

**ISLE OF ANGLESEY CHARITABLE TRUST**  
**INVESTMENT AND CONTRACTS COMMITTEE**

**Minutes of the meeting held on 17 September, 2010**

**PRESENT:** Messrs. H.Eifion Jones, R. Dylan Jones,  
J.V. Owen (Chair), Bob Parry OBE, Elwyn Schofield.

**HSBC Global Asset Management (UK) Limited**

Mr. Gareth Watts - Client Director  
Mr. Marcus Pakenham

**IN ATTENDANCE:** Treasurer,  
Committee Services Manager

**APOLOGIES:** Mr. E.G.Davies.

**ITEMS TAKEN IN PUBLIC**

Best wishes for a speedy recovery were forwarded to Councillor E.G.Davies who had recently been hospitalised and to Mrs Mairwen Hughes, Committee Officer, who had broken her wrist.

**1 DECLARATION OF INTEREST**

No declaration of interest was received by any Member or Officer regarding any item on the Agenda.

**2 MINUTES**

The minutes of the meeting held on 27th May, 2010 were confirmed as a true record.

**3 INVESTMENT MANAGEMENT**

Submitted - the HSBC Global Asset Management (UK) Limited Quarterly Report for the period up to the end of June 2010.

The Investment Management reported that the UK market was actually up 6.6% this year. Last time the Fund Managers reported that the figure was minus 6.2%. Between the end of Quarter 2 (down -11.80%), the market to date had risen to 13.6%. Short term the market had recovered. However, there was still a worry that the economic recovery was faltering and fears of a double dip had increased.

Between 30 June 2010 and 15 September, the portfolio value had risen from £12,111,695 to £13,453,988. The portfolio showed a return of - 8.5%, slightly lower than the benchmark figure of -8.7%. Quarter 3 to 31st August showed that the portfolio figure was up 5.6% against a benchmark figure of 5.3%. For the last couple of months and the previous 3 months, the portfolio had been outperforming the benchmark as opposed to a period of under performing last year.

There had been problems on the UK equity side in that the market was led by the very poor quality companies in which HSBC did not tend to invest. The fund had been underweight in UK bonds and bonds for that period had performed better than equities.

Interest rates were extremely low and likely to stay so. Quantitative easing had halted but may be resumed. Consumer spending was subdued due to lack of confidence and high borrowing. Public

sector spending was under pressure and high unemployment was likely to continue. Sovereign debt risk increased in 2010, notably because of the Greek crisis. There was also currency volatility, good earning growth and equity valuations were attractive and relatively cheap. The historic 12 month dividend yield was just over 3% and was reasonably attractive.

Mr. Marcus Pakenham gave an insight to the Committee on the UK equity market and sector performance for quarter 2. The portfolio outperformed in Quarter 2 by about 1%. The top attribution during this time had been BP, Centrica, Petrofac and W.S.Atkins. The worst performers had been BskyB, Resolution, Premier Foods and Astra Zeneca. Experian and Arriva stocks had been sold and Barclays purchased since it was felt that the shareprices were below book value.

The Treasurer pointed out to the Committee that there had been concern back in June because the BP dividend had been cut, since it was a fairly substantial contributor to the Trust's income as a whole. The Treasurer stated that he had conferred with the Chair and the Fund Managers as to its possible effect upon the Fund's investment target. It was felt at the time that there was no need to curtail spending plans. Although there had been an unexpected loss of income it was looked upon as a blip and the Treasurer concluded that there was nothing immediate that the Committee was required to do.

The Fund Managers again noted that in general the portfolio was overweight in equities and underweight in bonds. However, at this stage equities remained more attractive than bonds.

Members questioned whether it was an opportune time for the Committee to review the benchmark figure set out in 2006. The Treasurer stated that the outcome of the review in 2006 had resulted in some fine tuning to the percentages in the benchmark and confirmation that the Fund would be managed for the time being by HSBC. He stated that it was general accepted practice not to review investment arrangements too often. It was a big exercise which necessitated the use of consultants.

Members considered that a report should be submitted by the Treasurer to this Committee in the New Year on the feasibility of reviewing the benchmark.

The Chair was of the opinion that the dividend being generated should be re-invested in the Fund.

Following a question and answer session it was **RESOLVED to accept the report.**

#### **4 4 RESPONSIBLE INVESTMENT.**

Reported by the Treasurer - That this Committee in February considered the issue of ethical or responsible investing and further documents were circulated to Trust members after that. The Committee in May resolved to give these matters further consideration.

Attached to this report was a document recently published by EIRIS (Ethical Investment Research Services) and CFDG (Charity Finance Directors' Group) which could be seen as a current guide to best practice. Also attached were documents from the Investment Managers, as previously circulated.

The current position of the Trust was that no specific policy had been adopted, but that it had approved the Investment Managers' practice of 'engagement' with companies. The document from HSBC AM was therefore relevant to describing current practice and to help answer the 'Questions to ask Fund Managers' in the former document. The Fund Managers' engagement activities were reported back to this Committee quarterly.

The Treasurer sought the Committee's views as to whether it was content with present arrangements or whether further steps were required. He drew attention to the recent disaster that had befallen B.P. in the Gulf of Mexico both from an environmental and employment aspect. Did the Committee wish to have an input into deciding how and where to invest the Trust's assets?

Members were generally of the opinion that there was no need at present to change current working practices and that the discretion should remain with the Fund Managers. Mention was made of the HSBC approach to sensible investment which continually monitored the environmental, social and corporate governance performance of companies in which it invested. Where engagement with company management had failed to bring about change or alleviate concerns, HSBC would consider using its voting rights to express its position, or reduce or divest its holding and communicate that to the company.

**RESOLVED that the Committee is mindful of the environmental and social aspects of its investments. The Committee is also aware that the Fund Managers are able to try and influence the proposed course of direction and that they should be encouraged to continue in that vein.**

The meeting concluded at 11.35am

**MR. J.V. OWEN  
CHAIRMAN**