

Investments & Contracts Committee

Minutes of the meeting held on 1 November 2016

PRESENT:	Messrs. T.Ll. Hughes, Aled M. Jones, G.O. Jones, H. Eifion Jones and Alun W Mummery
IN ATTENDANCE:	Treasurer, Committee Officer (MEH).
APOLOGIES:	Mr. Dafydd Rhys Thomas
ALSO PRESENT:	Mr. T. Victor Hughes – Chair of the Isle of Anglesey Charitable Trust Mr. Rupert Cecil, Director – HSBC Charities Team

1 ELECTION OF CHAIRPERSON

Mr. H. Eifion Jones was re-elected Chairperson.

Mr. Jones thanked the Members for their confidence in him.

2 ELECTION OF VICE-CHAIRPERSON

Mr. G.O. Jones was re-elected Vice-Chairperson.

3 MINUTES

The minutes of the meeting held on 26 November, 2015 were confirmed.

4 INVESTMENT MANAGEMENT

Submitted – the HSBC Global Asset Management (UK) Limited report up to October 2016.

The Director – HSBC Charities Team reported that the Investment Management reports on a quarterly basis on the performance of the Trust fund. The value of the portfolio was £19,417m at 30th September, 2016. The estimated yield was 3.5% giving an annualised forecast income of £680k. He stated that at 26 October, 2016 the value of the fund had risen a further 2.8% to £19,977m. The fund had outperformed the growth of the ARC Peer Group for similar types of funds which operate a similar level of risk.

There are has little change in asset allocation over the quarter. He noted that the equity markets preference is towards Japan and Europe rather than US and the UK. The Charitable Trust portfolio has gained following investment into the Charities Service UK Growth and Income Fund. He also explained that the fund had benefitted from the fall in the value of Sterling following the result of the EU referendum. The value of Sterling is predicted to continue to remain low and as a result interest rates will also remain low. Markets are expected to remain volatile into 2017.

For 2017, the long term yield was forecast to be between 3.0% and 3.5% which would generate income of £773k. Capital growth is forecast to be 4.75% which would give an increase in the capital value of £277k, although HSBC are confident that they will achieve growth of 5.75% over the period.

Further detailed information on the asset distribution and the performance of the various elements of the portfolio was provided to the Committee.

Members of the Committee wished to extend their appreciation to HSBC Investment Management for the exceptional performance of the Charitable Trust fund.

It was RESOLVED to thank the Director – HSBC Charities Team for attending the meeting and to accept the report.

5 ALLOCATION OF FUNDING FOR LARGE GRANTS

Submitted – the report of the Treasurer with regard to the allocation of funding for large grants.

The Treasurer stated that as the Trust fund has continued to grow through annual interest payments and dividends, Members of the Trust are keen to use some of the interest in the capital value of the fund to provide funding to award larger grants on a more formal basis. The Trust in early 2016 allocated a sum of £200k, which was equivalent to 20% of the growth in the capital value in the year to fund grants in 2016. It should be noted that there is always a risk that the capital value of the fund will fall and allocating too high a sum in times where the capital value of the fund is growing may have a detrimental effect on the future investment returns if the capital value of the fund begins to fall sharply.

At the full Trust meeting on 13 September, 2016 it was resolved to allocate funding towards larger grants and it delegated the decision on the sum to be allocated to the Investment and Contracts Committee. Following this meeting a formal bidding process will operate whereby organisations will be invited to submit applications for grant funding. It is intended that the process will be open between November 2016 and January 2017, with the decision on which organisations receive funding being made in February 2017.

The following methodology was used to determine the value of the fund allocated towards larger grants:-

20% of the actual growth from the previous year less 20% of the growth forecast in the previous year

Plus

The balance of the previous year's fund which was not awarded

Plus

Any funds allocated from surplus income.

For 2017 using this method, the fund allocated for larger grants was calculated as follows :-

Growth in 2016 = £2,300,000 * 20% = £460,000 - £200,000 (allocated in 2016) = £260,000

Forecast Growth in 2017 = £277,000 * 20% = £56,000

Balance of 2016 Fund Not Awarded £30,000

Use of Income £4,000

Mr. A.M. Jones considered that due to the continuing volatility of the financial markets following Brexit and the uncertainty over the future growth that it was more prudent to allocate a sum of £300k.

Following deliberations it was **RESOLVED** that an allocation of £350,000 be available for funding towards larger grants and that the methodology detailed by the Treasurer would form the basis to determine the value of the fund for larger grants in subsequent years.

Mr. A.M. Jones abstained from voting.

Mr. H. Eifion Jones
Chair