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To: MEMBER OF THE INVESTMENT SUB COMMITTEE  
Councillors Elias (Chair), Bourne, M.Cooper, Davies and  
Jones

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Substitute Councillors: Botten, Farr and Milton

C.C. All Other Members of the Council

16<sup>th</sup> October 2020

Dear Sir/Madam

## **INVESTMENT SUB COMMITTEE FRIDAY, 23RD OCTOBER, 2020 AT 10.00 AM**

The agenda for this virtual meeting of the Sub-Committee to be hosted from the Council Offices, Oxted via Zoom, is set out below. If a member of the Sub-Committee is unable to attend the meeting, please notify officers accordingly.

Should members require clarification about any item of business, they are urged to contact officers before the meeting. In this respect, reports contain authors' names and contact details.

If a Member of the Council, not being a member of the Sub-Committee, proposes to attend the meeting, please let the officers know by no later than noon on the day of the meeting.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Elaine Jackson'.

Elaine Jackson  
**Acting Chief Executive**

### **AGENDA**

- 1. Apologies for absence (if any)**
- 2. Minutes of the meeting held on the 21st May 2020 - to consider approving as a correct record (Pages 3 - 6)**
- 3. Declarations of interest**

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter:

- (i) any Disclosable Pecuniary Interests (DPIs) and / or
- (ii) other interests arising under the Code of Conduct

in respect of any item(s) of business being considered at the meeting. Anyone with a DPI must, unless a dispensation has been granted, withdraw from the meeting during consideration of the relevant item of business. If in doubt, advice should be sought from the Monitoring Officer or his staff prior to the meeting.

**4. To consider passing the following resolution to move into Part 2**

**RESOLVED** – that members of the press and public be excluded from the meeting for agenda items 5 and 7 below in accordance with Section 100A (4) of the Local Government Act 1972 (as amended) on the grounds that:

- (i) they involve the likely disclosure of exempt information as defined in the paragraph 3 of Part 1 of Schedule 12A of the Act (Information relating to the financial or business affairs of any particular person, including the authority holding that information); and
- (ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**5. Presentation from UBS Multi-Asset Income Fund managers**

**6. Summary investment and borrowing position (Pages 7 - 32)**

**7. Property investment update (Pages 33 - 56)**

**8. Any other business deemed urgent by the Chair**

## INVESTMENT SUB-COMMITTEE

Minutes of the virtual meeting of the Sub-Committee held on the 21<sup>st</sup> May 2020 at 5.30 p.m.

**PRESENT:** Councillors Elias (Chair), Bourne, Davies, Jecks and Jones.

**ALSO PRESENT:** Councillors Allen, Farr and Sayer.

### 1. MINUTES

The minutes of the meeting held on the 24<sup>th</sup> January 2020 were approved as a correct record.

### 2. DECLARATIONS OF INTEREST

Councillor Jecks declared that he:

- is a non-executive director of UBS Asset Management UK Limited; and
- chairs two other committees regarding investments for which CCLA is the fund manager.

These did not amount to disclosable pecuniary interests under the Members' code of conduct and Councillor Jecks remained in the meeting.

#### ***SUB-COMMITTEE DECISIONS*** ***(under powers delegated to the Sub-Committee)***

### 3. SUMMARY INVESTMENT AND BORROWING POSITION

The investment analysis at Appendices A and B was considered, together with fact sheets for the four funds within the Council's treasury investment portfolio.

Reports regarding the finances of Gryllus Property Limited were requested for future meetings. Officers confirmed that a financial analysis of the company's acquisitions could be circulated to Sub-Committee members before the next meeting. The Sub-Committee was also advised that the company's audited accounts for 2019/20 would be finalised shortly.

At its previous meeting, the Sub-Committee agreed that the redemption proceeds from Funding Circle loans should not be automatically re-invested in further loans but should, instead, be regularly withdrawn from Funding Circle and invested elsewhere within the Council's treasury portfolio (in equal portions), namely 25% to each of the following funds:

- CCLA (diversification fund)
- CCLA (property fund)
- Schroders bond fund
- UBS multi-asset fund

£294,000 had since been withdrawn from the original Funding Circle investment but had not yet been reallocated. The Sub-Committee now wished to exclude the CCLA property fund from the reallocation arrangement and considered that the available liquidity from redeemed Funding Circle loans should only be invested in the other three funds, i.e. one-third to each.

**RESOLVED** – that

- A. the Council's investment and borrowing position at 31st March 2020, as set out at Appendices A and B, be noted;
- B. the individual factsheets for the long-term investments be noted;
- C. the current statement of investment beliefs be noted; and
- D. upon redemption of the Council's current Funding Circle loans, the monies be reallocated to the following funds (one-third to each):
  - CCLA (diversification fund)
  - Schroders bond fund
  - UBS multi-asset fund

**4. EXCLUSION OF THE PUBLIC**

**RESOLVED** – that members of the press and public be excluded from the meeting for the consideration of the item covered by Minute 6 below because:

- (i) it involves the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A to the Local Government Act 1972 (i.e. information relating to the financial or business affairs of any particular person); and
- (ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**5. PROPERTY INVESTMENT UPDATE**

The Sub-Committee considered a report about recent property investment activity, including the impact of the Covid-19 pandemic upon the Council's portfolio and a spreadsheet showing a selection of property acquisitions by other councils since March 2019.

On the 28<sup>th</sup> November 2019, the Strategy & Resources Committee resolved that Gryllus Property Limited should proceed with the purchase of two properties, identified within the associated (confidential) report as properties A and B, "*following completion of due diligence undertaken in accordance with Financial Regulation 17 on such terms as the Chief Executive and Section 151 Officer, in consultation with the Leader of the Council or Deputy Leader and Chair or Vice Chair of the Strategy & Resources Committee and members of the Investment Sub Committee, consider prudent*".

The Sub-Committee was advised that due diligence in respect of the abovementioned 'property B' was nearing completion. An acquisition business case was also presented.

Opposing views were expressed as to whether the Council should be investing in commercial property in the wake of the Covid-19 pandemic and representatives of the Independent and OLRG Alliance Group did not support recommendations B and C below.

**RESOLVED** – that

- A. the Council's property investment activity be noted;
- B. the Sub-Committee supports officers' continued investigations into potentially suitable investments; and
- C. the Sub-Committee supports officers to proceed with the purchase of 'property B', subject to the conditions agreed at the meeting.

Rising: 6.45 p.m.

