

MINUTES

Public

**Shetland Charitable Trust
Bowlers Bar, Clickimin Leisure Complex, Lerwick
Thursday 15 June 2017 at 5.30pm**

Present:

A Cooper B Hunter
P Malcolmson I Napier
M Roberts J Smith

Apologies:

G Hay K Massey
T Macintyre D Ratter

In Attendance (Officers):

A Black, Chief Executive - SCT
R Mainland, Executive Business Manager - SCT
E Flaws, Administration Manager – SCT
C Bain, Treasury Accountant - SIC
L Geddes, Committee Officer – SIC

Also:

P Riddell, Platform Shetland
L Ward, Platform Shetland
G Tait, SHEAP

Chair:

Mr Hunter, Chair of the Trust, presided.

Circular:

The circular calling the meeting was held as read.

The Chair welcomed Ms Roberts to her first meeting.

Declarations of Interest

None

Minutes

The Trust confirmed the minutes of the special meeting held on 20 April 2017, on the motion of Mr Smith, seconded by Mr Malcolmson.

10/17 **Investment Review Report – Annual Review 2016/17**

The Trust noted a report by the Chief Executive (CT1706007) informing of the position and performance of the Trust's external investments with Fund Managers for the financial year 2016/17.

Decision:

The Trust noted the report.

11/17 **Fund Manager Performance Reviews**

The Chair outlined the schedule of presentations from Fund Managers.

BlackRock

Candida de Silva attended the meeting via teleconference, and gave Trustees an overview of recent markets and the current position of the fund. After the 'Brexit' vote, markets had stalled, but they quickly rebounded. Equity markets had done particularly well, but government bonds had done badly, and the market had come back to more normal levels. She cautioned that returns of 20-30% from equities were not the norm and, over five years, a more realistic figure would be 4-5%, although there was still value in equities.

Responding to questions, she advised that it was a long-held portfolio that had not changed in terms of the benchmark, and that it was an index fund which did not focus on income returns.

Insight Investment

Graham Jordan and Matthew McKelvey attended the meeting, and outlined Insight's broad opportunities strategy, which was to target cash plus 4% returns over the medium to long term. Global equity markets performed well over some periods of time and poorly over others, so the fund aimed to make the journey smoother by diversification and investment in a range of asset classes. Dynamic asset allocation gave flexibility to move exposures to where more attractive returns were expected, and managed downside risk. The fund had made a good start and was close to cash plus 4%, and it was expected this would increase to more than cash plus 4% over five years. The portfolio would be positioned to pick up from global economic growth, and exposure to government bonds had been reduced.

Responding to questions, Mr McKelvey advised that there had been a high level of consistency in meeting the cash plus 4% target over five years, and the flexibility Insight Investment had to move exposure gave him confidence that it had the tools required to manage this. There was an expectation in the UK that inflation would rise, and this was reflected in the portfolio.

Baillie Gifford

Tom Wright and Aileen Lawless attended the meeting.

Ms Lawless advised that the company took a long-term outlook, focusing on long-term global growth over five to ten years, with investments being held eight years on average. The company focused on high growth companies, and all were assessed on a 10 question stock research framework. Whilst performance had been volatile since September,

significant returns had been delivered. It was a concentrated portfolio, focusing on innovative companies – one of the largest being Amazon.

Responding to questions that some of the companies invested in had received bad publicity, particularly in respect of paying taxes, Mr Wright advised that this was something that was taken into consideration when researching companies. Companies did engage when advised that this was a concern, as this might otherwise weaken the case for investment in the future. Ms Lawless added that a lot of thought was given to social impact when researching companies, and as many experts as possible were involved, including government regulators. Their responses were assessed, and issues were discussed with the government and taken quite seriously. Baillie Gifford did not invest in tobacco, alcohol or armaments as, from an investment perspective, they were not considered to have long-term prospects. It was not anticipated that 'Brexit' would have a major impact on the companies that were invested in, as they were overseas listed and part of bigger trends that were being enabled by technology.

Schroders

Geoffrey Day, Graeme Rutter and Patrick Bone attended the meeting.

Mr Day advised that the Trust had invested £19.5 million since 2009, when Schroders had taken over management of the portfolio, and this had brought an additional £2.1million per annum to the Trust.

Mr Bone advised that the property market had held up well post-referendum, as the fall in sterling meant that property was attractive to foreign investors. Property values were expected to remain resilient – some parts of the market were looking expensive, but most was fairly priced. It was expected that the central London market would struggle. There had been a fall in the rental market post-referendum, as jobs relocated back to the EU. It was anticipated that vacancy rates would rise by 2018, and rental values would fall, therefore exposure to the central London market had been reduced. Industrial estates were being sold to residential developers, and there was a fall in floor space. However it was anticipated that all property would deliver a 5% return over the next five years.

