

Minutes of Euraplan's Local Authority User Group

Meeting Date: Friday 18th November 2005

Venue: London Borough of Camden

Chairman: Ken Bumpus

Present:

Mark Bryans	Corporation of London
Marija Lees	Devon County Council
Jo Clarke	Essex County Council
Alison Read	Essex County Council
Maria Saunders	Gloucestershire County Council
Andrew Brown	Gloucestershire County Council
Alison Simon	Kent County Council
Jo Ray	Lincolnshire County Council
Karen Frith	Lincolnshire County Council
Ken Bumpus	London Borough of Camden
Olu Akinrinmade	London Borough of Lambeth
Dean Awoyera	London Borough of Lambeth
Jim Bollegala	London Borough of Tower Hamlets
Owen Thorne	Merseyside Pension Fund
Jill Cripps	Royal Borough of Kingston upon Thames
Farahnaz Moradi	Royal Borough of Kingston upon Thames
Michael Davis	South Tyneside Council

Speakers:

Helen Marsden	TT International
Richard Esquer	Lake Shore Institutional & Dealer Relations

Euraplan:

Andrew Caird
Brian Freeman
Peter Baker
Stephen Savva
Shane Norman

Chairman's Welcome and Introduction

Ken Bumpus (London Borough of Camden) welcomed everyone to the meeting.

The minutes of the meeting of 18 March 2005 were accepted.

The only matter arising was raised by Jill Cripps (Royal Borough of Kingston upon Thames) who wondered whether UBS Asset Management were still providing FMI files directly to clients despite their outsourcing of all custody matters to BONY (see page 3 of these earlier minutes). Brian Freeman confirmed that there had been no change in this regard.

The Chairman drew to everyone's attention the fact that an additional speaker had been added to the Agenda.

Shane Norman then gave a brief introduction to the two guest speakers. He spoke about his own background and his involvement in the general investment scene. He presently had a particular interest in specialist investment managers – those who focused on a specific and very particular style of investment. This kind of investment manager has had a better performance record than the generalist managers over the recent past. Both our speakers today came from this specialist area.

Adding Value in UK Equities

Speaker: Helen Marsden, Partner, Head of UK Institutional Business, TT International

Presentation: [Click here to view presentation slides](#)

Questions & Answers

Ken Bumpus – London Borough of Camden

Q. You said you went overweight in Old Mutual. Was this because you thought they would takeover Skandia or because you thought they would fail in this endeavour?

A. See answer below to Owen Thorne's question.

Owen Thorne – Merseyside

Q. The mergers and acquisitions market is very active at the moment, is it not dangerous to buy a company's stock simply on the basis that it is going to be taken over?

A. We do not buy simply on the possibility of a merger or acquisition. If it happens it is icing on the cake.

Malcolm Smith – London Borough of Richmond

- Q. What size of pension scheme do you pitch for?
- A. No restrictions really but prefer those in excess of £5m. The ideal is £50m. The maximum total investment we want for our European Equities Fund is £1b.

Michael Davis – South Tyneside Council

- Q. Would you really turn down a really large fund?
- A. The ideal situation for us facing a customer with a £250m fund is to suggest that £200m go into their core funds and that they invest £50m with TT.

Owen Thorpe – Merseyside

- Q. What is your fee structure?
- A. We normally charge a performance related fee.

Jo Ray – Lincoln County Council

- Q. What is the level of turnover in your portfolios?
- A. It is higher than average because we do not hold a share simply because we like the company concerned. There has to be a reason for us to buy the share in the first place and when we make the purchase we also know when we are likely to sell the same share. For example, it has met the criteria set at the time it was purchased.

Dean Awoyera – London Borough of Lambeth

- Q. What is the risk (tracking error) in the portfolio?
- A. Typically between 4 and 8% but it can go above 8%.

Malcolm Smith – London Borough of Richmond

- Q. If you were going over 8% would you consult your client?
- A. Normally the answer is no because we have full discretion over the portfolio but there are occasions when we do consult. One of these is in going into Emerging European Markets, not all clients have this area in their client agreements.

Ken Bumpus – London Borough of Camden

- Q. Do you have an ethical portfolio?
- A. Yes we do, we even have one that takes account of Islamic restrictions.

Alternative Markets

Speaker: Richard Esquer, Executive Director – Global Markets, Lake Shore

Presentation: [Click here to view presentation slides](#)

Questions & Answers

Malcolm Smith – London Borough of Richmond

Q. How do you decide the high water market?

A. This is the highest market price achieved for a client and no further fees are charged until this price is surpassed and then only charged on the margin above this figure.

Jo Ray – Lincolnshire County Council

Q. Do you have any UK clients?

A. No

Owen Thorne – Merseyside

Q. What percentage of a total fund would expect to be invested with you?

A. About 5%.

Ken Bumpus – London Borough of Camden

Q. What is the smallest investment you would accept?

A. Would normally expect a £1million but have an institutional lowest limit of £100,000. For individuals we have gone down as low as £10,000.

Shane Norman – Euraplan

Q. Is there any easy explanation for a layman as to how your black box works, is there any transparency in the process?

A. Effectively no but the black box is monitored by artificial intelligence.

Owen Thorne – Merseyside

Q. Does a client buy units in the fund?

A. Yes, that is what normally happens but for a minimum of £100,000 the client can have a segregated fund.

Support Update

Speaker: Brian Freeman, Support Manager

- There will be a new global release of Shareholder for Windows sent out to all clients in early 2006. We are just completing final testing now but this has been penciled in for the end of January. Updated functions include the correction of some accrued interest issues, improved dividend tracking and the availability of FMI's for Schrodgers, Standard Life and MFS fund managers.
- For users with Capital International as a fund manager, you will all be aware of the problems that have occurred with their FMI files this month. This was caused by extra information being added to the end of each row of the file. I have been assured that the issue has now been corrected for next month but should you experience any further problems, please contact me and I will contact them again.

Any Other Business

Chairman Opens Debate

- Ken Bumpus (London Borough of Camden) said that on the matter of TradeShare UBS are not being co-operative. They have said they cannot supply the required information. Andrew Caird said that TradeShare could work at different levels, where it gets more information it supplies a more detailed response. Ken said that UBS have outsourced their custodian role and are apparently deleting historic data from their files. Probably getting rid of computer staff as well. Michael Davis remarked on their normal competency but however they do not cope with new innovations such as commission recapture.
- Alison Simon (Kent County Council) wondered whether managers were reporting Bonds on a clean or dirty basis. Baillie Gifford is using the clean basis i.e. they exclude accrued interest from the market value. This is in line with the SORP requirements. Ken Bumpus was unflattering in his comments on SORP; he prefers the dirty route.
- Ken Bumpus asked whether other funds had signed up for Class Actions. He has increased activity in this area and has tried to tie up a deal with Research Recommendations Electronic Voting (RREV) where they will handle such actions on behalf of the fund. In answer to a question Ken stated that they have never lost money as a result of a Class Action. Owen Thorne reported that Merseyside had never participated in such an action. Michael Davis said South Tyneside were rather active in this area.

Next Meeting: Date & Location

Date: Friday 17 March 2006

Venue: Owen Thorne offered to host the meeting in Liverpool.
Do any clients volunteer to host the meeting in London instead?