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# **STATES OF JERSEY**



## **STATES INVESTMENT STRATEGIES**

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**Presented to the States on 22nd June 2010  
by the Minister for Treasury and Resources**

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**STATES GREFFE**



# **INVESTMENT STRATEGIES - INTRODUCTION**

## **1. INTRODUCTION**

- 1.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) (the Finance Law) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States funds.
- 1.2. The States agreed the Establishment of a States of Jersey - Common Investment Fund in P35/2010, approved by the States on 11<sup>th</sup> May 2010. Under this arrangement the majority of States Funds will be pooled for investment purposes.
- 1.3. Each States Fund will maintain its own Investment Strategy which it may achieve by investing in the States of Jersey – Common Investment Fund Investment Pools.
- 1.4. This report outlines the Investment Strategies for each of The States of Jersey – Common Investment Fund's Investment Pools. It also outlines the individual Investment Strategies for each Specific States Fund.
- 1.5. The strategies reflect the Minister's long term investment aims for each fund. The current position of each fund reflects current market conditions. The Minister's intention is that each fund will move towards its strategic aim as investment opportunities and market conditions allow.

## **2. OVERARCHING STRATEGIES**

- 2.1. The Minister for Treasury and Resources has adopted an ethical investment Strategy that will be applied to all States' Investments; this is included in Appendix 1.
- 2.2. Governance arrangements are being reviewed during 2010 however the current arrangements are detailed in Appendix 2.

## **3. STATES MAJOR FUNDS**

- 3.1. The States Major Funds' Investment Strategies are summarised in the table below. Full details of each Investment Strategy are available in Appendices 3 to 8.

Funds	Equities %	Alternatives %	Property %	Bond/Cash %	Participating in Common Inv. Fund
<b>States of Jersey Major Funds</b>					
Strategic Reserve Fund	50		10	40	Yes
Stabilisation Fund				100	Yes
Social Security (Reserve) Fund	80		10	10	Yes - Part
Health Insurance Fund	40			60	Yes
Consolidated Fund				100	Yes <sup>(1)</sup>
Currency Notes and Coins Fund	£20m (Equity & Gov. Bonds)			Balance	Yes <sup>(1)</sup>

<sup>(1)</sup> monies required for working balances will be held outside of the States of Jersey – Common Investment Fund

## **4. PENSION FUNDS**

- 4.1. The two major Pension Funds, Public Employees Contributory Retirement Scheme (PECRS) and Teachers' Superannuation Fund (JTSF) Investment Strategies are summarised in the table below. Full details of each Investment Strategy are available in Appendix 9.
- 4.2. The Minister for Treasury and Resources approves these strategy based on recommendations from the Management Board (JTSF) or Committee of Management (PECRS). The Management

Board/Committee of Management are responsible for these Funds and they take independent professional investment advice and guidance from appropriately qualified and experienced persons on the Investment Strategies for the Funds to follow. When approving the Investment Strategies, the Minister takes appropriate investment advice from the States Investment Adviser.

Funds	Equities %	Alternatives %	Property %	Bond/Cash %	Participating in Common Inv. Fund
<u>Pension Funds</u>					
PECRS	45	10	5	40 <sup>(1)</sup>	no
JTSF <sup>(2)</sup>	80		10	10	no

<sup>(1)</sup> this Figure includes capital value of future payments for certain liabilities.

<sup>(2)</sup> asset allocation is based on assets in the current Fund and excludes the value of future contributions to be made in respect of liabilities for increases to pensions in payment.

## 5. SPECIAL FUNDS

5.1. The Special Funds' Investment Strategies are summarised in the table below. Full details of each Investment Strategy are available in Appendices 10 to 12.

Funds	Equities %	Alternatives %	Property %	Bond/Cash %	Participating in Common Inv. Fund
<u>Special Funds</u>					
Tourism Development Fund				100	Yes <sup>(1)</sup>
Channel Islands Lottery (Jersey) Fund				100	Yes <sup>(1)</sup>
Dwelling-Houses Loan Fund				100	Yes <sup>(2)</sup>

<sup>(1)</sup> monies required for working balances will be held outside of the States of Jersey – Common Investment Fund

<sup>(2)</sup> the loan book will be held outside of the States of Jersey – Common Investment Fund

## 6. TRUST AND BEQUEST FUNDS

6.1. The Trust and Bequest Funds' Investment Strategies are summarised in the table below. Full details of each Investment Strategy are available in Appendices 13 to 19.

Funds	Equities %	Alternatives %	Property %	Bond/Cash %	Participating in Common Inv. Fund
<u>Trust &amp; Bequest Funds</u>					
Estate of A A Rayner Fund	65		10	25	Yes
The Rivington Travelling Scholarship	50		20	30	Yes
Estate of H E Le Seilleur	65			35	Yes <sup>(1)</sup>
Estate of E J Bailhache	65			35	Yes <sup>(1)</sup>
Le Don de Faye Trust Fund	50		20	30	Yes <sup>(2)</sup>
Greville Bathe Fund	65		10	25	Yes
Estate of A H Ferguson Bequest	50		20	30	Yes

<sup>(1)</sup> all Jersey Properties will be held outside of the States of Jersey – Common Investment Fund

<sup>(2)</sup> the holding in Jersey Water will be held outside of the States of Jersey – Common Investment Fund

**7. OTHER FUNDS**

7.1. The Other Funds' Investment Strategies are summarised in the table below. Full details of each Investment Strategy are available in Appendix 20.

Funds	Equities %	Alternatives %	Property %	Bond/Cash %	Participating in Common Inv. Fund
<u>Other Funds</u>					
Confiscation Funds				100	No
Jersey Post Office Pension Fund				100	No

**8. STATES OF JERSEY – COMMON INVESTMENT FUND**

8.1. The States of Jersey – Common Investment Fund will operate ten Investment Pools (see Appendix 21 for full details of each Investment Strategy for each pool). States Funds can participate in any of the pools in accordance with their Investment Strategies. The Investment Pools available upon commencement of the Fund are as follows:-

- UK Equities Pool
- Overseas Equities Pool
- UK Commercial Property Pool
- Short Term Corporate Bonds Pool
- Long Term Corporate Bonds Pool
- Short Term Government Bonds Pool
- Long Term Government Bonds Pool
- UK Index Linked Gilts Pool
- Short Term Cash and Cash Equivalents Pool
- Long Term Cash and Cash Equivalents Pool

8.2. Over the forthcoming year, once the States of Jersey - Common Investment Fund has been implemented, further Special and Trust and Bequest Funds will join and partake in the Fund. As a result all Investment Strategies will continue to be reviewed and revised to reflect investment in the Fund. Once this process is complete the Minister will present revised investment Strategies for all Funds

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## **OVERARCHING INVESTMENT POLICIES**

### **AP1: ETHICAL INVESTMENT STRATEGY**

1. The Minister for Treasury and Resources is mindful of ethical issues and recognises the importance of acting in an ethically responsible manner when managing investments on behalf of the States of Jersey.
- 1.1. Fund Managers' Investment Decisions**
- 1.2. When making investment decisions fund managers, for which the Minister is responsible, are required to give consideration to ethical risks in their assessment of a company's value, having regard to the information that is readily available at the time of the decision. The Minister intends for this to encourage investment in companies with good governance and responsible management.
- 1.3. Corporate Governance**
- 1.4. All Fund managers are required to follow the Institutional Shareholders' Committee's Statement of Principles (ISCSP) in respect of the corporate governance of companies in which shares are owned. In particular, fund managers are required to:-
  - discharge the States voting rights and
  - when appropriate, engage with company management whilst having reasonable regard, where relevant to the ethically positive and negative contributions as set out below.
- 1.5. In seeking to identify companies that make a positive ethical contribution, the Minister pays particular attention to their record in the following areas:-
  - Conservation of energy or natural resources;
  - Environmental improvements and pollution control;
  - Providing high quality products and services that are of long term use;
  - Strong community involvement;
  - Good employee practices and equal opportunities record;
  - Training and education;
  - Good relations with customers and suppliers; and
  - Openness about company activities.
- 1.6. In seeking to identify companies that may have an ethically negative impact the Minister pays particular attention to activities that are counter to the States laws and policies such as:-
  - Environmental damage and pollution;
  - Unnecessary exploitation of animals;
  - Trade with or operations in oppressive regimes;
  - Exploitation of third world countries;
  - Sale and distribution of weapons to terrorists or oppressive regimes; and
  - Offensive or misleading advertising.

### **AP2: GOVERNANCE ARRANGEMENTS (relates to all except Pension Funds)**

2. The Minister and the Treasurer may invest money and do so through the Investments Sub-Committee. The Minister determines the Investments Sub-Committee membership, which includes the Assistant Treasury and Resources Minister. The Sub-Committee makes recommendations to the Minister.
- 2.1. Terms of reference for the Investments Sub-Committee are as follows:-
  - Investment Strategy development and review of movements within the acceptable bands;
  - Appointment and removal of managers advisers;
  - Establish benchmarks;
  - Monitor performance against benchmarks;
  - Regularly meets with investment managers for performance updates and
  - Foreign exchange management.

- 2.2. The Minister and the Investments Sub-Committee are able to appoint appropriately experienced and qualified advisers and managers to assist in developing and administering the approved strategies.
- 2.3. All major decisions are made on advice from the States independent Investment Adviser and are documented in minutes. The Treasurer is responsible for the implementation of these decisions.
- 2.4. Investment Advice**
- 2.5. In setting and reviewing his investment strategies the Minister continues to take independent professional investment advice and guidance from appropriately qualified and experienced persons.
- 2.6. Appointment of Fund managers**
- 2.7. Where appropriate independent Investment Managers are appointed to manage the various assets of the Funds. These Managers are appointed by the Minister on the recommendation of the Investments Sub-Committee following a rigorous selection process and after receiving and fully considering independent advice. Their terms and conditions of appointment are set by the Treasurer and endorsed by the Minister for Treasury and Resources.
- 2.8. Performance monitoring**
- 2.9. The appointment of advisers and managers and their performance is regularly assessed by the Investment Sub-Committee.
- 2.10. The States Investment Adviser provides appropriate advice to the Minister, Investments Sub-Committee and Treasurer through written reports and attendance at meetings as well as through the provision of ad hoc reports when circumstances dictate.
- 2.11. The 2008 States Financial Report and Accounts have been presented by the Minister to the States which includes details of the various States Funds.
- 2.12. Performance management**
- 2.13. As a part of the operational management of these Funds; individual performance targets are set for investment managers in line with the Funds specific strategies. The performance targets are set using key indices like FTSE.
- 2.14. Actual performance is regularly monitored against target by the Investments Sub-Committee. Investment managers are subject to challenge by the Investments Sub-Committee; who require explanations of any shortfalls against target together with Investment managers' plans to return to target.
- 2.15. Where the Investment Sub-Committee believes a manager is performing consistently below expectation, it recommends to the Minister that a replacement manager is sought.
- 2.16. Reporting**
- 2.17. The Minister will report on the performance of the States main Funds in the Annual Accounts and once during the year as at the six months to June.
- 2.18. Independent Custodians**
- 2.19. In order to safeguard States interests and assets and to mitigate risks independent custodians are appointed to provide safe keeping for all assets, except direct property and policies of assurance, directly invested by the investment managers.



## STATES OF JERSEY MAJOR FUNDS

### AP3: STRATEGIC RESERVE FUND INVESTMENT STRATEGY

#### **1 Purpose of the Fund**

- 1.1 On 5 December 2006, the States approved P133/2006 and thereby confirmed the policy for the Strategic Reserve as:
- 1.2 *“the Strategic Reserve is a permanent reserve, where the capital value is to be used in exceptional circumstances to insulate the Island’s economy from severe structural decline such as the sudden collapse of a major Island industry or from major natural disaster.”*
- 1.3 The States approved P84/2009 which proposed that this policy is varied to enable the Strategic Reserve to be used, if necessary, for the purposes of providing funding up to £100 million for a Bank Depositors Compensation Scheme.
- 1.4 The clarification of the purpose of the Fund by the States enables greater emphasis to be given to increasing the longer term value of the Fund rather than the need to generate annual income. This has enabled an increase in the proportion of the Fund being allocated to return seeking assets from previous levels, but considerable emphasis still needs to be given to capital preservation and liquidity.

#### **2 Strategy**

- 2.1 In order to meet the purpose of this fund the Minister has set a strategic aim of investing 60% in return seeking assets (equities and property) and 40% in risk reducing assets as detailed below:-

	<b>Strategic Aim</b>	<b>Range</b>
	<b>%</b>	<b>%</b>
Equities	50	30 – 70
Property	10	0 – 15
Bonds/cash	40	20 – 70

- 2.2 The ranges indicate tolerable variations according to investment conditions at any time.
- 2.3 As the financial environment changes the composition of the Fund’s investments will change to reflect a move towards the strategic aim of the fund.

#### **3 Investment Structure**

- 3.1 Once the States of Jersey - Common Investment Fund is in operation, it is planned that the Strategic Reserve Fund will invest in the Common Investment Fund and acquire units in the following investment pools:-
- UK Equities
  - Overseas Equities
  - UK Commercial Property
  - Short Term Corporate Bonds (<5 year)
  - Long Term Corporate Bonds (>5 year)
  - Short Term Government Bonds (<5 year)
  - Long Term Government Bonds (>5 year)
  - UK Index Linked Gilts
  - Short Term Cash and Cash Equivalentents (< 3 months)
  - Long Term Cash and Cash Equivalentents (> 3 months)
- 3.2 Until the UK Commercial Property investment pool is operational monies will be invested in the Cash and Cash equivalent investment pools.

