*General Assembly Speech – May 2017 – Master copy*

*Moderator*

*It is my privilege as Chairman to report to the General Assembly and I lay on the table the Annual Report and Financial Statements of the Investors Trust for the year ended 31st December 2016.*

***Market background***

*The Chinese curse – “may you live in interesting times” - could certainly have applied in 2016. There were surprise results delivered at the ballot boxes in both the UK with the vote to leave the European Union, and in the United States with the election of President Trump. Despite these events triggering volatile moves in stock markets, at the end of 2016 we saw new highs for many of the main share indices. The main impact of the BREXIT vote, other than political issues, was weakness in Sterling, which saw companies which had earnings in overseas currencies, especially US dollars, do well as those overseas earnings benefited from translation into Sterling. This also helped the dividends earned by the portfolio, enabling us to maintain our target distributions for the Investors Trust Growth Fund. In fact, the same effect that has meant that your holidays to the USA and Europe cost more in 2016 has helped investment returns in many cases.*

***Fund performance***

*All three Investors Trust funds recorded positive performances over 2016. The Deposit Fund has generated interest for investors of around three quarters of a per cent, which was comfortably ahead of the Bank of England base rate, which was half of one percent for the first seven months of 2016 and one quarter of one percent for the remainder of the year. However, as all of us with instant access savings accounts will testify, the rates are not what you would call exciting. Our Deposit Fund managers look forward to the day when they can present a graph which isn’t a flat line.*

*The Growth and* Income *funds both recorded increases well in excess of inflation. The Growth Fund achieved a total return of 14.2% while the Income Fund recorded a total return of 9.1%. It would be easy to get carried away by these strong returns, but we are Presbyterians after all, so it is worth noting that both these returns were behind the benchmark indices against which we measure performance for the fund managers. However, in mitigation our investment advisors have told us that the performance of our funds is in line with or better than other comparable charity mandates.*

*The trustees of the Investors Trust are professionals who give of their time and experience across all areas investment for the benefit of the church. They question the investment managers in regular meetings as to how the funds have performed and how value has been added or lost. The Investors Trust employs Mercer as an independent advisor to provide checks and balances around the trustees’ thinking. Following recent meetings we have decided to keep a close watch on our Growth Fund managers’ performance over the next year, while holding with our Income Fund manager as this is the first year of performance from them which has been behind benchmark since they took on the mandate in 2012. It is a disruptive and expensive exercise to change fund manager, and not something to be undertaken lightly, however, unless satisfactory performance is delivered, the trustees will make changes to the investment managers if necessary.*

***Income generation***

*We held the income distribution in the Growth fund again at 16.75p per unit although we only generated 16.64p. In discussion with the managers, we have agreed a target of 16.5p for 2017 and will try to hold the distribution once again. However, it may be that if more companies announce cuts to dividends, or there is a lessening of the positive effect of sterling weakness on dividend income, we may have to review over the course of the year. We are confident that the distribution level for the Income Fund can be maintained at 50.0 pence per unit.*

***Investors information***

*Quarterly reports from the managers are posted on our website and the Investors Trust team is very happy to answer any questions as required. We will continue to offer forums to our investors to meet with and question the Investment Managers. We will again have our usual meeting with investors here in Edinburgh in June, but we have decided to experiment with a webinar for the November meeting, to avoid the need for travel for investors and fund managers.*

*Guidance notes for treasurers on the three investment funds and how they work were distributed in January and are also available on the website.*

***Ethical Guidelines***

*The Investors Trust applies ethical exclusions to the investments held where possible. We instruct our managers to avoid investment in companies which derive more than 15% of their turnover from alcohol, gambling, tobacco, armaments, thermal coal and tar sands. We have engaged with a short life working group on fossil fuel investment facilitated by the Church and Society Council and the findings will be presented to the general Assembly next year.*

*The discussions on fossil fuel investments have highlighted the need for the Church to have a wider statement of investment principles, incorporating the ethical underpinning of how the Church of Scotland conducts its investment activity. With this in mind we will continue to engage in discussions with all areas of the church which have interests in investments.*

***Investors trust team and trustees***

*I must record my thanks to the treasurer, secretary and staff of the Investors Trust who ensure smooth day to day operations and are the front line point of contact for both our investors and investment managers. I have to acknowledge with thanks the experience and expertise of our trustees who give of their time to oversee the investments that the congregations and committees of the church entrust to us.*

***Rotation of trustees***

*In accordance with the terms of the Constitution, the following three members retire by rotation at 31 May 2017: Mr J B Michael Dick, Mrs Jane Henderson and Mr Thomas M Walker. Mrs Henderson and Mr Walker have indicated that they wish to seek re-election.* *It is recommended to the General Assembly that Mrs Henderson and Mr Walker be re-appointed members for three years from 1 June 2017.*

*This year three former chairmen are stepping down as trustees. Alistair Gibb, my predecessor, Isobel Hunter, the first woman to be Chairman of the trust and Michael Dick, not only Chairman, but a founding trustee and our institutional memory. These three individuals have made outstanding contributions to the work of the Investors Trust. The expertise and diligence they have shown in their service to the Investors Trust is an example to the current trustees and their legacy is healthy, well managed and governed trust in which our investors can have confidence.*

*Moderator, I submit the Report and Accounts of the Investors Trust and, as I am not a Commissioner, I ask that one of the Clerks move the Deliverances.*