REPORT TO THE INVESTMENT SUB-COMMITTEE – 21ST MAY 2020 **AGENDA ITEM 4**	
SUMMARY INVESTMENT AND BORROWING POSITION	
Report of:	Grant Miles – Interim Chief Finance Officer (Section 151) gmiles@tandridge.gov.uk Claire Hinds – Finance Specialist chinds@tandridge.gov.uk
Purpose of report:	To provide a summary of the Council's Investment and Borrowing position at 31st March 2020
Publication status:	Unrestricted
Recommendations:	That the Sub-Committee notes: A. the Council's investment and borrowing position at 31st March 2020 as set out on Appendix 'A' & 'B'; B. the individual factsheets for the long-term investments; and C. the current Statement of Investment Beliefs at Appendix D.
Appendices:	Appendix 'A' – Summary of Investments and Borrowing Appendix 'B' – Market Value of Long Term Investments Appendix 'C' – Funds latest Factsheets/Market reports Appendix 'D' – Statement of Investment Beliefs
Background papers defined by the Local Government (Access to Information) Act 1985	None

1. Background

1.1 The Treasury Management Strategy 2020/21 was reported to the Sub-Committee on 24th January 2020 and adopted by Council on 13th February 2020. This covered the borrowing & investment plans for the Council. As detailed in this Strategy, part of the treasury management function is to ensure that the cashflow is adequately planned and surpluses are invested while allowing for cash to be available when needed. Additionally, the treasury management function ensures that the Council can meet its capital spending plans. This requires the management of longer term cash which will involve the use of long or short- term loans, or cash flow surpluses.

2. Summary Investment and Borrowing Position

2.1 A summary of the Council's investment and borrowing at 31st March 2020 is set out in Appendix A. The summary position is:

- Total long term financial investments (over 12 months) amount to £12.884 million. This is within the Council's Treasury Management Strategy Statement proposed limit of £16 million.

- Short term investments (less than 12 months) amount to £14.940 million.

- The Council also has £21.990 million in non-financial investments which is made up of capital loans to specific service providers and limited companies.

- The total amount of Public Works Loan Board (PWLB) loans at 31st March 2020 is £104.6 million, This is made up of £43.4 million General Fund loans and £61.2 million Housing Revenue Account loans.

2.2 The reported return from Funding Circle for the first 6 months was 1.7%, which compares to a forecast return of 3.4% for this financial year. The return at 31st December (9 months) shows an increase to 2.9% which, if projected to the end of year, would indicate a potential return of 3.9%. The Council is currently waiting for an account breakdown for the period 1st April 2019 to 31st March 2020 from Funding Circle which would enable the final figure for the year to be determined.

3. Current recognised impact of Covid-19 on investments

3.1 Investment markets fell sharply in late February and early March reflecting a significant increase in concerns over the likely impact of Covid-19 (coronavirus) on the world economy. The impact of the Covid-19 outbreak has clearly had a detrimental impact on the Council's investment position. The full impact will be unknown until the outbreak is under control and rules on social distancing and the lockdown have been lifted. It is likely that there will be a bounce back in asset values to some extent, however the negative impact on the global economy is likely to be severe and long lasting.

3.2 Trading in the CCLA Property fund has currently been suspended. The pervasive effects of Covid-19 have resulted in a sharp fall in economic activity and in significant declines in the value of many assets. These changes will be reflected in property valuations, however, at present, the sheer pace of change in the investment environment and the relative infrequency of transactions in the sector means that it is not possible for valuers to be confident that their valuations truly reflect prevailing conditions. As asset managers, CCLA have a duty to ensure that all transactions in the property fund are conducted at prices which are accurate and fair to both holders and purchasers. In circumstances where that is not possible, and where there is therefore a material risk of disadvantage to either party, they are obliged to suspend transactions until the required level of certainty returns. The Council is therefore currently unable to sell its holdings but will continue to receive quarterly dividends. It is not currently known what effect the Covid-19 outbreak will have on the dividends paid although they are likely to be negatively affected.

4. Financial / risk implications

4.1 The outturn position for investment income shows an actual of £1.250 million against a budget of £0.976 million. This is mainly due to interest received from new loans to Gryllus.

4.2 With all high yielding investments there are increased risks. The Council manages these risks by continued diversification of its investments.

4.3 It should be noted that that there has been a general fall in the level of investments as a result of the current Covid emergency. The Council holds these high yielding investments for a long term return. It is anticipated that the value of these investments will recover in the longer term as Covid 19 eventually abates and the recessionary impact on the global economy passes. Potential losses would only crystallise if the Council were to sell the investments at the low point of the economic cycle. Losses will not impact on the Council's reserves as the Government has given special dispensation that fluctuations in the capital values of investments are not to be charged as capital profits and losses to the Council's General Fund.

5 Legal Implications

5.1 The Council has the legal power to invest money for the prudent management of its financial affairs under section 12 of the Local Government Act 2003. This does not place any restrictions on the types of investment that the Council is permitted to make. However, the Council is required by section 15 of the Act to have regard to guidance issued by the Secretary of State and by CIPFA when exercising its investment powers. Both sets of guidance recommend that the Council approves an investment strategy each year, in which the management of financial risks is given a higher priority than the pursuit of higher rates of return. At any point within the year, the Council may review its strategy. It is therefore open to the Council to review the appropriate balance between risk and return.

6. Equality impacts

6.1 Consideration of impacts under the Public Sector Equality Duty are as follows:

Questions	Answer	
Do the proposals within this report have the potential to disadvantage or discriminate against different groups on the community?	No	
What steps can be taken to mitigate any potential negative impact referred to above?	Not applicable	

7. Data Protection impacts

Following the completion of a Data Protection Impact Assessment, consideration of potential data protection implications arising from this report are as follows:

Questions	**Answer**
Do the proposals within this report have the potential to contravene the Council's Privacy Notice?	No
Is so, what steps will be taken to mitigate the risks referred to above?	Not applicable

8. Climate Change Implications

8.1 There are no direct implications arising from this report. Some of the investments held may have financial relationships with industries which have both a negative and positive impact on climate change.

---------- end of report ----------

Summary of Investments and Borrowing **Appendix A**

Investment	Investment Amount at 31/03/2020	Net Asset Value at 31/03/2020	Yield Rate Note 1	Actual Annual Return including accruals 2019/20 at 31/03/2020	2018/19 Actual
	£	£	%	£	£
Non - Specified (Financial Investments)- Long Term (over 12 mths)					
CCLA Property Fund	4,000,000	4,188,063	4.42	185,240	183,989
Schroders Bond Fund	3,000,000	2,539,938	4.90	124,418	120,508
UBS Multi Asset Fund	3,000,000	2,520,713	5.46	137,531	116,513
Funding Circle	2,000,000	1,831,069	3.90	78,011	98,171
CCLA Diversification Fund	2,000,000	1,804,193	3.67	66,284	67,030
Sub Total Non-specified (Financial Investments)	**14,000,000**	**12,883,976**		**591,485**	**586,211**
Non - Specified (Non-Financial Investments)- Long Term (over 12 mths)					
Gryllus Property Company Loan - Maidstone	2,394,000	2,394,000	5.81	139,023	139,023
Tandridge Leisure Ltd- Refurbishment Loan (TTLC)	0	0	3.75	1,520	1,222
Freedom Leisure- Loan (TLP)	1,017,000	1,017,000	5.50	63,926	74,580
Freedom Leisure- Loan (de Stafford)	652,750	652,750	7.58	54,484	65,870
Caterham Barracks Note 4	0	0	7.58	21,774	9,627
Gryllus Property Company Loan - 80-84 Station Rd East	945,000	945,000	5.81	53,924	0
Gryllus Property Company Loan - Castlefield	11,664,000	11,664,000	6.10	222,223	0
Gryllus Property Company Share Capital Note 3	5,317,500	5,317,500	-	-	0
Sub Total Non-specified (Non-Financial Investments)	**21,990,250**	**21,990,250**		**556,874**	**290,322**
Total Non-Specified Investments	**35,990,250**	**34,874,226**		**1,148,359**	**876,533**
Specified Investments-Short Term (less than 12 mths)					
Banks/Building Societies Deposits	0	-	1.03	6,381	19,779
Notice Accounts	4,000,000	4,033,963	0.84	20,919	19,895
Money Market Funds	4,520,000	10,906,490	0.69	75,255	44,483
Total Specified Investments	**8,520,000**	**14,940,453**		**102,555**	**84,157**
Total Non- Specified and Specified Investments	**44,510,250**	**49,814,679**		**1,250,914**	**960,690**
Total Investment Income Budget 2019/20				975,900	
Over/(under) budget				**275,014**	