#### **4 Investment in Jersey**

- 4.1 Investment is not generally made in Jersey, or in Jersey quoted companies. This is to ensure that as far as possible, the assets are diversified away from the effects of the Jersey economy.

## **5 Controlling Interest**

5.1 The States of Jersey will not acquire share holdings greater than 3% of the issued share capital in UK companies.

## **AP4: STABILISATION FUND INVESTMENT STRATEGY**

### **1 Purpose of the Fund**

- 1.1 The purpose of this Fund is to provide a reserve which can be used to make Jersey's fiscal policy more countercyclical in order to create a more stable economic environment. The Fund receives cash allocations in more buoyant economic conditions and makes payments at times of anticipated economic downturn.
- 1.2 At least until the Stabilisation Fund has been built up to a much higher level it needs to be:
- highly liquid;
  - held in assets which will not lose value if a quick sale is required and
  - available at times of an economic downturn.

### **2 Strategy**

- 2.1 In order to meet the purpose of this Fund, the long term aim of the Fund is to invest within the parameters indicated below:-

	<b>Strategic Aim</b> %	<b>Range</b> %
Cash and cash equivalents	20	20 – 100
Government bonds (indexed or conventional)	50	0 – 80
Corporate bonds (indexed or conventional)	30	0 – 40

- 2.2 The current economic climate and the predicted and current demands placed on the Fund mean that at this time it will continue to be held in highly liquid assets such as short term cash deposits and certificates of deposit and not in bonds.
- 2.3 The cash holdings in this Fund are subject to the same restrictions placed on the cash in the Consolidated Fund (please see section 3).
- 2.4 Given that the purpose of this Fund is to provide support in an economic downturn; it should not invest in equities as these may suffer at times of economic downturn, when payments may be needed to be made from the Fund.

### **3 Investment Structure– States of Jersey - Common Investment Fund**

- 3.1 Once the Common Investment Fund is in operation, it is planned that the Stabilisation Fund will invest in the Common Investment Fund and in the current climate, only acquire units in each of the following investment pools:-
- Short Term Cash and Cash Equivalents (< 3 months)
  - Long Term Cash and Cash Equivalents (> 3 months)

## **AP5: SOCIAL SECURITY (RESERVE) FUND INVESTMENT STRATEGY**

### **1 Purpose of the fund**

- 1.1 The Social Security (Reserve) Fund (the "Reserve Fund") is both the mechanism by which contribution rates and ceiling changes which fund pension and benefit costs of the Social Security Fund are smoothed over time and effectively act as a buffer to contribute towards the rising burden of pension costs as the Island faces up to the pressures arising from an ageing population. The Minister for Treasury and Resources is responsible for the investment of the Fund's assets. The Minister for Social Security has responsibility for the development of a strategy to deal with meeting future pension provisions for eligible islanders.
- 1.2 The number of persons in receipt of a State pension as a percentage of the working population is expected to increase over time. The purpose of this Fund is to build up a reserve for the future provision of pension benefits for those currently in employment, so as to reduce the impact of pensions on future generations, as well as to smooth contributions for social security benefits over time.
- 1.3 Long term growth is one of the main aims for the Social Security (Reserve) Fund and therefore any income generated is reinvested back into the Fund. It is expected that there will be no requirement to draw on the assets of the Fund in the near term and during this period there will continue to be net cash inflows to the Fund.

### **2 Strategy**

- 2.1 In order to ensure that the Fund can work towards its objective of longer term growth its strategy is to place a high proportion of its assets in return seeking investments.
- 2.2 The longer term strategic aim for the fund is to invest within the parameters indicated below:-

<b>Asset Class</b>	<b>Strategic Aim %</b>	<b>Range %</b>
Equities	80	65 – 90
Property	10	0 – 15
Bonds/Cash	10	5 – 35

- 2.3 Investment conditions are not suitable to move to this strategy at the current time, however, as the financial climate changes the composition of the Fund's investments will change to reflect a move towards the strategic aim.
- 2.4 As the Reserve Fund is subject to three yearly actuarial reviews the outcomes may result in a need to redefine the Fund's investment strategy. All strategy revisions will be brought to the attention of the States.

### **3 Investment Structure**

- 3.1 As a pension fund, the Social Security (Reserve) Fund can enter the insurance products restricted to the pension funds market which are designed to follow general market movements. This enables the Fund to participate in large pools of indexed assets available in the UK, at very low management costs and provides the flexibility to easily change asset allocation by increases or decreases to the indexed holdings in each market.
- 3.2 These indexed funds are provided by an insurance company using a policy of assurance, but operate in a broadly similar way to a series of unit trusts.
- 3.3 Once the Common Investment Fund is operational, it will provide an opportunity for the Social Security (Reserve) Fund to, later this year, invest around half of its equity assets in the States of Jersey -Common Investment Fund equity pools; therefore carrying out investment under active management.

## **4 Investment in Jersey**

- 4.1 Investments are not made in Jersey except where a Jersey company is part of an established index. This is to ensure that as far as possible, the assets are diversified away from the effects of Jersey's economy.

## **AP6: HEALTH INSURANCE FUND INVESTMENT STRATEGY**

### **1 Purpose of the fund**

- 1.1 The Health Insurance Fund is established under the Health Insurance (Jersey) Law 1967. The Fund receives allocations from Social Security Contributions, as specified under Article 30 of the Social Security (Jersey) Law 1974 for the use of paying all claims for money benefit (GP subsidy) and pharmaceutical benefit. The Minister for Social Security has responsibility for the control and management of the Fund.
- 1.2 The Minister for Treasury and Resources is responsible for the investment of the Fund's assets. The Minister for Treasury and Resources may, after consultation with the Minister for Social Security appoint one or more investment managers for the Fund.

### **2 Strategy**

- 2.1 In order to meet the fund's purpose the strategy set is a mix between capital growth and income distribution. The Minister has set a strategic aim of investing 40% in return seeking assets (equities) to produce long term returns, with the remainder, 60% in risk reducing assets to provide some stability and in the case of corporate bonds, income returns.
- 2.2 The longer term strategic aim for the fund is to invest within the parameters indicated below:-

<b>Asset Class</b>	<b>Strategic Aim</b>	<b>Range</b>
	<b>%</b>	<b>%</b>
Equities	40	20 – 50
Bonds/Cash	60	35 – 80

- 2.3 The ranges indicate tolerable variations according to investment conditions at any time.

### **3 Investment Structure**

- 3.1 The Fund is invested with a single investment manager who specialises in investing in cash and near cash equivalent investments as a temporary measure until the States of Jersey –Common Investment Fund is operational.
- 3.2 Once the Common Investment Fund is in operation, it is planned that the Health Insurance Fund will be able to implement its investment strategy and will acquire units in each of the following investment pools:-
- UK Equities
  - Overseas Equities
  - Short Term Corporate Bonds (<5 year)
  - Long Term Corporate Bonds (>5 year)
  - Short Term Cash and Cash Equivalentents (< 3 months)
  - Long Term Cash and Cash Equivalentents (> 3 months)

## **AP7: CONSOLIDATED FUND INVESTMENT STRATEGY**

### **1 Purpose of the Fund**

- 1.1 The Consolidated Fund is established under the Public Finances (Jersey) Law 2005 and effectively represents the States current account were it a household. Income from taxation, duties, chargeable services, fees and fines are paid in and expenditure approved by the States Assembly, on employees' salaries, equipment, supplies, services and capital projects etc are paid out from the consolidated fund.
- 1.2 Any balance on the fund is invested on a short term basis, until it is required to meet on-going approved expenditure.

### **2 Strategy**

- 2.1 In order to meet the Fund's purpose the strategy set is risk adverse with capital preservation, liquidity and flexibility being the over-riding factors governing its requirements.
- 2.2 Investment should be made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes.

### **3 Investment Structure**

- 3.1 Once the Common Investment Fund is operational, it is planned that the Consolidated Fund will invest most of its assets in the Common Investment Fund and acquire units in each of the following investment pools:-
- Short Term Cash and Cash Equivalents (< 3 months)
  - Long Term Cash and Cash Equivalents (> 3 months)
- 3.2 The remainder of the Fund's assets, required for daily cash-flow transactions, will be held with a single investment manager who specialises in investing in cash and near cash equivalent investments. The investment manager should operate within the following allocation limits:-

<b>Asset Class</b>	<b>Maximum Maturity</b>	<b>Maximum Allocation %</b>
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

- 3.3 No more than 25% of the portfolio can exceed one year to maturity.
- 3.4 In order to mitigate risks further the investment manager responsible for the Consolidated Fund portfolio is limited to holding no more than 10% of the States portfolio with any one financial institution. Deposits can only be made with institutions which fall into the following categories:-

<b>Deposit term</b>	<b>Rating</b>
Short-term deposit (up to 3 months)	Standard & Poors A1 and Moody's P1
Longer-term deposit (over 3 months)	Standard & Poors AA and Moody's Aa3

- 3.5 No derivatives, overseas currency and off balance sheet vehicles are permitted.

## **AP8: CURRENCY NOTES AND COINS FUNDS INVESTMENT STRATEGIES**

### **1 Purpose of the Fund**

1.2 The States Currency and Coinage Funds are provided for under the Public Finances (Jersey) Law 2005 and the Currency Notes (Jersey) Law 1959. The principal purpose of these Funds is to hold assets that match the value of Jersey currency in circulation, such that the holder of Jersey currency could on request be repaid.

### **2 Strategy**

2.1 In order to meet the purpose of the Funds the strategy is based mainly on the requirement to invest in low risk cash based assets to protect and maintain the capital value of the investments and to ensure that currency and coinage in circulation is matched and that investments could be liquidated fairly quickly should a need arise.

2.2 In order to maximise the potential return to the Funds a relatively small element of the Fund should be held in Equities and Short Term Government Bonds.

2.3 This is able to happen as although the level of currency in circulation fluctuates, there is a core level always in circulation, which enables a limited equity investment and bond holding to be held currently through a £20 million unitised holding in the Strategic Reserve portfolio.

2.4 The long term strategic aims of the Funds are to invest in the parameters indicated below:-

<b>Asset Class</b>	<b>Allocation</b>
Equities and Short term Government Bonds	£20 million
Cash or near cash equivalents	Balance

### **3 Investment Structure– States of Jersey - Common Investment Fund**

3.1 Once the Common Investment Fund is in operation, it is planned that the Currency Notes and Coinage Fund will no longer need to invest in the Strategic Reserve Fund; instead it will directly invest in the Common Investment Fund acquiring units in the following investment pools:-

- UK Equities
- Overseas Equities
- Short Term Government Bonds (<5 year)
- Short Term Cash and Cash Equivalents (< 3 months)
- Long Term Cash and Cash Equivalents (> 3 months)



## **AP9: PENSION FUNDS AND THEIR INVESTMENT STRATEGIES**

### **1 Background**

- 1.1 The Minister for Treasury and Resources approves strategy based on recommendations from the relevant Board or Committee of Management responsible for the individual pension fund. In approving the relevant investment strategy the Minister takes appropriate investment advice from the States Investment Adviser.

### **2 Governance arrangements**

#### **2.1 Investment Advice**

- 2.1.1 The Management Committee/Board responsible for these Funds takes independent professional investment advice and guidance from appropriately qualified and experienced persons on the strategy to be followed.

#### **2.2 Appointment of Fund managers**

- 2.2.1 Independent Investment Managers are appointed to manage the various assets of the pension funds. These Managers are appointed by the Committee/Board following a selection process and after receiving independent advice and guidance. The appointment of managers needs ratification from the Minister for Treasury and Resources.

#### **2.3 Performance monitoring**

- 2.3.1 As with those funds which fall under the Minister's direct responsibility, the appointment of advisers and managers and their performance for pension funds is regularly assessed by individual Investment Sub-Committees, set up by the Pension funds Management Committee/Board.

#### **2.4 Independent Custodians**

- 2.4.1 In order to safeguard the pension funds interests and assets and to mitigate risks independent custodians are appointed to provide safe keeping for all those assets which are directly invested by the investment managers.

### **3 Public Employees Contributory Retirement Scheme (PECRS)**

#### **3.1 Purpose of the Fund**

- 3.1.1 The Public Employees Contributory Retirement Scheme (PECRS) is the States pension scheme set up to meet retirement benefits of all contributing public sector employees (excluding teachers) over 20 years of age.
- 3.1.2 Investment issues are considered by the Scheme's Investment Sub-Committee under advice from an Independent Investment Adviser and recommendations made to the Committee of Management for endorsement and/or referral to the Minister for Treasury and Resources as appropriate.

#### **3.2 Strategy**

- 3.2.1 The aim of the investment strategy is to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided.
- 3.2.2 The current strategy followed is:-

<b>Asset Class</b>	<b>Strategic Aim %</b>	<b>Range %</b>
<i>Growth Investments</i>		
Equities	45	35 - 55
Alternatives	10	5 - 15
<i>Bond Like Investments</i>		
Property	5	0 - 10
Bonds	20	10 - 30
Cash and Cash Equivalents	-	0 - 10
Debt	20	15 - 25

- 3.2.3 Any requirement for rebalancing between the asset classes is reviewed on a quarterly basis with advice from the Scheme's Investment Adviser.
- 3.2.4 The States has recognised responsibility for the pre 1987 Debt for PECRS which it has agreed to repay over an 82 year period. This represents approximately 20% of PECRS total assets (referred to as "Debt" in the table above) and these payments can be regarded like a salary related index linked gilt issued by the States.

### **3 Jersey Teachers' Superannuation Fund (JTSF)**

#### **3.1 Purpose of the Fund**

- 3.1.1 Membership of the Jersey Teachers' Superannuation Fund (JTSF) is compulsory for all teachers in full time employment and optional for those who work part-time.
- 3.1.2 The fund receives pension contributions from working teaching staff and also from the Education, Sport and Culture Department.

