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**INVESTMENT MANAGEMENT OF TRUST FUNDS AND CHARITABLE FUNDS**

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**1 INTRODUCTION**

- 1.1 This report takes forward the decision agreed by the Council on 31 October in relation to the management of investments for trust funds and charitable funds. It summarises the key investment objectives for each class of fund and in the Appendices sets out the proposed investment policies. The appointment of a performance management advisor and investment manager on a discretionary basis for funds over £250,000 in value were agreed as part of the future management arrangements. This report sets out the timescale for the procurement process to start in January 2014 with the aim of completing in April 2014 and also suggests a 70%/30% quality/price split in tender evaluation. Finally there are some transitional issues that are highlighted.

**2 RECOMMENDATIONS**

- 2.1 Members are asked to approve the investment policies set out in Appendices A to G.
- 2.2 Members agree that the procurement of a performance management advisor commences in January 2014 with the aim of being completed in April 2014 and is based on a 70%/30% split between quality and price as part of the evaluation process.
- 2.3 Members agree that the procurement of an investment manager on discretionary basis commences in January 2014 with the aim of being completed in April 2014 and is based on a 70%/30% split between quality and price as part of the evaluation process.
- 2.4 Members agree the transitional arrangements set out in 3.17 and 3.18.

**3 DETAIL**

**Background**

- 3.1 The Council is trustee for a range of trust funds and charitable funds. The value of these funds ranges from low thousands of pounds to over £500,000. The Council has a duty to ensure it manages and invests these funds appropriately. A range of factors need to be taken into account in determining what is appropriate.

3.2 A review of investment management arrangements and options for future management of the investments of trust funds and charitable funds was submitted to the Council on 31 October 2013. Arising from consideration of the review the Council agreed to the following:

- A review of the investment objectives for each fund is undertaken.
- Funds with a value of less than £5,000 are invested in the Council Loans Fund as a short term deposit.
- Funds with a value of more than £5,000 and up to £10,000 are invested in a 3 year fixed term bond with the Council.
- Funds with a value of more than £10,000 and up to £100,000 are invested in a single pooled investment vehicle that has objectives in line with the investment objectives of the funds in question. These investments to remain in place for 3 years and then be reviewed.
- Although there are no funds currently in this category funds with a value of more than £100,000 and up to £250,000 in future would be invested in one or more pooled investment vehicles.
- Funds with a value in excess of £250,000 should be actively managed with a single investment manager appointed to manage all of these funds. The appointment will be on a discretionary basis which means the investment manager will buy or sell investments as required without seeking prior approval of the Council but within the parameters of the agreed investment objectives and policy. The appointment of an investment manager to be subject to a tendering process.
- Performance monitoring and assessment of the investment managers appointed on a discretionary basis is critical to the success of these arrangements. The performance management advisers are also to set out options on the initial proposed investment for funds of more than £10,000 and up to £100,000. If the Council had funds in the category of more than £100,000 and up to £250,000 then the performance management advisers would carry out the annual review and make recommendation on funds invested in a mix of pooled funds. The appointment of performance management advisers to be subject to tendering.
- A further review of investment management arrangements is to be carried out in 5 years time to assess the effectiveness of these arrangements and set out options and proposals for the future.

### **Investment Objectives and Investment Policies**

3.3 The investment objectives for each fund have been reviewed. The following paragraphs summarise the investment objectives for each category of funds and the proposed investment policies have been drafted and are attached as Appendices to this report. The format of the investment policies has been based on good practice guidance. The revised investment policy for Oban Common Good Fund was approved on 6 December whilst the revised investment policy for Campbeltown Common Good Fund has still to be considered by them.

3.4 Funds with a value of less than £5,000 – To ensure security of the funds by retaining the funds in house and achieve a return consistent with short term interest rates to reflect ready access to funds if required. This is a low risk approach aimed at securing the capital sum. See Appendix A for investment policy for all funds in this category.

3.5 Funds with a value of more than £5,000 and up to £10,000 – To ensure security of

funds by retaining funds in house and taking account of the amount involved to invest funds for a 3 year period to improve the rate of interest recognising this locks in the capital sum for a 3 year period. This is a low risk approach aimed at securing the capital sum. See Appendix B for investment policy for all funds in this category.

- 3.6 Funds with a value of more than £10,000 and up to £100,000 – To achieve a return that allows for annual income or reinvestment of unused income and achieves capital growth to maintain the real value of the fund. To allow a degree of risk taking but to manage that through spreading risk by use of a pooled investment vehicle. The use of a pooled investment vehicle will allow exposure in a managed way to investment with differing levels of risk but this is managed through the pooled nature of the investment. The investment will be long term in nature and whilst there is scope for the capital value to vary the objective is long term growth to maintain the real value of the fund and income generated. See Appendix C for investment policy for all funds in this category.
- 3.7 Funds with a value of more than £100,000 and up to £250,000 – There are currently no funds in this category. If it becomes clear that there will be funds in this category then a report setting out the proposed investment objectives and investment policy will be prepared for Council.
- 3.8 Funds with a value of more than £250,000 – There are 4 funds in this category Argyll Education Trust, Campbeltown Common Good Fund, Oban Common Good Fund and MacDougall Trust. The first 3 all have a requirement for annual income which needs to be maintained in real terms and also to achieve a degree of capital growth. They are all long term funds so there is scope for a degree of risk taking and a level of variation in the capital value from year to year is acceptable providing the longer term trend is one of achieving growth. The Macdougall Trust has no requirement for annual income at present so the focus will be on capital growth and again a degree of risk is acceptable along with variation in the capital value as long as the long term trend is of growth. The investment policies for these funds are attached as follows:
- Argyll Education Trust – Appendix D
  - Campbeltown Common Good Fund – Appendix E
  - Oban Common Good Fund – Appendix F
  - Macdougall Trust – Appendix G
- 3.9 It is a legal requirement to have a written investment policy where charities give investment managers discretionary powers. The investment policy must cover the remit and responsibilities of the investment manager and the principles the investment manager has to follow in taking investment decisions. Preparing the investment policy cannot be delegated to the investment manager but the investment policy can be prepared in consultation with the investment manager to help ensure it is workable and achievable.
- 3.10 An investment policy should contain the following information:
- General background information and financial objectives.
  - Investment powers.
  - Governance arrangements over investment decisions.
  - Investment objectives.
  - Risk attitude.
  - Asset classes that can be invested in.
  - The currency of investments and any restrictions.
  - Credit or counterparty risk.