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<b>Investment Sub Committee Friday, 23 October 2020</b>	
<b>Summary investment and borrowing position</b>	
Report of:	Simon Jones – Deputy Chief Finance Officer (Deputy S151 Officer) sjones@tandridge.gov.uk, – 01883 732716
ELT Lead	Anna D’Alessandro - Chief Finance Officer (Section 151) ADAlessandro@tandridge.gov.uk – 07885 434034
Publication status:	Open
Wards affected:	All
Recommendations:	That the Sub Committee notes:  A. the Council’s Investment and Borrowing position at 30 <sup>th</sup> September 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
Appendices:	Appendix ‘A’ – Summary of Investments and Borrowing Appendix ‘B’ – Market Value of Long Term Investments Appendix ‘C’ – Funds latest Factsheets Appendix ‘D’ – Statement of Investment Beliefs
Background papers defined by the Local Government (Access to Information) Act 1985	None

## 1. Executive Summary

- 1.1 This report updates the Investment Sub Committee on the Council’s investment and borrowing position at 30<sup>th</sup> September 2020.

## 2. Background

- 2.1 The Treasury Management Strategy 2020/21 was reported to the Finance Committee on 24<sup>th</sup> January 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.

2.2 This report also fulfils the requirement of a mid-year review of the Council's Treasury Management position as at 30<sup>th</sup> September 2020.

### 3. Summary Investment and Borrowing Position

3.1 A summary of the Council's investment and borrowing at 30<sup>th</sup> September 2020 is set out in Appendix A.

- Total long term financial investments (over 12 months) amount to £12.9 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 £14.8 million.
- The Council also has £22.0 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 30<sup>th</sup> September 2020 is £104.6 million, This is made up of £43.4 million General Fund loans and £61.2 million Housing Revenue Account loans.

### 4. Climate Change implications

4.1 There are no specific climate change implications arising from this report. It is however recognised that some Council investments may be in companies that are considered to have a detrimental impact on the climate, for example oil companies. The Climate Change Action Plan that is currently being draw up will have an action included to consider our current investment approach and determine if changes can or should be made.

### 5. Equality implications

5.1 The proposals within this report do not have the potential to disadvantage or discriminate against different groups with protected characteristics in the community.

### 6. Comments of the Chief Finance Officer

6.1 The current forecast is that the investment income budget is likely not to be achieved, however this is partially offset by the underspend in the costs of borrowing. The net effect of this for the General Fund is an adverse variance of £450k. This is mainly due to the decision not to invest in Keats and change in the base rate.

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



7. Comments of the Head of Legal Services

- 7.1 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.

8. Conclusion

- 8.1 This report is to provide an update of the Council's investment and borrowing position at 30<sup>th</sup> September 2020. The recommendations are for the Investment Sub Committee to note this position.

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## Summary of Investments and Borrowing

Appendix A

Investment	Investment Amount at 30/09/2020	Net Asset Value at 30/09/2020 Note 1	Yield Rate Note 2	Yield to 30/09/20 Note 3	Estimated Annual Return 2019/20 at 31/03/2020	2019/20 Actual
	£	£	%	£	£	£
<b>Non - Specified (Financial Investments)- Long Term (over 12 mths)</b>						
CCLA Property Fund	4,000,000	4,013,737	4.26	40,761	171,000	185,240
Schroders Bond Fund	3,000,000	2,798,400	4.50	33,903	125,900	124,418
UBS Multi Asset Fund	3,000,000	2,721,211	4.40	36,832	119,700	137,531
Funding Circle	1,261,826	1,415,581	3.30	19,476	40,000	78,011
CCLA Diversification Fund	2,000,000	1,928,260	3.46	35,972	66,700	66,284
<b>Sub Total Non-specified (Financial Investments)</b>	<b>13,261,826</b>	<b>12,877,189</b>		<b>166,944</b>	<b>523,300</b>	<b>591,484</b>
<b>Non - Specified (Non-Financial Investments)- Long Term (over 12 mths)</b>						
Gryllus Property Company Loan - Maidstone	2,394,000	2,394,000	5.81	0	139,100	139,023
Tandridge Leisure Ltd- Refurbishment Loan (TTLC)	0	0	0.00	0	0	1,520
Freedom Leisure- Loan (TLP)	1,017,000	1,017,000	5.50	0	53,271	63,926
Freedom Leisure- Loan (de Stafford)	651,750	651,750	7.58	0	47,050	54,484
Caterham Barracks	0	0	0.00	0	0	21,774
Gryllus Property Company Loan - 80-84 Station Rd East	945,000	945,000	5.81	0	54,900	53,924
Gryllus Property Company Loan - Castlefield	11,664,000	11,664,000	6.10	0	711,500	0
Gryllus Property Company Share Capital Note 4	5,317,500	5,317,500	-	-	-	0
<b>Sub Total Non-specified (Non-Financial Investments)</b>	<b>21,989,249</b>	<b>21,989,249</b>		<b>0</b>	<b>1,005,821</b>	<b>334,651</b>
<b>Total Non-Specified Investments</b>	<b>35,251,075</b>	<b>34,866,438</b>		<b>166,944</b>	<b>1,529,121</b>	<b>926,135</b>
<b>Specified Investments-Short Term (less than 12 mths)</b>						
Banks/Building Societies Deposits	0	-	0.00	0	0	6,381
Notice Accounts	4,000,000	4,040,001	0.09	3,940	12,400	20,919
Money Market Funds	10,720,000	10,720,000	0.03	9,883	20,000	75,255
<b>Total Specified Investments</b>	<b>14,720,000</b>	<b>14,760,001</b>		<b>13,823</b>	<b>32,400</b>	<b>102,555</b>
<b>Total Non- Specified and Specified Investments</b>	<b>49,971,075</b>	<b>49,626,439</b>		<b>180,767</b>	<b>1,561,521</b>	<b>1,028,690</b>
<b>Total Investment Income Budget 2020/21</b>					2,764,200	
<b>Over/(under) budget</b>					<b>(1,202,679)</b>	

