



MINUTES

Public

**Shetland Charitable Trust
Drama Room, Islesburgh Complex, Lerwick
Thursday 6 June 2019 at 5.30pm**

Present:

A Cooper	J Garriock
Y Hopkins	R Leask
I Napier	E Miller
D Ratter	M Roberts

Apologies:

None

In Attendance (Officers):

A Black, Chief Executive - SCT
E Flaws, Administration Manager – SCT
L Geddes, Committee Officer – SIC

Chair:

The Chief Executive advised that until a new Chair was elected, a Trustee selected by the meeting would preside.

Dr Napier moved that Mr Ratter preside, and Ms Hopkins seconded.

(Mr Ratter assumed the Chair)

Circular:

The circular calling the meeting was held as read.

Declarations of Interest:

None

Minutes:

The minutes of the meeting held on 28 February 2019 were confirmed on the motion of Ms Roberts, seconded by Ms Hopkins.

19/19 **Appointment of Chair (and Vice Chair)**

The Trust considered a report by the Chief Executive (CT1906018) regarding the appointment of a Chair and Vice Chair.

Trustees noted that voting would be carried out by secret ballot in the event of more than one nomination for each position.

Nominations were sought for the position of Chair.

Mr Leask moved that Dr Cooper be appointed as Chair, and Dr Napier seconded.

There being no further nominations, Dr Cooper was appointed as Chair.

Nominations were sought for the position of Vice Chair.

Dr Napier moved that Ms Roberts be appointed as Vice Chair, and Ms Hopkins seconded.

There being no further nominations, Ms Roberts was appointed as Vice Chair.

Decision:

The Trust appointed Dr Andrew Cooper as Chair, and Ms Margaret Roberts as Vice Chair.

(Mr Ratter vacated the Chair, and Dr Cooper then assumed the Chair)

20/19

Investment Performance Update – Year to 31 March 2019

The Trust noted a report by the Chief Executive (CT1906019) outlining the position and performance of the Shetland Charitable Trust's external investments with Fund Managers for the financial year 2018/19.

The Chief Executive summarised the main terms of the report, advising that the overall value of the Trust's investments had increased by £28 million during 2018/19, which equated to an investment return of 11.3%. This was a good performance given the uncertainty in the stock market.

Decision:

The Trust noted the report.

21/19

Fund Manager Presentations

The Chair outlined the schedule of presentations from Fund Managers.

Blackrock

Candida De Silva provided Trustees with an update, by telephone, on recent markets and Blackrock's outlook, portfolio and performance. Trustees noted that it was a passive portfolio which aimed to mirror market returns. Ms De Silva advised that work was underway to convert the structure of funds to a Charity Authorised Investment Fund (CAIF), which was a new regulatory vehicle approved by the Financial Conduct Authority and the Charity Commission. There were a number of benefits including income smoothing, economies of scale, diversification, and tax benefits – CAIFs were exempt from VAT and applied only to UK equity funds. Once regulatory approval had been received in the next few months, there would be a report to the Trust seeking a decision on whether or not to convert to a CAIF, and this would require 75% of those voting to vote in favour.

Responding to questions, she advised that there were many similar investors to the Trust in terms of the size of the portfolio in index-linked funds. The last quarter of the financial year had seen a sharp drop in the price of equities, and this had led to negative returns over the calendar year in many instances. The previous year the market had been strong, but last year had seen nervousness due to escalation in China/USA trade tensions, and the possibility of a rise in federal reserve interest rates. However the current year to date was positive, and had seen a sharp bounce back. Economic growth was slowing and it was expected that the geopolitical risk would remain high, so this was being taken into account for future planning. She advised that she would come back to Trustees regarding the key indicators in respect of European fragmentation and the Russia-NATO conflict, as there were a large number of indicators that were used.

It was commented that the rebalancing of funds to US equities had been helpful to the Trust.

Insight

Mr Jordan and Mr McKelvey provided Trustees with an update on how the fund was being managed and how performance over the last year had been achieved. Trustees noted that Insight had been managing the fund for two and a half years, and was currently 3.73% ahead of the benchmark. The last quarter had been challenging, but there had been a strong start to the year to date. Insight was trying to achieve long-term growth and ensure a smoother journey for investors by shielding them from market volatility. The mandate was quite flexible, with scope to change and manage the level of exposure to different asset classes and strategies. Very few assets had produced a positive return in 2018 due to the challenging market conditions and the geopolitical risks, although the outcome had been reasonable given the market volatility. It had been expected that growth would be slow, so equity exposure had been reduced, and exposure to government bonds had been increased as they had been performing well. Even though equity exposure had been down, equities had been the primary driver in the return and the adjustments made to exposure had been very beneficial. There had also been adjustments made to exposure since the end of April, and this should allow Insight to navigate the current market environment smoothly.

