

---

# **STATES OF JERSEY**



## **STATES INVESTMENT STRATEGIES**

---

**Presented to the States on 22nd October 2014  
by Minister for Treasury and Resources**

---

**STATES GREFFE**



# STATES INVESTMENT STRATEGIES

---

Presented by the Minister for Treasury and Resources  
October 2013

---

# 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 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 % | Alternative Investments Class % | Bonds % | Cash % | Participating in Common Inv. Fund |
|-------------------------------------|------------|---------------------------------|---------|--------|-----------------------------------|
| <b>States of Jersey Major Funds</b> |            |                                 |         |        |                                   |
| Strategic Reserve Fund              | 50         | 10                              | 40      | -      | Yes                               |
| Stabilisation Fund                  |            |                                 | 80      | 20     | Yes                               |
| Social Security (Reserve) Fund      | 80         | 10                              | 10      |        | Yes - Part                        |
| Health Insurance Fund               | 40         |                                 | 45      | 15     | Yes <sup>(1)</sup>                |
| Consolidated Fund <sup>(2)</sup>    | 45         | 10                              | 45      | β      | Yes <sup>(1)</sup>                |
| Currency Notes and Coins Fund       | 20         | 60                              | 10      | 10     | Yes <sup>(1)</sup>                |
| Housing Development Fund            | 15         | 12                              | 66      | 7      | Yes                               |

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

<sup>(2)</sup> the consolidated fund is to hold the cash deemed be required to fund expenditure in the medium term in the Long Term Cash Pool of the CIF or operating cash account outside the CIF, this balance is marked as 'β' in the table above. The remaining holdings of the Consolidated Fund are classified as 'investable assets' and invested in line with the strategy above.

**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 |
|----------------------|------------|----------------|------------|-------------------|-----------------------------------|
| <b>Pension Funds</b> |            |                |            |                   |                                   |
| PECRS                | 40         | 15             | 10         | 35 <sup>(1)</sup> | no                                |
| JTSF <sup>(2)</sup>  | 70         |                | 20         | 10                | Yes                               |

<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 % | Alternative Investments Class % | Bonds % | Cash % | Participating in Common Inv. Fund |
|---------------------------------------|------------|---------------------------------|---------|--------|-----------------------------------|
| <b>Special Funds</b>                  |            |                                 |         |        |                                   |
| Tourism Development Fund              | -          | -                               | -       | 100    | Yes <sup>(1)</sup>                |
| Channel Islands Lottery (Jersey) Fund | -          | -                               | -       | 100    | Yes <sup>(1)</sup>                |
| Dwelling-Houses Loan Fund             | -          | -                               | 75      | 25     | 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 21.

| Funds                                   | Equities % | Alternative Investments Class % | Bonds % | Cash % | Participating in Common Inv. Fund |
|---|------------|---------------------------------|---------|--------|-----------------------------------|
| <b><u>Trust &amp; Bequest Funds</u></b> |            |                                 |         |        |                                   |
| Estate of A A Rayner Fund               | 65         | 10                              | 25      | -      | Yes                               |
| The Rivington Travelling Scholarship    | 50         | 10                              | 40      | -      | Yes                               |
| Estate of H E Le Seilleur               | 40         | 45                              | 27      | 3      | Yes <sup>(1)</sup>                |
| Estate of E J Bailhache                 | 65         | -                               | 30      | 5      | Yes <sup>(1)</sup>                |
| Le Don de Faye Trust Fund               | 50         | 10                              | 40      | -      | Yes <sup>(2)</sup>                |
| Greville Bathe Fund                     | 65         | 10                              | 25      | -      | Yes                               |
| Estate of A H Ferguson Bequest          | 50         | 10                              | 40      | -      | Yes                               |
| Ecology Fund                            | 50         | 10                              | 40      | -      | Yes <sup>(3)</sup>                |
| The Lord Portsea Gift Fund              | 50         | 10                              | 40      | -      | Yes <sup>(3)</sup>                |

<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 22.

| Funds                           | Equities % | Alternative Investments Class % | Bonds % | Cash % | Participating in Common Inv. Fund |
|---------------------------------|------------|---------------------------------|---------|--------|-----------------------------------|
| <b><u>Other Funds</u></b>       |            |                                 |         |        |                                   |
| Confiscation Funds              | -          | -                               | -       | 100    | No                                |
| Jersey Post Office Pension Fund | -          | -                               | 93      | 7      | No                                |

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

8.1. The States of Jersey – Common Investment Fund currently operates eight Investment Pools (see Appendix 23 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 currently available are as follows:-

- UK Equities Pool
- Global Equities Pools
- Emerging Market Equity Pool
- Global Passive Equity
- UK Corporate Bonds Pool
- Absolute Return Bond Pool
- Long Term Government Bonds Pool (currently closed)
- UK Index Linked Gilts Pool
- Long Term Cash and Cash Equivalents Pool
- UK Pooled Property Pools

8.2. It is anticipated that new pools will be created for Alternative Investment Asset classes. The main types of Alternative Investments are Commodities, Hedge Funds, Private Equity, Real Estate, Derivatives and Infrastructure investments. See Section 9 for further details about these types of Alternative Investments.

8.3. Over time further Special and Trust and Bequest Funds may join and invest through the Fund, Investment Strategies for these Funds will be added accordingly. Existing Investment Strategies will continue to be reviewed and revised on an ongoing basis to reflect any changes made.

## **9. TYPES OF ALTERNATIVE INVESTMENTS**

9.1. Alternative Investments are an alternative asset class compared to “traditional” types of Investments which States’ Funds can invest in. Examples of Traditional Investments are equities, bonds and cash and cash equivalents.

9.2. Factors to consider when investing in new alternative asset classes are Investment risk versus return; additional diversification of the Funds Investment to manage risk profile and liquidity of the new asset class and the Fund’s overall liquidity.

9.3. There are numerous types of alternative investments – however the main types, which some of the States Funds could possibly invest in, in line with their investment strategies, are as follows:

- Commodities
- Hedge Funds
- Private Equity
- Real Estate
- Managed Funds
- Derivatives
- Infrastructure Investments

9.4. Definitions for each of the main types of alternative assets are as follows:-

9.5. Commodities – these are any inputs in the production of other goods or services (e.g. oil, gold, steel, intangible rights). It is believed that they can act as a hedge against unexpected inflation in the economy over a longer time period (5 years). Commodities generally achieve higher expected returns than bonds.

9.6. Hedge Funds – these privately managed funds are allowed by regulators to invest in more investment types (stocks, bonds, commodities, currencies) through more tools than ordinary funds. Hedge funds incorporate investment strategies aimed at securing positive returns on investments regardless of the overall market performance. They can combine both long and short positions, use gearing, enter into high-concentration positions, invest in illiquid assets and trade derivatives.

9.7. There are opportunities to invest in Fund of Funds – this is where a Fund’s primary activity is investing in other hedge funds. This can be a way of reducing the specific risk associated with investing with a single manager and achieve greater diversification.