#### **3.2 Strategy**

- 3.2.1 The strategy for the Fund is based on the Board's aim to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided.
- 3.2.2 The long term strategy is to hold one fifth of the assets in risk reducing categories (e.g. bonds and property) and four fifths in return seeking assets (e.g. equities). Tactical moves diverging away from this strategic distribution may occur according to prevailing market conditions and prospective returns from each asset class.
- 3.2.3 The table below illustrates the long term asset allocation strategy:-

	<b>Strategic Aim</b> %	<b>Range</b> %
Equities	80	76-84
Property	10	0-10
Bonds/Cash	10	6-14

- 3.2.4 The above strategy is applied to the assets which are currently invested in the JTSF and does not take account of the future contributions which will be received to cover increases to pensions in payments which have been recently added to the scheme liabilities. The current Investment Strategy therefore contains a higher level of return seeking assets than may otherwise be the case.
- 3.2.5 Any rebalancing between the asset classes is carried out on a quarterly basis on advice from the Scheme's Investment Adviser.

#### **3.3 Investment Structure**

- 3.3.1 The Management Board appoints individual investment managers, and has currently appointed one specialist equity manager and one passive manager.

## **SPECIAL FUNDS**

### **Purpose of the Funds**

The States has a number of Special funds set up for specific purposes. Funds falling into this category include the Tourism Development Fund, Channel Islands Lottery (Jersey) Fund and the Dwelling-Houses Loan Fund.

## **AP10: TOURISM DEVELOPMENT FUND (TDF) INVESTMENT STRATEGY**

### **1. INTRODUCTION**

- 1.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) (the Finance Law) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.
- 1.2. Under and Public Finances (Transitional Provisions) (no.1) Jersey Regulations 2005 (Regulation 9) the Tourism Development Fund (TDF) is given Special Fund status.
- 1.3. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.
- 1.4. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.
- 1.5. This document provides details on:
  - Investment strategy for the Fund
  - States of Jersey - Common Investment Fund
- 1.6. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow. Initially until the Common Investment Fund is established it is anticipated that assets will continue to be invested in the Consolidated Fund in the form of cash balances and short term instruments, such as Certificates of Deposits.
- 1.7. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

### **2. TOURISM DEVELOPMENT FUND**

#### **2.1. Purpose of the Fund**

- 2.2. The Tourism Development Fund (TDF) was established by proposition P170/2001, lodged by the former Tourism Committee (now the Minister for Economic Development) entitled - Investing in Tourism's future au Greffe. This was approved by the States of Jersey on 18th December 2001.
- 2.3. The purpose of the proposition was for the Tourism Development Fund to replace the old Tourism Investment Fund (TIF) and for the States to agree a principal £10m to be deposited into the Fund over a 5 year period. In 2003 £1.2m was transferred into the Fund and in 2006 a further £1m, however since then no further monies have been deposited into the Fund. The aim and objectives of the Fund are as follows:-
- 2.4. *Aim - "to stimulate investment in tourism infrastructure in order to improve Jersey's competitiveness and sustain a flourishing tourism industry as a second pillar of the economy."*

- 2.5. *Funds objectives: “1) improve quality of visitor experience 2) enhance distinctiveness and environmental quality 3) improve cost efficiency and focused use of resources and 4) secure implementation of the tourism strategy. ”*
- 2.6. The Economic Development Department is responsible for the administration of the Fund. The Department is also responsible for the assessment of all initial project proposals before they are submitted to the Tourism Development Fund Panel (Advisory Panel).
- 2.7. The Advisory Panel comprises of six members from the private sector and senior officers from the Economic Development Department. The Advisory Panel usually meets four times a year.
- 2.8. Grants are awarded by the Tourism Development Fund Panel; where an application exceeds £0.5m, this is referred to the Minister for Treasury and Resources for prior approval.
- 2.9. **Investment Strategy**
- 2.10. In order to meet the Fund’s purpose the investment strategy set is to maintain the monetary value of the Fund, excluding investment income, to provide a high level of security and a good level of liquidity to finance projects as required.
- 2.11. It is recommended that the annual cash requirement for Tourism projects is forecast and that any surplus cash balances not required in the current year be invested into short-dated gilts to maximise the investment returns for the Fund.
- 2.12. The longer term strategy for the Fund is to hold assets in cash and cash equivalents. Therefore the Minister has set a strategic aim of investing all monies in risk reducing assets as detailed below:-

	<b>Strategic Aim</b>	<b>Range</b>
	<b>%</b>	<b>%</b>
Government Bonds	-	0 – 70
Cash	100	0 – 100

- 2.13. The intention is that this Fund; apart from any monies required as a working balance; will be able to participate in the Common Investment Fund, as explained in Section 3 of this appendix. Initially assets will be held in the Consolidated Fund in the form of cash balances and short term instruments, such as Certificates of Deposits.
- 2.14. The cash holdings invested in the Consolidated Fund are subject to the following restrictions:-
- 2.15. **Investment Manager Allocation Limits**
- 2.16. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

<b>Asset Class</b>	<b>Maximum Maturity</b>	<b>Maximum Allocation %</b>
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

- 2.17. No more than 25% of the portfolio can exceed one year to maturity.
- 2.18. Deposits, held by Investment Cash Managers, can only be made with institutions which fall into the following categories:-

<b>Deposit term</b>	<b>Minimum Industry Rating</b>
Short-term deposit (up to 3 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 3 months)	Standard & Poor's AA and Moody's Aa3

- 2.19. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.
- 2.20. No off-balance sheet vehicles are permitted.

### **3. INVESTMENT STRUCTURE**

- 3.1. The Fund's assets are invested with a single investment manager who specialises in investing in cash and near cash equivalent investments as a temporary measure until the States of Jersey –Common Investment Fund is operational.
- 3.2. Once the Common Investment Fund is in operational, it is planned the Tourism Development Fund; apart from monies required for working balances; will invest in the Common Investment Fund and acquire units in each of the following investment pools:-
- Short Term Government Bonds (<5 year)
  - Short Term Cash and Cash Equivalents (< 3 months)
  - Long Term Cash and Cash Equivalents (> 3 months)

# **AP11: CHANNEL ISLANDS LOTTERY(JERSEY) FUND INVESTMENT STRATEGY**

## **1. INTRODUCTION**

- 1.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.
- 1.2. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.
- 1.3. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.
- 1.4. This document provides details on:
  - Investment strategy for the Fund
  - States of Jersey - Common Investment Fund
- 1.5. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow. Initially until the Common Investment Fund is established it is anticipated that assets will continue to be invested in the Consolidated Fund in the form of cash balances and short term instruments, such as Certificates of Deposits.
- 1.6. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

## **2. CHANNEL ISLANDS LOTTERY (JERSEY) FUND**

- 2.1. **Purpose of the Fund**
- 2.2. The Channel Islands Lottery is one of the longest running small lotteries in the world. It began in Jersey in the mid 1960s and raised millions of pounds for the development of Fort Regent. In 1975, Jersey and Guernsey Channel Islands joined together to form the Channel Islands Lottery and have been successful in raising money for sport leisure and recreation in the Islands and supporting the Association of Jersey Charities; which is made up of approximately 245 charities (February 2010).
- 2.3. Under the Gambling (Jersey) Law 1964 (article 3), the Gambling (Channel Islands Lottery) (Jersey) Regulations 1975 were made, setting out the Funds constitution, operations and administration provisions.
- 2.4. The promotion of the lottery is carried out by the Minister for Economic Development jointly with the Guernsey Committee ("States of Guernsey Gambling Control Committee").
- 2.5. In Jersey the Public Lotteries Board has been set up for the purpose of advising and assisting the Minister for Economic Development in all matters concerning the promotion and conduct in Jersey of the Channel Islands Lottery. The Board holds office for five years and consist of a chairman and not less than six other persons who have integrity and are ordinary residents in Jersey.
- 2.6. The Fund is administered by the Treasurer of the States of Jersey.
- 2.7. The Minister for Economic Development has powers to set aside reserves to exercise his or her functions under the regulations. In 2009, proposition P.155/2009 was approved by the States to retain 10% of the 2009/10 profits in order to boost the Fund's reserves as a contingency measure, prior to distributing the Lottery's profit.
- 2.8. Currently there is some debate around the future of the Lottery if Islanders start playing the UK Lottery in Jersey. This situation remains under review pending resolution of legal difficulties.

2.9. **Investment Strategy**

2.10. During the year monthly trading cash receipts from sales of tickets after deduction of prize monies continue to grow. Historically, by December the Fund holds substantial cash balances due to compounding monthly ticket net inflows and large ticket sales from the Christmas Charity Draw.

2.11. Each year in March/April a substantial payment is made to the Association of Jersey Charities, which coincides with the presentation of the previous years' annual accounts to the States.

2.12. In order to meet the Fund's purpose the investment strategy's emphasis is on security, maintenance of capital value, flexibility and a very high level of liquidity rather than on investment growth.

2.13. The long term investment strategy is to hold all assets in cash and short term instruments, such as Certificates of Deposits. As many of the significant cash flows occur annually, some of the cash may be invested on a longer term basis (i.e. greater than 3 months).

2.14. The intention is that this Fund; apart from any cash balances required as working balances; will be able to participate in the Common Investment Fund, as explained in Section 3 of this appendix. Initially assets will be held in the Consolidated Fund in the form of cash balances and short term instruments, such as Certificates of Deposits.

2.15. The cash holdings invested in the Consolidated Fund are subject to the following restrictions:-

2.16. **Investment Manager Allocation Limits**

2.17. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

<b>Asset Class</b>	<b>Maximum Maturity</b>	<b>Maximum Allocation %</b>
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

2.18. No more than 25% of the portfolio can exceed one year to maturity.

2.19. Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

<b>Deposit term</b>	<b>Minimum Industry Rating</b>
Short-term deposit (up to 3 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 3 months)	Standard & Poor's AA and Moody's Aa3

- 2.20. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.
- 2.21. No off-balance sheet vehicles are permitted.

### **3. INVESTMENT STRUCTURE**

- 3.1. The Fund is invested with a single investment manager who specialises in investing in cash and near cash equivalent investments as a temporary measure until the States of Jersey –Common Investment Fund is operational.
- 3.2. Once the Common Investment Fund is in operational, it is planned that the Channel Island Lottery (Jersey) Fund; apart from any cash balances required as working balances; will invest in the Common Investment Fund and acquire units in each of the following investment pools:-
- 10% in Short Term Cash and Cash Equivalents (< 3 months)
  - 90% in Long Term Cash and Cash Equivalents (> 3 months)
- 3.3. Each year in March/April monies will need to be available to meet the annual large payment made to the Association of Jersey Charities.



## **AP12: DWELLING-HOUSES LOAN FUND INVESTMENT STRATEGY**

### **1. INTRODUCTION**

- 1.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.
- 1.2. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.
- 1.3. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.
- 1.4. This document provides details on:
  - Investment strategy for the Fund
  - States of Jersey - Common Investment Fund
- 1.5. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow. Initially until the Common Investment Fund is established it is anticipated that cash will continue to be invested in the Consolidated Fund in the form of cash balances and short term instruments, such as Certificates of Deposits.
- 1.6. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

### **2. DWELLING-HOUSES LOAN FUND**

#### **2.1 Purpose of the Fund**

- 2.2 The Building Loans (Jersey) Law 1950 ("the Law"), article 2 established the "Dwelling-Houses Loan Fund" for the following purpose:-
- 2.3 *"to establish a building loans scheme to enable residentially qualified first-time buyers, who have never owned residential freehold property in Jersey, to purchase their first home. They must be able to demonstrate they have a deposit and can meet the loan repayments."*
- 2.4 The Fund was created at a time when Building Societies did not exist in the Island and Banks had not yet become extensively involved in lending monies for house purchases.
- 2.5 Under the Law and Building Loans (Miscellaneous Provisions) (Jersey) Regulations 1961, loans are granted by the Minister for Housing (former Housing Committee). The current maximum loan available is £120,000 and the maximum life of a loan cannot exceed 40 years from the date of the contract.
- 2.6 Loans issued are currently charged an interest rate of 7.5% under the Building Loans (Prescribed Rate of Interest) (Jersey) Order 2003. The Fund's interest rate is determined by the Minister for Housing after consultation with the Minister for Treasury and Resources.
- 2.7 In recent years, the Funds cash balance has increased as fewer loans are being issued and current loan balances are being repaid, as part of normal business or repaid early as borrowers transfer their loans to commercial lenders.
- 2.8 Under Article 2 of the Law, the States have powers to pay into and take monies out of the Fund. In 2006 the States agreed to transfer £32 million out of the Fund to the Stabilisation Fund (P.40/2006) and during 2009 a further £18m was transferred out of the Fund to the Stabilisation Fund (P.55/2009).

2.9 **Investment Strategy**

2.10 In order to meet the Fund's purpose the investment strategy set is to maintain security and a high level of liquidity so as to provide lending when required; ensuring that the asset value of the Fund is only subject to small fluctuations.

2.11 The strategy is designed to maintain the asset value of the Fund in monetary, rather than real terms and any income received will help to offset the effects of inflation on monetary values.

2.12 The long term investment strategy for the Fund is to hold assets (excluding the loan book) in cash and cash equivalents and short dated government bonds.