Mr Rutter went on to speak about Schroders diversified approach, whereby the portfolio position should be overweight in the better parts of the market. Schroders was selling out of central London offices, although it was not as underweight in this area yet as it would like to be. Schroders was taking advantage of the demand for housing, and working with a specialist in this field.

In response to queries, Mr Rutter advised that Schroders had made investments in the central London market six to seven years ago, and were now selling units at up to double what had been paid for them. There was much demand for housing and it was expected that this would offer an attractive return as there would still be demand due to population growth, even if migration from the EU fell.

Decision:

The Trust noted the presentations.

12/17 **Small Grant Schemes - Approvals**

The Trust noted a report by the Chief Executive (CT1706008) which listed the grants approved in the period 8 November 2016 to 30 May 2017.

Decision:

The Trust noted the approvals listed.

13/17 **Management Accounts – Twelve Months Ended 31 March 2017**

The Trust noted a report by the Chief Executive (CT1706009) which presented the Trust's Management Accounts for the twelve months ended 31 March 2017.

In response to a query regarding managed fund dividends, the Executive Business Manager explained that BlackRock were the only fund manager to pay dividends directly to the Trust, with the other managers reinvesting dividends. Funds held with BlackRock had reduced from around £120million to £80million on the implementation of the new investment strategy at 30 September 2016. As the budget figure assumed the higher holding, this was the reason for the actual dividends received being lower than expected.

It was noted that there had been underspends on three of the grant schemes operated by the Trust as a result of low uptake.

Decision:

The Trust noted the Trust's satisfactory financial performance to 31 March 2017, as shown in the Management Accounts appended to the report.

14/17 **Payments to Trustees in the year to 31 March 2017**

The Trust noted a report by the Chief Executive (CT1706010) which showed the payments made to Trustees in the year to 31 March 2017.

Decision:

The Trust noted the report.

15/17 **Trustee Attendance at meetings in the year to 31 March 2017**

The Trust noted a report by the Chief Executive (CT1706011) which showed attendance at Trust Meetings in the financial year to 31 March 2017.

Decision:

The Trust noted the report.

16/17 **Disclosure Exemptions – Charities SORP (FRS 102)**

The Trust noted a report by the Chief Executive (CT1706012) which notified Trustees about use of the disclosure exemptions available.

It was noted that it was a requirement of the new accounting standard - Charities SORP (FRS 102) - that Trustees were notified of the use of disclosure exemptions available. There may not be a requirement to report this on an annual basis in future.

On the motion of Mr Smith, seconded by Dr Napier, Trustees approved the recommendation in the report.

Decision:

The Trust approved the use of the disclosure exemptions detailed in paragraph 2.2 of the report.

In order to prevent the disclosure of exempt information, Mr Hunter moved, Mr Malcolmson seconded, and the Trust resolved, in terms of the relevant Regulations, to exclude the public during consideration of the remaining items of business.

(The media left the meeting)

17/17 **Reappointment of Non Executive Director to Shetland Leasing and Property Developments Limited (SLAP)**

The Trust considered a report by the Chief Executive.

On the motion of Mr Smith, seconded by Dr Cooper, Trustees approved the recommendation in the report.

Decision:

The Trust approved the recommendation in the report.

18/17 **Shetland Heat Energy and Power Limited (SHEAP)**

The Trust considered a report by the Chief Executive.

The Chair welcomed Mr Tait, Executive Director – SHEAP, to the meeting, who outlined the main terms of the report to Trustees.

Mr Smith moved that Trustees approve the recommendation in the report, and Mr Malcolmson seconded.

Decision:

The Trust approved the recommendation in the report.

(Mr Tait left the meeting)

19/17 **Aged Debtors at 30 May 2017**

The Trust noted a report by the Chief Executive.

Decision:

The Trust noted the report.

20/17 **Deeds Executed**

The Trust noted a report by the Chief Executive.

Decision:

The Trust noted the report.

21/17 **Update from Chairs of Advisory Committees**

The Chair advised that there had been no advisory committee meetings since the last meeting of the Trust.

Decision:

The Trust noted this information.

22/17

Update from Subsidiary Companies

Trustees noted an update that had been circulated earlier regarding subsidiary companies.

Decision:

The Trust noted the update.

The meeting concluded at 7.35pm.

.....
CHAIR