Borrowing	Loan Amount	Estimated Average Borrowing	Interest	Actual Annual Cost including accruals 2019/20 at 31/03/2020
	£	£	%	£
General Fund Borrowing				
Gryllus Loan	3,420,000	3,420,000	2.46	84,132
Freedom Leisure Loan	2,225,000	2,225,000	2.45	54,662
Village Health Club	938,678	938,678	2.38	22,402
Linden House	4,175,000	4,175,000	2.69	112,308
Linden House	254,000	249,100	2.42	6,021
Quadrant House	15,340,000	15,340,000	2.41	369,694
Quadrant House	800,000	784,700	2.28	17,865
Gryllus - 80-84 Station Road	724,400	710,500	2.28	16,177
Gryllus - Castlefield	15,549,000	4,728,600	2.91	137,602
Sub Total General Fund Borrowing	**43,426,078**	**32,571,578**		**820,862**
Total GF PWLB Budget 2019/20				**755,100**
Over/(under) budget				**65,762**
HRA Borrowing				
Public Works Loan Board	61,189,000	61,189,000	2.76	1,688,757
Sub Total HRA Borrowing	**61,189,000**	**61,189,000**		**1,688,757**
Total HRA PWLB Budget 2019/20				**1,782,800**
Over/(under) budget				**(94,043)**
Total Borrowing	**104,615,078**	**93,760,578**		**2,509,619**
Total Budget 2019/20				**2,537,900**
Total Over/(under) budget				**(28,281)**

Notes

1. Yield Rate - actual annual return divided by net asset value. Note Funding Circle's net asset value has reduced due to principal repayment

2. Yield/expenditure to 31/03/20 includes actual interest received or paid and posted to the financial ledger at this date

3. Gryllus share capital comprises of equity shares arising from loans granted - no dividend will be paid in the current year

4. Caterham Barracks Community Trust repaid their loan 11th November 2019 - a early repayment charge of £9,545 is included in the yield figures. In addition Tandridge Leisure Ltd repaid the refurbishment loan in full (the loan officially ended on 30 April 2020)

Market Value of Long Term Investments at 31/12/2019

Appendix B

Carrying Value	Carrying Value 31.3.2017	Carrying Value 31.3.2018	Carrying Value 30.6.2018	Carrying Value 30.9.2018	Carrying Value 31.12.2018	Carrying Value 31.3.2019	Carrying Value 30.6.2019	Carrying Value 30.9.2019	Carrying Value 31.12.2019	Carrying Value 31.03.2020
	£	£	£	£	£	£	£	£	£	£
CCLA Property Fund	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Schroders Bond Fund	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
UBS Multi Asset Fund	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
CCLA Diversification Fund	n/a	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total	10,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000

Market Value	Market Value 31.3.2017	Market Value 31.3.2018	Market Value 30.6.2018	Market Value 30.9.2018	Market Value 31.12.2018	Market Value 31.3.2019	Market Value 30.6.2019	Market Value 30.9.2019	Market Value 31.12.2019	Market Value 31.03.2020
	£	£	£	£	£	£	£	£	£	£
CCLA Property Fund(mid-market value)	4,082,986	4,276,854	4,299,512	4,300,362	4,369,186	4,276,005	4,346,669	4,302,769	4,302,769	4,188,063
Schroders Bond Fund	2,963,563	2,912,837	2,908,609	2,891,399	2,825,575	2,865,130	2,910,421	2,873,584	2,934,878	2,539,938
UBS Multi Asset Fund	3,018,705	2,918,160	2,895,094	2,905,148	2,777,398	2,868,479	2,916,977	2,927,623	2,957,787	2,520,713
CCLA Diversification Fund(indicative market value)	n/a	1,921,257	1,972,126	1,990,756	1,913,197	1,982,167	2,032,111	2,049,420	2,074,392	1,804,193
Total	10,065,254	12,029,108	12,075,341	12,087,665	11,885,356	11,991,781	12,206,179	12,153,396	12,269,826	11,052,907

Surplus/(Deficit)	Surplus/ (Deficit) 31.3.2017	Surplus/ (Deficit) 31.3.2018	Surplus/ (Deficit) 30.6.2018	Surplus/ (Deficit) 30.9.2018	Surplus/ (Deficit) 31.12.2018	Surplus/ (Deficit) 31.3.2019	Surplus/ (Deficit) 30.6.2019	Surplus/ (Deficit) 30.9.2019	Surplus/ (Deficit) 31.12.2019	Surplus/ (Deficit) 31.03.2020
	£	£	£	£	£	£	£	£	£	£
CCLA Property Fund	82,986	276,854	299,512	300,362	369,186	276,005	346,669	302,769	302,769	188,063
Schroders Bond Fund	(36,437)	(87,163)	(91,391)	(108,601)	(174,425)	(134,870)	(89,579)	(126,416)	(65,122)	(460,062)
UBS Multi Asset Fund	18,705	(81,840)	(104,906)	(94,852)	(222,602)	(131,521)	(83,023)	(72,377)	(42,213)	(479,287)
CCLA Diversification Fund	n/a	(78,743)	(27,874)	(9,244)	(86,803)	(17,833)	32,111	49,420	74,392	(195,807)
Total	65,254	29,108	75,341	87,665	(114,644)	(8,219)	206,179	153,396	269,826	(947,093)

Appendix B

Gross Revenue Yield	Yield 2016/17	Yield 2016/17	Yield 2017/18	Yield 2017/18	Yield 2018/19	Yield 2018/19	31-Dec-2019 Yield 19-20 31.12.2019	31-Dec-2019 Yield 19-20 31.12.2019	31-Mar-2020 Yield 19-20 31.03.2019	31-Mar-2020 Yield 19-20 31.03.2019
	£	%	£	%	£	%	£	%	£	%
CCLA Property Fund	164,434	4.03%	193,758	4.53%	183,989	4.30%	186,700	4.34%	185,240	4.42%
Schroders Bond Fund	127,340	4.30%	105,413	3.62%	120,508	4.21%	132,200	4.50%	124,418	4.90%
UBS Multi Asset Fund	100,600	3.33%	146,788	5.03%	116,513	4.06%	116,200	3.93%	137,531	5.46%
CCLA Diversification Fund	n/a	n/a	62,732	3.27%	67,030	3.38%	67,800	3.27%	66,284	3.67%
Total	392,375		508,691		488,040		502,900		513,473	

Surplus/(Deficit)- Capital Value	Surplus/ (Deficit) 2016/17	Surplus/ (Deficit) 2016/17	Surplus/ (Deficit) 2017/18	Surplus/ (Deficit) 2017/18	Surplus/ (Deficit) 2018/19	Surplus/ (Deficit) 2018/19	31-Dec-2019 Surplus/ (Deficit) 2019/20	31-Dec-2019 Surplus/ (Deficit) 2019/20	31-Mar-2020 Yield 19-20 31.03.2019	31-Mar-2020 Yield 19-20 31.03.2019
	£	%	£	%	£	%	£	%	£	%
CCLA Property Fund	(92,996)	-2.28%	193,868	4.53%	(849)	-0.02%	(66,417)	-1.54%	(87,942)	-2.10%
Schroders Bond Fund	16,634	0.56%	(50,726)	-1.74%	(47,707)	-1.67%	109,303	3.72%	(325,192)	-12.80%
UBS Multi Asset Fund	36,559	1.21%	(100,545)	-3.45%	(49,681)	-1.73%	180,389	6.10%	(347,766)	-13.80%
CCLA Diversification Fund	n/a	n/a	(78,743)	-4.10%	60,910	3.07%	161,195	7.77%	(177,974)	-9.86%
Total	(39,803)		(36,146)		(37,327)		384,470		-938,874	