2.13 The short term cash holding at any one time should be sufficient to cover potential loans to be issued in the forthcoming year. Therefore the Minister has set a strategic aim of investing all monies in risk reducing assets as detailed below:-

	<b>Strategic Aim</b> %	<b>Range</b> %
Government Bonds	75	0 – 90
Cash	25	0 – 100

2.14 The intention is that this Fund; apart from loan book; will be able to participate in the Common Investment Fund, as explained in Section 3 of this appendix. Initially assets will be held in the Consolidated Fund in the form of cash balances and short term instruments, such as Certificates of Deposits.

2.15 The cash holdings invested in the Consolidated Fund are subject to the following restrictions:-

2.16 **Investment Manager Allocation Limits**

2.17 Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

<b>Asset Class</b>	<b>Maximum Maturity</b>	<b>Maximum Allocation</b> %
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

2.18 No more than 25% of the portfolio can exceed one year to maturity.

2.19 Deposits, held by Investment Cash Managers, can only be made with institutions which fall into the following categories:-

<b>Deposit term</b>	<b>Minimum Industry Rating</b>
Short-term deposit (up to 3 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 3 months)	Standard & Poor's AA and Moody's Aa3

2.20 Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

2.21 No off-balance sheet vehicles are permitted.

### **3 INVESTMENT STRUCTURE**

3.1 The Fund's assets are invested with a single investment manager who specialises in investing in cash and near cash equivalent investments as a temporary measure until the States of Jersey –Common Investment Fund is operational.

3.2 Once the Common Investment Fund is in operational, it is planned that the Dwelling-Houses Loan Fund; apart from the loan book; will invest in the Common Investment Fund and acquire units in each of the following investment pools:-

- Short Term Government Bonds (<5 year)
- Short Term Cash and Cash Equivalents (< 3 months)
- Long Term Cash and Cash Equivalents (> 3 months)

## **TRUST & BEQUEST FUNDS**

### **1. Purpose of the Funds**

- 1.1. These are Funds which have been left to the States as a legacy or bequest to be used for the purpose specified by the benefactor.

### **2. Strategy**

- 2.1. Many of these Funds have been left with the intention that they will be spent and therefore unallocated funds need to be held in liquid assets. This means that the strategy for these types of Funds is to hold these assets in cash balances.
- 2.2. There are some larger Funds which are more significant in value and therefore benefit from a tailored investment strategy. Currently many of these funds are largely held in cash with a small element in government bonds and property. The intention is that many of these larger funds will be able to participate in the Common Investment Fund once it is implemented.
- 2.3. Below are published investment strategies for the first group of larger funds. It is the intention of the Minister for Treasury and Resources to continue to develop and implement individual strategies for many of larger funds over the forthcoming year.

## **AP13: ESTATE OF A A RAYNER FUND INVESTMENT STRATEGY**

### **1. INTRODUCTION**

- 1.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) (the Finance Law) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.
- 1.2. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.
- 1.3. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Fund when deciding on the investment strategy for the Fund, focusing on investments which are expected to give optimal performance in terms of their overall return, rather than on investments which will give the "right" balance between capital and income returns.
- 1.4. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.
- 1.5. This document provides details on:
  - Investment strategy for the Fund
  - States of Jersey - Common Investment Fund
- 1.6. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow.
- 1.7. The strategy for this Fund has been developed with reference to the UK Charity Commissions "statement of recommended practice" (SORP 2005) and other UK Charity Commission publications.
- 1.8. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

### **2. THE A A RAYNER FUND**

#### **2.1. Purpose of the Fund**

- 2.2. The late Mrs Ann Alice Blason (nee Colclough) (wife of Charles Henry Blason and the widow of John Edward Rayner the late Lord Mayor of Liverpool) bequeathed assets, to the States of Jersey for specific purposes, as detailed within her will dated 30<sup>th</sup> October 1945.
- 2.3. The acceptance of the bequest by the States and resolution on how the Fund was to be administered was expressed in R&O 2536 which was adopted by the States on 16<sup>th</sup> November 1949.
- 2.4. In 2001 the States approved amendments to the objects of the Fund (P38/2001 dated 27<sup>th</sup> March 2001 raised by Finance and Economics Committee (now the Minister for Treasury and Resources)), as the view was that the initial objectives of the Fund had been over taken with time and events. The revised objectives are as follows:-
- 2.5. *"1) the provision of pecuniary relief to needy persons residing in Jersey and 2) such other objectives or purposes of a charitable or philanthropic nature as the States may hereafter in their absolute discretion determine."*
- 2.6. P38/2001 also made amendments to the administration of the Fund, thus rescinding R&O 2536 and a later act dated 11<sup>th</sup> September 1979. Under P38/2001, the Fund's income is now administered by a Delegation which consists of 4 Jurat's of the Royal Court of Jersey.
- 2.7. The Minister for Treasury and Resources (formerly the Finance and Economics Committee) is

responsible for any changes to the investment of the Fund after consultation with the Delegation.

2.8. Day to day administration and accounting is the responsibility of the Treasury and Resources Department.

2.9. The will bequeaths the income of the Fund to be used for its objectives and further gives the States discretion to distribute capital to an amount not exceeding one half of the total capital of the Fund. In practice all bequeaths historically have only been made out the income of the Fund.

2.10. **Investment Strategy**

2.11. P38/2001 gives the Minister for Treasury and Resources (formerly the Finance and Economics Committee) responsibility for any changes to the investments of the Fund after consultation with the Delegation. It further provides the opportunity to invest in immovable property situated in or outside the Island which will be held by the States of Jersey for and on behalf of the Fund.

2.12. In order to meet the Fund's purpose the strategy set is to work towards its objective of maintaining, with a target to exceeding the real value of the Fund over a rolling five year period coupled with generating sufficient levels of income for distribution.

2.13. The strategy assumes that the distributions will be paid from investment income and that long term there will be no requirement to have a separate strategic aim for the holding of cash.

2.14. Therefore the Minister has set a strategic aim of investing 75% in return seeking assets (equities and property) and 25% in risk reducing assets as detailed below:-

	<b>Strategic Aim</b> %	<b>Range</b> %
Equities	65	45 – 85
Property	10	0 – 15
Bonds	25	5 – 65
Cash	-	0 – 15

2.15. The intention is that this Fund will be able to participate in the Common Investment Fund, as explained in Section 3 of this appendix. Initially assets will continue to be held in their current holding percentages of equities, bond and cash balances and short term instruments, such as Certificates of Deposits.

2.16. The ranges indicate tolerable variations according to investment conditions at any time.

2.17. As the financial environment changes the composition of the Fund's investments will change to reflect a move towards the strategic aim of the Fund.

2.18. The cash holdings in this Fund are subject to the following restrictions:-

2.19. **Investment Manager Allocation Limits**

2.20. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

<b>Asset Class</b>	<b>Maximum Maturity</b>	<b>Maximum Allocation %</b>
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

- 2.21. No more than 25% of the portfolio can exceed one year to maturity.
- 2.22. Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

<b>Deposit term</b>	<b>Minimum Industry Rating</b>
Short-term deposit (up to 3 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 3 months)	Standard & Poor's AA and Moody's Aa3

- 2.23. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.
- 2.24. No off-balance sheet vehicles are permitted.

### **3. INVESTMENT STRUCTURE**

- 3.1. The Fund is mostly invested with a single investment manager who specialises in investing in cash and near cash equivalent investments as a temporary measure until the States of Jersey –Common Investment Fund is operational.
- 3.2. Once the Common Investment Fund is in operational the A A Rayner Fund will be able to implement its' Investment Strategy by acquiring units in each of the following investment pools:-
- UK Equities
  - Overseas Equities
  - UK Commercial Property
  - Short Term Corporate Bonds (<5 year)
  - Long Term Corporate Bonds (>5 year)
  - Short Term Government Bonds (<5 year)
  - Long Term Government Bonds (>5 year)
  - UK Index Linked Gilts
  - Short Term Cash and Cash Equivalents (< 3 months)
  - Long Term Cash and Cash Equivalents (> 3 months)
- 3.3. Until the UK Commercial Property investment pool is operational monies will be invested in the Cash and Cash Equivalent investment pools.

## **AP14: THE RIVINGTON TRAVELLING SCHOLARSHIP INVESTMENT STRATEGY**

### **1. INTRODUCTION**

- 1.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.
- 1.2. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.
- 1.3. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Fund when deciding on the investment strategy for the Fund, focusing on investments which are expected to give optimal performance in terms of their overall return, rather than on investments which will give the "right" balance between capital and income returns.
- 1.4. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.
- 1.5. This document provides details on:
  - Investment strategy for the Fund
  - States of Jersey - Common Investment Fund
- 1.6. The strategy reflect the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow. Initially until the Common Investment Fund is established it is anticipated that assets will be held in cash balances.
- 1.7. The strategy for this Fund has been developed with reference to the UK Charity Commissions "statement of recommended practice" (SORP 2005) and other UK Charity Commission publications.
- 1.8. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

### **2. THE RIVINGTON TRAVELLING SCHOLARSHIP FUND**

#### **2.1. Purpose of the Fund**

- 2.2. The late Mr William Charles Richmond-Pickering ("testator") bequeathed the remainder of his estate, to establish "The Rivington Travelling Scholarship" for the following purposes, as detailed within his will dated 17<sup>th</sup> April 1980:-
- 2.3. *"to enable a person, male or female, of any age, to visit such museums or art galleries out of the Island as would further his or her appreciation of arts, crafts and/or history. The only other criteria of the award to be the sincerity of the applicant's intention and lack of funds."*
- 2.4. The will provided that in the event that the States did not accept the legacy on the terms set out by the testator that the residue of his estate would be given to Société Jersiaise.
- 2.5. The acceptance of the bequest by the States was expressed in proposition P.117/2004 made by the Education, Sport and Culture Committee (now the Minister for Education, Sport and Culture), which was adopted on 20<sup>th</sup> July 2004.
- 2.6. The administration of the Fund is carried out by a delegation of three persons; one person nominated by the Minister for Education Sports and Culture; one person representing the Jersey Arts Trust and one person representing Jersey Heritage Trust. executive and secretarial support is provided by officers of the Department for Education, Sport and Culture.



2.7. The will makes no differentiation as to whether distributions should be made out of the capital or income of the Fund. However, the delegation, at their inaugural meeting decided to only allow grants to be made out of the annual income of the Fund in order to preserve the capital of the Fund.

2.8. **Investment Strategy**

2.9. The will provides no guidance as to how the investments of the Fund should be carried out therefore the Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 requires the Minister for Treasury and Resources to be responsible for the development of the Fund's investment strategy in consultation with the States Investment Advisor (Regulation 3) as he sees fit.

2.10. In order to meet the Fund's purpose the investment strategy set is for half of the Fund's assets to work towards an objective of maintaining, with a target to exceeding the real value of the Fund over a rolling five year period and for the remainder of the Fund's assets to provide sufficient high levels of income for distribution.

2.11. It is assumed that providing the required distribution income is generated that the Trustees will accept some price volatility in their assets in the pursuit of longer term investment returns.

2.12. The strategy assumes that the distributions will be paid from investment income and that long term there will be no requirement to have a separate strategic aim for the holding of cash.

2.13. Therefore the Minister has set a strategic aim of investing 70% in return seeking assets (equities and property) and 30% in risk reducing assets as detailed below:-

	<b>Strategic Aim %</b>	<b>Range %</b>
Equities	50	30 – 70
Property	20	0 – 25
Bonds/cash	30	20 – 95

2.14. The intention is that this Fund will be able to participate in the Common Investment Fund, as explained in section 3 of this appendix. Initially assets will be held in the form of cash balances and short term instruments, such as Certificates of Deposits.

2.15. The ranges indicate tolerable variations according to investment conditions at any time.

2.16. As the financial environment changes the composition of the Fund's investments will change to reflect a move towards the strategic aim of the Fund.

2.17. The cash holdings in this Fund are subject to the following restrictions:-

2.18. **Investment Manager Allocation Limits**

2.19. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

<b>Asset Class</b>	<b>Maximum Maturity</b>	<b>Maximum Allocation %</b>
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

2.20. No more than 25% of the portfolio can exceed one year to maturity.

2.21. Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

<b>Deposit term</b>	<b>Minimum Industry Rating</b>
Short-term deposit (up to 3 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 3 months)	Standard & Poor's AA and Moody's Aa3

2.22. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

2.23. No off-balance sheet vehicles are permitted.

### **3. INVESTMENT STRUCTURE**

3.1. The Fund is invested with a single investment manager who specialises in investing in cash and near cash equivalent investments as a temporary measure until the States of Jersey –Common Investment Fund is operational.

3.2. Once the Common Investment Fund is in operational the Rivington Travelling Scholarship Fund will be able to implement its' Investment Strategy by acquiring units in each of the following investment pools:-

- UK Equities
- Overseas Equities
- UK Commercial Property
- Short Term Corporate Bonds (<5 year)
- Long Term Corporate Bonds (>5 year)
- Short Term Government Bonds (<5 year)
- Long Term Government Bonds (>5 year)
- UK Index Linked Gilts
- Short Term Cash and Cash Equivalent (< 3 months)
- Long Term Cash and Cash Equivalent (> 3 months)

3.4. Until the UK Commercial Property investment pool is operational monies will be invested in the Cash and Cash Equivalent investment pools.