9.8. An allocation of hedge funds can be made through investing in one or a combination of the following:-

- A multi-strategy fund of hedge funds.
- A single strategy fund of hedge funds
- A single manager fund.

9.9. Private Equity – this involves providing capital to unquoted companies in return for a share of the company’s profits. There are numerous sub-classifications of private equity, but they can be broadly classified as early stage venture capital; expansion/development capital and management buy-outs/buy-ins.

Capital can either be provided directly or by investing in a private equity fund or Fund of Funds.

9.10. Typically institutional investors will utilise the fund of funds approach which tends to be a long-term investment with a substantial “lock-in” period.

- 9.11. Real Estate – Examples of Real Estate Investments (property) are land, office buildings, retail shopping centers, multifamily housing and industrial warehouse properties. The most common type is income-producing real estate. Large income-producing real estate properties are commonly purchased by high net-worth individuals and institutions, such as life insurance companies, real estate investment trusts (REITs) and pension funds.
- 9.12. There are two main types of Real Estate Investment Trusts (REITs):-
- Equity REITs - these invest mainly in actual real estate properties, such as office buildings, apartment complexes, warehouses and shopping centres. Equity REITs are usually not highly leveraged.
  - Mortgage REITs - these invest mainly in mortgages and construction loans for commercial properties and tend to use leverage to a greater degree than equity REITs.
- 9.13. One of the main differences between investing in a piece of real estate as compared to stocks or bonds is that real estate is an investment in the "bricks and mortar" of a building and the land it is built upon, therefore it is highly tangible. Real estate is an asset class that offers protection against inflation, as well as potential tax benefits. However, lack of both liquidity and diversification are drawbacks to investing directly in real estate.
- 9.14. Managed Funds – these are like mutual funds (pooled funds) but are allowed long or short positions in commodity and currency futures contracts, and options in such contracts. There are four main types of managed funds – Unit trusts, Group Investment Funds, Superannuation Funds and Insurance Bonds.
- 9.15. Derivatives – these are traded contracts (e.g. future contracts, convertible bonds or stocks) securities or financial instruments whose values derive from values of transitional investments (e.g. stocks or assets such as gold).
- 9.16. Infrastructure investments – This type of investment involves taking an ownership interest in an infrastructure business (commonly defined as providing an essential service to the community.) Most infrastructure assets are either bought from a government, a private equity firm, or are part of a listed company that is sold off. This is a long term investment option providing higher returns than the Long Term Cash Pool while generating positive externalities for the Island.
- 9.17. Infrastructure investments can be split into two main categories, Economic or Social, examples as follows:-

|                  | <b>Economic</b>                         |                          | <b>Social</b> |
|------------------|---|--------------------------|---------------|
| Transport        | Utilities & Energy                      | Communications           |               |
| Toll roads       | Oil & gas pipelines                     | Cable networks           | Schools       |
| Bridges          | Electricity generation and transmission | Communication towers     | Hospitals     |
| Ferries/Ports    | Water distribution and treatment        | Select satellite systems | Housing       |
| Public transport |   |                          | Courts        |
| Airports         |   |                          |               |



## **APPENDICES CONTENTS PAGE**

|   |           |
|---|-----------|
| <b>OVERARCHING INVESTMENT POLICIES.....</b>                                       | <b>8</b>  |
| <b>ETHICAL INVESTMENT STRATEGY .....</b>  | <b>8</b>  |
| <b>GOVERNANCE ARRANGEMENTS (<i>relates to all except Pension Funds</i>) .....</b> | <b>8</b>  |
| <br>  |           |
| <b>STATES OF JERSEY MAJOR FUNDS .....</b>   | <b>10</b> |
| <b>STRATEGIC RESERVE FUND INVESTMENT STRATEGY .....</b>                           | <b>10</b> |
| <b>STABILISATION FUND INVESTMENT STRATEGY .....</b>                               | <b>11</b> |
| <b>SOCIAL SECURITY (RESERVE) FUND INVESTMENT STRATEGY .....</b>                   | <b>12</b> |
| <b>HEALTH INSURANCE FUND INVESTMENT STRATEGY .....</b>                            | <b>13</b> |
| <b>CONSOLIDATED FUND INVESTMENT STRATEGY .....</b>                                | <b>14</b> |
| <b>CURRENCY NOTES AND COINS FUNDS INVESTMENT STRATEGIES .....</b>                 | <b>16</b> |
| <b>HOUSING DEVELOPMENT FUND INVESTMENT STRATEGY.....</b>                          | <b>27</b> |
| <b>PENSION FUNDS AND THEIR INVESTMENT STRATEGIES.....</b>                         | <b>19</b> |
| <br>  |           |
| <b>SPECIAL FUNDS.....</b>   | <b>21</b> |
| <b>TOURISM DEVELOPMENT FUND (TDF) INVESTMENT STRATEGY .....</b>                   | <b>21</b> |
| <b>CHANNEL ISLANDS LOTTERY(JERSEY) FUND INVESTMENT STRATEGY .....</b>             | <b>24</b> |
| <b>DWELLING-HOUSES LOAN FUND INVESTMENT STRATEGY .....</b>                        | <b>27</b> |
| <br>  |           |
| <b>TRUST &amp; BEQUEST FUNDS .....</b>  | <b>30</b> |
| <b>ESTATE OF A A RAYNER FUND INVESTMENT STRATEGY.....</b>                         | <b>30</b> |
| <b>THE RIVINGTON TRAVELLING SCHOLARSHIP INVESTMENT STRATEGY .....</b>             | <b>33</b> |
| <b>ESTATE OF H E LE SEELLEUR INVESTMENT STRATEGY .....</b>                        | <b>36</b> |
| <b>ESTATE OF E J BAILHACHE INVESTMENT STRATEGY .....</b>                          | <b>38</b> |
| <b>LE DON DE FAYE TRUST FUND INVESTMENT STRATEGY .....</b>                        | <b>42</b> |
| <b>GREVILLE BATHE FUND INVESTMENT STRATEGY.....</b>                               | <b>45</b> |
| <b>ESTATE OF A H FERGUSON BEQUEST INVESTMENT STRATEGY.....</b>                    | <b>48</b> |
| <b>ECOLOGY FUND INVESTMENT STRATEGY .....</b>                                     | <b>51</b> |
| <b>THE LORD PORTSEA GIFT FUND INVESTMENT STRATEGY .....</b>                       | <b>54</b> |
| <br>  |           |
| <b>OTHER FUNDS AND THEIR INVESTMENT STRATEGIES.....</b>                           | <b>57</b> |
| <br>  |           |
| <b>STATES OF JERSEY – COMMON INVESTMENT FUND STRATEGIES.....</b>                  | <b>58</b> |

## **OVERARCHING INVESTMENT POLICIES**

### **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. In January 2011 the States Investment Adviser carried out a review into Ethical Investments for the States Funds.
  - 1.1. **Fund Managers' Investment Decisions**

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.
  - 1.2. **Corporate Governance**

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.
  - 1.3. 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.
  - 1.4. 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.