Borrowing	Loan Amount	Estimated Average Borrowing	Interest	Expenditure to 30/09/20	Estimated Annual Cost 2019/20 at 31/03/2020
	£	£	%	£	£
<b>General Fund Borrowing</b>					
Gryllus Loan	3,420,000	3,420,000	2.46	42,066	84,100
Freedom Leisure Loan	2,225,000	2,225,000	2.45	27,256	54,500
Village Health Club	938,678	938,678	2.38	11,170	22,300
Linden House	4,175,000	4,175,000	2.69	56,154	112,300
Linden House	254,000	254,000	2.42	3,073	6,100
Quadrant House	15,340,000	15,340,000	2.41	184,847	369,700
Quadrant House	800,000	800,000	2.28	9,120	18,200
Gryllus - 80-84 Station Road	724,400	724,400	2.28	8,258	16,500
Gryllus - Castlefield	15,549,000	15,549,000	2.91	226,238	452,500
<b>Sub Total General Fund Borrowing</b>	<b>43,426,078</b>	<b>43,426,078</b>		<b>568,182</b>	<b>1,136,200</b>
<b>General Fund Cost of Borrowing Budget</b>					<b>1,889,000</b>
<b>Over/(Under) Budget</b>					<b>(752,800)</b>
<b>HRA Borrowing</b>					
Public Works Loan Board	61,189,000	61,189,000	2.76	831,153	1,662,300
<b>Sub Total HRA Borrowing</b>	<b>61,189,000</b>	<b>61,189,000</b>		<b>831,153</b>	<b>1,662,300</b>
<b>HRA Cost of Borrowing Budget</b>					<b>1,926,500</b>
<b>Over/(Under) Budget</b>					<b>(264,200)</b>
<b>Total Borrowing</b>	<b>104,615,078</b>	<b>104,615,078</b>		<b>1,399,335</b>	<b>2,798,500</b>
<b>Total Cost of Borrowing Budget</b>					<b>3,815,500</b>
<b>Total Over/(Under) Budget</b>					<b>(1,017,000)</b>

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#### Notes

1. The Net Asset Value for Funding Circle is at 31 Aug 2020

#### 2. Yield Rate

CCLA Property Fund dividend yield Sept 20 provisional provided by CCLA 4.26%

Schroders Strategic Credit Fund Fact sheet on Schroders.co.uk current yield as at 31 Aug 2020 4.5%

UBS distribution yield latest per UBS Fact Sheet (Q2 20) 4.4 %

CCLA Diversified Fund dividend yield Sept 20 - 3.46% provided by CCLA

Funding Circle yield based on net earnings to 31 Aug 2020 per Funding Circle statement

3. Yield to 30/09/20 include actuals received or notified of at this date - CCLA Property Fund, UBS & Schroders only show 1 quarter, Diversified income Fund shows 2 quarters.

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

Market Value of Long Term Investments at 30/09/2020

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	Carrying Value 30.09.2020
	£	£	£	£	£	£	£	£	£	£	£
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	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	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	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	2,000,000
<b>Total</b>	<b>10,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>

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	Market Value 30.09.2020
	£	£	£	£	£	£	£	£	£	£	£
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	4,013,737
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	2,798,400
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	2,721,211
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	1,928,260
<b>Total</b>	<b>10,065,254</b>	<b>12,029,108</b>	<b>12,075,341</b>	<b>12,087,665</b>	<b>11,885,356</b>	<b>11,991,781</b>	<b>12,206,179</b>	<b>12,153,396</b>	<b>12,269,826</b>	<b>11,052,907</b>	<b>11,461,608</b>

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	Surplus/ (Deficit) 30.09.2020
	£	£	£	£	£	£	£	£	£	£	£
CCLA Property Fund	82,986	276,854	299,512	300,362	369,186	276,005	346,669	302,769	302,769	188,063	13,737
Schroders Bond Fund	(36,437)	(87,163)	(91,391)	(108,601)	(174,425)	(134,870)	(89,579)	(126,416)	(65,122)	(460,062)	(201,600)
UBS Multi Asset Fund	18,705	(81,840)	(104,906)	(94,852)	(222,602)	(131,521)	(83,023)	(72,377)	(42,213)	(479,287)	(278,789)
CCLA Diversification Fund	n/a	(78,743)	(27,874)	(9,244)	(86,803)	(17,833)	32,111	49,420	74,392	(195,807)	(71,740)
<b>Total</b>	<b>65,254</b>	<b>29,108</b>	<b>75,341</b>	<b>87,665</b>	<b>(114,644)</b>	<b>(8,219)</b>	<b>206,179</b>	<b>153,396</b>	<b>269,826</b>	<b>(947,093)</b>	<b>(538,392)</b>

## Appendix B

Gross Revenue Yield	Yield	Yield	Yield	Yield	Yield	Yield	Yield	Yield
	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20
	£	%	£	%	£	%	£	%
CCLA Property Fund	164,434	4.03%	193,758	4.53%	183,989	4.30%	185,240	4.31%
Schroders Bond Fund	127,340	4.30%	105,413	3.62%	120,508	4.21%	124,418	4.33%
UBS Multi Asset Fund	100,600	3.33%	146,788	5.03%	116,513	4.06%	137,531	4.70%
CCLA Diversification Fund	n/a	n/a	62,732	3.27%	67,030	3.38%	66,284	3.23%
<b>Total</b>	<b>392,375</b>		<b>508,691</b>		<b>488,040</b>		<b>513,473</b>	

FY Forecast at 30-Sept-20	
Yield 20-21	Yield 20-21
30.09.2020	30.09.2020
£	%
171,000	4.26%
125,900	4.50%
119,700	4.40%
66,700	3.46%
<b>483,300</b>	

Surplus/(Deficit)- Capital Value	Surplus/	Surplus/	Surplus/	Surplus/	Surplus/	Surplus/	Surplus/	Surplus/
	(Deficit)	(Deficit)	(Deficit)	(Deficit)	(Deficit)	(Deficit)	(Deficit)	(Deficit)
	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20
	£	%	£	%	£	%	£	%
CCLA Property Fund	(92,996)	-2.28%	193,868	4.53%	(849)	-0.02%	(87,942)	-2.04%
Schroders Bond Fund	16,634	0.56%	(50,726)	-1.74%	(47,707)	-1.67%	(325,192)	-11.32%
UBS Multi Asset Fund	36,559	1.21%	(100,545)	-3.45%	(49,681)	-1.73%	(347,766)	-11.88%
CCLA Diversification Fund	n/a	n/a	(78,743)	-4.10%	60,910	3.07%	(177,974)	-8.68%
<b>Total</b>	<b>(39,803)</b>		<b>(36,146)</b>		<b>(37,327)</b>		<b>(938,874)</b>	

FY Forecast at 30-Sept-20	
Surplus/	Surplus/
(Deficit)	(Deficit)
2020/21	2020/21
£	%
(289,032)	-6.72%
(75,184)	-2.62%
(206,412)	-7.05%
(121,160)	-5.91%
<b>(691,788)</b>	

Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield
	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20
	£	%	£	%	£	%	£	%
CCLA Property Fund	71,438	1.75%	387,626	9.06%	183,140	4.28%	97,298	2.32%
Schroders Bond Fund	143,974	4.86%	54,687	1.88%	72,801	2.54%	(200,774)	-7.90%
UBS Multi Asset Fund	137,159	4.54%	46,243	1.58%	66,832	2.33%	(210,235)	-8.34%
CCLA Diversification Fund	n/a	n/a	(16,011)	-0.83%	127,940	6.45%	(111,690)	-6.19%
<b>Total</b>	<b>352,572</b>		<b>472,545</b>		<b>450,713</b>		<b>(425,401)</b>	

FY Forecast at 30-Sept-20	
Net Yield	Net Yield
2020/21	2020/21
£	%
(118,032)	-2.74%
50,716	1.73%
(86,712)	-2.93%
(54,460)	-2.63%
<b>(208,488)</b>	

## Peer to Peer Investment

Funding Circle*	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20
	£	%	£	%	£	%	£	%
<b>Carrying Value</b>	<b>2,003,355</b>		<b>2,075,341</b>		<b>2,056,664</b>		<b>1,831,028</b>	
Interest Paid by Borrowers	181,892		181,014		184,654		193,170	
Less FC Service fee	(19,121)		(19,668)		(19,729)		-19,611	
Promotions/Transfer payment							470	
Bad Debts	(58,163)		(61,288)		(111,152)		-127,649	
Recoveries	8,219		14,780		27,428		30,253	
Amounts Recovered on principal in prior years (prior to 06.04.15)	0		0					
<b>Net Yield</b>	<b>112,827</b>	<b>5.63%</b>	<b>114,838</b>	<b>5.53%</b>	<b>81,201</b>	<b>3.95%</b>	<b>76,634</b>	<b>4.19%*</b>
<b>Provisions for future losses</b>	<b>0</b>		<b>0</b>		<b>(10,000)</b>			

31/08/2020 Actual	
£	%
<b>1,415,581</b>	
58,059	
(5,741)	
0	
(44,442)	
11,599	
<b>19,476</b>	<b>1.38%</b>

# The Local Authorities' Property Fund

## Fund Fact Sheet – 30 June 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.

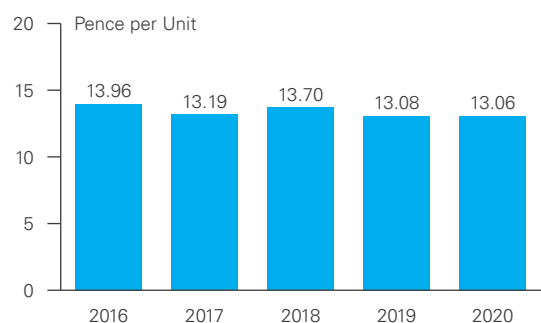
### Income

Gross dividend yield	4.48%*
MSCI/AREF UK Other Balanced Quarterly Property Fund Index yield	3.60%**
Official Bank Rate	0.10%

\* Based upon the net asset value and historic gross annual dividend of 12.7157p.

\*\* As at 30 June 2020

### Rolling 12 month distributions to 31st March:

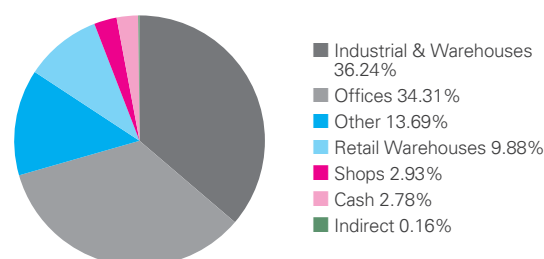


### Fund update

Capital values in the sector fell back over the quarter but not at an equal rate. The greatest weakness once again was in retail assets, but hotels also declined and there was pressure too on some offices. In contrast, industrials remained resilient. Transaction volumes stayed low and valuers continued to issue qualified valuation notices which resulted in the suspension of dealing in the Fund.

There was one acquisition in the period, a retail warehouse in Leeds at a total cost of £5.5m. The yield at acquisition was 7.3%. There was some significant letting activity including Arlington Square in Bracknell, let to Eli Lilly at the highest rent achieved in the town for 20 years. We also let a large distribution facility in Warrington to Hermes Parcelnet, achieved a rental increase on an Edinburgh office occupied by Sainsburys and re let a distribution unit used by Cath Kidston to Hotel Chocolat. The effect of the crisis has been to amplify and accelerate many of the trends previously evident in the sector. Demand for industrial assets has remained robust but the challenges facing the retail sector have intensified and are likely to influence returns for some time to come. Encouragingly, June saw some improvement in returns, a trend we expect to continue in the months ahead. Holdings in LAPF are categorised as Treasury investments and so are not deemed capital expenditure.

### Asset allocation at 30 June 20



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

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## Discrete year total return performance

12 months to 30 June	2020	2019	2018	2017	2016
The Local Authorities' Property Fund	-3.47%	+5.46%	+9.36%	+7.24%	+5.85%
Benchmark*	-3.08%	+4.05%	+10.23%	+5.67%	+8.85%

## Annualised total return performance

Performance to 30 June 2020	1 year	3 years	5 years
The Local Authorities' Property Fund	-3.47%	+3.64%	+4.79%
Benchmark	-3.08%	+3.59%	+5.04%

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

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## Top 10 property holdings at 30 June 20 – Total 34.89%

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

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## Key facts

Total fund size	£1,158m
Current borrowing	£0m
Number of holdings	77
<b>Income units</b>	
Offer (buying) price	303.14p (xd)
Net asset value	283.97p (xd)
Bid (selling) price	279.57p (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%
Fund management fee (FMF)	0.72% **
PRIPs other ongoing costs	0.72% ***

## Please Contact

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\* 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 FMF includes the Annual management charge and other costs and expenses of operating and administering the fund such as depositary, custody, audit and regulatory fees.

\*\*\* The PRIIPs other ongoing costs includes the FMF and where relevant, synthetic charges. Synthetic charges are the impact to the Fund of costs incurred in relevant underlying funds or similar investments. For more information on costs, refer to the Fund's Key Information Document.

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## 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>.



# Diversified Income Fund Unit Class 2 - For local authorities and public sector organisations

## Fact Sheet – 30 June 2020

### Investment objective

To provide a balanced return from income and capital growth over time from a portfolio structured to control relative risk.

