.

8. PUBLICATION

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

9. ANY OTHER BUSINESS

There was no other business.

10. DATE AND TIME OF NEXT MEETING

The next meeting will be held on Friday 25th October at 12.30 in the Huntersdale Boardroom.

Actions arising from the above:

a) Report on the FEF Fund to be presented at a subsequent meeting.

Krishan Roopun
Financial Accountant
28th May 2013