- Liquidity requirements and the need to access funds.
- The time horizon for investments.
- Ethical investment requirements.
- The management arrangements for investment management.
- Reporting and review of investment manager and performance.
- Frequency of review of the investment policy.

### **Performance Management Advisor**

- 3.11 It was agreed at the Council meeting on 31 October that the Head of Strategic Finance would put in place a tendering process for the selection and appointment of a performance management adviser. The role of the performance management adviser would be as follows:
- To advise on the selection of an appropriate pooled investment vehicle for funds of more than £10,000 and up to £100,000.
  - For funds with a value of more than £250,000 reviewing the performance of the investment manager appointed on a discretionary basis and providing independent advice on the relative performance and how well the investment fund is being managed. The performance management advisor would review and report on the effectiveness of the investment manager.
  - In the circumstances where the Council had funds with a value of more than £100,000 and up to £250,000 then the performance management advisor would provide advice on the initial selection of pooled investment vehicles and also carry out an annual review with recommendations for any changes.
- 3.12 In broad terms a period of 3 months should be allowed for the procurement process to allow adequate time to comply with regulatory timescale and also for tenderers to prepare submissions, evaluation of the tenders and award of contract/mobilisation. It will also be important to ensure the evaluation criteria are developed appropriately and it is likely that quality will be a significant feature in the evaluation probably comprising 70% of the scoring system compared to 30% for price. On this basis the performance management advisor would be in place in April 2014. Proposals on the initial selection of a pooled investment vehicle for funds of more than £10,000 and up to £100,000 would follow their appointment.

### **Investment Manager**

- 3.13 It was agreed at the Council meeting on 31 October to appoint an investment manager for all funds with a value of more than £250,000. The investment manager would be appointed on a discretionary basis rather than the advisory basis on which they are currently appointed. This means they would have discretion to make changes to the investment portfolio (buy and sell investment holdings) without having to seek approval from the Head of Strategic Finance for each transaction. This does not mean the investment manager would be given a completely free hand as they would need to operate within the parameters of the investment objectives and investment policy for each fund.

- 3.14 The appointment of an investment manager will need to be subject to tendering and procurement procedures and these arrangements will now be put in hand. It was also agreed that a further review of the type undertaken be carried out in 5 years time to assess the effectiveness of the arrangements agreed. On this basis the investment managers would be appointed for a 5 year period. As far as a possible arrangements will be made to complete the procurement process in as short a timescale as possible but there will be a requirement to comply with regulatory timescales and also to ensure tenderers have an opportunity to prepare their submission. It will also be important to ensure the evaluation criteria are developed appropriately and it is likely that quality will be a significant feature in the evaluation probably comprising 70% of the scoring system compared to 30% for price.
- 3.15 The intention is to put all funds with a value of more than £250,000 forward as a set of funds that can be managed in a single contract albeit there may be slightly different investment objectives and policy. The purpose for this is to achieve some economies of scale in the tendering process whereby the fees for funds of around £3m may be proportionately less than for individual funds of a smaller amount.
- 3.16 In broad terms a period of 3 months should be allowed for the procurement process to allow adequate time for tenderers to prepare submissions, evaluation of the tenders and award of contract/mobilisation/handover. On this basis the new arrangements are likely to be in place around April 2014.

### **Transitional Arrangements**

- 3.17 In terms of transitional arrangements then:
- Over the period January 2014 to March 2014 all funds with a value of more than £5000, and up to £10,000 will be moved into a 3 year fixed term bond with the Council.
  - No action will be taken in relation to moving funds with a value of more than £10,000 and up to £100,000 into a single pooled investment vehicle pending the appointment and advice on an appropriate pooled investment vehicle from the performance management advisor.
  - Barclays Wealth will no longer offer an advisory investment service from January 2014 and we will move to appoint them on a discretionary basis pending the conclusion of the procurement exercise for discretionary investment managers.
  - Where Barclays Wealth currently advise on funds with a value of more than £10,000 and up to £100,000 then the current investments will be retained pending the advice on a single pooled investment vehicle to be given by the performance management advisor following their appointment in April 2014.
- 3.18 Where funds currently have long standing investments in UK Government Bonds or Local Bonds these will be retained until they are due to mature or an opportunity to dispose of them arises that creates a net benefit to the funds in question.

## **4 CONCLUSIONS**

- 4.1 Revised investment policies for trust funds and charitable funds are set out in

the Appendices attached to this report. The timescales and key issues around procurement and appointment of a performance management advisor and investment manager are set out. Finally the report identifies how transitional issues will be dealt with.

## **5 IMPLICATIONS**

- 5.1 Policy – The broad framework for managing investments was agreed on 31 October this sets out how that will be taken forward.
- 5.2 Legal – Having investment policies agreed for funds is good practice and a legal requirement if funds are managed on a discretionary basis.
- 5.3 Finance – Not quantified but investment activity, the investment policies agreed and how investments are managed will have financial consequences.
- 5.4 Human Resources – None.
- 5.5 Equalities – None.
- 5.6 Customer Service – None.
- 5.7 Risk - Investment activity requires an assessment of risk. The development of investment policies sets out the risk appetite for each fund.