Net Yield	Net Yield 2016/17	Net Yield 2016/17	Net Yield 2017/18	Net Yield 2017/18	Net Yield 2018/19	Net Yield 2018/19	31-Dec-2019 Net Yield 2019/20	31-Dec-2019 Net Yield 2019/20	31-Mar-2020 Yield 19-20 31.03.2019	31-Mar-2020 Yield 19-20 31.03.2019
	£	%	£	%	£	%	£	%	£	%
CCLA Property Fund	71,438	1.75%	387,626	9.06%	183,140	4.28%	120,283	2.80%	97,298	2.32%
Schroders Bond Fund	143,974	4.86%	54,687	1.88%	72,801	2.54%	241,503	8.23%	(200,774)	-7.90%
UBS Multi Asset Fund	137,159	4.54%	46,243	1.58%	66,832	2.33%	296,589	10.03%	(210,235)	-8.34%
CCLA Diversification Fund	n/a	n/a	(16,011)	-0.83%	127,940	6.45%	228,995	11.04%	(111,690)	-6.19%
Total	352,572		472,545		450,713		887,370		-425,401	

Peer to Peer Investment

	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	31-Dec-2019 2019/20	31-Dec-2019 2019/20	31-Mar-2020 2019/20	31-Mar-2020 2019/20
Funding Circle*	£	%	£	%	£	%	£	%	£	%
Carrying Value	**2,003,355**		**2,075,341**		**2,056,664**		**2,020,435**		**1,831,069**	
Interest Paid by Borrowers	181,892		181,014		184,654		144,565			
Less FC Service fee	(19,121)		(19,668)		(19,729)		(14,763)			
Promotions/Transfer payment							363			
Bad Debts	(58,163)		(61,288)		(111,152)		(94,893)			
Recoveries	8,219		14,780		27,428		24,130			
Amounts Recovered on principal in prior years (prior to 06.04.15)	0		0							
Net Yield	**112,827**	**5.63%**	**114,838**	**5.53%**	**81,201**	**3.95%**	**59,402**	**2.94%**	**0**	**0.00%**
Provisions for future losses	**0**		**0**		**(10,000)**					

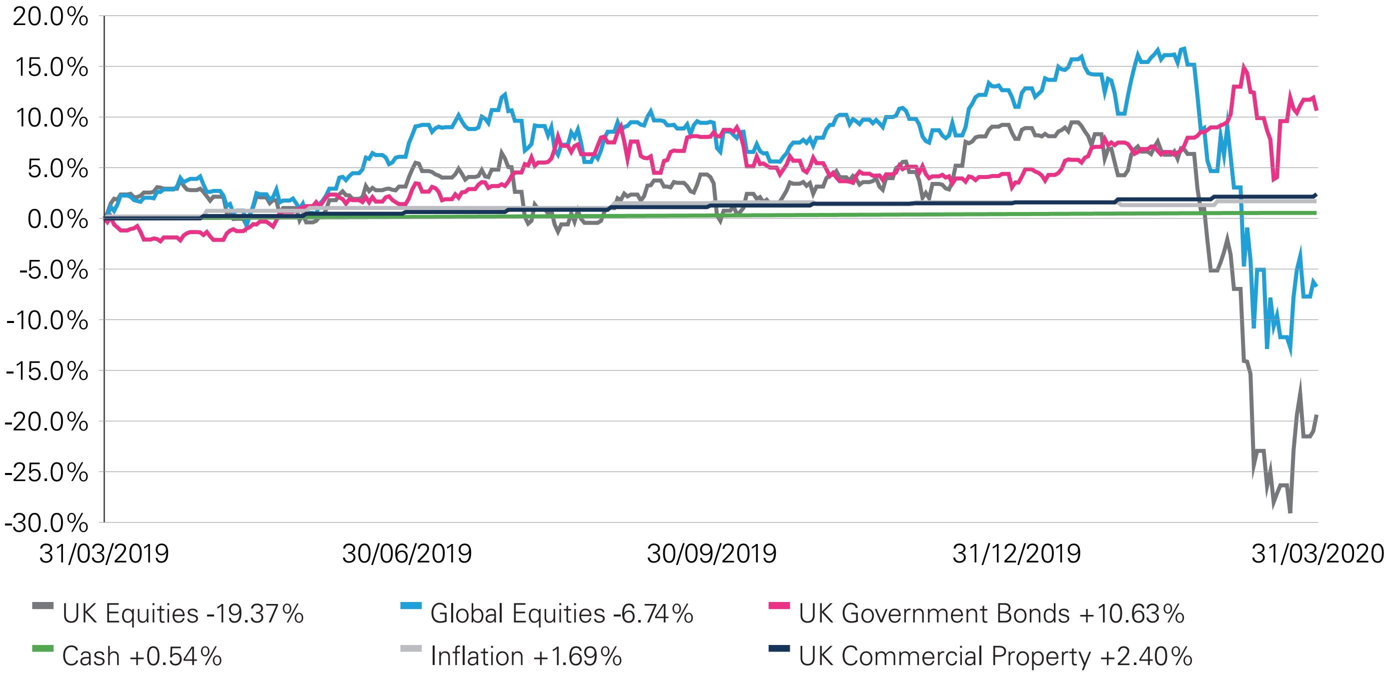
* Waiting for account breakdown from Funding Circle for the perio 1st April 2019 to 31st March 2020

CCLA INVESTMENT MANAGEMENT LTD
MARKET REPORT MARCH 2020

Headlines

- Global equities fell sharply over the month, a late rally at the end of the period moved them above the lows.
- Domestic fixed income markets were mixed. Government bonds were well supported but corporate issues fell on credit concerns.
- Property prices fell, there was particular weakness in the retail sector
- Sterling fell broadly, losing ground against Dollar, Euro and Yen

Investment market returns over the past year



Source: Bloomberg as at 31 March 2020

Market Review

Global equities fell sharply over the month. Investor sentiment was depressed by uncertainty and fears of recession and, in an environment where buyers were substantially absent, aggressive selling pushed prices lower. The global index fell by -10.85% in sterling terms. It is down by -15.95% over the quarter and -6.74% over the past 12 months. Of the major indices Asia was the weakest, down by -11.82%. Europe was close behind at -11.29% closely, followed by the US, -10.05%, and Japan, which was -3.74% lower. In Europe, Denmark and Switzerland proved to be resilient, declining by just -1.07% and -1.36% respectively. In contrast, Greece, -22.77% and Austria, -28.28%, fell sharply. In Asia, China was again the best performer, although down by -3.69%. Others fell more sharply, with Indonesia, Australia and India all down by over 20% and Pakistan -31.73% lower. The UK was a relatively poor performer, down by -15.07% on the month. The return over the past year is -19.37%.

The domestic fixed interest market saw very different performances by government bonds and the corporate alternatives. Government bonds were supported by safe-haven buying and the announcement of a fresh quantitative easing programme, one potentially three times larger than that deployed in the recession a decade ago. In contrast, corporate bonds weakened on credit fears which triggered sharply increased spreads.

Property values fell with retail assets under most pressure. The problems of ensuring that valuations were accurate and so fair to buyers and sellers became sufficiently pronounced that valuers qualified valuations and as a result some property funds suspended dealing until pricing confidence returned.

Economic Developments

The scale of the downturn in activity and the speed with which it developed meant that both investors and governments have only been able to respond to events rather than direct them. What began a month or so ago as a series of adjustments to economic growth forecasts ended with a realisation that the world economy will fall into recession in 2020. The pandemic has had a broad impact, hitting both supply and demand, manufacturing and the service sectors. Central banks, remembering the ultimate of cost of delay and of acting with insufficient conviction in the recession a decade ago, have cut borrowing costs and introduced a raft of measures to support activity and ensure access to liquidity across the economy. Rate cuts though are more symbolic than of practical benefit. They take time to have an impact – several months – and are unlikely to change behaviours now given that they are so low and have been low for an extended period of time. Gradually monetary policies have been supported by fiscal initiatives, some on a grand scale. These will bolster activity. Unfortunately, just as investment markets were beginning to look through the crisis, so sentiment was shaken again by the collapse of the oil price. Longer term, lower oil prices should support growth by transferring wealth to the consumer nations but the near term effects are less helpful, with a swift and substantial hit to producer nation revenues including the US.

The current expectation is that activity in China should begin to normalise in the second quarter with Europe ahead of the US, and both improving in the second half. This will stabilise activity in the final months of the year but not stave off recession. 2020 will see only the second decline in global output since the Second World War.