## **AP15: ESTATE OF H E LE SEELLEUR INVESTMENT STRATEGY**

### **1. INTRODUCTION**

- 1.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.
- 1.2. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.
- 1.3. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Fund when deciding on the investment strategy for the Fund, focusing on investments which are expected to give optimal performance in terms of their overall return, rather than on investments which will give the "right" balance between capital and income returns.
- 1.4. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.
- 1.5. This document provides details on:
  - Investment strategy for the Fund
  - States of Jersey - Common Investment Fund
- 1.6. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow.
- 1.7. The strategy for this Fund has been developed with reference to the UK Charity Commissions "statement of recommended practice" (SORP 2005) and other UK Charity Commission publications.
- 1.8. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

### **2. ESTATE OF H E LE SEELLEUR**

#### **2.1. Purpose of the Fund**

- 2.2. Harold Ernest Le Seelleur died on 22 October 1996, bequeathing assets to the States of Jersey for itself and its successors in perpetuity, for the following purpose as detailed under his will dated 28 December 1988 (The will was registered in Royal Court on 27 November 96):-

*"for the benefit of aged, infirm and needy residents of the Island."*

- 2.3. The acceptance of the bequest by the States was expressed in the terms of proposition P.71/97 of the Health & Social Services Committee, adopted by the States on 2 June 1997. Under the proposition it was decided that the administration of the Fund should be carried out by the Minister for Health and Social Services (formerly known as The Health and Social Services Committee).
- 2.4. The assets originally settled into the Fund comprised of Jersey based property. Life long enjoyment was provided for two properties; number 1 and 4 The Denes, Greve D'Azette, St Clements.
- 2.5. The Testator, expressly wished that the Executor, Mrs Pugsley, be consulted with a particular view towards the use of the properties for the benefit of aged, infirm and needy residents of the Island.
- 2.6. The will makes no differentiation between whether bequests should be made out of capital or income of the fund. Therefore this gives the administrators of the Fund the power to distribute all available assets to needy causes as they arise. (excluding properties held for life interest).

2.7. **Investment Strategy**

2.8. The will provides no guidance as to how the investments of the Fund should be carried out therefore the Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 requires the Minister for Treasury and Resources to be responsible for the development of the Fund's investment strategy in consultation with the States Investment Advisor (Regulation 3).

2.9. For the non property assets, in order to meet the Fund's purpose, the investment strategy set is to work towards an objective of maintaining, with a target to exceeding the real value of the Fund, over a rolling five year period coupled with providing reasonable levels of income for distribution.

2.10. The Fund has been left with the intent that life-interest properties are to be held within the Fund until the life interests cease. It has been assumed that for all other property assets that they will be maintained at least in the short-term. These assets are professionally valued every three years and as part of this process advice should be sought on current market rental returns in order to take a view as to whether to retain the Jersey properties (except life interest properties) in the longer-term investment strategy for the Fund.

2.11. Therefore the Minister has set a strategic aim, excluding Jersey Property, of investing 65% in return seeking assets (equities) designed to produce long term returns and 35% in risk reducing assets designed to provide stability and income, as detailed below:-

	<b>Strategic Aim</b> %	<b>Range</b> %
Equities	65	45 – 85
Bonds/cash	35	5 – 75

2.12. The intention is that this Fund will be able to participate in the Common Investment Fund, as explained in section 3 of this appendix. All Jersey Property will remain outside of the Common Investment Fund. Initially all other assets will be held in the form of cash balances and short term instruments, such as Certificates of Deposits.

2.13. The ranges indicate tolerable variations according to investment conditions at any time.

2.14. As the financial environment changes the composition of the Fund's investments will change to reflect a move towards the strategic aim of the Fund.

2.15. The cash holdings in this Fund are subject to the following restrictions:-

2.16. **Investment Manager Allocation Limits**

2.17. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

<b>Asset Class</b>	<b>Maximum Maturity</b>	<b>Maximum Allocation</b> %
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

- 2.18. No more than 25% of the portfolio can exceed one year to maturity.
- 2.19. Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

<b>Deposit term</b>	<b>Minimum Industry Rating</b>
Short-term deposit (up to 3 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 3 months)	Standard & Poor's AA and Moody's Aa3

- 2.20. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.
- 2.21. No off-balance sheet vehicles are permitted.

### **3. INVESTMENT STRUCTURE**

- 3.1. The Fund's assets excluding Jersey Properties are invested with a single investment manager who specialises in investing in cash and near cash equivalent investments as a temporary measure until the States of Jersey –Common Investment Fund is operational.
- 3.2. Once the Common Investment Fund is in operational, it is planned that the Estate of H E Le Seilleur Fund will invest in the Common Investment Fund and acquire units in each of the following investment pools. All of the Jersey Properties will remain outside of the Common Investment Fund.
- UK Equities
  - Overseas Equities
  - Short Term Corporate Bonds (<5 year)
  - Long Term Corporate Bonds (>5 year)
  - Short Term Government Bonds (<5 year)
  - Long Term Government Bonds (>5 year)
  - UK Index Linked Gilts
  - Short term Cash and Cash equivalents (< 3 months)
  - Long term Cash and Cash equivalents (> 3 months)

## **AP16: ESTATE OF E J BAILHACHE INVESTMENT STRATEGY**

### **1. INTRODUCTION**

- 1.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.
- 1.2. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.
- 1.3. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Fund when deciding on the investment strategy for the Fund, focusing on investments which are expected to give optimal performance in terms of their overall return, rather than on investments which will give the "right" balance between capital and income returns.
- 1.4. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.
- 1.5. This document provides details on:
  - Investment strategy for the Fund
  - States of Jersey - Common Investment Fund
- 1.6. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow.
- 1.7. The strategy for this Fund has been developed with reference to the UK Charity Commissions "statement of recommended practice" (SORP 2005) and other UK Charity Commission publications.
- 1.8. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

### **2. ESTATE OF E J BAILHACHE FUND**

#### **2.1 Purpose of the Fund**

- 2.2 The late Mrs Eunice Jane Bailhache (née Hubert), who died on 15<sup>th</sup> June 1979, bequeathed assets for the following purposes, as detailed in her will dated 20<sup>th</sup> September 1974:-
- 2.3 *"Public of the Island of Jersey for the benefit of the Public Health Committee (now the Minister for Health and Social Services) of the States of Jersey for the general welfare of persons elderly, and/or blind or sick at the General Hospital."*
- 2.4 The States Law Officers' department in their letter dated 24<sup>th</sup> October 1994 provided a definition of welfare as "health, happiness and general wellbeing."
- 2.5 The acceptance of the bequest by the States was delayed for quite a few years as the will was contested. Eventually in March 1984, a settlement was agreed on the basis that 60% of the estate should be retained by the public of the Island. This was passed in Court on 25<sup>th</sup> January 1985.
- 2.6 The States accepted the bequest, made up mostly of properties, under proposition (P.13/85) made by the Public Health Committee on 12<sup>th</sup> March 1985. The proposition resolved that the administration of the Fund should be carried out by the Minister for Health and Social Services (formerly known as The Public Health Committee).
- 2.7 Since the States' acceptance of the Fund, the Fund still continues to hold mainly properties, which are all based in Jersey and are rented out. Over recent years some of the original bequeathed properties have been sold as there was no further use for them and the sale proceeds were reinvested into new

properties.

2.8 The will makes no differentiation between whether distributions should be made out of capital or income of the Fund. Therefore this gives administrators of the Fund powers to distribute all available assets to projects as they arise.

2.9 **Investment Strategy**

2.10 The will provides no guidance as to how the investments of the Fund should be carried out, therefore the Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 requires the Minister for Treasury and Resources to be responsible for the development of the Fund's investment strategy in consultation with the States Investment Advisor (Regulation 3) as he sees fit.

2.11 For the non property assets, in order to meet the Fund's purpose, the investment strategy set is to work towards an objective of maintaining, with a target to exceeding the real value of the Fund, over a rolling five year period coupled with providing reasonable levels of income for distribution.

2.12 For the property assets held, it has been assumed that these will be maintained at least in the short-term. These assets are professionally valued every three years and as part of this process advice should be sought on current market rental returns in order to take a view as to whether to retain the Jersey properties in the longer-term investment strategy for the Fund.

2.13 Therefore the Minister has set a strategic aim, excluding Jersey Property, of investing 65% in return seeking assets (equities) designed to produce long term returns and 35% in risk reducing assets designed to provide stability and income, as detailed below:-

	<b>Strategic Aim</b>	<b>Range</b>
	<b>%</b>	<b>%</b>
Equities	65	45 – 85
Bonds/cash	35	5 – 75

2.14 The intention is that this Fund will be able to participate in the Common Investment Fund, as explained in section 3 of this appendix. Jersey Property will remain outside of the Common Investment Fund. Initially assets available for investment in the Common Investment Fund will be held in the form of cash balances.

2.15 The ranges indicate tolerable variations according to investment conditions at any time.

2.16 As the financial environment changes the composition of the Fund's investments will change to reflect a move towards the strategic aim of the Fund.

2.17 The cash holdings in this Fund are subject to the following restrictions:-

2.18 **Investment Manager Allocation Limits**

2.19 Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

<b>Asset Class</b>	<b>Maximum Maturity</b>	<b>Maximum Allocation %</b>
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

2.20 No more than 25% of the portfolio can exceed one year to maturity.

2.21 Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

<b>Deposit term</b>	<b>Minimum Industry Rating</b>
Short-term deposit (up to 3 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 3 months)	Standard & Poor's AA and Moody's Aa3

2.22 Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

2.23 No off-balance sheet vehicles are permitted.

### **3 INVESTMENT STRUCTURE**

3.1 The Fund's assets excluding Jersey Properties are currently invested with a single investment manager who specialises in investing in cash and near cash equivalent investments as a temporary measure until the States of Jersey –Common Investment Fund is operational.

3.2 Once the Common Investment Fund is in operational, it is planned that the Estate of E J Bailhache Fund will invest in the Common Investment Fund and acquire units in each of the following investment pools. All of the Jersey Properties which will remain outside of the Common Investment Fund.

- UK Equities
- Overseas Equities
- Short Term Corporate Bonds (<5 year)
- Long Term Corporate Bonds (>5 year)
- Short Term Government Bonds (<5 year)
- Long Term Government Bonds (>5 year)
- UK Index Linked Gilts
- Short Term Cash and Cash Equivalentents (< 3 months)
- Long Term Cash and Cash Equivalentents (> 3 months)



## **AP17: LE DON DE FAYE TRUST FUND INVESTMENT STRATEGY**

### **1. INTRODUCTION**

- 1.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.
- 1.2. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.
- 1.3. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Fund when deciding on the investment strategy for the Fund, focusing on investments which are expected to give optimal performance in terms of their overall return, rather than on investments which will give the "right" balance between capital and income returns.
- 1.4. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.
- 1.5. This document provides details on:
  - Investment strategy for the Fund
  - States of Jersey - Common Investment Fund
- 1.6. The strategy reflects the Minister's long term investment aim for this Fund with the intention to moves towards the Fund's strategic aim as investment opportunities and market conditions allow. Initially until the Common Investment Fund is established it is anticipated that assets will be held in cash balances and unquoted investments.
- 1.7. The strategy for this Fund has been developed with reference to the UK Charity Commissions "statement of recommended practice" (SORP 2005) and other UK Charity Commission publications.
- 1.8. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

### **2. LE DON DE FAYE TRUST FUND**

- 2.1. **Purpose of the Fund**
- 2.2. Jurat Percy Chambers Cabot died on 24<sup>th</sup> April 1959 and bequeathed his assets to the Treasurer of the States of Jersey ("Trustee"), to set up a Trust Fund called "Le Don de Faye" after the death of the annuitant, his unmarried sister, Alice Jane Chambers ('Lilian') Cabot. The Trust Fund was created in memory of his late wife Vera Mary de Faye and of her late father Thomas Louis de Faye, Major, Royal Militia of Island of Jersey.
- 2.3. The will dated 7<sup>th</sup> June 1958, states that the assets are to be held in trust, for the following purpose (the will was probated on 29<sup>th</sup> April 1959):-
- 2.4. *"to distribute the annual income of the Fund (not necessarily in equal sums) for the sole discretion of the Rectors and their Churchwardens of the twelve parishes, for them to have sole discretion to distribute to needy parishioners of all social standing in each parish."*
- 2.5. Under the terms of the will, the income of the Fund is to be apportioned and distributed in the name of the bequest "Le Don de Faye", 2/13<sup>th</sup> to the Rector and Churchwardens of St Clements in the first week of December and 1/13<sup>th</sup> to each of the Rectors and Churchwardens of the other 11 parishes in the third week of December.
- 2.6. The Treasurer as trustee for the fund is required to carry out the following duties:-

- To hold the capital of the Trust Fund together with the accumulated income as shall have accrued, together with any other liquid assets of the personal estate in the Trust.
  - To invest the residue and proceeds of the Trust Fund as directed by the Committee of the States responsible for the controlling and supervising the finances of the States of Jersey (formerly known as the Finance and Economics Committee now the Minister for Treasury and Resources)
- 2.7. The will clearly states that the bequests should only be made out of the income of the Fund and therefore the capital of the Trust Fund should be preserved and not distributed.
- 2.8. **Investment Strategy**
- 2.9. The will provides no guidance as to how the investments of the Fund should be carried out therefore the Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 requires the Minister for Treasury and Resources to be responsible for the development of the Fund's investment strategy in consultation with the States Investment Advisor (Regulation 3) as he sees fit.
- 2.10. In order to meet the Fund's purpose the investment strategy set is for half of the Fund's assets to work towards an objective of maintaining, with a target to exceeding, the real value of the Fund over a rolling five year period and for the remainder of the Fund's assets to provide sufficient high levels of income for distribution.
- 2.11. It is assumed that providing the required distribution income is generated, the Trustees will accept some price volatility in their assets in the pursuit of longer term investment returns.
- 2.12. The strategy assumes that the distributions will be paid from investment income and that long term there will be no requirement to have a separate strategic aim for the holding of cash.
- 2.13. Therefore the Minister has set a strategic aim of investing 70% in return seeking assets (equities and property) and 30% in risk reducing assets as detailed below:-

	<b>Strategic Aim</b> %	<b>Range</b> %
Equities	50	30 – 70
Property	20	0 – 25
Bonds/cash	30	20 – 95

- 2.14. The intention is that this Fund will be able to participate in the Common Investment Fund, as explained in Section 3 of this appendix. Initially assets will continue to be held in their current holding percentages of unquoted equities, cash balances and short term instruments, such as Certificates of Deposits.
- 2.15. The ranges indicate tolerable variations according to investment conditions at any time.
- 2.16. As the financial environment changes the composition of the Fund's investments will change to reflect a move towards the strategic aim of the Fund.
- 2.17. The cash holdings in this Fund are subject to the following restrictions:-
- 2.18. **Investment Manager Allocation Limits**
- 2.19. Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

<b>Asset Class</b>	<b>Maximum Maturity</b>	<b>Maximum Allocation %</b>
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

2.20. No more than 25% of the portfolio can exceed one year to maturity.

2.21. Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

<b>Deposit term</b>	<b>Minimum Industry Rating</b>
Short-term deposit (up to 3 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 3 months)	Standard & Poor's AA and Moody's Aa3

2.22. Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

2.23. No off-balance sheet vehicles are permitted.

### **3. INVESTMENT STRUCTURE**

3.1. The majority of the Fund's assets are invested with a single investment manager who specialises in investing in cash and near cash equivalent investments as a temporary measure until the States of Jersey –Common Investment Fund is operational.