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

2. The Minister and the Treasurer may invest money and do so through the Treasury Advisory Panel (formerly the Treasury Investments Sub-Committee). The Minister determines the Treasury Advisory Panel's membership, which includes the Assistant Treasury and Resources Minister. The Treasury Advisory Panel makes recommendations to the Minister.
  - 2.1. Terms of reference for the Treasury Advisory Panel 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 Treasury Advisory Panel are able to appoint appropriately experienced and qualified advisers and managers to assist in developing and administering the approved strategies.
- 2.3. The States Independent Investment Adviser is consulted on major events and decisions taken documented in the minutes of the Treasury Advisory Panel. The Treasurer is responsible for implementing decisions.
- 2.4. Investment Advice**  
In setting and reviewing his investment strategies the Minister consults with independent professional investment advisers and guidance from appropriately qualified and experienced persons.
- 2.5. Appointment of Fund managers**  
Where appropriate independent Investment Managers are appointed to manage the various assets of the Funds. These Managers are appointed by the Minister/ Treasurer on the recommendation of the Treasury Advisory Panel 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.
- 2.6. Performance monitoring**  
The appointment of advisers and managers and their performance is regularly assessed by the Treasury Advisory Panel.
- 2.7. The States Investment Adviser provides appropriate advice to the Minister, the Treasury Advisory Panel and Treasurer through written reports and attendance at meetings as well as through the provision of ad hoc reports when circumstances dictate.
- 2.8. The 2008 States Financial Report and Accounts have been presented by the Minister to the States which includes details of the various States Funds.
- 2.9. Performance management**  
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.
- 2.10. Actual performance is regularly monitored against target by the Treasury Advisory Panel. Investment managers are subject to challenge by the Treasury Advisory Panel; who require explanations of any shortfalls against target together with Investment managers' plans to return to target.
- 2.11. Where the Treasury Advisory Panel believes a manager is performing consistently below expectation, it recommends to the Minister that a replacement manager is sought.
- 2.12. Reporting**  
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.
- 2.13. Independent Custodians**  
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.
- 2.14. Operational movements from Strategy:**  
At times it may be necessary for Funds to move away from the strategic allocation detailed within their Investment Strategy for operational reasons. An example of this would be the removal of an investment manager who has been downgraded by the Investment Advisor necessitating the liquidation of that managers assets with little notice. In this case assets would be held in existing asset classes on a temporary basis until a new manager can be appointed.
- 2.15. These movements will not be deemed a breach of Strategy, but a timetable for replacement of the manager in order to facilitate movement back to within strategic ranges must be tabled with the Treasury Advisory Panel as soon as is administratively feasible.

## STATES OF JERSEY MAJOR FUNDS

### 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 alternative investment class) and 40% in risk reducing assets as detailed below:-

|                                | <b>Strategic Aim</b> | <b>Range</b> |
|--------------------------------|----------------------|--------------|
|                                | <b>%</b>             | <b>%</b>     |
| <u>Stock market assets</u>     |                      |              |
| Equities                       | 50                   | 45 – 55      |
| Bonds                          | 40                   | 36 - 44      |
| Cash                           | -                    | 0 - 3        |
| <u>Non Stock market assets</u> |                      |              |
| Alternative Investments Class  | 10                   | n/a          |

- 2.2 The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.

#### **3 Investment Structure**

- 3.1 The Fund can carry out its investments through the Common Investment Fund.
- 3.2 The Alternative Investment class currently includes only Property Pools, until the full anticipated range of alternative pools are operational, monies allocated to alternatives, not invested in the Property Pools, will be invested in existing 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.

## **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<br/>%</b> | <b>Range<br/>%</b> |
|--|----------------------------|--------------------|
| Cash and cash equivalents                  | 20                         | 18 - 22            |
| Government bonds (indexed or conventional) | 50                         | 45 – 55            |
| Corporate bonds (indexed or conventional)  | 30                         | 27 - 33            |

- 2.2 It is intended to use the remainder of the Funds balance during 2012, therefore the strategy for the fund is to hold monies in cash and cash equivalents.
- 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).

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

- 3.1 The Fund can carry out its investments through the Common Investment Fund.

# **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<br/>%</b> | <b>Range<br/>%</b> |
|------------------------------------|----------------------------|--------------------|
| <u>Stock market assets</u>         |                            |                    |
| Equities                           | 80                         | 72 - 88            |
| Bonds                              | 10                         | 9 - 11             |
| Cash                               | -                          | 0 - 3              |
| <u>Non Stock market<br/>assets</u> |                            |                    |
| Alternative Investments<br>Class   | 10                         | n/a                |

- 2.3 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.
- 2.4 The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.

## **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 The Fund can invest around half of its equity assets through the Common Investment Global Equity Pools, therefore carrying out investment under active management.
- 5.2 The Alternative Investment class currently includes only Property Pools, until the full anticipated range of alternative pools are operational, monies allocated to alternatives, not invested in the Property Pools, will be invested in existing asset classes.

#### **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.

### **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<br/>%</b> | <b>Range<br/>%</b> |
|--------------------|----------------------------|--------------------|
| Equities           | 40                         | 37 - 43            |
| Bonds              | 45                         | 40 – 50            |
| Cash               | 15                         | 13 - 17            |

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

#### **3 Investment Structure**

- 3.1 The Fund can carry out its investments through the Common Investment Fund.

## 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 The investment strategy of the fund is split between the assets expected to be called upon in the short term, the 'operational portfolio' and assets which can be invested on a longer term basis, the 'long term portfolio'.

### Strategy

### 2 Investment Structure

- 2.1 The Fund can carry out its investments through the Common Investment Fund.

#### Operational Portfolio

- 2.2 Liquidity and security is the primary concern for the operational portfolio, monies which are expected to be called upon in the immediate future to fund day to day expenditure will be maintained in accounts outside the CIF which can deal daily. Assets expected to be called upon in the short term but are unlikely to be required to fund monthly expenditure may be invested in the Long Term Cash Pool of the CIF in order to earn a superior return.
- 2.3 The Fund's holdings which are expected to be required for daily cash-flow transactions will be held outside the CIF with an 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                          |

- 2.4 The investment manager responsible for the Consolidated Funds cash holdings is limited to holding no more than 10% of the overall 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 12 months) | Standard & Poors A1 and Moody's P1  |
| Longer-term deposit (over 12 months) | Standard & Poors AA and Moody's Aa3 |

- 2.5 The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.
- 2.6 The cash manager is not permitted to hold derivatives or off balance sheet vehicles.