### Investment policy

The portfolio will be actively managed and may invest in a wide range of potential assets. The control of relative risk will be an important influence on structure and strategy.

### Target investors

The Fund is aimed at medium to long-term investors seeking a balanced return of income and capital growth and for whom control of relative risk is important.

### Who can invest?

Any local authority and public sector investor in England, Wales, Scotland and Northern Ireland. Investors should note that there is a minimum investment in the Fund of £1million.

### Responsible investment policy

Information about the ethical and responsible policies to be followed by the Diversified Income Fund is available from the Investment Manager’s website [www.ccla.co.uk](http://www.ccla.co.uk).

### Income

The Fund distributes income on a quarterly basis. As at 30 June 2020 the dividend yield on price was 3.43%. This is based on the last 12 months’ dividend of 4.97p.

### Fund update

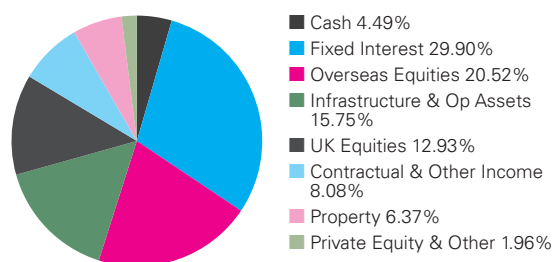
The period began with global economic activity in sharp decline under the impact of the pandemic. The recession however, although the deepest in modern times, was also the shortest. In May there were signs that conditions were no longer deteriorating and instead that recovery had begun. This reflected the start of social normalisation and, also, the impact of government spending made on a huge scale to prevent a severe fall in activity from turning into a collapse. Although significant risks to the recovery remain, our expectation is that output will continue to improve over the remaining months of 2020 and through 2021. Even at that point, however, it is unlikely that the activity levels seen in late 2019 will have been regained.

The investment objective of the Fund is to provide long term capital growth and a relatively attractive income from a portfolio structured to constrain day to day volatility. A key part of this approach is prudent diversification into a broad range of asset classes including conventional holdings such as global equities and domestic fixed income stocks, alongside less traditional exposures such as student accommodation

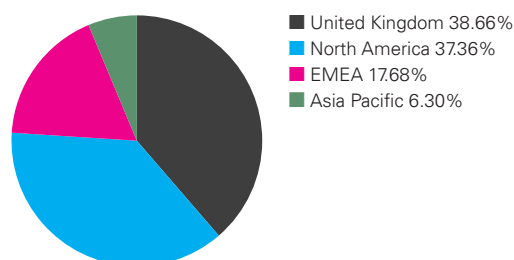
and music royalties. The structural constraints on risk mean that there is scope at the individual asset level to focus on potential returns seek the best opportunities. In the equity portfolios this is currently reflected in a bias towards companies with strong market positions and growth prospects which are not dependent on underlying economic growth trends. This has resulted in relatively high weightings to companies in the technology sector, in health and some consumer related areas. The Fund does not invest in companies whose business is the production or refining of oil and gas.

During the quarter sharply rising equity markets saw some increase in the tactical weighting to cash.

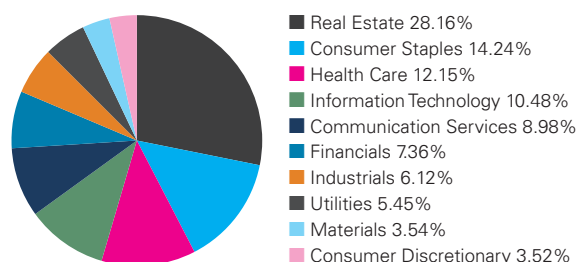
### Asset allocation at 30 June 2020



### Equity portfolio geographical breakdown at 30 June 2020



### Equity portfolio sector breakdown at 30 June 2020



## Discrete year total return performance

12 months to 30 June	2020	2019	2018
Diversified Income Fund - Unit Class 2	-2.59%	+6.51%	+1.64%
Benchmark	+3.27%	+5.24%	+4.13%

## Annualised total return performance

Performance to 30 June 2020	1 year	3 years
Diversified Income Fund - Unit Class 2	-2.59%	+1.79%
Benchmark	+3.27%	+4.21%

Performance shown after management fees and other expenses with gross income reinvested. Benchmark – composite: from 02.12.16 MSCI UK IMI 20%, MSCI North America 6.67%, MSCI Europe ex UK 6.67%, MSCI Pacific 6.67%, Markit iBoxx £ Gilts 30% & Markit iBoxx £ Non-Gilts 30%. Past performance is not a reliable indicator of future results. Source: CCLA.

## Top 10 equity holdings at 30 June 2020

Tritax Big Box REIT	1.79%	UK Commercial Property REIT	0.89%
Primary Health Properties	1.70%	Empiric Student Property	0.89%
Target Healthcare	1.34%	Nestle	0.82%
Picton Property Income	1.07%	HKT Trust and HKT Limited	0.81%
Unilever	0.95%	GlaxoSmithKline	0.75%

## Key facts

Fund size	£171m
Number of holdings	171
Price	£1.45
Fund launch date	2 December 2016
Unit Class 2 launch date	24 March 2017
Minimum initial investment	£1m
Minimum subsequent investment	£25,000
Dealing	Daily*
Sedol number	BDS68Q2
ISIN number	GB00BDS68Q24
Dividend payment dates	End February, May, August & November
Annual management charge (taken 100% from capital)	0.60% **
Fund management fee (FMF)	0.69% ***
PRIIIPs other ongoing costs	1.38% ****

\*The Dealing Deadline is normally 12 noon London time on a Dealing Day. The Valuation Point is normally 3pm on a Dealing Day.

\*\* The annual management charge is deducted from capital which may restrict capital growth.

\*\*\* The FMF includes the Annual management charge and other costs and expenses of operating and administering the fund such as depositary, custody, audit and regulatory fees.

\*\*\*\* The PRIIPs other ongoing costs includes the FMF and where relevant, synthetic charges. Synthetic charges are the impact to the Fund of costs incurred in relevant underlying funds or similar investments. For more information on costs, refer to the Fund's Key Information Document.