In the **UK**, the Bank of England enacted two emergency interest rate cuts and reintroduced quantitative easing on a substantial scale, reflecting a need for conspicuous action to support UK assets, given the country's substantial dependence on overseas capital inflows. Monetary easing was supported by a fiscal package with a potential value of over £300bn, although how much is actually spent will depend on demand for the various programmes on offer. Recognising the importance of the consumer, the government has made available income support, helpful to those off work through illness as statutory sickness pay is just 17% of mean incomes, and to the self-employed, who account for some 15% of the total workforce. Taken all together the rise in spending could increase the government deficit back up to 10%, the level reached at the end of the financial crisis.

On more day to day issues, employment rose again in February, by 2.3%. A sharp rise in the work force however meant that despite the growth of those in jobs, the unemployment rate rose too, up to 3.9%. Wage growth remained solid, a little above 3%. Inflation dipped slightly, to 1.7% (RPI 2.5%). The trend in price increases over the next month or so is uncertain, partly because of Sterling's volatility and partly because historically about 50% of the data has been gathered from shop visits, clearly not possible now. Beyond that however the rate will fall, under the influence of tumbling oil prices. A decline to about 1% seems likely, a level which could hold for the balance of the year and possibly beyond.

At the start of the year, the consensus expectation was that the UK economy might grow by 1% or maybe a little more in 2020. Clearly things have changed, and the expectation now is for a significant contraction, of about 5.7% and possibly more. The pattern is projected to be 'U' shaped with a low point late in the second quarter and a slow and gradual build to recovery in the final half of the year.

In **Europe**, the European Central Bank's initial response to the crisis failed to impress. Interest rates were left unchanged and there was only a modest increase in the quantitative easing programme, another reflection of the policy divisions which make achieving a consensus so difficult. Fiscal initiatives have been left to the individual governments, with little or no coordination of activity. The most substantial programme has come from Germany, with a potential spend of €120bn, easily affordable for a country where debt is equivalent to just 60% of GDP. In contrast, Italy has announced a more modest programme of measures, despite the economy being harder hit by the virus. The debt to GDP ratio in Italy is already over 130% and is likely to increase further in the year ahead.

In contrast to the patchy response in Europe, the **US** has enacted broad measures to support growth and ensure continued access to liquidity, in the home market and internationally. Interest rates have been reduced, effectively to nil and, at the end of the month, a support package of up to $2trn agreed. This includes proposals for direct cash grants to middle and lower income households. The overall programme is equivalent to about 3% of GDP.

In **China**, in contrast to activity elsewhere, the trend is for a gradual return to normality. Although restrictions on international travel remain. 20 of the 31 provinces have eased their restrictions, with Hubei, where it all began, scheduled to follow suit on 8 April. About 80% of migrant workers have returned to their workplaces and some 90% of factories are producing again. Frustratingly for the Chinese, their pace of recovery will be held back by the falls in activity elsewhere. In **Japan**, with the Bank of Japan already employing negative interest rates and a substantial quantitative easing programme, expectations have grown that the government will announce another supplementary spending programme, just two months after the first. Elsewhere, **South Africa** has fallen into recession, an event likely to lead to a downgrading of credit rating and so a loss of investment grade status. **Argentina** too is in difficulty, with inflation at 50% and economic activity in the third year of decline, before any impact from Corvid -19. It is likely that the country will default on coming bond repayments, less than two years after the most recent IMF bail-out.

Summary

The current uncertainty for investors is the timing and extent of recovery. 2020 will be a year of recession, how much of the lost activity can be recovered in 2021? Clearly much is deeply uncertain still but our current view is that conditions will increasingly normalise in the second half of the year to allow growth to resume in the new year and for markets to start to recover lost ground. At the moment, we remain focused on good quality assets supported by strong cash flows and with growth prospects resilient to changes in overall economic activity levels. At the lower levels we are actively looking for opportunities to invest in excellent companies at prices which we believe will prove to be great value over the long term.

CCLA INVESTMENT MANAGEMENT LTD

Senator House, 85 Queen Victoria Street, London EC4V 4ET
Client Service T: 0800 022 3505
www.ccla.co.uk

Mansfield Traquair Centre, 15 Mansfield Place, Edinburgh EH3 6BB

CCLA

The Local Authorities’ Property Fund
Fund Fact Sheet – 31 March 2020

Investment objective
The Fund aims to provide investors with a high level of income and long-term capital appreciation.

Investment policy
The Fund is an actively managed, diversified portfolio of UK commercial property. It will principally invest in UK commercial properties, but may invest in other assets.

Target investors
The Fund is aimed at local authorities seeking exposure to UK commercial property for their long-term investments.

Independent Governance
The trustee is the Local Authorities' Mutual Investment Trust (LAMIT) a body controlled by members and officers appointed by the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and investors in the Fund.

Who can invest?
Any local authority in England, Wales, Scotland and Northern Ireland.

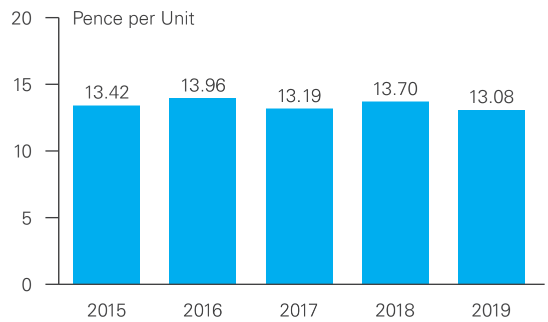
Income

Gross dividend yield	4.41%*
MSCI/AREF UK Other Balanced Quarterly Property Fund Index yield	3.69%**
Official Bank Rate	0.10%

* Based upon the net asset value and historic gross annual dividend of 13.0515p.

** As at 31 March 2020

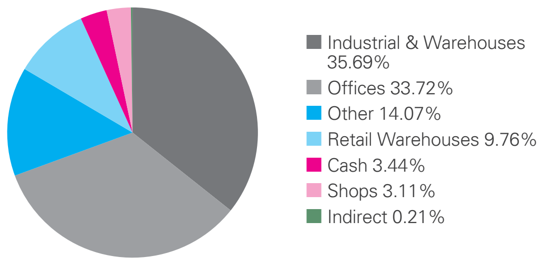
Rolling 12 month distributions to 31st March:



Fund update
Expectations at the start of the year were for a broadly supportive economic environment with growth, although still modest, supported by reduced uncertainty post the general election and increased levels of public spending. Within the sector there continued to be sharply divergent trends at the sub-sector level. Industrial assets remained well supported, aided by a lack of supply and steady increases in demand for distribution capacity to support changing shopping patterns. Parts of the office sector were also strong and there was a steady demand for assets able to offer the income visibility that long leases provide, examples here include hotels and leisure centres. Against this all the retail areas remained weak, sufficiently so to pull the overall level of sector capital values down, albeit slightly.

The outbreak of the Corvid-19 pandemic had an immediate impact on the industry. Transaction volumes, already depressed, fell again, making it increasingly difficult for valuers to keep in touch with market trends. Despite the reduced pricing visibility however it was clear that the outbreak of the virus had had been felt most strongly in the retail areas as investors became concerned over the security of rental income and the ability of some assets and locations to bounce back when recovery comes. The portfolio continues to have a bias towards industrial and office assets and away from retail; conventional stores provide less than 4% of total rental income. At the asset level there is a preference for good quality properties which have the potential, through active management, to make a positive contribution over time to both capital returns and income growth. To allow these opportunities to have an impact on performance in a reasonable timeframe, about half the leases currently in place have five years or less to run. Environmental issues are a key part of the fund management approach, we work with occupiers to improve resource efficiency.

Asset allocation at 31 March 20



The Fund has credit facilities which, at quarter end, were not utilised.