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14 January 2014

**ARGYLL AND BUTE COUNCIL**  
**TRUST FUNDS AND CHARITABLE FUNDS WITH VALUE OF UP TO £5,000**  
**DRAFT INVESTMENT POLICY**

**1 Introduction**

- 1.1 Argyll and Bute Council inherited responsibility for managing a number of trust funds and charitable funds on local government reorganisation in 1996. A number of these funds have relatively small sums of money – Up to £5,000. Each fund has its own criteria for distribution of funds. Not all funds are able to make a distribution. The main objective in investing these funds is to secure the capital value of the fund, minimise risk and earn a commensurate rate of interest given value of funds and security considerations. This is best achieved by investing funds internally on short term deposit with the loans funds of Argyll and Bute Council.

**2 Investment Objectives**

- 2.1 To secure and maintain the capital value of the funds seeking to minimise any loss or risk to the capital sums.
- 2.2 To earn a return commensurate with the policy of securing and minimising the risk to the capital funds and the scale of funds available for investment.
- 2.3 To secure these objectives funds will be invested internally within the Council and deposited in the Council loans fund as short term deposits.

**3 Risk**

- 3.1 Attitude to risk
- To protect as far as possible the capital funds.
- 3.2 Assets
- Funds will be invested internally within the Council and deposited in the Council loans fund as short term deposits.
- 3.3 Currency
- The base currency of the investment portfolio is Sterling.
  - No non sterling assets and no hedging is permitted.
- 3.4 Credit
- Funds will be invested internally within the Council and deposited in the Council loans fund as short term deposits.

**4 Liquidity Requirements**

- 4.1 There is not expected to be any short term call for capital or funds but given the small scale nature of the investments these should be invested as cash deposits.
- 4.2 The investment with the Council loans fund will ensure ready access if required.

**5 Time Horizon**

5.1 The funds are expected to exist in perpetuity and investments should be managed to meet the investment objective by protecting the capital sum.

5.2 Although long term funds given the small scale nature of the investments and the need to protect the security of the capital sum these should be invested as cash deposits with the Council loans fund.

## **6 Ethical Investment Policy**

6.1 Not applicable.

## **7 Management, Reporting and Monitoring**

7.3 The Head of Strategic Finance of Argyll and Bute Council will make arrangements to ensure a report is submitted for each fund on an annual basis. This report should include details of income, expenditure and value of funds.

## **8 Approval and Review**

8.1 This Investment Policy Statement will be reviewed on an annual basis to ensure continuing appropriateness.

## **9 Application**

9.1 This investment policy applies to the following trust funds and charitable funds.

Fund	Value £
KILMARTIN WAR MEMORIAL FUND	52.39
JAMES MCKECHNIES TRUST	84.44
MACALISTER TRUST	89.85
MRS MARY MILLAN BEQUEST	92.98
KILMORY LOCHGILPHEAD CHURCHYARD	158.89
MRS B MACEWANS TRUST	206.83
LATIMER MCINNES TRUST	237.37
HUTCHESON MEMORIAL TRUST	266.51
BETHIA WEIR BEQUEST	292.32
PIANO FUND DUNOON	340.81
SUNDRY TRUSTS	361.04
FISHER BEQUEST	375.09
ANNIE MCMILLAN BEQUEST	388.65
DUGALD MCPHAIL MEMORIAL FUND	415.72
TULLOCH LIBRARY DUNOON	441.81
MISS M M CAMERONS BEQUEST	456.16
MAY PATERSON TRUST	475.46
KILMORE & KILBRIDE	484.84
MISS L A COLVIL BEQUEST	488.36
BALLYHENNAN CHURCHYARD	493.60
KILMARTIN NEW BURIAL GROUND BEQUEST	500.14
CARDROSS WAR MEMORIAL	629.01
INVERARAY ENTERTAINMENTS TRUST	634.16



COATS BEQUEST INVERCHAOLIN	671.98
MISS MARY A MCNIVENS TRUST	672.05
MRS MARGARET LOCHHEAD BEQUEST	681.65
ANN JACKSONS BEQUEST	719.86
MISS MACGILLVERYS BEQUEST	730.69
DUNOON & KILMUN CEMETERIES	759.47
ARCHIBALD BROWNS BEQUEST	767.17
JOHN MURRAY TRUST	883.46
MRS E MACDONALD	951.35
MISS CHRISTINA MCKAYS TRUST	1,482.20
BAILLIE GILLIES BEQUEST	1,584.96
NORMAN STEWART INSTITUTE	1,586.65
JANET GIBSONS BEQUEST	1,679.65
PROVOSTS BEQUEST ROTHESAY	1,693.33
JANE PATERSONS BEQUEST	1,791.15
JOHN LOGIE BAIRD PRIZE FUND	1,894.21
ARCHIBALD DOW BEQUEST	1,953.33
PROVOSTS RELIEF FUND INVERARAY	2,028.53
JAMES DUNCAN BEQUEST	2,159.35
MISS FLORA MCLUCAS BEQUEST	2,286.21
SUNDRY BEQUESTS - FORMER DUMBARTON CEMETERIES	2,751.67
CAMPBELL BEQUEST	2,799.90
BUTE EDUCATION	3,022.62
COALS FOR POOR - OBAN	3,217.26
CLYDESDALE AIR RAID DISTRESS FUND	3,443.72
MISS ANNIE DICKSON BEQUEST	3,598.53
MISS ANNIE MCLEANS TRUST	3,874.58
KIDSTON PARK	3,910.46
MCNEILL BEQUEST	4,049.18
MACALLISTER MORTIFICATION	4,317.41

**ARGYLL AND BUTE COUNCIL  
TRUST FUNDS AND CHARITABLE FUNDS WITH VALUE OF MORE THAN £5,000 AND  
UPTO £10,000  
DRAFT INVESTMENT POLICY**

**1 Introduction**

- 1.1 Argyll and Bute Council inherited responsibility for managing a number of trust funds and charitable funds on local government reorganisation in 1996. A number of these funds have relatively small sums of money – more than £5,000 and up to £10,000. Each fund has its own criteria for distribution of funds. Not all funds are able to make a distribution. The main objective in investing these funds is to secure the capital value of the fund, minimise risk and earn a commensurate rate of interest given value of funds and security considerations. This is best achieved by investing funds internally on a local bond fixed for 3 years with Argyll and Bute Council.