## Long Term Portfolio

- 2.7 The long term portfolio is not expected to be called upon to fund operational requirements in the short term and follows a balanced strategy. This strategy seeks to generate a real return but within strict risk limits in order to protect the capital value of the portfolio.
- 2.8 The strategy for this portfolio has a longer term investment horizon than the operational portfolio allowing for the investment in growth and income producing assets. Relative to the operational portfolio the asset allocation includes assets which may be more volatile in the short run but are expected to generate greater returns in the long run. The strategy offers a balance of returns from both income and growth, but with a bias towards the latter with the allocation to bonds serving to achieve the Fund's capital preservation objective. In addition the balanced approach reduces the concentration risk of being overly exposed to any single asset class.

|                                | <b>Strategic Aim</b> | <b>Range</b> |
|--------------------------------|----------------------|--------------|
|                                | <b>%</b>             | <b>%</b>     |
| <u>Stock market assets</u>     |                      |              |
| Equities                       | 45                   | 40 – 55      |
| Bonds                          | 45                   | 40 – 55      |
| <u>Non Stock market assets</u> |                      |              |
| Alternative Investments Class  | 10                   | n/a          |

- 2.9 The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.
- 2.10 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.
- 2.11 The Alternative Investment class currently includes only Property Pools, until the full anticipated range of alternative pools are operational, monies allocated to alternatives, not invested in the Property Pools, will be invested in existing asset classes.
- 2.12 **Controlling Interest**  
The States of Jersey will not acquire share holdings greater than 3% of the issued share capital in UK companies.

## **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 Operational cash represents the maximum expected short term fluctuation in the currency in circulation which may be called upon by the banks and therefore is not deemed to be available for Investment purposes.

2.4 The long term strategic aims of the Funds, for the investable balance (i.e. non operating stock of cash) are to invest in the parameters indicated below. In addition a further £2m is to be held in cash as a buffer to provide against volatility of currency in circulation :-

| <b>Asset Class</b>             | <b>Strategic Aim</b> | <b>Range</b> |
|--------------------------------|----------------------|--------------|
|                                | <b>%</b>             | <b>%</b>     |
| Equities                       | 20                   | 18 - 22      |
| Bonds                          | 10                   | 9 - 11       |
| Cash                           | 10                   | 9 - 11       |
| <u>Non Stock Market Assets</u> |                      |              |
| Alternative Investments Class  | 60                   | n/a          |

2.5 The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.

2.6 The fund will invest in Jersey Infrastructure Investments as a part of its Alternative asset class using various instruments to carry out the investment. It is further anticipated that these investments provide returns in excess of cash, be a viable investment option and offer investment diversification.

### **3 Investment Structure**

3.1 The Currency Notes and Coinage Funds can carry out their investments through the Common Investment Fund.

## HOUSING DEVELOPMENT FUND INVESTMENT STRATEGIES

### **2 Purpose of the Fund**

5.3 On the 22nd June 1999, the States approved P84/1999 and creating the Housing development fund in order to:

*“help meet the requirements for the development of social rented and first-time buyer homes as identified in the Planning for Homes Report.”*

On the 16th of May 2013, P.33/2013 enabled the housing department to become incorporated into a wholly States owned Housing Company. The key objective of the Housing Company is construction of new housing and completion of improvement works to ensure that the housing stock meets the requirements of the Decent Homes Standard within 10 years.

In June 2014 the States of Jersey leveraged its strong balance sheet to issue a £250 million bond with a 40 year maturity at superior low rates of interest relative to borrowing which could be achieved by the Housing Company.

The proceeds of the Bond issuance are to be placed in the Housing Development Fund and loaned to the Housing Company to fund construction and improvement works, in line with the defined purpose of the Fund.

The drawdowns and repayments shall be made in accordance with underlying loan agreements in accordance with the construction/renovation timetable of the Housing Company. The Housing Company will also pay interest on the loans into the Fund in accordance with the loan agreements. The Housing Company will fund required capital repayments and interest from returns generated from on the new and refurbished properties that the loan will fund.

### **Strategy**

2.13 The strategy of the Fund seeks to protect the capital value of the Fund which will be required to repay the issued bond on maturity. The Fund will also seek to generate sufficient returns, taking into account receipt of interest from the loans to the Housing Company, to meet Bond Coupon payments.

5.4 In order to meet the purpose of this fund the Minister has set a strategic aim of investing 30% in growth assets and 70% non-growth assets as detailed below:-

|                          | <b>Strategic Aim</b> | <b>Range</b> |
|--------------------------|----------------------|--------------|
|                          | <b>%</b>             | <b>%</b>     |
| <u>Growth assets</u>     |                      |              |
| Equities                 | 15                   | 10 - 20      |
| Absolute Return          | 12                   | 8 - 18       |
| Property                 | <u>3</u>             | 0 - 5        |
|                          | 30%                  |              |
| <u>non-growth assets</u> |                      |              |
| Gilts                    | 42                   | 37 - 47      |
| Cash                     | 7                    | 4 - 10       |
| Corporate Bonds          | <u>21</u>            | 16 - 26      |
|                          | 70%                  |              |

\*Absolute return includes allocations to the Global Absolute Return Bond Pool, considered a fixed income class, and Absolute Return Pool, considered an alternative asset class.

2.14 Property and Absolute Return are considered part of the alternative asset class. These classes may suffer from liquidity constraints which prevent immediate rebalancing and movement to the strategic range. Consequently short term allocations to this class may fall outside the prescribed range as positions are built or sold down. In cases where positions are being built, allocations to this class will be held in existing asset classes until they can be fully allocated.

**6 Investment Structure**

6.1 The Fund can carry out its investments through the Common Investment Fund.

**7 Investment in Jersey**

7.1 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.

**8 Controlling Interest**

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

## **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<br/>%</b> | <b>Range<br/>%</b> |
|------------------------------|----------------------------|--------------------|
| <i>Growth Investments</i>    |                            |                    |
| Equities                     | 40                         | 30 – 40            |
| Alternatives                 | 15                         | -10 - 20           |
| <i>Bond Like Investments</i> |                            |                    |
| Property                     | 10                         | 5 – 15             |
| Bonds                        | 20                         | 10 - 30            |
| Cash and Cash Equivalents    | -                          | 0 - 10             |
| Debt                         | 15                         | 10 – 20            |

- 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 17.5% 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   | 70                   | 66 - 74      |
| Property   | 20                   | 0 - 22       |
| 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 JTSF can carry out their investments through the Common Investment Fund.

## 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.

## 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 nine 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><br>% | <b>Range</b><br>% |
|------------------|---------------------------|-------------------|
| 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><br>% |
|---------------------------|-------------------------|--------------------------------|
| 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 12 months) | Standard & Poor's A1 and Moody's P1  |
| Longer-term deposit (over 12 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. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.
- 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 it invests in the States of Jersey – Common Investment Fund.