Discrete year total return performance

12 months to 31 March	2020	2019	2018	2017	2016
The Local Authorities' Property Fund	+0.66%	+5.99%	+9.72%	+3.07%	+11.26%
Benchmark*	+0.03%	+5.69%	+10.46%	+4.58%	+10.98%

Annualised total return performance

Performance to 31 March 2020	1 year	3 years	5 years
The Local Authorities' Property Fund	+0.66%	+5.39%	+6.07%
Benchmark	+0.03%	+5.31%	+6.27%

Net performance shown after management fees and other expenses. Benchmark – MSCI/AREF UK Other Balanced Quarterly Property Fund Index * (estimated for the last quarter). Past performance is not a reliable indicator of future results. Source: CCLA

Top 10 property holdings at 31 March 20 – Total 35.07%

London, Beckton Retail Park	Elstree, Centennial Park
London, Palace House	Bristol, Kings Orchard
London, Imperial House	Leeds, Park Row
London, Goodman's Yard	Bracknell, Arlington Square West
Uxbridge, Stockley Park	Coventry, Torrington Avenue

Key facts

Total fund size	£1,206m
Current borrowing	£0m
Number of holdings	77
	Income units
Offer (buying) price	315.70p (xd)
Net asset value	295.74p (xd)
Bid (selling) price	291.15p (xd)
Launch date	18 April 1972
Unit types	Income
Minimum initial investment	£25,000
Minimum subsequent investment	£10,000
Dealing day	Month end valuation day*
Sedol & ISIN numbers	0521664, GB0005216642
Dividend payment dates	End January, April, July & October
Annual management charge (taken 100% from income)	0.65%
Ongoing charges figure (OCF)	0.72%**

* Instructions for the issue or redemption of units must be received by CCLA no later than 5pm on the business day prior to the Valuation Date. If the valuation day is a bank holiday, the dealing day will be the previous working day. Units are only realisable on each monthly dealing date and redemptions may not be readily realisable; a period of notice not exceeding six months may be imposed for the redemption of units.
** The OCF is inclusive of the annual management charge.

Risk warning and disclosures

This document is a financial promotion and is issued for information purposes only. It does not constitute the provision of financial, investment or other professional advice. To ensure you understand whether our product is suitable, please read the Scheme Particulars and the risk factors identified therein. We strongly recommend you seek independent professional advice prior to investing. Past performance is not a reliable indicator of future results. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. Any forward looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated. Investment in the Fund is for Eligible Local Authorities only. Holders of the Fund are not covered by the Financial Services Compensation Scheme (FSCS). The Fund is an unauthorised Alternative Investment Fund and an Unregulated Collective Investment Scheme established under a Scheme approved by H M Treasury under Section 11 of the Trustee Investments Act 1961 and is subject to provisions of a Trust Deed dated 6 April 1972 and a supplemental Trust Deed dated 13 September 1978. The Fund operates as an open-ended Fund under Part IV of the schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001. The company CCLA Fund Managers Limited (registered in England & Wales No. 8735639 at Senator House, 85 Queen Victoria Street, London, EC4V 4ET) is authorised and regulated by the Financial Conduct Authority and is the manager of the Local Authorities Property Fund. For information about how we obtain and use your personal data please see our Privacy Notice at https://www.ccla.co.uk/our-policies/data-protection-privacy-notice.

Schroders
Schroder Strategic Credit Fund

Marketing material

Fund objectives and investment policy

The fund aims to provide income and capital growth in excess of 3 Month GBP LIBOR (or an equivalent reference rate) (after fees have been deducted) over a 3 to 5 year period by investing in bonds of UK and European companies but this cannot be guaranteed and your capital is at risk.

The fund is actively managed and invests at least 80% of its assets in bonds denominated in sterling (or in other currencies and hedged back into sterling) issued by companies in the UK and Europe. The fund may also invest in bonds issued by companies worldwide and by governments, government agencies and supra-nationals. The fund may invest more than 50% of its assets in below investment grade bonds (as measured by Standard & Poor's or any other equivalent credit rating agencies) or in unrated bonds. The fund may also invest directly or indirectly in other securities (including in other asset classes), countries, regions, industries or currencies, collective investment schemes (including Schroder funds), warrants and money market instruments, and hold cash. The fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the fund more efficiently. The Fund may use leverage and take short positions.

Relevant risk as associated with this Fund are shown overleaf and should be carefully considered before making any investment.

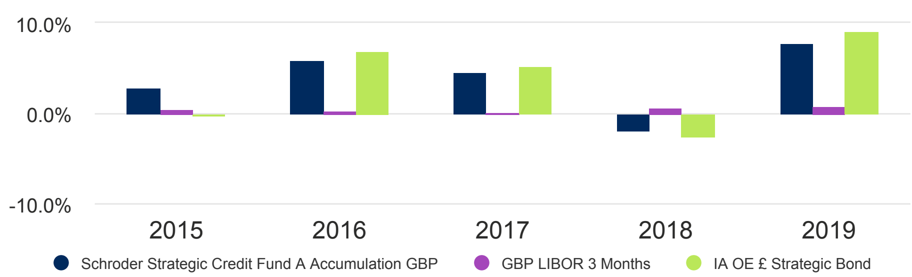
Share class performance

Cumulative performance	1 month	3 months	YTD	1 year	3 years	5 years	10 years
Share class (Net)	-11.4	-11.7	-11.7	-8.0	-4.1	2.4	22.7
Target	0.0	0.2	0.2	0.8	1.8	2.6	4.9
Comparator	-8.1	-7.1	-7.1	-2.1	2.1	8.3	46.7

Discrete yearly performance	Mar 15 - Mar 16	Mar 16 - Mar 17	Mar 17 - Mar 18	Mar 18 - Mar 19	Mar 19 - Mar 20
Share class (Net)	1.0	5.7	2.0	2.2	-8.0
Target	0.5	0.3	0.3	0.8	0.8
Comparator	-1.4	7.5	2.2	2.1	-2.1

Calendar year performance	2015	2016	2017	2018	2019
Share class (Net)	2.9	6.0	4.6	-1.9	7.9
Target	0.5	0.4	0.2	0.6	0.8
Comparator	-0.3	7.0	5.2	-2.5	9.2

Performance over 5 years (%)



Past Performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall.
Source: Morningstar, bid to bid, net income reinvested, net of fees.
Benchmarks: The fund's performance should be assessed against its target benchmark of 3 month GBP LIBOR (or an equivalent reference rate) and compared against the Investment Association Strategic Bond sector average return.
Please see the Benchmark section under Important information for more details. On 24.03.2014, the fund, previously named Cazenove Strategic Bond Fund, changed its name to Schroder Strategic Credit Fund.

Fund facts

Fund manager	Peter Harvey
Managed fund since	04.04.2006
Fund management company	Schroder Unit Trusts Limited
Domicile	United Kingdom
Fund launch date	04.04.2006
Share class launch date	04.04.2006
Fund base currency	GBP
Share class currency	GBP
Fund size (Million)	GBP 908.79
Number of holdings	332
Target	GBP LIBOR 3 Months
Comparator	IA OE £ Strategic Bond
Unit NAV	GBP 1.5140
Dealing frequency	Daily
Distribution frequency	Semi-Annually

Fees & expenses

Ongoing charge	1.17%
Redemption fee	0.00%

Purchase details

Minimum initial subscription	GBP 1,000

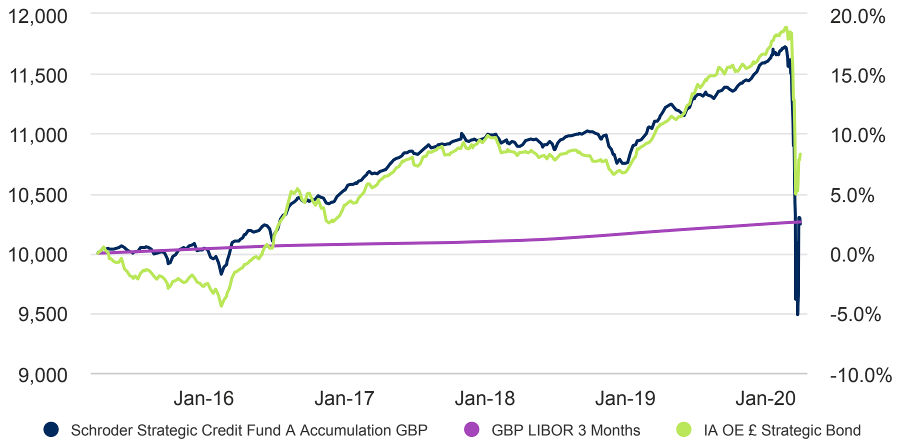
Codes

ISIN	GB00B11DNZ00
Bloomberg	CAZSTBA LN
SEDOL	B11DNZ0

Schroders
Schroder Strategic Credit Fund

Marketing material

5 year return of GBP 10,000



Past Performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall.
The chart is for illustrative purposes only and does not reflect an actual return on any investment.
Returns are calculated bid to bid (which means performance does not include the effect of any initial charges), net income reinvested, net of fees.

