

Briefing Note to FMOS

3 April 2019

Update on Treasury Investments following last FMOS Meeting

As a result of discussion at the last FMOS meeting, the following changes to pooled funds are being implemented:

1. Keeping watching brief on value of UBS Multi-Asset Fund with view to selling once we are able to realise the investment without a capital loss.
2. Switching investment in Royal London Enhanced Cash Plus Fund to Royal London Investment Grade Short Dated Credit Fund
3. Sell Insight Liquidity Plus Fund (realise c. £2 million + gain)
4. Sell Payden and Rygel Sterling Reserve Fund (realise c. £2 million + gain)
5. Invest £1 million to Shroders Income Maximiser Fund (UK Equity Income Fund)
6. Invest £1 million in the Kames Diversified Monthly Income Fund (multi-asset income fund)
7. Invest £1 million to Fidelity Global Enhanced Income Fund (global equity income fund)

This leaves £1 million to be invested. An opportunity has been identified by our Treasury Advisors (Arlingclose) to invest in a Real Estate Investment Trust (Fundamentum Property). Highlights of the Fundamentum proposal are set out below:

Fundamentum

Fundamentum Property are investment advisers with a track record in UK Social Housing market.

Looking to raise £150m which will assist in buying 100-200 properties in the UK- anywhere

Property purchased is focused on 'Supported Housing' for specific groups i.e. Learning Difficulties, Autism, Vulnerable Adults and NHS Step-Down

Leases are made in agreement with Housing Associations and Local Authorities where rental income is received from them for occupying specific groups they professionally manage.

Government supported cash flows with long term rental agreements 15-20 years

Recent new deal for Social Housing (Aug 2018) states that MHDCLG –Long term supported housing will remain in the welfare system but not part of the Universal Credit system. This means 100% of housing costs will be funded at present and LA's are encouraged by legislation to outsource to the private sector.

The £150m raised will create a diversified portfolio of Social Housing assets but focused on supported living (80%) with rental income directly received by the Registered Provider / Govt. agencies

Long term leases taken 15/20 yrs. with a target dividend of 5% which increases in line with inflation (will be less in the first year as the portfolio is purchased- 2-3%).

Prospectus will be publicised in Mid-April 2019 and closed in mid-May/ Issue price will be £1 per share.

Investment Strategy :-

- Creation of a diversified portfolio of Social Housing assets
- Focus on supported living with rental income directly received by Registered Providers (RP's) from government agencies
- Avoidance of over-rented properties to minimise long term risks
- Long term lease agreements

Risks identified by Fundamentum

- Political – Currently all parties are signed up to this and agree with the current legislation
- Demand – Can we meet the demand from LA's and RP's
- Property Prices – can move downwards

The views of FMOS are sought on the suitability of investing in this RIET. Officers have delegated powers, under the Council's approved Treasury Management Strategy to enter into this investment. However, the views of FMOS will steer the decision on investment.

Jenny Poole

Chief Finance Officer

3rd April 2019