# **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. Under P.123/2011 in the 2012 Business Plan it summarises that once the Channel Islands Lottery activities are expanded, it is the intention that in addition to supporting the Association of Jersey Charities the Fund will also provide support to the Jersey Heritage Trust from 2013.
- 2.9. 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.
- 2.10. **Investment Strategy**
- 2.11. 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.
- 2.12. 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.
- 2.13. 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.
- 2.14. 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).
- 2.15. 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.
- 2.16. The cash holdings invested in the Consolidated 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:-

---

**Deposit term**

**Minimum Industry Rating**

|                                      |   |
|--------------------------------------|---|
| Short-term deposit (up to 12 months) | Standard & Poor's A1 and<br>Moody's P1  |
| Longer-term deposit (over 12 months) | Standard & Poor's AA and<br>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. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.
- 2.23. No off-balance sheet vehicles are permitted.

### **3. INVESTMENT STRUCTURE**

- 3.1. The Fund can carry out its longer term investments through the Common Investment Fund.
- 3.2. Each year in March/April monies will need to be available to meet the annual large payment made to the Association of Jersey Charities.

# **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 Investment Strategy**

- 2.9 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.
- 2.10 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.
- 2.11 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.
- 2.12 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<br/>%</b> | <b>Range<br/>%</b> |
|------------------|----------------------------|--------------------|
| Government Bonds | 75                         | 72 - 83            |
| Cash             | 25                         | 22 - 28            |

- 2.13 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.
- 2.14 The cash holdings invested in this 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<br/>%</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 12 months) | Standard & Poor's A1 and Moody's P1  |
| Longer-term deposit (over 12 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 The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

2.21 No off-balance sheet vehicles are permitted.

### **3 INVESTMENT STRUCTURE**

3.1 The Fund can carry out its longer term investments through the Common Investment Fund.

## **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. Larger States Funds which are more significant in value have their own tailored Investment Strategies. The intention is that many of these larger funds will be able to participate in the Common Investment Fund in order to carry out their strategic aims.
- 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.

## **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 alternative investments class) and 25% in risk reducing assets as detailed below:-

|                                | <b>Strategic Aim<br/>%</b> | <b>Range<br/>%</b> |
|--------------------------------|----------------------------|--------------------|
| <u>Stock market assets</u>     |                            |                    |
| Equities                       | 65                         | 58 - 72            |
| Bonds                          | 25                         | 22 - 28            |
| Cash                           | -                          | 0 - 3              |
| <u>Non Stock market assets</u> |                            |                    |
| Alternative Investments Class  | 10                         | n/a                |

- 2.15. The Fund participates in the Common Investment Fund, as explained in Section 3 of this appendix.
- 2.16. The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.
- 2.17. Investigations are currently being carried into the selection of appropriate Alternative Investment Classes whilst being conscious that the Fund achieves the desired levels of returns within the agreed risk profile.
- 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 12 months) | Standard & Poor's A1 and Moody's P1  |
| Longer-term deposit (over 12 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. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.
- 2.25. No off-balance sheet vehicles are permitted.

### **3. INVESTMENT STRUCTURE**

- 3.1. The Fund can carry out its longer term investments through the Common Investment Fund.
- 3.2. The Alternative Investment class currently includes only Property Pools, until the full anticipated range of alternative pools are operational, monies allocated to alternatives, not invested in the Property Pools, will be invested in existing asset classes.

## **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 60% in return seeking assets (equities and alternative investments class) and 40% in risk reducing assets as detailed below:-

|                                | <b>Strategic Aim<br/>%</b> | <b>Range<br/>%</b> |
|--------------------------------|----------------------------|--------------------|
| <u>Stock market assets</u>     |                            |                    |
| Equities                       | 50                         | 45 – 55            |
| Bonds                          | 40                         | 36 - 44            |
| Cash                           | -                          | 0 - 3              |
| <u>Non Stock market assets</u> |                            |                    |
| Alternative Investments Class  | 10                         | n/a                |

- 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.
- 2.15. The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.
- 2.16. Investigations are currently being carried into the selection of appropriate Alternative Investment Classes whilst being conscious that the Fund achieves the desired levels of returns within the agreed risk profile.
- 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<br/>Maturity</b> | <b>Maximum Allocation<br/>%</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 12 months) | Standard & Poor's A1 and Moody's P1  |
| Longer-term deposit (over 12 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. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.
- 2.24. No off-balance sheet vehicles are permitted.

### **3. INVESTMENT STRUCTURE**

- 3.1. The Fund can carry out its longer term investments through the Common Investment Fund.
- 3.2. The Alternative Investment class currently includes only Property Pools, until the full anticipated range of alternative pools are operational, monies allocated to alternatives, not invested in the Property Pools, will be invested in existing asset classes.

## **ESTATE OF H E L E S E L L E U R I N V E S T M E N T S T R A T E G Y**

### **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 when properties held with a 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. The investment strategy has a blend of returns coming from income producing and growth assets and is designed to meet the Fund's objectives. The income producing assets should allow the Fund to meet its on-going cash flow requirements, while the growth assets will help the Fund produce a long term real return. All the asset classes have been given a range of investable limits.

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

|                              | Strategic Aim<br>% | Range<br>% |
|------------------------------|--------------------|------------|
| Jersey Property              | 25                 | 15 - 60    |
| Equities                     | 40                 | 30 - 70    |
| Bonds                        | 27                 | 10 - 30    |
| Alternatives ( non-property) | 5                  | 0 - 10     |
| Cash                         | 3                  | 0 - 3      |

- 2.11. The largest allocation in the strategy is to equities; however the equity allocation is lower than other participants in the Common Investment Fund due to the higher allocation to property. Due to the unique starting position, the long term allocation to Jersey property is 25%.

- 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 12 months) | Standard & Poor's A1 and Moody's P1  |
| Longer-term deposit (over 12 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. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.
- 2.22. 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. This is a temporary measure until longer term investments are carried out through the States of Jersey –Common Investment Fund.
- 3.2. Even once the Fund joins the CIF the Jersey Properties will remain outside the CIF.

## **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><br>% | <b>Range</b><br>% |
|----------|---------------------------|-------------------|
| Equities | 65                        | 58 - 72           |
| Bonds    | 30                        | 27 - 33           |
| Cash     | 5                         | 4 - 6             |

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.

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 12 months) | Standard & Poor's A1 and Moody's P1  |
| Longer-term deposit (over 12 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 The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

2.24 No off-balance sheet vehicles are permitted.

### **3 INVESTMENT STRUCTURE**

3.1 The Fund can carry out investment through the Common Investment Fund.

3.2 All of the Jersey Properties which will remain outside of the Common Investment Fund.

# **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 60% in return seeking assets (equities and alternative Investments class) and 40% in risk reducing assets as detailed below:-

|                                | <b>Strategic<br/>Aim<br/>%</b> | <b>Range<br/>%</b> |
|--------------------------------|--------------------------------|--------------------|
| <u>Stock market assets</u>     |                                |                    |
| Equities                       | 50                             | 45 – 55            |
| Bonds                          | 40                             | 36 - 44            |
| Cash                           | -                              | 0 - 3              |
| <u>Non Stock market assets</u> |                                |                    |
| Alternative Investments Class  | 10                             | n/a                |

- 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 for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.
- 2.16. Investigations are currently being carried into the selection of appropriate Alternative Investment Classes whilst being conscious that the Fund achieves the desired levels of returns within the agreed risk profile.