Ratings and accreditation

* **
***

Please refer to the Important information section for the disclosure. The above are external ratings and the internal ESG accreditation.

Synthetic risk & reward indicator (SRRI)

LOWER RISK Potentially lower reward — **HIGHER RISK** Potentially higher reward

1 2 **3** 4 5 6 7

The risk category was calculated using historical performance data and may not be a reliable indicator of the fund's future risk profile. The fund's risk category is not guaranteed to remain fixed and may change over time. A fund in the lowest category does not mean a risk-free investment. The fund is in this category because it can take higher risks in search of higher rewards and its price may rise and fall accordingly.

Risk statistics & financial ratios

	Fund	Target
Annual volatility (%) (3y)	7.1	0.1
Effective duration (years)	2.6	-
Current yield (%)	4.8	-
Yield to maturity	7.6	-

Source: Morningstar. The above ratios are based on bid to bid price based performance data. Target refers to the Benchmark listed in the Fund facts section and described under the Share class performance section on page 1. Please note this is an accumulation share class and as such the investor will not receive an income distribution. Any income will be reinvested into the fund.

Risk considerations

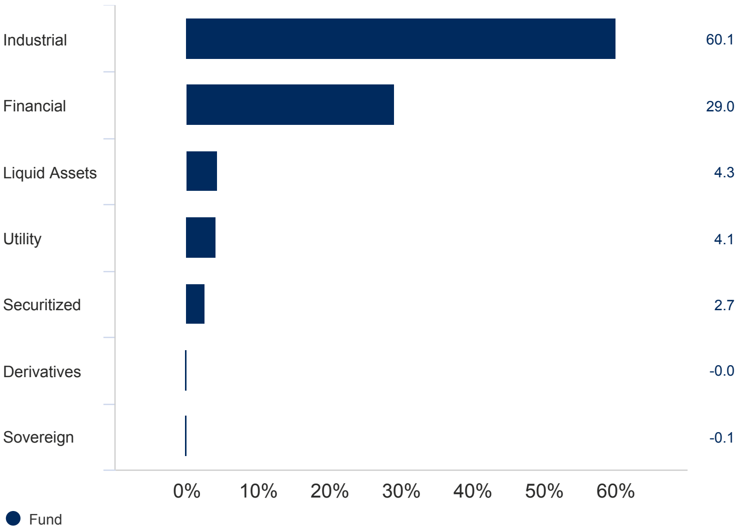
ABS and MBS risk: Mortgage or asset-backed securities may not receive in full the amounts owed to them by underlying borrowers.
Capital risk / negative yields: When interest rates are very low or negative, the fund's yield may be zero or negative, and you may not get back all of your investment.
Counterparty risk: The counterparty to a derivative or other contractual agreement or synthetic financial product could become unable to honour its commitments to the fund, potentially creating a partial or total loss for the fund.
Counterparty risk / money market & deposit: A failure of a deposit institution or an issuer of a money market instrument could create losses.
Credit risk: A decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless.
Currency risk: The fund can be exposed to different currencies. Changes in foreign exchange rates could create losses.
Derivatives risk: A derivative may not perform as expected, and may create losses greater than the cost of the derivative.
High yield bond risk: High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk.
Interest rate risk: A rise in interest rates generally causes bond prices to fall.
Leverage risk: The fund uses derivatives for leverage, which makes it more sensitive to certain market or interest rate movements and may cause above-average volatility and risk of loss.
Liquidity risk: In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares.
Operational risk: Failures at service providers could lead to disruptions of fund operations or losses.
Capital erosion: As a result of fees being charged to capital, the distributable income of the fund may be higher, but there is the potential that performance or capital value may be eroded.
Counterparty risk: The fund may have contractual agreements with counterparties. If a counterparty is unable to fulfil their obligations, the sum that they owe to the fund may be lost in part or in whole.
Performance risk: Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.
IBOR: The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the fund.

Schroders
Schroder Strategic Credit Fund

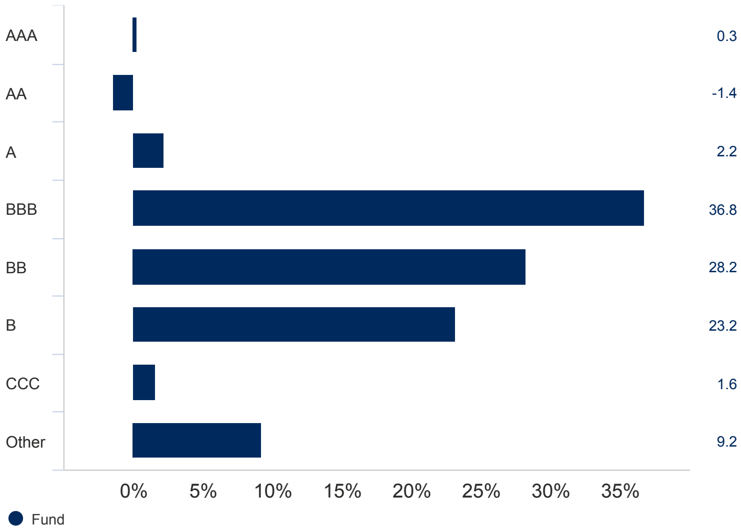
Marketing material

Asset allocation

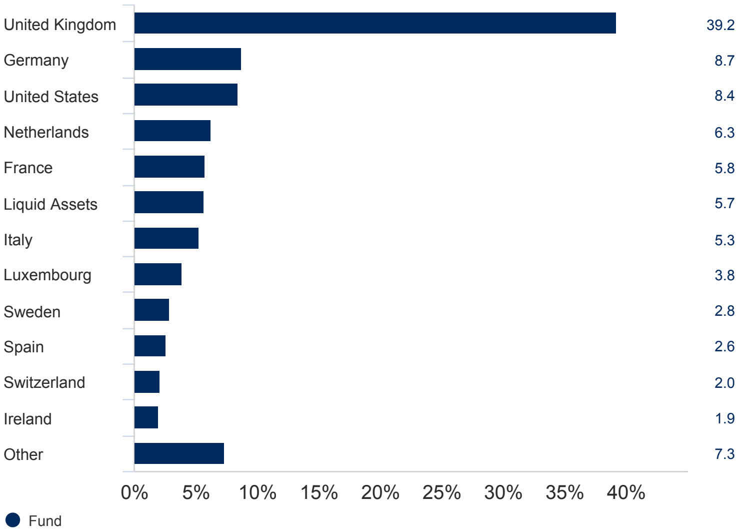
Sector (%)



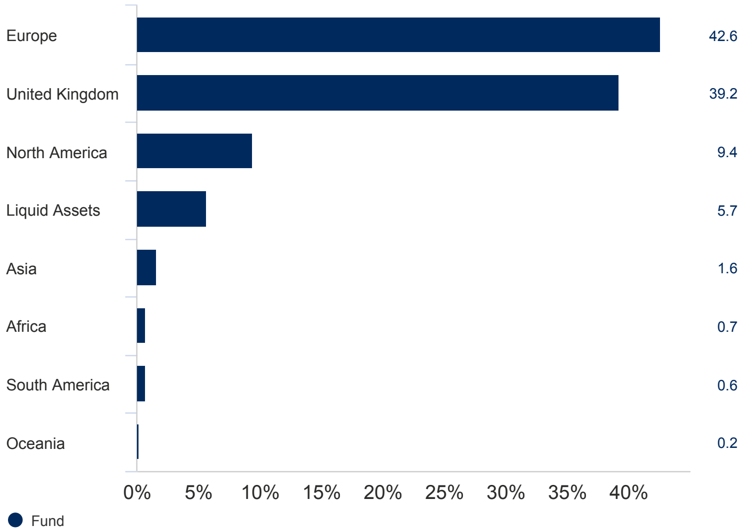
Credit quality (%)



Geographical Breakdown (%)



Region (%)



Top 10 holdings (%)

	Holding name	%
1	NUMERICABLE-SFR SA 7.3750 01/05/2026 144A	1.7
2	J SAINSBURY PLC 6.5000 PERP REGS	1.6
3	KONINKLIJKE KPN NV 7.0000 28/03/2073 - 144A	1.5
4	MERLIN ENTERTAINMENTS PL 5.7500 15/06/2026 144A	1.3
5	VIRGIN MEDIA RECEIVABLE 5.5000 15/09/2024 REGS	1.3
6	Nidda Healthcare Holding GmbH 3.500000 30/Sep/2024 3.5000 30/09/2024 SERIES REGS	1.3
7	QUILTER PLC 4.4780 28/02/2028 REGS	1.3
8	PINEWOOD FINANCE COMPANY LIMITED 3.2500 30/09/2025 SERIES REGS	1.2
9	AVIVA PLC 6.6250 03/06/2041 REGS	1.2
10	RL FINANCE BONDS 6.1250 30/11/2043 REGS	1.1

Target refers to the Benchmark listed in the Fund facts section and described under the Share class performance section on page 1. Source: Schroders. Top holdings and asset allocation are at fund level.