3.2. Once the Common Investment Fund is in operational, it is planned that the Le Don de Faye Trust Fund will invest in the Common Investment Fund and acquire units in each of the following investment pools. The Fund currently holds two unquoted investments. It is the intention that only the holding in Jersey Water will be retained and be held outside of the Common Investment Fund.

- UK Equities
- Overseas Equities
- UK Commercial Property
- Short Term Corporate Bonds (<5 year)
- Long Term Corporate Bonds (>5 year)
- Short Term Government Bonds (<5 year)
- Long Term Government Bonds (>5 year)
- UK Index Linked Gilts
- Short term Cash and Cash equivalents (< 3 months)
- Long term Cash and Cash equivalents (> 3 months)

3.5. Until the UK Commercial Property investment pool is operational monies will be invested in the Cash and Cash Equivalent investment pools.

## **AP18: GREVILLE BATHE FUND INVESTMENT STRATEGY**

### **1. INTRODUCTION**

- 1.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States funds.
- 1.2. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.
- 1.3. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Fund when deciding on the investment strategy for the Fund, focusing on investments which are expected to give optimal performance in terms of their overall return, rather than on investments which will give the "right" balance between capital and income returns.
- 1.4. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.
- 1.5. This document provides details on:
  - Investment strategy for the Fund
  - States of Jersey - Common Investment Fund
- 1.6. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow. Initially until the Common Investment Fund is established it is anticipated that assets will be held in cash balances.
- 1.7. The strategy for this Fund has been developed with reference to the UK Charity Commissions "statement of recommended practice" (SORP 2005) and other UK Charity Commission publications.
- 1.8. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

### **2. THE GREVILLE BATHE FUND**

#### **2.1 Purpose of the Fund**

- 2.2 The late Mr Greville Inverness Bathe bequeathed assets, to the Treasurer of the States of Jersey, for himself and his successors to be held in Trust for and on behalf of the States for the following purposes, as detailed within his will dated 9<sup>th</sup> October 1961:- (This will was deposited and proved in the Registry in Florida on 17<sup>th</sup> December 1964.)

- 2.3 *"half the income of the fund should be available for relief & pensions to needy persons of either sex whose legal domicile is in the Island of Jersey, who have rendered service to the Island of Jersey either in an honorary or remunerated administrative or clerical capacity, or whose ancestors were employed or engaged in such service to the Island, but excluding persons who have benefited under the Alice Rayner Fund (Fund A)" "The other half of the fund is to distribute income for grants to sick or aged persons of either sex & of any age or denomination, resident in the Island of Jersey (Fund B)."*

Note the terminology of Fund A and B was introduced in a Royal Court Judgement made in 1973 (JJ 2513)

- 2.4 The will expressed that the administrators of the Fund should be four persons resident and domiciled in the Island of Jersey who are not members of the States Assembly and would prefer those appointed by the States of Jersey be Jurats' of the Royal Court, as they are non-political and have

been elected by an Electoral College established under the law.

- 2.5 The acceptance of the bequest by the States and the former Finance and Economics Committee (now the Minister for Treasury and Resources) together with clarification of how the Fund was to be administered was adopted by the States on 29<sup>th</sup> April 1964 (84/6(1))
- 2.6 On 23 January 1974 the Royal Court made a judgement around the administration of the Fund (Page 2534), stating that the administrators need to maintain at the end of December each year a balance of not less than three times the current years payments in Fund A and that any remaining balances could be transferred into Fund B. In recent years the use of Fund A and Fund B terminology has been withdrawn as there were few requests for donations out of Fund A and a decision taken that all future claimants be diverted to the Ann Alice Rayner Fund.
- 2.7 Day to day administration and accounting is the responsibility of the Treasury and Resources Department.
- 2.8 **Investment Strategy**
- 2.9 The Public Finances (Jersey) Law 2005 (Article 6) requires that the investment of monies be applied in accordance with provisions set out in any special fund or trust. Under the provisions of the will, the Treasurer of the States (Trustee) is given powers to manage and maintain the investments of the Fund (including the replacement of investments held to liquid assets) and to invest the capital as thought fit and proper. Securities should be held within banks of good standing.
- 2.10 In order to meet the Fund's purpose the investment strategy set is to work towards an objective of maintaining, with a target to exceeding the real value of the Fund over a rolling five year period coupled with providing sufficient high levels of income for distribution.
- 2.11 The strategy assumes that the distributions will be paid from investment income and that long term there will be no requirement to have a separate strategic aim for the holding of cash.
- 2.12 Therefore the Minister has set a strategic aim of investing 75% in return seeking assets (equities and property) and 25% in risk reducing assets as detailed below:-

	<b>Strategic Aim</b> %	<b>Range</b> %
Equities	65	45 – 85
Property	10	0 – 15
Bonds	25	5 – 65
Cash	-	0 – 15

- 2.13 The intention is that this Fund will be able to participate in the Common Investment Fund, as explained in Section 3 of this appendix. Initially assets will be held in the form of cash balances and short term instruments, such as Certificates of Deposits.
- 2.14 The ranges indicate tolerable variations according to investment conditions at any time.
- 2.15 As the financial environment changes the composition of the Fund's investments will change to reflect a move towards the strategic aim of the Fund.
- 2.16 The cash holdings in this Fund are subject to the following restrictions:-
- 2.17 **Investment Manager Allocation Limits**
- 2.18 Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

<b>Asset Class</b>	<b>Maximum Maturity</b>	<b>Maximum Allocation %</b>
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

2.19 No more than 25% of the portfolio can exceed one year to maturity.

2.20 Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-

<b>Deposit term</b>	<b>Minimum Industry Rating</b>
Short-term deposit (up to 3 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 3 months)	Standard & Poor's AA and Moody's Aa3

2.21 Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

2.22 No off-balance sheet vehicles are permitted.

### **3 INVESTMENT STRUCTURE**

3.1 The Fund's assets are invested with a single investment manager who specialises in investing in cash and near cash equivalent investments as a temporary measure until the States of Jersey –Common Investment Fund is operational.

3.2 Once the Common Investment Fund is in operational, it is planned that the Greville Bathe Fund will be able to implement its investment strategy by investing in the Common Investment Fund and acquiring units in each of the following investment pools:-

- UK Equities
- Overseas Equities
- UK Commercial Property
- Short Term Corporate Bonds (<5 year)
- Long Term Corporate Bonds (>5 year)
- Short Term Government Bonds (<5 year)
- Long Term Government Bonds (>5 year)
- UK Index Linked Gilts
- Short Term Cash and Cash Equivalents (< 3 months)
- Long Term Cash and Cash Equivalents (> 3 months)

3.6. Until the UK Commercial Property investment pool is operational monies will be invested in the Cash and Cash Equivalent investment pools.

## **AP19: ESTATE OF A H FERGUSON BEQUEST INVESTMENT STRATEGY**

### **1. INTRODUCTION**

- 1.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States Funds.
- 1.2. The strategy set by the Minister pays particular regard to the need for diversification in both the management of the money available and the level of funds to be invested.
- 1.3. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Fund when deciding on the investment strategy for the Fund, focusing on investments which are expected to give optimal performance in terms of their overall return, rather than on investments which will give the "right" balance between capital and income returns.
- 1.4. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.
- 1.5. This document provides details on:
  - Investment strategy for the Fund
  - States of Jersey - Common Investment Fund
- 1.6. The strategy reflects the Minister's long term investment aim for this Fund with the intention to move towards the Fund's strategic aim as investment opportunities and market conditions allow.
- 1.7. The strategy for this Fund has been developed with reference to the UK Charity Commissions "statement of recommended practice" (SORP 2005) and other UK Charity Commission publications.
- 1.8. The report includes information on matters solely relating to this Fund's strategy. This information is for this specific purpose only and should not be used for any other purpose.

### **2. A H FERGUSON BEQUEST FUND**

#### **2.1 Purpose of the Fund**

2.2 The late Mr Alexander Hugh Ferguson, who died on 20<sup>th</sup> September 1982, bequeathed the remainder of his assets, for the following purposes, as detailed within his will dated 13<sup>th</sup> November 1980:-

2.3 *"I give all my estate wheresoever and whatsoever (save and except Real Estate situate in the said Island of Jersey) unto the Public Health Committee (now the Minister for Health and Social Services) of the States of Jersey and I desire them to apply the same for the benefit of the Intensive Care Unit at the Jersey General Hospital."*

2.4 This means that the administration of the Fund is the responsibility of the Minister for Health and Social Services (formerly The Public Health Committee).

2.5 The will makes no differentiation as to whether distributions should be made out of the capital or income of the fund. Therefore this gives administrators of the Fund powers to distribute all available assets to projects as they arise.

#### **2.6 Investment Strategy**

2.7 The will provides no guidance as to how the investments of the Fund should be carried out therefore the Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 requires the Minister for Treasury and Resources to be responsible for the development of the Fund's investment strategy in consultation with the States Investment Advisor (Regulation 3) as he sees fit.

- 2.8 In order to meet the Fund's purpose an Investment Strategy has been set to enable income distributions of £9,000 per annum, working towards its objective of maintaining, with a target to exceeding the real value of the Fund over a rolling five year period.
- 2.9 It is assumed that providing the required distribution income is generated that the Trustees will accept some price volatility in their assets in the pursuit of longer term investment returns.
- 2.10 The strategy assumes that the distributions will be paid from the investment income and that long term there will be no requirement to have a separate strategic aim for the holding of cash.
- 2.11 Therefore the Minister has set a strategic aim of investing 70% in return seeking assets (equities and property) and 30% in risk reducing assets as detailed below:-

	<b>Strategic Aim</b> %	<b>Range</b> %
Equities	50	30 – 70
Property	20	0 – 25
Bonds/cash	30	30 – 95

- 2.12 The intention is that this Fund will be able to participate in the Common Investment Fund, as explained in section 3 of this appendix. Initially assets will continue to be held in their current holding percentages of equity, bond and cash balances.
- 2.13 The ranges indicate the tolerable variations according to investment conditions at any time.
- 2.14 As the financial environment changes the composition of the Fund's investments will change to reflect a move towards the strategic aim of the Fund.
- 2.15 The cash holdings in this Fund are subject to the following restrictions:-
- 2.16 **Investment Manager Allocation Limits**
- 2.17 Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

<b>Asset Class</b>	<b>Maximum Maturity</b>	<b>Maximum Allocation</b> %
Call & Overnight Deposits	One Day	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

- 2.18 No more than 25% of the portfolio can exceed one year to maturity.
- 2.19 Deposits, held by Investment Cash Managers can only be made with institutions which fall into the following categories:-



<b>Deposit term</b>	<b>Minimum Industry Rating</b>
Short-term deposit (up to 3 months)	Standard & Poor's A1 and Moody's P1
Longer-term deposit (over 3 months)	Standard & Poor's AA and Moody's Aa3

2.20 Where deposits are held directly with Banks a minimum AA rating Standard & Poor's (or Aa3 Moody's) is required.

2.21 No off-balance sheet vehicles are permitted.

### **3 INVESTMENT STRUCTURE**

3.1 The Fund's assets are invested with a single investment manager who specialises in investing in cash and near cash equivalent investments as a temporary measure until the States of Jersey –Common Investment Fund is operational.

3.2 Once the Common Investment Fund is in operational, it is planned that the A H Ferguson Bequest Fund will be able to carry out its investment strategy by investing in the Common Investment Fund and acquiring units in each of the following investment pools:-

- UK Equities
- Overseas Equities
- UK Commercial Property
- Short Term Corporate Bonds (<5 year)
- Long Term Corporate Bonds (>5 year)
- Short Term Government Bonds (<5 year)
- Long Term Government Bonds (>5 year)
- UK Index Linked Gilts
- Short Term Cash and Cash Equivalents (< 3 months)
- Long Term Cash and Cash Equivalents (> 3 months)

3.7. Until the UK commercial Property investment pool is operational monies will be invested in the Cash and Cash Equivalent investment pools.

## **AP20: OTHER FUNDS AND THEIR INVESTMENT STRATEGIES**

### **1 Background**

1.1 The Treasury and Resources Department manages the investments of over 250 States "other" funds. These can be split into four main categories:-

- Trust and bequest funds;
- Confiscation funds;
- Special funds; and
- Jersey Post Office Pension Fund.