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 12 months) | Standard & Poor's A1 and Moody's P1  |
| Longer-term deposit (over 12 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. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

2.24. No off-balance sheet vehicles are permitted.

**3. INVESTMENT STRUCTURE**

3.1. The Fund can carry out investment through the Common Investment Fund.

3.2. The Alternative Investment class currently includes only Property Pools, until the full anticipated range of alternative pools are operational, monies allocated to alternatives, not invested in the Property Pools, will be invested in existing asset classes.

3.3. The Fund's holding in Jersey Water will be retained and be held outside of the Common Investment Fund.

## **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 alternative Investments class) and 25% in risk reducing assets as detailed below:-

|                                | Strategic Aim<br>% | Range<br>% |
|--------------------------------|--------------------|------------|
| <u>Stock market assets</u>     |                    |            |
| Equities                       | 65                 | 58 – 72    |
| Bonds                          | 25                 | 22 - 28    |
| Cash                           | -                  | 0 - 3      |
| <u>Non Stock market assets</u> |                    |            |
| Alternative Investments Class  | 10                 | n/a        |

- 2.13 The Fund participates in the Common Investment Fund, as explained in Section 3 of this appendix.
- 2.14 The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.



2.15 Investigations are currently being carried into the selection of appropriate Alternative Investment Classes whilst being conscious that the Fund achieves the desired levels of returns within the agreed risk profile.

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 12 months) | Standard & Poor's A1 and Moody's P1  |
| Longer-term deposit (over 12 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 The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

2.23 No off-balance sheet vehicles are permitted.

### **3 INVESTMENT STRUCTURE**

3.1 The Fund can carry out investment through the Common Investment Fund.

3.2 The Alternative Investment class currently includes only Property Pools, until the full anticipated range of alternative pools are operational, monies allocated to alternatives, not invested in the Property Pools, will be invested in existing asset classes.

# **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 60% in return seeking assets (equities and alternative investments class) and 40% in risk reducing assets as detailed below:-

|                                | <b>Strategic<br/>Aim<br/>%</b> | <b>Range<br/>%</b> |
|--------------------------------|--------------------------------|--------------------|
| <u>Stock market assets</u>     |                                |                    |
| Equities                       | 50                             | 45 – 55            |
| Bonds                          | 40                             | 36 - 44            |
| Cash                           | -                              | 0 - 3              |
| <u>Non Stock market assets</u> |                                |                    |
| Alternative Investments Class  | 10                             | n/a                |

- 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 for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.
- 2.14 Investigations are currently being carried into the selection of appropriate Alternative Investment Classes whilst being conscious that the Fund achieves the desired levels of returns within the agreed risk profile.
- 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<br/>Maturity</b> | <b>Maximum Allocation<br/>%</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 12 months) | Standard & Poor's A1 and Moody's P1  |
| Longer-term deposit (over 12 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 The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.
- 2.22 No off-balance sheet vehicles are permitted.

### **3 INVESTMENT STRUCTURE**

- 3.1 The Fund can carry out investment through the Common Investment Fund
- 3.2 The Alternative Investment class currently includes only Property Pools, until the full anticipated range of alternative pools are operational, monies allocated to alternatives, not invested in the Property Pools, will be invested in existing asset classes.

## **ECOLOGY FUND INVESTMENT STRATEGY**

### **4. INTRODUCTION**

- 4.1. 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.
- 4.2. 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.
- 4.3. 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.
- 4.4. 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.
- 4.5. This document provides details on:
  - Investment Strategy for the Fund
  - States of Jersey - Common Investment Fund
- 4.6. 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.
- 4.7. 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.
- 4.8. 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.

### **5. Ecology Fund**

- 5.1. **Purpose of the Fund**
- 5.2. The Ecology Fund was established on 26 March 1991 by the States of Jersey (P.32/1991) with a sum of money received as an insurance settlement from the Amoco Cadiz oil tanker disaster of 1978, with the following purpose, as detailed in the proposition:-
- 5.3. *"the interest from the investment of which would be available for use by the trustees to grant aid, wholly or partially, for any activity designed to promote or protect the environment or ecology of Jersey"*.
- 5.4. The Fund rules and administrative structure were laid out in P.32/1991 by the former Finance and Economics Committee (now the Minister for Treasury and Resources).
- 5.5. On 29 September 2005, the States approved amendments to the Fund rules, under P.192/2005; impacting the future management of the Ecology Fund, presentation of annual reports to the States and the process for the appointment of Trustees.
- 5.6. The Fund is managed by Trustees, under P.192/2005, the Chairman of the Trustees should be a member of the States and on the recommendation of the Planning and Environment Committee there should be five trustees appointed by the States on the nomination of former the Environment and Public Services Committee.

- 5.7. The Treasurer of the States is responsible for investing the Capital of the Fund. Administration and accounting is the responsibility of the Planning and Environment Department.
- 5.8. **Investment Strategy**
- 5.9. Whilst P.32/1991 gives the Treasurer of the States the responsibility for investing the capital of the Fund, the two propositions provide 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 applies, where it 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.
- 5.10. 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.
- 5.11. 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.
- 5.12. 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.
- 5.13. Therefore the Minister has set a strategic aim of investing 60% in return seeking assets (equities and alternative investments class) and 40% in risk reducing assets as detailed below:-

|                                | <b>Strategic Aim<br/>%</b> | <b>Range<br/>%</b> |
|--------------------------------|----------------------------|--------------------|
| <u>Stock market assets</u>     |                            |                    |
| Equities                       | 50                         | 45 - 55            |
| Bonds                          | 40                         | 36 - 44            |
| Cash                           | -                          | 0 - 3              |
| <u>Non Stock market assets</u> |                            |                    |
| Alternative Investments Class  | 10                         | n/a                |

- 5.14. The intention is that this Fund will be able to participate in the Common Investment Fund, as explained in section 3 of this appendix.
- 5.15. The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.
- 5.16. Investigations are currently being carried into the selection of appropriate Alternative Investment Classes whilst being conscious that the Fund achieves the desired levels of returns within the agreed risk profile.
- 5.17. The cash holdings in this Fund are subject to the following restrictions:-

5.18. **Investment Manager Allocation Limits**

5.19. 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                          |

---

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

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

---

| <b><i>Deposit term</i></b>           | <b><i>Minimum Industry Rating</i></b> |
|--------------------------------------|---------------------------------------|
| Short-term deposit (up to 12 months) | Standard & Poor's A1 and Moody's P1   |
| Longer-term deposit (over 12 months) | Standard & Poor's AA and Moody's Aa3  |

---

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

5.23. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

5.24. No off-balance sheet vehicles are permitted.

## **6. INVESTMENT STRUCTURE**

6.1. The Fund can carry out its longer term investments through the Common Investment Fund.

6.2. The Alternative Investment class currently includes only Property Pools, until the full anticipated range of alternative pools are operational, monies allocated to alternatives, not invested in the Property Pools, will be invested in existing asset classes.