Schroders
Schroder Strategic Credit Fund

Marketing material

A Accumulation GBP | Data as at 31.03.2020

Share class available

	A Accumulation GBP	A Income GBP
Distribution frequency	Semi-Annually	Semi-Annually
ISIN	GB00B11DNZ00	GB00B11DNY92
Bloomberg	CAZSTBA LN	CAZSTBI LN
SEDOL	B11DNZ0	B11DNY9

Contact information

Schroder Unit Trusts Limited
1 London Wall Place
London
United Kingdom
EC2Y 5AU
Tel: 0207 658 1000
Fax: 0207 658 3827

For your security, communications may be taped or monitored.

Important information

A Key Investor Information Document and Supplementary Information Document are available. These can be requested via our website at www.schroders.co.uk or call one of our Investor Services Team on 0800 718 777 for a printed version. For investors' security, telephone calls to Schroder Unit Trusts Limited may be recorded. Nothing in this factsheet should be construed as advice and is therefore not a recommendation to buy or sell units. The data contained in this document has been sourced by Schroders and should be independently verified before further publication or use. Issued by Schroder Unit Trusts Limited, 1 London Wall Place, London EC2Y 5AU. Registered No.4191730 England. Authorised and regulated by the Financial Conduct Authority. Schroders has expressed its own views and these may change. Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at www.schroders.com/en/privacy-policy or on request should you not have access to this webpage. **Past Performance is not a guide to future performance and may not be repeated.**
The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall. Third party data is owned or licensed by the data provider and may not be reproduced or extracted and used for any other purpose without the data provider's consent. Third party data is provided without any warranties of any kind. The data provider and issuer of the document shall have no liability in connection with the third party data. The Prospectus and/or www.schroders.com contains additional disclaimers which apply to the third party data.

Benchmarks: The target benchmark has been selected because the target return of the fund is to deliver or exceed the return of that benchmark as stated in the investment objective.The comparator benchmark has been selected because the investment manager and the manager believes that the benchmark is a suitable comparison for performance purposes given the fund’s investment objective and policy.

[*] Morningstar Rating: © Morningstar 2020. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

[**] Citywire Ratings are sourced from Citywire.

[***] **Sustainability Accreditation**
Our Schroders Sustainability Accreditation aims to help investors distinguish how we consider Environmental, Social and Governance (“ESG”) factors across our products.
This fund has been awarded an Integrated accreditation. ESG factors are embedded into the investment process and can be clearly evidenced. There is a strong commitment to stewardship and company engagement.

Multi Asset Income Fund

Fund objective

The Fund aims to achieve an income return of 3% per annum above 1 month GBP Libor in any 12 month period.

Performance

UBS Multi Asset Income Fund performance

	Fund Performance %
3 months	-13.9
6 months	-11.9
1 year	-8.7
3 years	-5.6
5 years	-4.2

Source: Lipper. Data as at 31 March 2020. For periods up to and including 31 January 2017, performance is based on NAV prices with income reinvested net of basic rate tax. For periods after this date, performance figures represent income reinvested gross of basic rate tax. For details on Fund charges, please refer to the panel on the right. Performance figures represent the C Acc share class.

Percentage growth (%)

	Q1 2019 Q1 2020	Q1 2018 Q1 2019	Q1 2017 Q1 2018	Q1 2016 Q1 2017	Q1 2015 Q1 2016
UBS Multi Asset Income Fund	-8.7	3.0	0.4	6.8	-4.4

Source: Lipper. Figures are shown to the most recent calendar quarter end 31 March 2020. Performance figures are represented by the C share class for full discrete annual periods. As mentioned above, the gross share class is reflected from 1 February 2017 onwards. Therefore, for full discrete annual periods from Q1 2016, the figures shown represent simulated performance as they are a combination of the net and gross share classes.

Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up and are not guaranteed. Investors may not get back the amount originally invested. Changes in rates of exchange may cause the value of this investment to fluctuate.

Investment details

Fund charges 'C' shares
Initial charge: 0.0%
Ongoing charges: 0.81%
Dealing closing time: 12 noon

The fund charges relate to OEIC and ISA investments.

Institutional share classes are available, please contact us for further information.

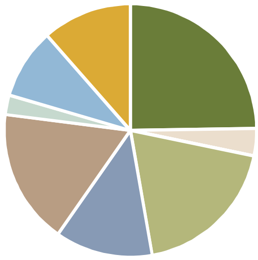
Minimum investment
£1000 when purchased through specific platforms. Please contact us for further information

ISA
Yes, up to the current limit for this tax year. Unlimited ISA Transfer

Important information
In order to trade in derivative instruments we enter into agreements with various counterparties. Whilst we assess the credit worthiness of each counterparty we enter into an agreement with, the Fund is at risk if that counterparty does not fulfil its obligations under the agreement. As the annual management fee of the Fund is charged to capital, the potential capital growth of the Fund will be reduced.

This document is a marketing communication. Any market or investment views expressed are not intended to be investment research. The document has not been prepared in line with the Financial Conduct Authority requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The information contained in this document should not be considered a recommendation to purchase or sell any particular security and the opinions expressed are those of UBS Asset Management and are subject to change without notice.

Current allocations



Equities	24.8%
Index-linked Bonds	3.5%
Nominal Bonds	0.0%
Investment Grade Bonds	19.0%
High Yield Bonds	12.5%
Emerging Market Debt	17.3%
Real Estate	2.5%
Alternatives	9.0%
Cash	11.5%

Source: UBS Asset Management. Note: Data reflects allocations within the Fund as at 31 March 2020. Please note that figures are rounded to 1 decimal place and therefore may not total 100%.

Important information

Bonds carry varying levels of underlying risk, including default risk, dependent upon their type. These range from gilts, which carry limited levels, to speculative/non-investment grade corporate bonds that carry higher levels of risk but with the potential for greater capital growth.

The Fund has the ability to invest over 35% of its value in public securities issued/guaranteed by, or on behalf of, the UK Government (which include the Scottish Administration, the Executive Committee of the Northern Ireland Assembly and the National Assembly of Wales) or Australia, Austria, Belgium, Brazil, Canada, Chile, China, Denmark, Egypt, Finland, France, Germany, Greece, Hong Kong, Indonesia, India, Ireland, Israel, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Peru, Philippines, Poland, Portugal, Russia, Singapore, South Korea, South Africa, Spain, Sweden, Switzerland, Thailand, Taiwan, Turkey, United States, and by the following public international bodies: US Federal Government (Treasuries and TIPs) and Government National Mortgage Association (GNMA). The Fund will use derivatives as part of its investment capabilities. This allows it to take 'short positions' in some investments and we can sell a holding we do not own, on the anticipation that its value will fall. These inst uments carry a material level of risk and the Fund could potentially experience higher levels of volatility should the market move against them.

Fund details

Launch date
16 November 2009

Fund size
£34.2m

Yield target[1]
3.77%

Distribution yield[2]
5.18%

Underlying yield[2]
4.46%

Sector
IA Mixed Investment 20%-60% Shares

ISIN code 'C' shares
Accumulation: GB00B8945255
Income: GB00B7FLWJ93

Sedol number 'C' shares
Accumulation: B894525
Income: B7FLWJ9

XD dates	Pay dates
1 April	31 May
1 July	31 August
1 October	30 November
1 January	28/29 February

Source: UBS Asset Management

[1]The investment manager's target income is one month sterling LIBOR plus 3% net of fees. This target is not guaranteed.

