INVESTMENT SUB-COMMITTEE
Minutes of the meeting of the Investment Sub-Committee held on 14th April 2011

Present: Mr J R Potts (in the chair), Prof P Layzell (left after item 10.1),
Mr G A Robinson, Mrs J Febry, Mr D Beever, Mr J McIlroy

In Attendance for item: 8 & 9 Ms K Thrumble
In Attendance for item: 9.1 Mr R Curtis, Mr M Turner
In Attendance for item: 9.2 Ms M Roberts, Mr J Korner
With: Ms L Rouse (Secretary)

APOLOGIES
No apologies were received.

1. MEMBERSHIP
1.1 The Chairman welcomed Mr McIlroy to his first meeting of the Investment Sub-Committee.

1.2 It was noted that this was the last meeting that Mr Beever will be attending as his term of office finishes on 31st July 2011. The Chairman thanked Mr Beever for his considerable contribution to Committee business during his term of office.

2. MINUTES
2.1 The minutes of the meetings dated 28th October 2010 were agreed and signed.

3. MATTERS ARISING
3.1 It was noted that the Council minutes have been checked to ensure that increasing the percentage of Newton Real Return Fund to 20% is within the mandate of the Investment Sub-Committee.

3.2 It was noted the response from Newton Investment Management regarding the group policy on intercompany loans.

4. ETHICAL INVESTMENT POLICY
4.1 Reviewed the current ethical policy which is for the fund managers of the Founder’s Endowment Fund, Scholarship Fund, GERR and Hilda Martindale funds not to directly invest in companies whose turnover derived from military activities exceeds one third.

4.2 Agreed that the current ethical policy would remain in place to be reviewed in a
further three years.

4.3 Particular note was taken of the fact that transfers to fund managers had just been completed and they are settling down to the newly agreed policies.

5. UPDATE ON THE TRANSFER OF THE INDIVIDUAL FUNDS TO THE NEW FUND MANAGER

5.1 Noted that the agreements were signed with Aberdeen Asset Management (AAM) on the 18th November 2010 for the Scholarship, GERR and Hilda Martindale funds and that all the stocks have been transferred from Kleinwort Benson and reconciled.

5.2 Noted that the agreement was signed on the 24th November 2010 with Newton Investment Management (NIM) for the Founder’s Endowment Fund. The outstanding sale proceeds from the Cazenove Investment Fund was received by NIM on the 6th April 2011 which signifies the completion of the transfer of all stocks to NIM which are fully reconciled.

6. PERFORMANCE ANALYSIS AT 30 SEPTEMBER 2010

6.1 The Scholarship, GERR and Hilda Martindale funds underperformed the WM Charity Universe by 2.4%, 1.1% and 3.8% respectively in the twelve months to 30th September, 2010.

7. VALUATIONS AS AT 28 FEBRUARY 2011

7.1 The Committee noted the following:

7.2 Market valuation at 28th February 2011 of the Founder’s Endowment Fund was £31,246K;

7.3 Market valuation at 28th February 2011 of the Scholarship Fund was £4,631K;

7.4 Market valuation at 28th February 2011 of the GERR was £2,491K;

7.5 Market valuation at 28th February 2011 of the Hilda Martindale Fund was £778K.

8. FOUNDER’S ENDOWMENT FUND 2010-11

8.1 Noted that the RPI adjusted current protected value was £33,394K and the market value was £31,513K at 1st April 2011.

8.2 Discussed the reporting requirements of the Founder’s Endowment Fund and the merits of simplifying the information to make it more meaningful and assist the Trustees in making informed decisions regarding the management of the Fund.

8.3 Agreed to re-examine the flexibility afforded to the Trustees in the management of capital and income in FEF.

9. WM COMPANY PROGRESS REPORT AT 31 DECEMBER 2010

9.1 Noted that the WM Annual Review indicated that the total combined fund for the Founder’s Endowment Fund underperformed the WM Charity Universe by -0.8% over the year which was attributed to asset allocation of -0.2% and stock
9.2 Noted that the WM Annual Review indicated that the Founder’s Endowment Fund managed by AAM overperformed the WM Charity Universe by 1.1% over the year which was attributed to stock selection of 1.1%.

9.3 Noted that AAM’s long term performance has out performed the WM Charity Universe over the 3 years by 1.0%, 5 years by 0.6% and 10 years 0.9%.

9.4 Discussed with WM the most appropriate method for monitoring the fund managers’ performance in the future since the introduction of the revised objectives.

Noted the primary objective of a total return of 8.5% per annum (net of fees) over a 3-5 year period with a secondary objective to generate income per annum of 3-4%.

In addition to enable the Committee to measure the fund manager’s performance on an ongoing basis there would be three elements that the performance would be measured against, namely:

i) relevant index for each asset class - common index to be agreed with both fund managers;

ii) WM to advise on the most appropriate All Charities index;

iii) each fund manager to be measured against the benchmark % (to be known as the Norm) vs parameter % as detailed in the fund manager’s agreement.

10. FUND MANAGERS PRESENTATIONS

10.1 ABERDEEN ASSET MANAGEMENT (AAM)

Since the introduction of the revised objectives in late November 2010 for the Founders’ Endowment Fund (FEF), AAM has been moving the portfolio to reduce the equity stocks into the alternative stocks of property, infrastructure stocks and hedge fund to structure the portfolio to achieve the secondary objective of 3 – 4% income per annum. The property stocks are invested in commercial property where the yield is attractive; rents are stabilising. The infrastructure stocks are expected to achieve a 5 – 6 % yield. The hedge fund is the Cazenove Absolute Return Trust for Charities which is a fund made up of several different hedge funds where there is sufficient diversity to produce a low risk profile.

The Scholarship, GERR and Hilda Martindale portfolios are being structured in the same asset profile as the FEF as the objectives for these funds is the same as the FEF.

Discussed with AAM the performance measurement indexes, agreed with WM as appropriate, and advised AAM that the fund would be measured against these benchmarks commencing 1st January 2011. AAM agreed with the requirement to monitor that the change in strategy has not been detrimental to the performance of the fund.
10.2 NEWTON INVESTMENT MANAGEMENT (NIM)

Since the transfer of the portfolio from Kleinwort Benson in early December 2010 NIM have been restructuring the portfolio to achieve the investment profile described in their initial proposal. The performance for the quarter to 31 March 2011 was 0.3% as compared to 1.1% (agreed composite benchmark [Norm]) which was an under performance of -0.9%; this was attributable to asset allocation of -0.1% and stock allocation of -0.8%. NIM has advised that the cost of restructuring caused a reduction in performance of 0.8% in the quarter. The yield on the quarter was 2.9%.

NIM has estimated that the transactional cost of the transfer of the fund was 0.5% of the portfolio value.

Discussed with NIM the performance measurement indexes, agreed with WM as appropriate and advised NIM that the fund would be measured against these benchmarks commencing 1st January 2011.

11. PUBLICATION

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

12. ANY OTHER BUSINESS

There was not any other business.

13. DATE AND TIME OF NEXT MEETING

The date of the next meeting to be advised.

Actions arising from the above:

a) Review the reporting requirements of the Founder’s Endowment Fund.

b) Liaise with WM to determine the appropriate benchmarks to measure the fund managers against.

c) To re-examine the flexibility afforded to the FEF Trustees in the management of capital and income.

Lynne Rouse
Exchequer Accountant
15th April 2011