# THE LORD PORTSEA GIFT 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 Lord Portsea Gift Fund

- 2.1. **Purpose of the Fund**

On 15<sup>th</sup> December 1957 a sum of £17,000 was bequeathed by the late Miss Albina Bertram Falle to the Royal Court and the States of Jersey in accordance with the wishes of her brother, the late Lord Portsea of Portsmouth, for the following purpose:-
- 2.2. *"I give and bequeath to the Royal Court and the States of Jersey the sum of £17,000 to be known as the Lord Portsea Gift Fund, to help all young Jersey and Guernsey boys (of Jersey and Guernsey Parentage) entering the Royal Navy, Army, Air Force and Civil Services who are in need of Financial help."*
- 2.3. The States accepted the bequest, under a proposition made by the former Education Committee (now the Minister for Education, Sports and Culture) on 23 January 1968.
- 2.4. The Fund rules and administrative structure were laid out in Lord Portsea Gift Fund (Jersey) Act 1971 which was later amended under the Lord Portsea Gift Fund (Jersey) Act 1971 (amendment) Act 1981 and the Lord Portsea Gift Fund (Jersey) Act 1971 (amendment No.2) Act 1997.
- 2.5. The purpose of the fund was extended under the 1981 and 1997 amendments to include females as well as males; to increase the upper age limit for grants to 30 years old and to widen the range of occupations applicable.



- 2.6. The Fund is administered by a Delegation of eight persons – four Jurats of the Royal Court appointed from time to time by the Superior Number of the Royal Court and four members of the former Education Committee (now the Minister for Education, Sports and Culture). The President of the former Education Committee for the time being acts as chairman of the Delegation and shall have a casting vote.
- 2.7. The delegation has powers to approve grants, these meetings generally occur twice a year in March and September. Grants can only be funded from the current year income and accumulated income.
- 2.8. In the 1971 Act, the former Finance and Economics Committee (now the Minister for Treasury and Resources) has the powers to make changes to the investments of the Fund as from time to time considered necessary or expedient.
- 2.9. **Investment Strategy**
- 2.10. Whilst the 1971 Act gives the Minister for Treasury and Resources the responsibility for investing the capital of the Fund, the Act provide 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 applies, where it 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. 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.
- 2.12. It is assumed that providing the required distribution income is generated, the delegation will accept some price volatility in their assets in the pursuit of longer term investment returns.
- 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 60% in return seeking assets (equities and alternative investments class) and 40% in risk reducing assets as detailed below:-

|                                | <b>Strategic Aim<br/>%</b> | <b>Range<br/>%</b> |
|--------------------------------|----------------------------|--------------------|
| <u>Stock market assets</u>     |                            |                    |
| Equities                       | 50                         | 45 – 55            |
| Bonds                          | 40                         | 36 - 44            |
| Cash                           | -                          | 0 - 3              |
| <u>Non Stock market assets</u> |                            |                    |
| Alternative Investments Class  | 10                         | n/a                |

- 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.
- 2.16. The ranges for stock market assets only indicate tolerable variations according to investment conditions at any time. Due to the practicalities of Alternative Investments, it is not appropriate to manage these within a small control range.

2.17. Investigations are currently being carried into the selection of appropriate Alternative Investment Classes whilst being conscious that the Fund achieves the desired levels of returns within the agreed risk profile.

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 12 months) | Standard & Poor's A1 and Moody's P1  |
| Longer-term deposit (over 12 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. The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.

2.25. No off-balance sheet vehicles are permitted.

### **3. INVESTMENT STRUCTURE**

3.1. The Fund can carry out its longer term investments through the Common Investment Fund.

3.2. The Alternative Investment class currently includes only Property Pools, until the full anticipated range of alternative pools are operational, monies allocated to alternatives, not invested in the Property Pools, will be invested in existing asset classes.

## **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  |

# **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 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 Advisory Panel 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:-

Equity Pools

- UK Equities Pool
- Global Equities Pools
- Emerging Market Equity Pool
- Passive Global Equities Pool

Fixed Income Pools

- UK Corporate Bonds Pools
- Global Absolute Return Bond Pools
- UK Government Bonds Pools

Cash Pools

- Long Term Cash and Cash Equivalents Pool

Alternative Investment Pools\*

- *UK Pooled Property Pools*
- *Hedge Funds Pool*
- *Infrastructure Investment Pools*

\*The UK Pooled Property Pools have been established, other Alternative Pools are in the process of being assessed for introduction into the CIF.

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 Treasury and Resources Department is responsible for the administration of the Fund.

2.1.9 The pools will offer accumulation units only to participants and trading in units is only permitted monthly.

2.1.10 The following section outlines the investment approach of each respective CIF pool. Each pool is managed by an investment manager operating under a specific mandate stipulating investment objectives, limitations and conditions designed to manage both the scope of investment and risk/return characteristics of the pool. These underlying investment conditions are constantly monitored and may be subject to change as market conditions shift. Key investment restrictions are maintained in the scheme rules.

2.1.11 Changes to the underlying mandate of any pool will be assessed against the investment approach detailed below. Any mandate changes deemed significant enough to modify the investment approach of the pool will require the States of Jersey Investment Strategies to be resubmitted to the States.

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

#### **Equity Pools:**

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

- 3.1.1 The focus of the UK equities pool is to invest in UK equities which are constituents of the FTSE All Share Index. Although the focus of the pool is to generate returns through investment in UK equity some sectors of the FTSE All-Share index can be concentrated in a small number of stocks. Accordingly to allow the pool to build an appropriately balanced portfolio the strategy provides the flexibility to invest a small, but limited, proportion of the pool in non-UK equities or cash when deemed desirable by the investment manager.
- 3.1.2 The pool seeks to generate returns which are in excess of those generated by the UK Market benchmark.
- 3.1.3 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.
- 3.1.4 The pool is not permitted to trade in derivatives such as options or futures.

#### **Global Equities Pools**

- 3.1.5 The CIF is expected to have multiple global equity pools to manage the high allocation to this asset class. The focus of the global equities pools is to invest in global equities which are constituents of the MSCI All Country World Index. Each pool is permitted some flexibility to invest a small portion of its overall portfolio in equity from countries outside the MSCI All Country World Index or in cash when deemed desirable by the investment manager.
- 3.1.6 The pool seeks to generate returns which are in excess of those generated by the global market benchmark.
- 3.1.7 Each global equity pool seeks to earn long term returns by allocating its assets to a well-diversified mix of Global equities. Equity portfolios are expected to be higher risk pools than the fixed income pools in so far as they are expected to demonstrated higher volatility in their valuations. 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.
- 3.1.8 The pool is permitted to purchase foreign exchange type derivatives such as forwards, but only for the purpose of hedging or in respect of the settlement of equity transactions/dividend receipts which are in currencies other than Sterling. Short selling of stocks is not permitted.