**2 Investment Objectives**

- 2.1 To secure and maintain the capital value of the funds seeking to minimise any loss or risk to the capital sums.
- 2.2 To earn a return commensurate with the policy of securing and minimising the risk to the capital funds and the scale of funds available for investment.
- 2.3 To secure these objectives funds will be invested internally within the Council and invested in a local bond with Argyll and Bute Council.

**3 Risk**

- 3.1 Attitude to risk
- To protect as far as possible the capital funds.
- 3.2 Assets
- Funds will be invested internally within the Council as a local bond.
- 3.3 Currency
- The base currency of the investment portfolio is Sterling.
  - No non sterling assets and no hedging is permitted.
- 3.4 Credit
- Funds will be invested internally within the Council as a local bond.

**4 Liquidity Requirements**

- 4.1 There is not expected to be any short term call for capital or funds and this allows funds to be locked in to a 3 year bond.

**5 Time Horizon**

- 5.1 The funds are expected to exist in perpetuity and investments should be managed

to meet the investment objective by protecting the capital sum.

- 5.2 Although long term funds given the small scale nature of the investments and the need to protect the security of the capital sum these should be invested as a local bond with Argyll and Bute Council.

## **6 Ethical Investment Policy**

- 6.1 Not applicable.

## **7 Management, Reporting and Monitoring**

- 7.3 The Head of Strategic Finance of Argyll and Bute Council will make arrangements to ensure a report is submitted for each fund on an annual basis. This report should include details of income, expenditure and value of funds.

## **8 Approval and Review**

- 8.1 This Investment Policy Statement will be reviewed on an annual basis to ensure continuing appropriateness.

## **9 Application**

- 9.1 This investment policy applies to the following trust funds and charitable funds.

Fund	Value £
CAMPBELTOWN NEW BOOKS	5,562.39
LAMONT BEQUEST	5,656.29
ROBERT MCFIES TRUST	5,960.16
KILKERRAN CEMETERY	6,433.39
D A GREENLEES TRUST	6,873.51
MACKINNON LEDINGHAM BEQUEST	7,183.77
A T ROSS BEQUEST	8,009.58
CATHERINE MCCAIG MEMORIAL FUND	8,825.29

**ARGYLL AND BUTE COUNCIL  
TRUST FUNDS AND CHARITABLE FUNDS WITH VALUE OF MORE THAN £10,000 AND  
UPTO £100,000  
DRAFT INVESTMENT POLICY**

**1 Introduction**

- 1.1 Argyll and Bute Council inherited responsibility for managing a number of trust funds and charitable funds on local government reorganisation in 1996. A number of these funds have significant sums of money – More than £10,000 and up to £100,000. There are separate investment policies for fund with more than £100,000 of investments. Each fund has its own criteria for distribution of funds. Not all funds are able to make a distribution due to the nature of the criteria. The main objective in investing these funds is to maintain a balance between income and capital growth whilst seeking to protect the capital sum invested.
- 1.2 There is a requirement to balance the needs of current and future beneficiaries. The capital remains invested to provide for future beneficiaries and the income is available to spend on current beneficiaries or can be reinvested.
- 1.3 The Head of Strategic Finance of Argyll and Bute Council has been delegated the responsibility for making the necessary administrative arrangement in relation to the appointment and day to day management of the investments. Performance of the investment portfolio will be reported annually to Argyll and Bute Council.

**2 Investment Objectives**

- 2.1 The funds available for investment are invested to produce the best financial return within an acceptable level of risk.
- 2.2 The investment objective is to balance income and capital returns. The assets should be managed to at least maintain the real capital value of the funds whilst generating a sustainable level of investment income for distribution or reinvestment.
- 2.3 The capital value of the funds invested should be invested to ensure they grow at least in line with inflation in the long term but it is recognised that over the short term there may be variations to that trend.
- 2.4 Annual income should grow in line with inflation to maintain the real value of income available for distribution.

**3 Risk**

- 3.1 Attitude to risk
- In some cases the funds rely on the investment income to fund current activities. In other cases income provides a source of reinvestment. The stability of income is therefore important.
  - The key risk to the long term sustainability is inflation, and the assets should be invested to mitigate this risk over the long term.
  - It is understood that this is likely to mean that investment will be

concentrated in real assets and that the capital value will fluctuate.

- Annual volatility of the capital value can be tolerated as long as it can meet current expenditure from investment income and the longer term trend in capital values is to maintain the value of the investments (and inherent income potential) at least in line with inflation.
- To mitigate risk the funds will be invested through a single pooled investment vehicle.

### 3.2 Assets

- The funds will be invested in a single pooled investment vehicle. This will allow the funds to access a wider range of investments than would otherwise be the case. This will improve the prospect of achieving the required investment returns whilst also mitigating risk.
- Within the pooled investment vehicle assets can be invested widely. Asset classes could include cash, bonds, equities, property, hedge funds and private equity, commodities.
- A target strategic asset allocation as follows, which is set so as to achieve the overall long term investment objective to balance capital and income returns.
  - Equities 65% to 75%
  - Bonds 15% to 25%
  - Property, hedge funds, private equity and commodities etc 0% to 10% as part of a pooled investment vehicle
  - Cash 0 % to 10%

### 3.3 Currency

- The base currency of the investment portfolio is Sterling.
- Investment may be made in non-Sterling assets but only through the pooled investment vehicle and should not exceed 20% of the total investment portfolio value.
- Hedging is permitted but only through the pooled investment vehicle.

### 3.4 Credit

- The Endowment's cash balances should be deposited with institutions with a minimum rating of A- or invested in a diversified money market fund.
- Bond exposure should be focused on investment grade issuers.

## 4 Liquidity Requirements

4.1 This policy aims to balance the needs of current and future beneficiaries and as such aims to set a sustainable income target, whilst ensuring the capital is expected to grow in line with inflation over the long term.