1.2 Trust and Special Funds have been dealt with above appendices.

### **2 Confiscation funds**

#### **2.1 Purpose of the Funds**

2.1.1 The Criminal Offences Confiscation Fund and the Drugs Trafficking Confiscation Fund fall into this category.

#### **2.2 Strategy**

2.2.1 These Funds invest in cash balances as the legislation governing them states that funds whilst not applied for any of the purposes required by the governing legislation will be placed "in a current or deposit account".

2.2.2 Legal advice is being sought to ascertain whether it is possible to use other investment vehicles in order to maximise returns to these funds. Once received, the strategy relating to these funds may be amended.

### **3 Jersey Post Office Pension Fund**

#### **3.1 Purpose of the Fund**

3.1.1 When Jersey Post International Limited was incorporated under the provisions of the Postal Services (Transfer) (Jersey) Regulations 2006 the liability for the provision of pensions from the Jersey Post Office Pension Scheme, a closed scheme, transferred to the States.

3.1.2 In order to meet this liability the States also transferred the Jersey Post Office Pension Fund consisting of assets that exactly matched the future pension liabilities of the scheme (fully funded).

#### **3.2 Strategy**

3.2.1 As the scheme is closed to new entrants and its liabilities (future pension payments) are linked to the cost of living, the investment strategy seeks to invest in assets that closely match these liabilities. As such the fund is predominantly invested in index linked gilts as these are likely to provide the best match against the scheme's future liabilities.

<b>Asset Allocation %</b>	
Index linked Gilts	93
Cash or near cash equivalents	7

## **AP21: STATES OF JERSEY – COMMON INVESTMENT FUND STRATEGIES**

### **1. INTRODUCTION**

- 1.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2005 (Article 6) (the Finance Law) and Public Finances (Transitional Provisions) (no.2) Jersey Regulations 2005 (Regulation 4), which requires that the Minister for Treasury and Resources presents his investment strategies for States funds.
- 1.2. The strategies set by the Minister pay particular regard to the need for diversification in both the management of the money available; and the level of funds to be invested.
- 1.3. The Treasurer of the States is responsible for ensuring that States investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.
- 1.4. This document provides details on the Investment strategies for the States of Jersey – Common Investment Fund and its various investment pools.
- 1.5. The Common Investment Fund is an administrative arrangement open to only to States of Jersey Funds. It provides Funds with the opportunity to pool their resources and benefit from greater investment opportunities and economies of scale. Each Fund will hold units in the Common Investment Fund's asset pools in line with their individual investment strategies.
- 1.6. The strategy reflects the Minister's long term investment aims for the States of Jersey - Common Investment Fund.
- 1.7. The report includes information on matters relating to the States of Jersey investment strategies. This information is for this specific purpose only and should not be used for any other purpose.

### **2. INVESTMENT STRATEGY**

#### **2.1 States of Jersey – Common Investment Fund**

##### **2.1.1 Purpose of the Fund**

2.1.2 The States of Jersey – Common Investment Fund was established by proposition P35/2010, lodged by the Minister for Treasury and Resources. The proposition was entitled "Draft Public Finances (Transitional Provisions) (No.2) (Amendment) (Jersey) Regulations 2010." The purpose of the proposition was to amend several existing regulations and to create a new regulation under the Public Finances (Transitional Provisions) (No.2) (Jersey) Regulations 2005 to enable the pooling of States Funds assets for Investment Purposes. This was approved by the States of Jersey on 12<sup>th</sup> May 2010.

2.1.3 The purpose of the States of Jersey – Common Investment Fund is to create an administrative arrangement which is open only to States of Jersey Funds ("participants") to provide them with the opportunity to pool their resources and benefit from greater investment opportunities and economies of scale.

2.1.4 The Funds objectives are:-

- To offer investment pools to participants to enable them to effectively carry out their Investment Strategies.
- For all participants to continue to control their own asset allocations under the current governance arrangements.
- Ensure the Fund operates effectively so as not to disadvantage any of its participants in relation to issuing of units and the monthly market valuation for those units. (Monthly unit valuation includes the allocation of monthly pool income and costs)
- To gain efficiencies in relation to the number of Investment Managers appointed by the Fund; by benefiting from reduced number of Investment Manager appointments and reduced management of day to day relationships therefore resulting in lower administration overheads.
- To endeavour where feasible to increase the net return for all participants through economies of scale.

- For the States of Jersey Treasury Investment Sub-Committee and the States of Jersey common Investment Fund Manager to ensure the Fund's performance is regularly reviewed and that it complies with its internal scheme rules; at all times ensuring adequate controls in place to manage its exposure of associated Investment and Operational risks.
- 2.1.5 The following Investment Pools will be available to all participants of the States of Jersey - Common Investment Fund:-
- UK Equities Pool
  - Overseas Equities Pool
  - UK Commercial Property Pool
  - Short Term Corporate Bonds Pool
  - Long Term Corporate Bonds Pool
  - Short Term Government Bonds Pool
  - Long Term Government Bonds Pool
  - UK Index Linked Gilts Pool
  - Short Term Cash and Cash Equivalents Pool
  - Long Term Cash and Cash Equivalents Pool
- 2.1.6 Each Participant will hold units in the Common Investment Fund's individual asset pools in line with their individual investment strategies.
- 2.1.7 Larger Special Funds and Separately Constituted Funds will have the opportunity to invest in the Fund as permitted by their legislation/ Trust deeds.
- 2.1.8 The Fund authorises only the Custodian (Northern Trust) to carry out Stock Lending. When stocks are lent to the custodian's authorised list of borrowers, non-cash collateral (e.g. bonds) will be provided by the borrower at all times, in order for the Custodian to manage the risk of default. The custodian will provide indemnity to protect against losses resulting in a borrowers default. The custodian is responsible for ongoing maintenance of the non-cash collateral security for each transaction and is responsible for ensuring all trades are settled and the stock is returned back into the States of Jersey – Common Investment Fund.
- 2.1.9 The Treasury and Resources Department is responsible for the administration of the Fund.
- 2.1.10 In addition to the Pools set out in 2.1.5, pools may be offered which invest solely in units in other pools. A Government Bonds All Stock pool is planned which will invest in units in the Short Term and Long Term Government Bond Pools. Further, a Corporate Bonds All Stocks pool is planned which will invest in the Short Term and Long Term corporate Bond Pools. The "All Stock" pools will not involve greater costs for the unit holders than if they had directly invest in each of the underlying pools.

### **3 INVESTMENT STRATEGIES FOR EACH INVESTMENT POOL**

#### **3.1 UK Equities Pool**

- 3.1.1 The UK Equities pool consists of any equity which is a constituent of the FTSE All Share Index (90% minimum), plus any other company which is outside this Index which has its main stock market quoted in the United Kingdom (10% maximum).
- 3.1.2 The UK Equity pool seeks to earn long term returns by allocating its assets to a well diversified mix of UK equities. At the same time, the equity portfolio assumes a larger amount of risk. During shorter periods of time, it is quite possible for the portfolio to produce lower returns than the risk reducing asset pools (Bonds/Cash). Therefore the equity portfolio is particularly appropriate for Funds which choose to invest monies with a longer term horizon and therefore should serve as one of the main sources of long term portfolio growth.
- 3.1.3 The pool will offer accumulation units only to participants in the pool and trading in units is only permitted monthly.
- 3.1.4 Investment Manager Allocation Limits

3.1.5 In order to meet the purpose of this Fund, the aim of the Fund is to invest within the parameters indicated below:-

<b>Holding</b>	<b>Minimum Allocation %</b>	<b>Maximum Allocation %</b>
UK Equities	95	100
Cash and Certificates of Deposits	0	5

3.1.6 Cash is only held within the pool to facilitate changes in securities rather than as an asset class in its own right. The Investment Manager may invest in cash deposits and certificates of deposit with up to a one month maturity in any currency.

3.1.7 Investments in Jersey registered companies are permitted (unless advised to the contrary in a specific case) provided that the Jersey registered company is a constituent of the benchmark index.

3.1.8 All holdings must be quoted on regulated, recognized or designated investment exchanges as determined by the UK financial services authority; or be new issues with a quotation after issue or traded on an approved stock exchanges and EEA Regulated Markets.

3.1.9 No holdings in Collective Investment Funds or holdings in options or futures are permitted.

3.1.10 Controlling Interest

3.1.11 The States of Jersey will not acquire share holdings greater than 3% of the issued share capital of any UK company.

## **3.2 Overseas Equities Pool**

3.2.1 The Overseas Equities pool consists of any equity which is a constituent of the FTSE All World Developed (excluding UK) Index (90% minimum), plus any other equity which is not a constituent of the FTSE All Share Index or does not have its main quote in the United Kingdom (10% maximum).

3.2.2 The Overseas Equity pool seeks to earn long term capital returns by allocating its assets to a well diversified mix of overseas equities. At the same time, all equity portfolios assumes a larger amount of risk. During shorter periods of time, it is quite possible for the portfolio to produce lower returns than the risk reducing asset pools (Bonds/Cash). Therefore the equity portfolio is particularly appropriate for Funds which choose to invest monies with a longer term horizon and therefore should serve as one of the main sources of long term portfolio growth.

3.2.3 The pool will offer accumulation units only to participants in the pool and trading in units is only permitted monthly.

3.2.4 Investment Manager Allocation Limits

3.2.5 In order to meet the purpose of this Fund, the aim of the Fund is to invest within the parameters indicated below:-

<b>Holding</b>	<b>Minimum Allocation %</b>	<b>Maximum Allocation %</b>
Overseas Equities	95	100
Cash and Certificates of Deposits	0	5

- 3.2.6 Cash is only held within the pool to facilitate changes in securities rather than as an asset class in its own right. The Investment Manager may invest in cash deposits and certificates of deposit with up to a one month maturity in any currency.
- 3.2.7 Investments in Jersey registered companies are permitted (unless advised to the contrary in a specific case) provided that the Jersey registered company is a constituent of the benchmark index.
- 3.2.8 The Investment Manager may purchase equities which are quoted or registered in countries which would be classed by the FTSE as Emerging or Advanced Emerging countries.
- 3.2.9 All holdings must be quoted on regulated, recognised or designated investment exchanges as determined by the UK financial services authority; or be new issues with a quotation after issue or traded on an approved stock exchanges and EEA Regulated Markets
- 3.2.10 No holdings in Collective Investment Funds or holdings in options or futures are permitted.
- 3.2.11 Controlling Interest
- 3.2.12 The States of Jersey will not acquire share holdings greater than 3% in companies.

### **3.3 UK Commercial Property Pool**

- 3.3.1 The Property Sector invests in segregated commercial property investments in the UK. These can consist of shops, offices, warehouses, industrial buildings, hotels and buildings for leisure use. The Investment Manager of the pool is permitted to carry out modifications or refurbishments to properties but is not empowered to carry out property construction.
- 3.3.2 The Pool is also permitted to invest in pooled property vehicles or hold shares in listed real estate investment trusts.
- 3.3.3 The UK Commercial Property pool seeks to earn long term capital returns by allocating its assets to a well diversified mix of UK properties. During shorter periods of time, it is quite possible for the portfolio to fluctuate in value subject to market conditions. Therefore the UK Commercial Property portfolio is particularly appropriate for Funds which choose to invest monies with a longer term horizon and therefore should serve as one of the main sources of long term portfolio growth.
- 3.3.4 The pool will offer accumulation units only to participants in the pool and trading in units is only permitted quarterly. If property market conditions are adverse, trading of units may be deferred when liquidating underlying property assets, so as to avoid selling as a forced seller.
- 3.3.5 Investment Manager Allocation Limits
- 3.3.6 In order to meet the purpose of this Fund, the aim of the Fund is to invest within the parameters indicated below:-

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<b>Holding</b>	<b>Strategic Aim %</b>	<b>Range %</b>
UK Commercial Property	95	0 - 100
Cash and Certificates of Deposits	5	0 - 100

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3.3.7 Cash awaiting investment may be invested in short term near cash securities, cash deposits or certificates of deposit. The maturity profile of monies will be dependent on the period for which the cash is expected to be un-invested.

### **3.4 Short Term Corporate Bond Pool**

3.4.1 The Short Term Corporate Bond Pool will invest in quoted sterling corporate bonds issued by UK companies, or issued by overseas subsidiaries where the holding company is a UK company, or issued by overseas quoted companies or supranational Bonds investments.

3.4.2 The pool seeks yields that are more durable and usually higher than those available from the Short-term or Long-term Cash pools. It is suited for funds that can accept the market-value volatility associated with fluctuations in interest rates in order to earn a higher level of income over time than in generally available in the cash pools. Therefore the short-term corporate bond pool is particularly appropriate for Funds which choose to invest monies under 5 years maturity.

3.4.3 The pool will offer accumulation units only to participants in the pool and trading in units is only permitted monthly.

#### Investment Manager Allocation Limits

3.4.4 In order to meet the purpose of this Fund, the aim of the Fund is to invest within the parameters indicated below:-

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<b>Holding</b>	<b>Minimum Allocation %</b>	<b>Maximum Allocation %</b>
Corporate Bonds including Supranationals	95	100
Cash	0	5

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3.4.5 Cash is only held within the pool to facilitate changes in securities rather than as an asset class in its own right. The Investment Manager may invest in cash deposits, short term investment funds (i.e. pooled cash funds) and other such investments as may be agreed. Permitted cash investments also include investment in Collective Investment Schemes as defined in Section 235 of the Financial Services and Markets Act 2000. All cash investments up to a one month to maturity may be held.