[2]The distribution yield reflects the amount that may be expected to be distributed over the next twelve months as a percentage of the current share price. The underlying yield reflects the annualised income, net of expenses of the Fund, as a percentage of the current share price. Both calculations do not include any preliminary charges and investors may be subject to tax on distributions.

Note: Yield figures represent the retail C Acc share class

Contact details
Investor Helpline & Dealing Line:
0800 358 3012
Broker desk:
0800 587 2111

brokerdesk@ubs.com

www.ubs.com/retailfunds

Tandridge District Council

Strategy and Resources Committee

1. Statement of investment beliefs

Assets

1.1 There are 3 pools of assets which have different objectives and constraints -

- *Short-term Pool*: short-term cash management, representing monies that need to be available for immediate funding needs of the Council, typically up to a period of 1 year.

- *Medium-term Pool*: where funds are not immediately required but may be required over a 1 to 5 year period. These investments will achieve a return of approximately cash base rate plus 2% as an indicative target.

- *Strategic Investment Pool*: where funds can be invested for the long term (greater than 3 years), to deliver returns in real terms, aiming to achieve additional revenue to support front line services of the council. These investments will seek to achieve the prevailing consumer price inflation (CPI) rate plus 3%.

Aims

1.2 The 3 pools have different aims. In the list above –

- *Short-term pool:* represents short-term liquid assets, which are invested to provide immediate liquidity. To manage risk, these assets are held in a way that achieves a measure of diversification. Where appropriate and after member input, the officers will from time to time investigate whether there is any possibility to move some of these funds into the medium term pool in the search for additional returns.

- *Medium-term pool:* is aimed at preserving the value of the funds in real terms in the medium term, assumed to be 1 to 5 years. Pure equity investment would generally not be an appropriate form of investment for the medium-term pool, but balanced portfolios incorporating an equity element may be appropriate.

- *Strategic Investment pool:* is aimed at preserving the value of funds in real terms in the medium to long term, while achieving revenue well in excess of the borrowing costs for the council. These investments will mainly be financed through external borrowing. Such investments may be very long term in nature and it is recognised that liquidity will be restricted. Timing of purchases and disposals is vital to preserve fund value.

Key beliefs

1.3 <u>*The aims for each pool are the key drivers for asset allocation*</u>

1.3.1 Of the three pools of assets referred to above:

- *The Short-term pool* is roughly matched to immediate or very short-term cash requirements. Therefore, the nominal value and liquidity must be preserved.

- *Medium-term pool* has no specifically defined liabilities. The prime aim is capital preservation in real terms to achieve an enhanced return over 1–5 years.

- *Strategic Investment pool* represents long-term assets and any investment strategy must seek at least to maintain the value of these assets after allowing for inflation, as well as to generate revenue in excess of the loan interest cost plus the minimum revenue provision (MRP). It is acknowledged that this cannot be achieved without accepting some risk. Where there is some conflict between any of these aims, the need to generate income exceeding the loan rate plus Minimum Revenue Provision (MRP) for the specific investment will be paramount.

1.4 *<u>Asset allocation is the main driver of performance</u>*

1.4.1 We believe that the performance of investment markets is the dominant aspect of investment.

1.4.2 Attempting to “time” markets is rarely successful as market timing introduces risk, without the expectation of return, so variations in asset allocation will be driven by other considerations rather than tactical return generation. These considerations as determined in the over-arching Treasury Management Strategy includes factors such as; credit risk, counter-party strength, security, liquidity and yield as well as interest rate risk and inflation. Asset allocation in multiple classes will also be a factor.

1.5 *<u>Costs matter and need to be managed in order to achieve value for money</u>*

1.5.1 Costs can materially impact the long-term value of the investment portfolio and are an important component in assessing different investment strategies and the managers appointed to invest Council assets. This does not necessarily imply that costs need to be minimised: there are often circumstances when paying extra costs will be more than compensated by rewards.

1.5.2 Careful management of costs is important in achieving the highest quality of returns on all our portfolios.

1.6 *<u>Investment decisions should reflect wider stakeholder views</u>*

1.6.1 Our stakeholders, including local residents, expect the Council to follow the highest ethical standards in all its activities. Strategy & Resources Committee members will therefore act in accordance with the Committee on Standards in Public Life’s seven principles of public life, namely selflessness, integrity, objectivity, accountability, openness, honesty and leadership. We expect the investment professionals we deal with to act in a similar manner.

1.6.1 We are always conscious that we are investing public money and we will be sensitive to the ethical considerations of local residents.

1.7 *<u>Investment goals and performance measures need to be clearly articulated to ensure accountability</u>*

1.7.1 A key measure of success is the delivery of investment performance. It is important that the investment goal and the performance measures used are clearly set out to ensure full accountability, in accordance with the aims of each pool, which are respectively liquidity, capital preservation in capital terms and capital preservation in real terms with yields in excess of borrowing costs including MRP as appropriate.

1.8 *Risk is multi-faceted and complex*

1.8.1 The only investment opportunities that provide no “risk” in the sense of no possibility of unexpected negative outcomes are those that will provide negative inflation-adjusted returns. It is therefore necessary to accept some risk if positive inflation-adjusted returns are to be achieved.

1.8.2 A selection of appropriate performance measures will allow visibility that adequate compensation for risk taken has been achieved.

1.9 *A long-term investment horizon is an advantage and a responsibility*

1.9.1 The long-term horizon for the Strategic Investment pool brings with it the responsibility to take an appropriately long-term approach to assessing the success or otherwise of investment strategies and the advisers hired to implement our strategies.

1.9.2 The Strategic Investment pool and (to a lesser extent) medium-term pool have long to medium horizons which provide additional investment opportunity. This potentially allows the acceptance of less liquidity on a portion of assets. This may include extended periods of underperformance due to the long term nature of investments in the context of the aims described at 1.2.

1.10 *The Strategic Investment pool will mainly invest in property*

1.10.1 Given the constraints that apply to Local Councils, most of the Strategic Investment pool will be invested in property.

1.10.2 The first priority for investment will be property within the District boundary, a secondary priority will be for property outside of the District as long as this is within accepted guidelines for Local Council property investments.

1.10.3 When making investments the Strategy & Resources Committee will have regard to other economic and social benefits for the residents of Tandridge District.

1.11 *Investment strategies and complexity need to be consistent with the governance resources available*

1.11.1 One of the most significant constraints on investment strategy is the level of governance resources available. The complexity of strategies employed needs to be consistent with the resources available to manage them. In practice, this will normally mean that simple solutions will be preferred to complex ones unless there is a compelling reason to contemplate the complexity: this will normally be driven by a conviction that there are significant additional returns to be achieved and obtaining suitable outside professional advice to support this conviction.

2. What funds are available for investing?

2.1 In determining the allocation of funds to each of the 3 pools (short, medium-term and Strategic Investment pool), the Strategy & Resources Committee will, on a regular basis, consider relevant budgets, cash flow forecasts and other medium term financial projections. The main allocation will be the annual budget setting process.

2.2 Allocation of funds on this basis will normally be reviewed on at least, an annual basis, to tie in with relevant financial projections and quarterly reports from external investment advisers.

2.3 In terms of the allocation process for the medium term pool, the Strategy & Resources Committee will have the authority to select investments in line with our investment beliefs. For investments through Gryllus, these will be in accordance with the company's individual investment objectives as an entity.

3. Risk Management

3.1 We will be proactive in looking at risk including assessing this in terms of the risk framework set out in both the Asset (Capital) Investment and the Treasury Management Strategy. These strategies will be approved annually by Council and will be updated as necessary to cover risk including credit risk, counter-party risk, timing risks around purchasing and disposing of strategic assets; and the over-riding public sector investment principle of security and liquidity over yield.

3.2 Counter parties will only be selected with acceptable credit ratings from the three main rating agencies: Fitch Ratings Ltd, Moody's Investor Service inc and Standard and Poor's Financial Services LLC.

3.3 In respect of actual investment performance and having taken any external advice considered appropriate, the Council will monitor and review performance benchmarks relevant to each investment pool and in accordance with the recommended CIPFA Investment Code of Practice.

3.4 The Council will approve an annual Treasury Management Strategy (TMS) which will be approved annually by Council and incorporated within the Budget Book and Medium Term Financial Strategy (MTFS).