## **3.2 Emerging Market Equities Pool**

- 3.2.1 The pool seeks to generate returns which are in excess of those generated by the Emerging Market benchmark.
- 3.2.2 The Emerging Market Equities Pool seeks to earn long term returns by allocating its assets to a diversified mix of equity held in companies operating within Emerging Markets as defined by the MSCI Emerging Market Index. The Pool seeks to provide structural exposure to Emerging Markets to compliment the exposures which may be obtained through the Global and UK Equity Pools which focus on the Developed World. 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 this 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 is permitted to purchase foreign exchange type derivatives such as forwards, but only for the purpose of hedging or in respect of the settlement of equity transactions/dividend receipts which are in currencies other than Sterling. Short selling of stocks is not permitted.

## **3.3 Global Passive Equity Pool**

- 3.3.1 The global passive equity pool seeks to mimic the returns of the FTSE World Index. The pool will seek to be 100% invested in equity, holding cash only on a transitional basis between equity purchases and withdrawals from the pool.
- 3.3.2 As a passive pool it will not actively seek outperformance but will instead replicate the FTSE World Index at a lower cost than the actively managed pools.
- 3.3.3 The global passive equity pool seeks to earn long term returns by allocating its assets to replicate the makeup of the FTSE World Index. All equity portfolios assume 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.
- 3.3.4 The pool is permitted to purchase foreign exchange type derivatives such as forwards, but only for the purpose of hedging or in respect of the settlement of equity transactions/dividend receipts which are in currencies other than sterling. Short selling of stocks is not permitted.

### **Fixed Income Pools:**

## **3.4 Corporate Bond Pools**

- 3.4.1 The corporate bond pools will invest in sterling denominated corporate investment grade debt. This may include debt issued by overseas subsidiaries where the holding company is a UK company or sterling denominated debt guaranteed by overseas quoted companies or supranationals. The pools are permitted some flexibility to invest a small portion of their overall portfolios in cash when deemed desirable by the investment managers.
- 3.4.2 The pools seek to generate returns which are in excess of those generated by the UK corporate bond benchmark.
- 3.4.3 The pools seek yields that are more durable and usually higher than those available from the cash pool. 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.
- 3.4.4 The limited use of derivative instruments is permitted to modify duration within set limits. The use of these instruments enables the investment manager to implement their strategic views on overall duration in a more cost efficient and timely manner.

### **3.5 Global Absolute Return Bond Pools**

- 3.5.1 The global absolute return bond pools are unconstrained debt focused pools which invest in a wide fixed income universe and have greater discretion than the corporate and government bond pools. The pools are permitted some flexibility to invest a small portion of their overall portfolio in cash when deemed desirable by the investment managers.
- 3.5.2 The pools will pursue absolute return strategies and seek to consistently achieve positive returns in all market conditions.
- 3.5.3 The pools tend to exhibit low correlation with fixed income benchmarks and so complement investment in the corporate bond pool to reducing the overall volatility of fixed income returns. Through active management the pool seeks to earn a higher level of income over time than is generally achievable from the cash pools.
- 3.5.4 The pools are permitted to purchase forward foreign exchange contracts for the purpose of hedging or in respect of the settlement of transactions/interest receipts which are in currencies other than sterling. The pools are also permitted to utilise derivatives in the form of options and futures and can take both long and short positions.

### **3.6 Government Bonds Pools**

- 3.6.1 The UK government bonds pools are split between a short term government bond pool, a long term government bond pool and an index linked government bond pool, each will invest in debt issued by the UK government.
- 3.6.2 The pools are not actively managed but passively follow a 'buy and hold' mandate passively maintaining the overall duration each respective pool.
- 3.6.3 The pools will seek to be 100% invested in sterling denominated debt of the UK government, holding cash only on a transitional basis between gilt purchases and withdrawals from the pool.
- 3.6.4 The pools are not permitted to trade in derivatives such as options or futures.

### **Cash Pools:**

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

- 4.1.1 The long term cash and cash equivalents pool will invest in cash and cash equivalent type instruments including cash deposits, commercial paper, Treasury bills, certificates of deposit and floating rate notes. The long term cash pool is expected to produce higher returns than the operational short-term cash as it is able to purchase instruments with a longer maturity, though the rate of return for this pool is expected to vary with available interest rates.
- 4.1.2 The pool seeks to generate returns which are in excess of short term LIBOR.
- 4.1.3 Deposits held by the manager of the long term cash and cash equivalent pool can only be made with institutions which fall into the following categories:-

---

| <b><i>Deposit term</i></b>           | <b><i>Minimum Industry Rating</i></b> |
|--------------------------------------|---------------------------------------|
| Short-term deposit (up to 12 months) | Standard & Poor's A1 and Moody's P1   |
| Longer-term deposit (over 12 months) | Standard & Poor's AA and Moody's Aa3  |

---



- 4.1.4 Unless otherwise instructed by the Treasurer, assets should be sold when they are downgraded to A3 or lower.
- 4.1.5 The Treasurer may allow deposits to be placed with institutions outside the minimum industry ratings described above in cases where the Treasurer has agreed a specific exemption and deems the overall chance of default not to be significantly increased.
- 4.1.6 No off-balance sheet vehicles, foreign exchange exposure, convertible bonds or investments which suffer withholding tax are permitted.

### **Alternative Investment Pools:**

#### **4.2 UK Pooled Property Pools**

- 4.2.1 The property pools are to invest in existing pooled funds investing both directly and indirectly in UK property; this will allow diversification across a portfolio of properties without acquiring and holding property directly. The property portfolio will focus on commercial property investing principally but not exclusively in the retail, office and industrial/warehouse sectors. The pools are permitted some flexibility to invest a small portion of their overall portfolio in cash when deemed desirable by the investment managers.
- 4.2.2 The pools seek to generate returns which are in excess of appropriate UK property benchmarks.
- 4.2.3 The property pools seek to earn an income return and long term capital returns by allocating assets either directly or indirectly where the managers believe that over the medium term occupational demand for accommodation will be strong or supply restricted, thus providing the foundation for good relative rental growth and consequently enhanced capital values. During shorter periods of time, it is quite possible for the portfolio to produce lower returns than the risk reducing asset pools (bonds/cash). Combined with reduced liquidity due limits placed on redemptions the portfolio is particularly appropriate for Funds which choose to invest monies with a longer term horizon.
- 4.2.4 The pool is not permitted to trade in derivatives such as options or futures, although the underlying funds may have exposure to derivatives.

#### **4.3 Absolute Return Pools**

- 4.3.1 Absolute return funds will be considered in 2015. The pools investment approach will be published once further investigation into the underlying strategy has been concluded.

#### **4.4 Infrastructure Investment Pools**

- 4.4.1 The infrastructure pools will be considered in 2015. The pools investment approach will be published once further investigation into the underlying strategy has been concluded.