4.2 There is no requirement for short term capital liquidity within the investment portfolio.

## **5 Time Horizon**

5.1 The funds are expected to exist in perpetuity and investments should be managed to meet the investment objective and ensure this sustainability.

5.2 A long term investment time horizon can be adopted.

## **6 Ethical Investment Policy**

6.1 The funds do not wish to impose any specific ethical investment policy however the selection of a pooled investment vehicle should consider the congruence of potential investments with the aims of the funds.

## **7 Management, Reporting and Monitoring**

7.1 The funds will be invested in a single pooled investment vehicle. A performance management advisor will be appointed to assist in the selection of a single pooled investment vehicle. A triennial review of the single pooled investment vehicle will be carried out.

7.2 The Head of Strategic Finance at Argyll and Bute Council will make arrangements for monitoring of investment performance. At least annually Argyll and Bute Council will consider reports on investment performance and review return, risk and asset allocation taking into account performance against benchmarks and investment objectives.

7.3 The Head of Strategic Finance of Argyll and Bute Council will make arrangements to ensure a report is submitted to Argyll and Bute Council on an annual basis. This report should include a review of asset allocation strategy, performance, risk profile and consistency with the long term investment objective.

## **8 Approval and Review**

8.1 This Investment Policy Statement was prepared by Argyll and Bute Council to provide a framework for the management of its investment assets. It will be reviewed on an annual basis to ensure continuing appropriateness.

## **9 Application**

This investment policy applies to the following trust funds and charitable funds.

Fund	Value £
MARQUIS OF BUTE SILVER WEDDING DOWRY	10,095.22
J M HALLS BEQUEST	10,253.43
HELENSBURGH & FASLANE CEMETERIES FUND	10,835.43
JOHN PATERSONS TRUST	13,793.24
FLEMING BEQUEST	14,121.23
CLACHAN CEMETERY TRUST	18,625.34
SOCIAL WORK LOUDEN BEQUEST	21,851.70
JOHN OF LORN BEQUEST	24,036.69
KINTYRE YOUTH FUND	24,036.90

LIBRARY ENDOWMENT FUND	53,842.26
MISS AGNES ANGUS BEQUEST	57,950.03
MRS MELLORS BEQUEST	72,632.31
MCCAIG TRUST	80,320.63
GEORGE MELVILLE DUNCAN BEQUEST	87,195.99

**COUNTY OF ARGYLL EDUCATIONAL TRUST SCHEME, 1960  
DRAFT INVESTMENT POLICY**

**1 Introduction**

- 1.1 The Argyll Educational Trust is a scheme under the Education (Scotland) Acts, 1939 to 1956, for the future government and management of certain educational endowments in the County of Argyll. Formed by the amalgamation of fourteen individual endowments, the object of the fund is for the advancement of education for children and young people within the former County of Argyll. The Local Government (Scotland) Act 1994 passed responsibility for administering the Argyll Educational Trust to Argyll and Bute Council.
- 1.2 There are around £399k of funds available for investment based on current market values. These provide income for distribution by Argyll Educational Trust to give educational assistance to the children and young people of the former County of Argyll. Current income is around £12,000 per annum.
- 1.3 There is a requirement to balance the needs of current and future beneficiaries. The capital remains invested to provide for future beneficiaries and the income is spent on current beneficiaries.
- 1.4 Argyll Educational Trust delegates management of its investment portfolio to an investment manager on a discretionary basis. The Head of Strategic Finance of Argyll and Bute Council has been delegated the responsibility for making the necessary administrative arrangement in relation to the appointment and day to day management of the investment manager. Performance of the investment portfolio and investment manager will be reported on a quarterly basis to Argyll and Bute Council.

**2 Investment Objectives**

- 2.1 The funds of the Argyll Educational Trust available for investment are invested to produce the best financial return within an acceptable level of risk.
- 2.2 The investment objective is to balance income and capital returns. The assets should be managed to at least maintain the real capital value of Argyll Educational Trust whilst generating a sustainable level of investment income to support the existing levels of distribution in real terms.
- 2.3 The capital value of the funds invested (currently around £399k) should be invested to ensure they grow at least in line with inflation in the long term but it is recognised that over the short term there may be variations to that trend.
- 2.4 Annual income (currently around £12,000) should grow in line with inflation to maintain the real value of income available for distribution.

**3 Risk**

- 3.1 Attitude to risk
- Argyll Educational Trust relies on the investment income to fund current activities. The stability of income is therefore important.



- The key risk to the long term sustainability is inflation, and the assets should be invested to mitigate this risk over the long term.
- It is understood that this is likely to mean that investment will be concentrated in real assets and that the capital value will fluctuate.
- Annual volatility of the capital value of Argyll Educational Trust can be tolerated as long as it can meet current expenditure from investment income and the longer term trend in capital values is to maintain the value of the investments (and inherent income potential) at least in line with inflation.

### 3.2 Assets

- Assets can be invested widely according to the general power of investment and should be diversified by asset class. Asset classes could include cash, bonds, equities. Property, hedge funds and private equity, commodities and any other asset that is deemed suitable for investment must be through a pooled investment vehicle rather than direct investment in these assets.
- A target strategic asset allocation as follows, which is set so as to achieve the overall long term investment objective to balance capital and income returns.
  - Equities 65% to 75%
  - Bonds 15% to 25%
  - Property, hedge funds, private equity and commodities etc 0% to 10% as part of a pooled investment vehicle
  - Cash 0 % to 10%
- The Head of Strategic Finance of Argyll and Bute Council is responsible for appointing the investment manager.
- The investment manager is responsible for managing the investment portfolio taking account of the above asset allocation.
- Asset allocation will vary from this target, due to market movements. Formal rebalancing of the portfolio asset allocation occurs on an annual basis, unless Argyll Educational Trust believe it is prudent not to do so.

### 3.3 Currency

- The base currency of the investment portfolio is Sterling.
- Investment may be made in non-Sterling assets but should not exceed 20% of the total investment portfolio value.
- Hedging is permitted.