## Risk warning and disclosures

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A Accumulation GBP | Data as at 31.08.2020

## 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.

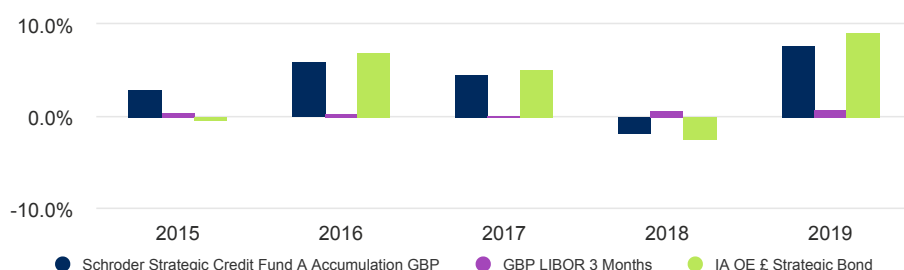
## Share class performance (%)

Cumulative performance	1 month	3 months	YTD	1 year	3 years	5 years	10 years
Share class (Net)	0.9	4.4	-0.3	1.8	6.1	15.6	37.6
Target	0.0	0.0	0.3	0.5	1.8	2.5	4.8
Comparator	0.2	3.5	2.2	3.2	9.5	21.8	55.1

Discrete yearly performance	Aug 15 - Aug 16	Aug 16 - Aug 17	Aug 17 - Aug 18	Aug 18 - Aug 19	Aug 19 - Aug 20
Share class (Net)	4.6	4.2	0.9	3.3	1.8
Target	0.5	0.2	0.5	0.8	0.5
Comparator	7.7	3.2	-0.3	6.5	3.2

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. Some performance differences between the fund and the benchmark may arise because the fund performance is calculated at a different valuation point from the benchmark.

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 837.70
Number of holdings	305
Target	GBP LIBOR 3 Months
Comparator	IA OE £ Strategic Bond
Unit NAV	GBP 1.7090
Dealing frequency	Daily
Distribution frequency	Semi-Annually

## Fees & expenses

Ongoing charge	1.17%
Redemption fee	0.00%

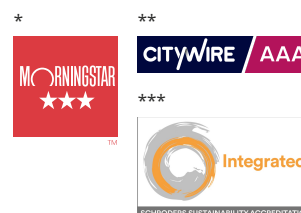
## Purchase details

Minimum initial subscription	GBP 1,000
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## Codes

ISIN	GB00B11DNZ00
Bloomberg	CAZSTBA LN
SEDOL	B11DNZ0

## Ratings and accreditation



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

A Accumulation GBP | Data as at 31.08.2020

### 5 year return of GBP 10,000

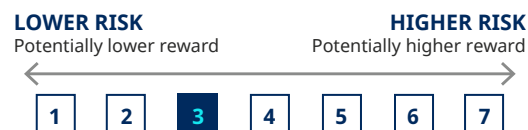


**Past Performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or 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.

### Synthetic risk & reward indicator (SRI)



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. A fund is in categories 1 to 3 where it can take lower risks in search of potentially lower rewards and its price may rise and fall accordingly. A fund is in categories 4 to 7 where it can take higher risks in search of potentially higher rewards and its price may rise and fall accordingly.

### Risk statistics & financial ratios

	Fund	Target
<b>Annual volatility (%) (3y)</b>	8.0	0.1
<b>Effective duration (years)</b>	2.6	-
<b>Current yield (%)</b>	4.5	-
<b>Yield to maturity</b>	4.5	-

Target refers to the Benchmark listed in the Fund facts section and described under the Share class performance section on page 1. Source: Morningstar. The above ratios are based on bid to bid price based performance data. 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.

A Accumulation GBP | Data as at 31.08.2020

## 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.

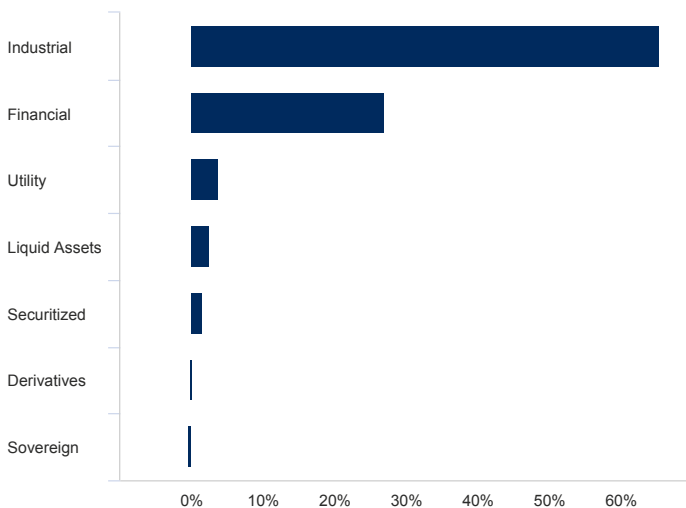
**Performance risk:** Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.

**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.

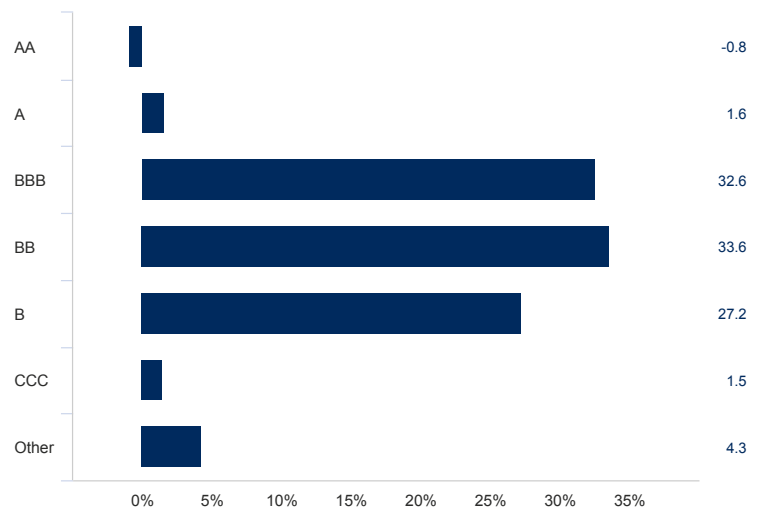
## Asset allocation

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.

