

### **2.3 Deputy of St. John of the Minister for Treasury and Resources regarding the management of the asset values and future return expectations of the Strategic Reserve:**

Given recent market turbulence, would the Minister advise as to how frequently the asset values and future expectations of the Strategic Reserve are reviewed in terms of risk and reward and how appropriate diversification of risk is maintained, and the process by which the best possible investment managers are selected?

#### **Senator T.A. Le Sueur (The Minister for Treasury and Resources):**

Strategic Reserve valuations are received on a monthly basis but can be requested at any date. The investment markets and the Reserve's managers are monitored on a continuous basis. Investment strategy includes diversification of assets and is generally reviewed on a 6-monthly basis but may be amended at any time in response to market conditions. Investment managers are selected by the Minister for Treasury and Resources following receipt of expert advice from our independent advisers.

#### **2.3.1 Deputy of St. John:**

Is the Minister content with the current return on the investment and what is the average rate of annual growth on the current investment, Sir?

#### **Senator T.A. Le Sueur:**

Yes, I am content with the return. It varies from year to year in the region of just under 6 per cent at the current time. We are not there to take a high risk profile. It is there for strategic long term purposes and I am satisfied that they have reached our current objectives.

#### **2.3.2 Deputy D.W. Mezbourian of St. Lawrence:**

I understand that in June 2007 the Minister was recommended to pursue the implementation of ethical investment policy through corporate governance measures rather than the adoption of prescriptive investment rules that specifically exclude certain investments. Will the Minister advise the House what his response was to that policy recommendation?

#### **Senator T.A. Le Sueur:**

I published a response to the question of ethical investment some time ago; that policy remains in force. As always the difficulty in the detail is deciding where and on what criteria we judge an investment to be ethical or unethical.

#### **2.3.3 Deputy P.V.F. Le Claire:**

I have had some experience about receiving investment management reports from the Public Employees Contributory Retirement Scheme and on a regular basis those reports are submitted to the Committee of Management. Would these investment reports from this particular strategic reserve where the money from taxpayers is invested and managed, and the amount of money that it costs to manage that, be available to members on a regular basis to have oversight of or posted where the public can have oversight of so that where it does show quite specifically, as in the investments of the Public Employees Contributory Retirement Scheme that, for example, they are investing heavily in tobacco companies, that we could then question that policy and have account of the money that is invested on behalf of the taxpayer?

#### **Senator T.A. Le Sueur:**

I see no reason at the moment why investment information should not be published. Certainly one of the objectives I would have would be that the States annual accounts would show these figures in more detail. In terms of questioning a policy, I would hate to think that the States set itself up as investment advisers and managers. We have professionals employed to do that. But certainly if Members wish to question items within that Fund I would be happy to try to answer them.

#### **2.3.4 Deputy S.C. Ferguson of St. Brelade:**

Would the Minister like to confirm that the 6 per cent is the total of the income and the capital return, or is it purely the income return?

**Senator T.A. Le Sueur:**

That was the gross year containing income and capital.

#### **2.3.5 Deputy of St. John:**

Mr. Dixon, chairman of the States new Fiscal Policy Panel recently told an audience of local directors that it was rare for a jurisdiction to have both a stability fund and a strategic reserve. Does the Minister concur that the implication here is that we are pursuing a particularly cautious and conservative policy?

**Senator T.A. Le Sueur:**

The policy for the Strategic Reserve has traditionally been one of caution on the basis that a strategic reserve is likely to be called upon in the event of an international catastrophe. At that time equity markets are likely to be far more volatile and therefore at a greater risk. But the investment strategy, as I say, is reviewed on an ongoing basis and in recent times we have been more relaxed about investing a greater proportion of the fund in equities.

**The Deputy Bailiff:**

Before moving on to the next question I would like to just take a moment to advise Members that the Honourable Don Harwin, a member for New South Wales, is in the Chamber. I am sorry I did not welcome you earlier but I was not aware he had arrived quite so promptly. I am sure Members would like to welcome him to watch our proceedings. **[Approbation]**