### 3.4 Credit

- The Endowment's cash balances should be deposited with institutions with a minimum rating of A- or invested in a diversified money market fund.
- Bond exposure should be focused on investment grade issuers.

## 4 Liquidity Requirements

4.1 Argyll Educational Trust aims to balance the needs of current and future beneficiaries and as such aims to set a sustainable income target, whilst ensuring the capital is expected to grow in line with inflation over the long term.

4.2 There is no requirement for short term capital liquidity within the investment portfolio.

## **5 Time Horizon**

5.1 Argyll Educational Trust is expected to exist in perpetuity and investments should be managed to meet the investment objective and ensure this sustainability.

5.2 A long term investment time horizon can be adopted.

## **6 Ethical Investment Policy**

6.1 Argyll Educational Trust does not wish to impose any specific ethical investment policy however the investment manager is required to consider the congruence of potential investments with the aims of Argyll Educational Trust.

## **7 Management, Reporting and Monitoring**

7.1 Argyll Educational Trust will appoint an investment manager to manage the investment portfolio on a discretionary basis. Managers are required to produce a valuation and performance report quarterly. This will be submitted to the next available meeting of Argyll and Bute Council.

7.2 The Head of Strategic Finance at Argyll and Bute Council will make arrangements for independent monitoring of investment performance. At least annually Argyll Educational Trust will consider reports on investment performance and review return, risk and asset allocation taking into account performance against benchmarks and investment objectives.

7.3 The Head of Strategic Finance of Argyll and Bute Council will make arrangements to ensure a report is submitted to Argyll and Bute Council on an annual basis. This report should include a review of asset allocation strategy, performance, risk profile and consistency with the long term investment objective.

## **8 Approval and Review**

8.1 This Investment Policy Statement was prepared by Argyll Educational Trust to provide a framework for the management of its investment assets. It will be reviewed on an annual basis to ensure continuing appropriateness.

**CAMPBELTOWN COMMON GOOD FUND  
DRAFT INVESTMENT POLICY**

**1 Introduction**

- 1.1 Campbeltown Common Good Fund is a historic fund established for the benefit of the citizens of the former burgh of Campbeltown. The Local Government (Scotland) Act 1994 passed responsibility for administering Campbeltown Common Good Fund to Argyll and Bute Council.
- 1.2 There are around £759k of funds available for investment based on current market values. These provide income for distribution by Campbeltown Common Good Fund to causes that are deemed to be of benefit to the citizens of the former burgh of Campbeltown. Current income is around £30,000 per annum.
- 1.3 There is a requirement to balance the needs of current and future beneficiaries. The capital remains invested to provide for future beneficiaries and the income is spent on current beneficiaries.
- 1.4 Campbeltown Common Good Fund delegates management of its investment portfolio to an investment manager on a discretionary basis. The Head of Strategic Finance of Argyll and Bute Council has been delegated the responsibility for making the necessary administrative arrangement in relation to the appointment and day to day management of the investment manager. Performance of the investment portfolio and investment manager will be reported on a quarterly basis to Campbeltown Common Good Fund.

**2 Investment Objectives**

- 2.1 The funds of Campbeltown Common Good Fund available for investment are invested to produce the best financial return within an acceptable level of risk.
- 2.2 The investment objective is to balance income and capital returns. The assets should be managed to at least maintain the real capital value of Campbeltown Common Good Fund whilst generating a sustainable level of investment income to support the existing levels of distribution in real terms.
- 2.3 The capital value of the funds invested (currently around £759k) should be invested to ensure they grow at least in line with inflation in the long term but it is recognised that over the short term there may be variations to that trend.
- 2.4 Annual income (currently around £30,000) should grow in line with inflation to maintain the real value of income available for distribution.

**3 Risk**

- 3.1 Attitude to risk
  - Campbeltown Common Good Fund relies on the investment income to fund current activities. The stability of income is therefore important.

- The key risk to the long term sustainability is inflation, and the assets should be invested to mitigate this risk over the long term.
- It is understood that this is likely to mean that investment will be concentrated in real assets and that the capital value will fluctuate.
- Annual volatility of the capital value of Campbeltown Common Good Fund can be tolerated as long as it can meet current expenditure from investment income and the longer term trend in capital values is to maintain the value of the investments (and inherent income potential) at least in line with inflation.

### 3.2 Assets

- Assets can be invested widely according to the general power of investment and should be diversified by asset class. Asset classes could include cash, bonds, equities. Property, hedge funds and private equity, commodities and any other asset that is deemed suitable for investment must be through a pooled investment vehicle rather than direct investment in these assets.
- A target strategic asset allocation as follows, which is set so as to achieve the overall long term investment objective to balance capital and income returns.
  - Equities 65% to 75%
  - Bonds 15% to 25%
  - Property, hedge funds, private equity and commodities etc 0% to 10% as part of a pooled investment vehicle
  - Cash 0 % to 10%
- The Head of Strategic Finance of Argyll and Bute Council is responsible for appointing the investment manager.
- The investment manager is responsible for managing the investment portfolio taking account of the above asset allocation.
- Asset allocation will vary from this target, due to market movements. Formal rebalancing of the portfolio asset allocation occurs on an annual basis, unless Campbeltown Common Good Fund believe it is prudent not to do so.

### 3.3 Currency

- The base currency of the investment portfolio is Sterling.
- Investment may be made in non-Sterling assets but should not exceed 20% of the total investment portfolio value.
- Hedging is permitted.

### 3.4 Credit

- The Endowment's cash balances should be deposited with institutions with a minimum rating of A- or invested in a diversified money market fund.
- Bond exposure should be focused on investment grade issuers.

## 4 Liquidity Requirements

4.1 Campbeltown Common Good Fund aims to balance the needs of current and future beneficiaries and as such aims to set a sustainable income target, whilst ensuring the capital is expected to grow in line with inflation over the long term.