### Sector (%)



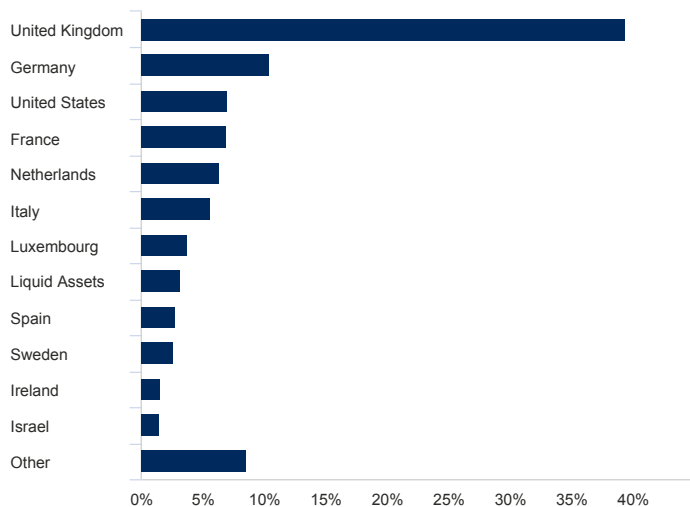
### Credit quality (%)



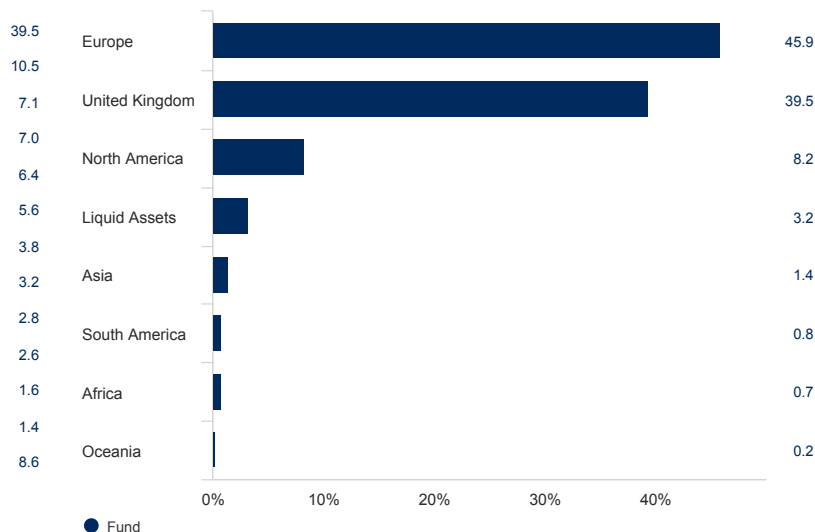
● Fund

A Accumulation GBP | Data as at 31.08.2020

## Geographical Breakdown (%)



## Region (%)



## Top 10 holdings (%)

Holding name	%
NUMERICABLE-SFR SA 7.3750 01/05/2026 144A	1.6
KONINKLIJKE KPN NV 7.0000 28/03/2073 - 144A	1.5
PINEWOOD FINANCE COMPANY LIMITED 3.2500 30/09/2025 SERIES REGS	1.4
MERLIN ENTERTAINMENTS PL 5.7500 15/06/2026 144A	1.4
Nidda Healthcare Holding GmbH 3.500000 30/Sep/2024 3.5000 30/09/2024 SERIES REGS	1.4
QUILTER PLC 4.4780 28/02/2028 REGS	1.3
RL FINANCE BONDS 6.1250 30/11/2043 REGS	1.2
J SAINSBURY PLC 2.87500 CONV PERP REGS	1.2
TALKTALK TELECOM GROUP 3.8750 20/02/2025 REGS	1.1
ARQIVA BROADC FINANCE PL 6.7500 30/09/2023 REGS	1.1

Derivatives are displayed on the notional basis of the underlying exposure where possible. Due to the different treatment of derivative types, the allocation to Liquid Assets may vary between each chart.

## Share class available

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

## Contact information

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Tel: 0800 182 2399  
Fax: 0333 207 4504

For your security, communications may be taped or monitored.

A Accumulation GBP | Data as at 31.08.2020

## Important information

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**Benchmark:** The target benchmark has been selected because it is representative of the type of investments in which the fund is likely to invest, and it is, therefore, an appropriate target in relation to the return that the fund aims to provide. The comparator benchmark has been selected because the investment manager believes that this benchmark is a suitable comparison for performance purposes given the fund's investment objective.

**LIBOR:** In relation to any fund that is managed with reference to LIBOR, Schroders is in the process of assessing the potential alternatives to LIBOR and will notify investors of any decision to move away from LIBOR in due course.

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\*\* 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.

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# Multi-Asset Income Fund

## Fund objective

The strategy seeks to deliver an income of 1 month LIBOR + 3%, net of fees, utilising a diversified, conservatively managed range of income sources.

## Performance

### UBS Multi-Asset Income Fund performance (%)

	L share class
3 months	8.8
6 months	-6.3
1 year	-2.7
3 years*	0.5
5 years*	1.6
Since inception*	2.8

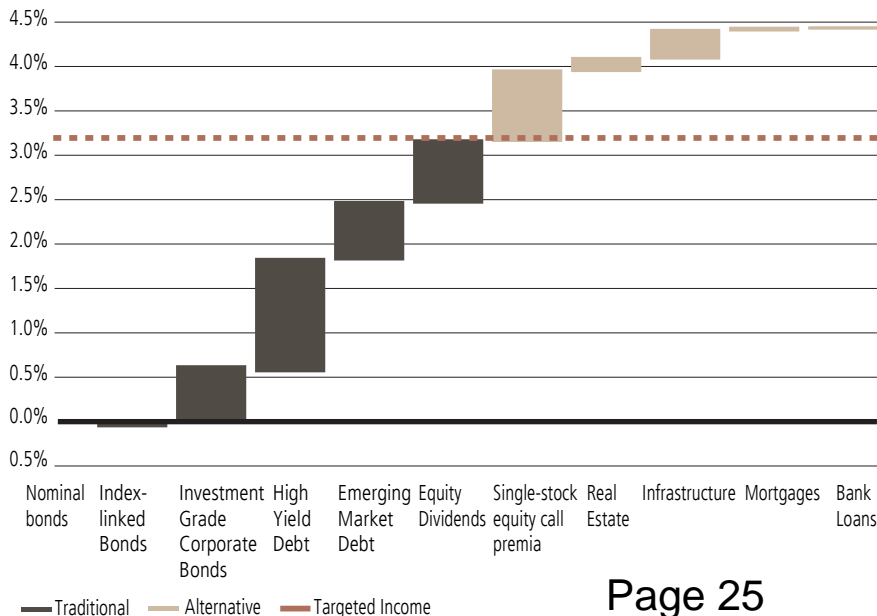
Source: Lipper. L Acc share class performance is based on NAV prices with income reinvested gross of basic rate tax and in Sterling terms to 30 June 2020. For details on Fund charges, please refer to the panel on the right. Past performance is not a guide to future performance. The value of investments 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. L Acc share class launched 25 June 2013

\*Annualised

## Fund commentary

The economic and market environment in Q2 continued to be dominated by Covid-19 and the implications of both the countermeasures and policy responses enacted globally. Leading economic indicators such as PMIs bottomed out early in the quarter with data suggesting that that lockdown measures had contained the spread of the virus. A roadmap towards reopening of key economies, combined with extensive and unprecedented fiscal support and monetary easing help buoy investor sentiment. Exposures across equities, fixed income, and alternatives all added value in Q2. Positive performance was largely driven by strong contributions from long-dated corporate bonds and high yield and emerging market debt. Index-linked exposures also fared well. Infrastructure positions were the key driver within alternatives while income-oriented equity exposures lagged the broader market but still achieved strong positive returns.