Schroders

Mr Rutter and Mr Bone provided Trustees with an update, outlining how research was integral to their investment process. Technological change had played a big part in the retail sector, and while this had a negative effect on the high street, it had benefitted the industrial sector. The overall portfolio was well diversified, and there had been good relative performance. The industrial sector was performing strongly, driven by demographic trends.

Responding to questions, Mr Rutter advised that while Schroders usually tried to run investments at a cash minimum, there was a recurring income stream from rents which meant that cash built up and there was uncommitted cash. The cash fund would be used as there were going to be investments made in areas like retirement villages. He went on to say

that the office market was attractive outside London. In London, demand had been determined by financial services, and these had been affected by 'Brexit'. The regional market was different and had done well in comparison, and this had been partly driven by the decentralisation of government services. A decline was forecasted in student accommodation but while the UK demographic was not supportive, it was expected that there would be an increase in overseas students.

Baillie Gifford

Mr Gooding and Ms Lawless provided an update to Trustees, and advised that Baillie Gifford was opening up an office in Shanghai in order to take advantage of the unprecedented and significant opportunities in China. In the Trust's portfolio there were 30+ businesses offering transformation growth. The average holding was a period of 11 years, and performance over the long term was in excess of the markets. After fees had been taken into account, returns were £24.4million over and above the index. However it was important to note that Baillie Gifford was a long-term investor, and the Trust's investments had been for less than three years. Because the portfolio was concentrated, short-term performance could be 'lumpy'. However the portfolio had performed strongly, with an average growth rate of 30-40%, and the companies in the portfolio were investing in future growth. There had been a couple of sales, and some companies were currently being reviewed. Some new investment ideas were being lined up, so there was potential to add to the portfolio.

Responding to questions, Mr Gooding and Ms Lawless advised that one of the benefits of holding companies for the longer term was that engagement and relationships were built up with management, and it was important to have conversations with them about the culture and management. For them to operate and grow, they had to have societal licence and people had to want to use them. So while it was not a dedicated ethical approach, these companies required not to have a negative impact. Baillie Gifford did not hold companies that they did not think would grow, but did engage with them first to discuss their longer-term approach.

(The meeting adjourned at 7.10pm and reconvened at 7.15pm)

22/19

Management Accounts – Twelve Months Ended 31 March 2019

The Trust noted a report by the Chief Executive (CT1906020) presenting the Trust's Management Accounts for the twelve months ended 31 March 2019.

The Chief Executive advised that the figures may change slightly depending on whether or not there were any adjustments.

Decision:

The Trust noted the Management Accounts for the twelve months ended 31 March 2019.

23/19

Capital Works Bridging Loan Scheme

The Trust noted a report by the Chief Executive (CT1906021) providing Trustees with an update on the Capital Works Bridging Loan Scheme.

The Chief Executive advised that there had been two further applications over the last few days, and that £50,000 had now been received from Sandwich Social and Economic Development. Responding to questions, she advised that organisations were usually signposted to the Scheme by community workers or those involved in LEADER funding, or by word of mouth through staff and other organisations.

Trustees commented that this had been a highly successful scheme, and that it could effectively be considered as part of the Trust's disbursements.

Decision:

The Trust noted the report.

24/19

Payments to Trustees in the year to 31 March 2019

The Trust noted a report by the Chief Executive (CT1906022) presenting information on the payments made to Trustees in the year to 31 March 2019.

Decision:

The Trust noted the report.

25/19

Trustee Attendance at meetings in the year to 31 March 2019

The Trust noted a report by the Chief Executive (CT1906023) presenting information on Trustee attendance at Trust Meetings in the financial year to 31 March 2019.

Decision:

The Trust noted the report.

In order to prevent the disclosure of confidential information, Dr Cooper moved, Dr Napier seconded, and the Trust resolved, in terms of the relevant Regulations, to exclude the public during consideration of the following items of business.

26/19

Appointment of Trustees

The Trust considered a report by the Chief Executive.

Mr Leask, Acting Chair of the Audit and Governance Advisory Committee (AGAC), outlined the process that had taken place regarding the appointment of new Trustees.

After hearing the Chair outline the recommendation of the AGAC, Mr Ratter moved that the recommendation in the report be approved, and Ms Hopkins seconded.

Decision:

The Trust agreed that the recommendation in the report be approved.

27/19

Deeds Executed

The Trust noted a report by the Chief Executive.

Decision:

The Trust noted the contents of the report.

28/19 **Update from Chairs of Advisory Committees**
The Trust noted updates from its advisory committees.

29/19 **Update from Subsidiary Companies**
The Trust noted updates from its subsidiary companies.

The meeting concluded at 7.55pm.

.....
CHAIR