4.2 There is no requirement for short term capital liquidity within the investment portfolio.

## **5 Time Horizon**

5.1 Campbeltown Common Good Fund is expected to exist in perpetuity and investments should be managed to meet the investment objective and ensure this sustainability.

5.2 A long term investment time horizon can be adopted.

## **6 Ethical Investment Policy**

6.1 Campbeltown Common Good Fund does not wish to impose any specific ethical investment policy however the investment manager is required to consider the congruence of potential investments with the aims of Campbeltown Common Good Fund.

## **7 Management, Reporting and Monitoring**

7.1 Campbeltown Common Good Fund will appoint an investment manager to manage the investment portfolio on a discretionary basis. Managers are required to produce a valuation and performance report quarterly. This will be submitted to the next available meeting of Campbeltown Common Good Fund.

7.2 The Head of Strategic Finance at Argyll and Bute Council will make arrangements for independent monitoring of investment performance. At least annually Campbeltown Common Good Fund will consider reports on investment performance and review return, risk and asset allocation taking into account performance against benchmarks and investment objectives.

7.3 The Head of Strategic Finance of Argyll and Bute Council will make arrangements to ensure a report is submitted to Campbeltown Common Good Fund on an annual basis. This report should include a review of asset allocation strategy, performance, risk profile and consistency with the long term investment objective.

## **8 Approval and Review**

8.1 This Investment Policy Statement was prepared by Campbeltown Common Good Fund to provide a framework for the management of its investment assets. It will be reviewed on an annual basis to ensure continuing appropriateness.

**OBAN COMMON GOOD FUND  
DRAFT INVESTMENT POLICY****1 Introduction**

- 1.1 Oban Common Good Fund is a historic fund established for the benefit of the citizens of the former burgh of Oban. The Local Government (Scotland) Act 1994 passed responsibility for administering Oban Common Good Fund to Argyll and Bute Council.
- 1.2 There are around £1.25m of funds available for investment based on current market values. These provide income for distribution by Oban Common Good Fund to causes that are deemed to be of benefit to the citizens of the former burgh of Oban. Current income is around £50,000 per annum.
- 1.3 There is a requirement to balance the needs of current and future beneficiaries. The capital remains invested to provide for future beneficiaries and the income is spent on current beneficiaries.
- 1.4 Oban Common Good Fund delegates management of its investment portfolio to an investment manager on a discretionary basis. The Head of Strategic Finance of Argyll and Bute Council has been delegated the responsibility for making the necessary administrative arrangement in relation to the appointment and day to day management of the investment manager. Performance of the investment portfolio and investment manager will be reported on a quarterly basis to Oban Common Good Fund.

**2 Investment Objectives**

- 2.1 The funds of Oban Common Good Fund available for investment are invested to produce the best financial return within an acceptable level of risk.
- 2.2 The investment objective is to balance income and capital returns. The assets should be managed to at least maintain the real capital value of Oban Common Good Fund whilst generating a sustainable level of investment income to support the existing levels of distribution in real terms.
- 2.3 The capital value of the funds invested (currently around £1.25m) should be invested to ensure they grow at least in line with inflation in the long term but it is recognised that over the short term there may be variations to that trend.
- 2.4 Annual income (currently around £50,000) should grow in line with inflation to maintain the real value of income available for distribution.

**3 Risk**

- 3.1 Attitude to risk
  - Oban Common Good Fund relies on the investment income to fund current activities. The stability of income is therefore important.
  - The key risk to the long term sustainability is inflation, and the assets

should be invested to mitigate this risk over the long term.

- It is understood that this is likely to mean that investment will be concentrated in real assets and that the capital value will fluctuate.
- Annual volatility of the capital value of Oban Common Good Fund can be tolerated as long as it can meet current expenditure from investment income and the longer term trend in capital values is to maintain the value of the investments (and inherent income potential) at least in line with inflation.

### 3.2 Assets

- Assets can be invested widely according to the general power of investment and should be diversified by asset class. Asset classes could include cash, bonds, equities. Property, hedge funds and private equity, commodities and any other asset that is deemed suitable for investment must be through a pooled investment vehicle rather than direct investment in these assets.
- A target strategic asset allocation as follows, which is set so as to achieve the overall long term investment objective to balance capital and income returns.
  - Equities 65% to 75%
  - Bonds 15% to 25%
  - Property, hedge funds, private equity and commodities etc 0% to 10% as part of a pooled investment vehicle
  - Cash 0 % to 10%
- The Head of Strategic Finance of Argyll and Bute Council is responsible for appointing the investment manager.
- The investment manager is responsible for managing the investment portfolio taking account of the above asset allocation.
- Asset allocation will vary from this target, due to market movements. Formal rebalancing of the portfolio asset allocation occurs on an annual basis, unless Oban Common Good Fund believe it is prudent not to do so.

### 3.3 Currency

- The base currency of the investment portfolio is Sterling.
- Investment may be made in non-Sterling assets but should not exceed 20% of the total investment portfolio value.
- Hedging is permitted.

### 3.4 Credit

- The Endowment's cash balances should be deposited with institutions with a minimum rating of A- or invested in a diversified money market fund.
- Bond exposure should be focused on investment grade issuers.

## 4 Liquidity Requirements

### 4.1 Oban Common Good Fund aims to balance the needs of current and future

beneficiaries and as such aims to set a sustainable income target, whilst ensuring the capital is expected to grow in line with inflation over the long term.

- 4.2 There is no requirement for short term capital liquidity within the investment portfolio.

## **5 Time Horizon**

- 5.1 Oban Common Good Fund is expected to exist in perpetuity and investments should be managed to meet the investment objective and ensure this sustainability.
- 5.2 A long term investment time horizon can be adopted.

## **6 Ethical Investment Policy**

- 6.1 Oban Common Good Fund does not wish to impose any specific ethical investment policy however the investment manager is required to consider the congruence of potential investments with the aims of Oban Common Good Fund.