## Asset class contribution to income target



## Fund charges (L Acc share class)

- Initial charge: 0.0%
- Ongoing charges: 0.70%
- Dealing closing time & valuation point: 12 noon

## Minimum investment

GBP 1 million lump sum

## Settlement

T+3

## Fund since inception date

16 November 2009

## Fund size

GBP 36.8m

## Yield target<sup>1</sup>

1 month LIBOR +3%<sup>3</sup>

## Distribution yield<sup>2</sup>

4.4%

## Duration

4.66 years

## ISIN code 'L' shares

Accumulation: GB00BBOR2V23

Income: UMAIGLI LN Equity

## Bloomberg

Accumulation: UMAIGLA LN Equity

Income: UMAIGLI LN Equity

## XD dates

1 April

1 July

1 October

1 January

## Pay dates

31 May

31 August

30 November

28 February

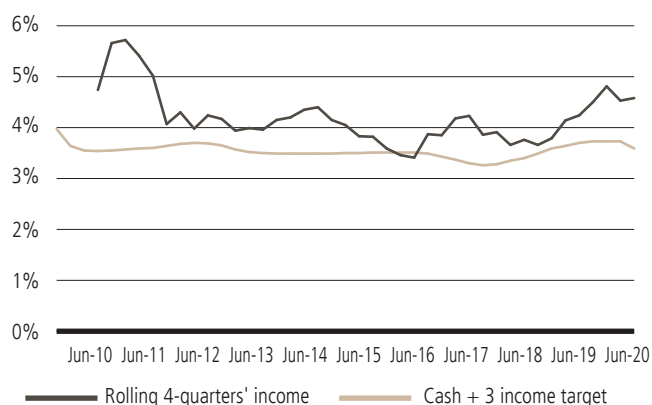
Source: UBS Asset Management

<sup>1</sup> The investment manager's target income is one month sterling LIBOR plus 3% net of fees. This target is not part of the Fund's stated investment objective or policy in its prospectus and is not guaranteed.

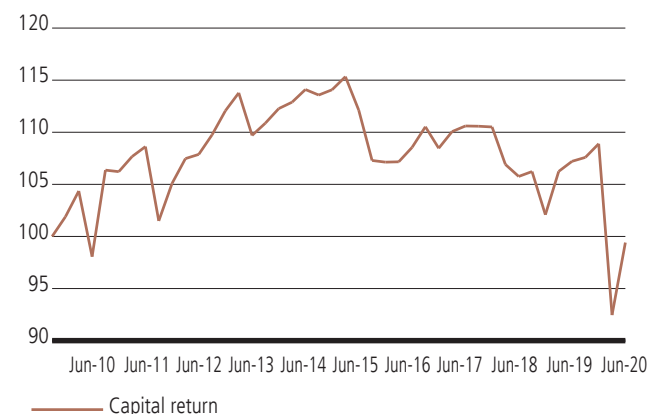
<sup>2</sup> The distribution yield reflects the amount that may be expected to be distributed over the next twelve months as a percentage of the current share price.

<sup>3</sup> Fees are paid from capital.

## Income Return

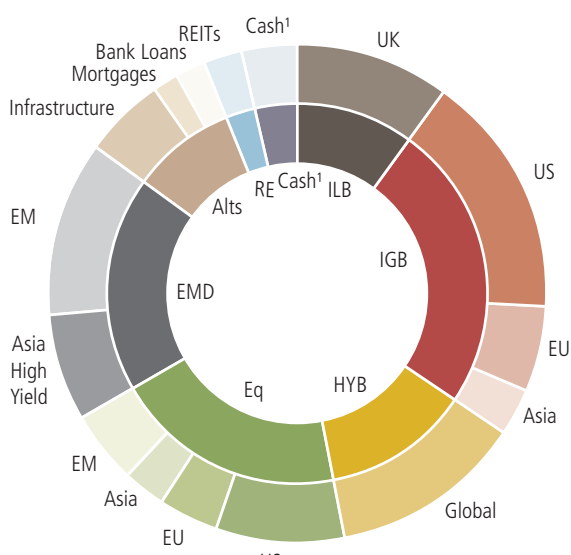


## Capital Return



Source: UBS Asset Management. Income return figures are rolling 4-quarters distributions (gross of tax) divided by NAV at beginning of period  
Capital return is quarterly composite total return net of both management fees and yield return. Fees relate to the L-share class management fee of 0.45% p.a.

## Current allocations



Inner circle		Outer circle	
Index-Linked Bonds	10.0%	UK	10.0%
Investment Grade Bonds	24.5%	US	16.0%
		EU	5.5%
		Asia	3.0%
High Yield Bonds	12.5%	Global	12.5%
Equities	19.7%	US	8.5%
		EU	3.7%
		Asia	2.7%
		EM	4.7%
Emerging Market Debts	18.2%	EM Debt (hard FX)	7.0%
		Asia High Yield Bonds	11.2%
Alternatives	9.0%	Infra.	5.5%
		Mortgages	1.5%
		Bank Loans	2.0%
Real Estate	2.5%	REITs	2.5%
Cash <sup>1</sup>	3.5%	Cash <sup>1</sup>	3.5%

Source: UBS Asset Management.

Note: Data reflects allocations within the Fund as at 30 June 2020. Please note that figures are rounded and therefore may not total 100%

<sup>1</sup> Includes synthetic cash

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# 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 The aims for each pool are the key drivers for asset allocation

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 Asset allocation is the main driver of performance

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 Costs matter and need to be managed in order to achieve value for money

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 Investment decisions should reflect wider stakeholder views

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 Investment goals and performance measures need to be clearly articulated to ensure accountability

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).

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