3.4.6 No holdings in index linked securities, collective investment fund, government bonds or non sterling denominated debt is permitted

3.4.7 All holdings must be quoted or regulated; recognised or designated investment exchanges as determined by the UK Financials Services Authority, or be new issues with a quotation after issue or

traded on an Approved Stock Exchanges and EEA Regulated Markets published by the Joint Money Laundering Steering Group on its website from time to time.

3.4.8 Bond Credit Rating Exposure

3.4.9 The maximum percentage of the total market value of the fixed income portfolio that may be directly invested in any single issue at the date of the purchase would be as follows:-

<b>Bond Credit Ratings</b>	<b>Maximum %</b>
AAA	5
AA	3
A	2
BBB	1 ½

3.4.10 The maximum proportion of the pool which can be directly invested in securities at “A” rating and below is 70%. (As rated by Standard & Poor’s or such equivalent rating as provided by Moody’s or any other recognised rating agency.)

3.4.11 The maximum proportion of the fixed income portfolio which can be directly invested in securities of rating BBB (or if applicable below) is 35%.

**3.5 Long Term Corporate Bond Pool**

3.5.1 This Sector will invest in quoted sterling corporate bonds issued by UK companies, or issued by overseas subsidiaries where the holding company is a UK company, or issued or guaranteed by overseas quoted companies or supranationals.

3.5.2 The pool seeks yields that are more durable and usually higher than those available from the Short-term or Long-term Cash pools. It is suited for funds that can accept the market-value volatility associated with fluctuations in interest rates in order to earn a higher level of income over time than is generally available in the cash pools. Therefore the long-term corporate bond pool is particularly appropriate for Funds which choose to invest monies over a long term period, 5 years and above maturity.

3.5.3 The pool will offer accumulation units only to participants in the pool and trading in units is only permitted monthly.

3.5.4 Investment Manager Allocation Limits

3.5.5 In order to meet the purpose of this Fund, the aim of the Fund is to invest within the parameters indicated below:-

<b>Holding</b>	<b>Minimum Allocation %</b>	<b>Maximum Allocation %</b>
Corporate Bonds including Supranationals	95	100
Cash	0	5

3.5.6 Cash is only held within the pool to facilitate changes in securities rather than as an asset class in its own right. The Investment Manager may invest in cash deposits, short term investment funds (i.e. pooled cash funds) and other such investments as may be agreed. Permitted cash investments also



includes investment in Collective Investment Schemes as defined in Section 235 of the Financial Services and Markets Act 2000. All cash investments up to a one month to maturity may be held.

3.5.7 No holdings in index linked securities, collective investment bonds, government bonds or non sterling denominated debt is permitted.

3.5.8 All holdings must be quoted or regulated; recognised or designated investment exchanges as determined by the UK Financials Services Authority, or be new issues with a quotation after issue or traded on an Approved Stock Exchanges and EEA Regulated Markets published by the Joint Money Laundering Steering Group on its website from time to time.

3.5.9 Bond Credit Rating Exposure

3.5.10 The maximum percentage of the total market value of the fixed income portfolio that may be directly invested in any single issue (excluding the British government bonds) at the date of the purchase would be as follows:-

Bond Credit Ratings	Maximum %
AAA	5
AA	3
A	2
BBB	1 ½

3.5.11 The maximum proportion of the pool which can be directly invested in securities at “A” rating and below is 70%. (As rated by Standard & Poor’s or such equivalent rating as provided by Moody’s or any other recognised rating agency.)

3.5.12 The maximum proportion of the fixed income portfolio which can be directly invested in securities of rating BBB (or if applicable below) is 35%.

**3.6 Short Term Government Bonds Pool**

3.6.1 This pool will mainly invest in UK conventional gilts of up to five years to maturity, but may also purchase conventional overseas government securities of up to five years to maturity providing that any currency exposure is hedged back into Sterling.

3.6.2 The pool seeks yields that are more durable and usually higher than those available from the Short-term or Long-term Cash pools. The pool benefits from guaranteed government returns which are marginally lower than the short term corporate bond pool but benefit from lower risk profiles. It is suited for funds that can accept the market-value volatility associated with fluctuations in interest rates in order to earn a higher level of income over time than in generally available in the cash pools. Therefore the short-term government bond pool is particularly appropriate for Funds which choose to invest monies maturing up to 5 years.

3.6.3 The pool will offer accumulation units only to participants in the pool and trading in units is only permitted monthly.

3.6.4 Investment Manager Allocation Limits

3.6.5 In order to meet the purpose of this Fund, the aim of the Fund is to invest within the parameters indicated below:-

<b>Holding</b>	<b>Minimum Allocation %</b>	<b>Maximum Allocation %</b>
UK Government Bonds	85	100
Overseas Government Bonds	0	10
Cash	0	5

- 3.6.6 Cash is only held within the pool to facilitate changes in securities rather than as an asset class in its own right. The Investment Manager may invest in cash deposits, short term investment funds (i.e. pooled cash funds) and other such investments as may be agreed. Permitted cash investments also include investment in Collective Investment Schemes as defined in Section 235 of the Financial Services and Markets Act 2000. All cash investments up to a one month to maturity may be held.
- 3.6.7 No holdings in index linked bonds, corporate bonds or collective investment funds are permitted. The Investment Manager may not without prior consent enter into gilt re-purchase agreements.
- 3.6.8 All holdings must be quoted or regulated; recognised or designated investment exchanges as determined by the UK Financials Services Authority, or be new issues with a quotation after issue or traded on an Approved Stock Exchanges and EEA Regulated Markets published by the Joint Money Laundering Steering Group on its website from time to time.

### **3.7 Long Term Government Bonds Pool**

- 3.7.1 The Long Term Government bond pool will mainly invest in UK conventional gilts and is also permitted to purchase conventional overseas government securities providing that any currency exposure is hedged back into Sterling.
- 3.7.2 The pool seeks yields that are more durable and usually higher than those available from the Short-term or Long-term Cash pools. The pool benefits from guaranteed government returns which are marginally lower than the long term corporate bond pool but benefits from lower risk profiles. It is suited for funds that can accept the market-value volatility associated with fluctuations in interest rates in order to earn a higher level of income over time than in generally available in the cash pools. Therefore the long-term government bond pool is particularly appropriate for Funds which choose to invest monies maturing 5 years and above.
- 3.7.3 The pool will offer accumulation units only to participants in the pool and trading in units is only permitted monthly.
- 3.7.4 Investment Manager Allocation Limits
- 3.7.5 In order to meet the purpose of this Fund, the aim of the Fund is to invest within the parameters indicated below:-

<b>Holding</b>	<b>Minimum Allocation %</b>	<b>Maximum Allocation %</b>
UK Government Bonds	85	100
Overseas Government Bonds	0	10
Cash	0	5

- 3.7.6 Cash is only held within the pool to facilitate changes in securities rather than as an asset class in its own right. The Investment Manager may invest in cash deposits, short term investment funds (i.e. pooled cash funds) and other such investments as may be agreed. Permitted cash investments also include investment in Collective Investment Schemes as defined in Section 235 of the Financial Services and Markets Act 2000. All cash investments up to a one month to maturity may be held.
- 3.7.7 No holdings in index linked bonds, corporate bonds or, collective investment funds are permitted. The Investment Manager may not without prior consent enter into gilt re-purchase agreements.
- 3.7.8 All holdings must be quoted or regulated; recognised or designated investment exchanges as determined by the UK Financials Services Authority, or be new issues with a quotation after issue or traded on an Approved Stock Exchanges and EEA Regulated Markets published by the Joint Money Laundering Steering Group on its website from time to time.

### **3.8 UK Index Linked Gilts Pool**

- 3.8.1 This UK Index Linked Gilts Pool will mainly invest in UK index linked gilts (minimum 80%), but is also permitted to purchase corporate index linked securities and index linked securities guaranteed by the UK government (maximum 15%). All bonds should be sterling denominated and be linked to the UK R.P.I.
- 3.8.2 Permissible Index linked securities are those issued by institutions or companies and Index linked securities issued by financial institutions or by Network Rail where the bonds are guaranteed by the United Kingdom Government. Investment is not permitted with locally established financial organisations registered in Jersey under the Banking Business (Jersey) Law 1991 and supervised by the Financial Services Department of the States of Jersey.
- 3.8.3 The pool seeks yields that are more durable and usually higher than those available from the Short-term or Long-term Cash pools. The pool benefits from guaranteed government returns in excess of the UK RPI. It is suited for funds that can accept the market-value volatility associated with fluctuations in interest rates in order to earn a higher level of income over time than in generally available in the cash pools. Therefore the UK Index Lined Gilts pool is particularly appropriate for Funds which choose to invest monies maturing over 5 years.
- 3.8.4 The pool will offer accumulation units only to participants in the pool and trading in units is only permitted monthly.
- 3.8.5 Investment Manager Allocation Limits
- 3.8.6 In order to meet the purpose of this Fund, the aim of the Fund is to invest within the parameters indicated below:-

<b> Holding </b>	<b> Minimum Allocation % </b>	<b> Maximum Allocation % </b>
UK Index Linked Gilts	80	100
Government Guaranteed or Corporate Index Linked Bonds	0	15
Cash	0	5

- 3.8.7 Cash is only held within the pool to facilitate changes in securities rather than as an asset class in its own right. The Investment Manager may invest in cash deposits, short term investment funds (i.e. pooled cash funds) and other such investments as may be agreed. Permitted cash investments also include investment in Collective Investment Schemes as defined in Section 235 of the Financial Services and Markets Act 2000. All cash investments up to a one month to maturity may be held.

3.8.8 No holdings in collective Investment Funds are permitted. The Investment Manager may not without prior consent enter into gilt re-purchase agreements.

3.8.9 All holdings must be quoted or regulated; recognised or designated investment exchanges as determined by the UK Financials Services Authority, or be new issues with a quotation after issue or traded on an Approved Stock Exchanges and EEA Regulated Markets published by the Joint Money Laundering Steering Group on its website from time to time.

3.8.10 Bond Credit Rating Exposure

3.8.11 The maximum percentage of the total market value of the fixed income portfolio that may be directly invested in any single issue (excluding the British government or Government Guaranteed bonds) at the date of the purchase would be as follows:-

<b>Bond Credit Ratings</b>	<b>Maximum %</b>
AAA	5
AA	3
A	2
BBB	1 ½

**3.9 Short Term Cash and Cash Equivalents Pool**

3.9.1 This pool will invest in cash deposits, Treasury bills and commercial paper of up to 3 months to maturity and certificates of deposit of up to 12 months to maturity with the aim of providing a very high level of security and liquidity. It will not invest in floating rate notes or corporate bonds.

3.9.2 The Short Term cash and cash equivalents pool is designed to make liquid assets available in order to meet monthly cash requirements. This fund will also provide a vehicle to participants who would like their monies to earn income at current money market rates whilst ensuring the preservation of the principal investments in current money terms. The rate of income for this pool varies depending on current short-term interest rates.

3.9.3 The pool will offer accumulation units only to participants in the pool and trading in units is only permitted monthly

3.9.4 Investment Manager Allocation Limits

3.9.5 Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

<b>Asset Class</b>	<b>Maximum Maturity</b>	<b>Maximum Allocation %</b>
Call & Overnight Deposits	One Day	100
Certificates of Deposit	12 Months	100
Fixed Deposits	3 Months	25
Commercial Paper	3 Months	25
UK Treasury Bills	3 Months	100

3.9.6 Deposits, held by Investment Cash Managers, can only be made with institutions which fall into the following categories:-

<b>Deposit term</b>	<b>Minimum Industry Rating</b>
Short-term deposit (up to 3 months)	Standard & Poor's A1 and Moody's P1

3.9.7 Unless otherwise instructed by the Client, assets should be sold when they are downgrade to A3 or lower.

3.9.8 No off-balance sheet vehicles, foreign exchange exposure, convertible bonds or investments which suffer withholding tax are permitted.

### **3.10 Long Term Cash and Cash Equivalents Pool**

3.10.1 This Pool will invest in cash deposits, commercial paper of up to 3 months to maturity, Treasury bills of up to 6 months to maturity, certificates of deposit of up to 2 years to maturity and floating rate notes of up to 5 years to maturity. The aim of this fund is to produce higher return than the Short term Cash and Cash equivalents pool and where small fluctuations in the capital values can be tolerated.

3.10.2 The Short Term cash and cash equivalents pool is designed to make liquid assets available in order to meet longer term cash requirements. The Fund can be expected to produce higher returns than the Short term Cash and Cash equivalents pool but small fluctuations in the capital values may occur. The rate of income for this pool varies depending on available interest rates.

3.10.3 The pool will offer accumulation units only to participants in the pool and trading in units is only permitted monthly.

#### 3.10.4 Investment Manager Allocation Limits

3.10.5 Investment is made in cash deposits, certificates of deposits and limited amounts of commercial paper and floating rate notes. The investment manager operates within the following allocation limits:-

<b>Asset Class</b>	<b>Maximum Maturity</b>	<b>Maximum Allocation %</b>
Call & Overnight Deposits	3 Months	100
Certificates of Deposit	2 Years	100
Fixed Deposits	3 Months	25
UK Treasury Bills	6 Months	100
Commercial Paper	3 Months	25
Floating Rate Notes	5 Years	25

3.10.6 Deposits, held by Investment Cash Managers, can only be made with institutions which fall into the following categories:-

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<b>Deposit term</b>	<b>Minimum Industry Rating</b>
Longer-term deposit (over 3 months)	Standard & Poor's AA and Moody's Aa3

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3.10.7 Unless otherwise instructed by the Client, assets should be sold when they are downgraded to A3 or lower.

3.10.8 No off-balance sheet vehicles, foreign exchange exposure, convertible bonds or investments which suffer withholding tax are permitted.