## **7 Management, Reporting and Monitoring**

- 7.1 Oban Common Good Fund will appoint an investment manager to manage the investment portfolio on a discretionary basis. Managers are required to produce a valuation and performance report quarterly. This will be submitted to the next available meeting of Oban Common Good Fund.
- 7.2 The Head of Strategic Finance at Argyll and Bute Council will make arrangements for independent monitoring of investment performance. At least annually Oban Common Good Fund will consider reports on investment performance and review return, risk and asset allocation taking into account performance against benchmarks and investment objectives.
- 7.3 The Head of Strategic Finance of Argyll and Bute Council will make arrangements to ensure a report is submitted to Oban Common Good Fund on an annual basis. This report should include a review of asset allocation strategy, performance, risk profile and consistency with the long term investment objective.

## **8 Approval and Review**

- 8.1 This Investment Policy Statement was prepared by Oban Common Good Fund to provide a framework for the management of its investment assets. It will be reviewed on an annual basis to ensure continuing appropriateness.



**MACDOUGALL TRUST  
DRAFT INVESTMENT POLICY**

**1 Introduction**

- 1.1 The MacDougall Trust represents residual funds bequeathed for the provision of sheltered housing in the Ross of Mull. It was the balance of funds remaining after construction of the sheltered housing scheme in the Ross of Mull in the late 1970s. The funds have been deposited in Argyll and Bute Council's Loans Fund to date and with a withdrawal for some additional works a number of years ago the funds have grown to £606,000. Income has been reinvested each year and there is no immediate need to have income available for distribution. The Local Government (Scotland) Act 1994 passed responsibility for administering the MacDougall Trust to Argyll and Bute Council.
- 1.2 The MacDougall Trust delegates management of its investment portfolio to an investment manager on a discretionary basis. The Head of Strategic Finance of Argyll and Bute Council has been delegated the responsibility for making the necessary administrative arrangement in relation to the appointment and day to day management of the investment manager. Performance of the investment portfolio and investment manager will be reported on a quarterly basis to the MacDougall Trust.

**2 Investment Objectives**

- 2.1 The funds of the MacDougall Trust available for investment are invested to produce the best financial return within an acceptable level of risk.
- 2.2 The investment objective is to achieve capital growth as there is currently no requirement to have funds available for distribution. However it should be recognised that at some point there may be a requirement to have income available for distribution and the investment policy needs to be flexible enough to cope with this.
- 2.3 The capital value of the funds £606,000 should be invested to ensure they grow at least in line with inflation plus 2% in the long term but it is recognised that over the short term there may be variations to that trend. Some of this growth may be through reinvestment of income.

**3 Risk**

- 3.1 Attitude to risk
- The MacDougall Trust has no immediate requirement for income so the level and stability of income is not significant at this stage.
  - The key risk to the long term value of the fund is inflation and the assets should be invested to mitigate this risk over the long term.
  - It is understood that this is likely to mean that investment will be concentrated in real assets and that the capital value will fluctuate.
  - Annual volatility of the capital value of the MacDougall Trust can be tolerated as long as the longer term trend in capital values is to increase the value of the investments at least in line with inflation plus 2%.

### 3.2 Assets

- Assets can be invested widely according to the general power of investment and should be diversified by asset class. Asset classes could include cash, bonds, equities. Property, hedge funds and private equity, commodities and any other asset that is deemed suitable for investment must be through a pooled investment vehicle rather than direct investment in these assets.
- A target strategic asset allocation as follows, which is set so as to achieve the overall long term investment objective to balance capital and income returns.
  - Equities 75% to 85%
  - Bonds 5% to 15%
  - Property, hedge funds, private equity and commodities etc 0% to 15% as part of a pooled investment vehicle
  - Cash 0 % to 5%
- The Head of Strategic Finance of Argyll and Bute Council is responsible for appointing the investment manager.
- The investment manager is responsible for managing the investment portfolio taking account of the above asset allocation.
- Asset allocation will vary from this target, due to market movements. Formal rebalancing of the portfolio asset allocation occurs on an annual basis, unless the MacDougall Trust believe it is prudent not to do so.

### 3.3 Currency

- The base currency of the investment portfolio is Sterling.
- Investment may be made in non-Sterling assets but should not exceed 20% of the total investment portfolio value.
- Hedging is permitted.

### 3.4 Credit

- The Endowment's cash balances should be deposited with institutions with a minimum rating of A- or invested in a diversified money market fund.
- Bond exposure should be focused on investment grade issuers.

## 4 Liquidity Requirements

- 4.1 The MacDougall Trust has no immediate requirement for income or capital to be available for distribution. There is no need for the investment portfolio to hold significant liquid assets.

## 5 Time Horizon

- 5.1 The MacDougall Trust is expected to exist in perpetuity and investments should be

managed to meet the investment objective and ensure this sustainability.

- 5.2 A long term investment time horizon can be adopted.

## **6 Ethical Investment Policy**

- 6.1 The MacDougall Trust does not wish to impose any specific ethical investment policy however the investment manager is required to consider the congruence of potential investments with the aims of the MacDougall Trust.

## **7 Management, Reporting and Monitoring**

- 7.1 The MacDougall Trust will appoint an investment manager to manage the investment portfolio on a discretionary basis. Managers are required to produce a valuation and performance report quarterly. This will be submitted to the next available meeting of the MacDougall Trust.
- 7.2 The Head of Strategic Finance at Argyll and Bute Council will make arrangements for independent monitoring of investment performance. At least annually the MacDougall Trust will consider reports on investment performance and review return, risk and asset allocation taking into account performance against benchmarks and investment objectives.
- 7.3 The Head of Strategic Finance of Argyll and Bute Council will make arrangements to ensure a report is submitted to the MacDougall Trust on an annual basis. This report should include a review of asset allocation strategy, performance, risk profile and consistency with the long term investment objective.

## **8 Approval and Review**

- 8.1 This Investment Policy Statement was prepared by the MacDougall Trust to provide a framework for the management of its investment assets. It will be reviewed on an annual basis to ensure continuing appropriateness.