

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES**  
**BY SENATOR K.L. MOORE**  
**QUESTION SUBMITTED ON MONDAY 20th SEPTEMBER 2021**  
**ANSWER TO BE TABLED ON TUESDAY 28th SEPTEMBER 2021**

**Question**

With reference to the recently published States Investment Strategies (R.131/2021), will the Minister outline the fees paid each year since 2011 for the management and administration of the various funds held in the Common Investment Fund?

**Answer**

The table on the following page illustrates the fees paid across the various investment classes in the Common Investment Fund ('CIF'). To give context to the values, fees have also been stated as a % of year end net asset values invested and detailed against the performance generated that year. Fees are split between Manager Fees, Advisor Fees, Custodian Fees, and Administration Fees.

- Managers Fees are those levied by the CIF investment managers, which includes both fixed and performance fees.
- Advisory Fees are primarily levied by the States Investment Advisor and are incurred through advice received on the appointment and removal of managers, additions and divestment from asset classes, ongoing monitoring and due diligence, and the attendance of, and advice provided to, the Treasury Advisory Panel ("TAP").
- Custodian Fees are levied by the States Custodian for the holding of the States investment assets, facilitation of portfolio trading and the maintenance and reporting of accounting and performance data.
- Administration Fees are primarily the recharging of GOJ costs incurred through the oversight, administration and operation of the States Investment Portfolios.

By far the most material cost charged to the CIF relates to Manager fees. Fees must be considered in the context of the quantum of assets being managed and critically the returns they generate. By the end of 2020, the CIF was valued at £3,896 million, over the preceding ten years of operation, the CIF has delivered investment returns equal to an estimated £2,324.3m, roughly 12 times the level of fees incurred (£190.0m).

Manager fees remained broadly static as a % of assets under management until 2016, the subsequent rise relates primarily to the addition of the Absolute Return (hedge fund) Pool to the strategic mix of CIF investment classes. The addition of the Absolute Return class was in response to high market valuations and was a deliberate strategy to both diversify sources of return and reduce correlation of those returns with markets. TAP monitor the pool carefully, reviewing performance at least quarterly, but also hold an annual day specifically to assess in more detail the performance of the pool and level of fees paid to underlying Funds.

Hedge Fund Fees are a combination of fixed fees and a performance element and the sharp rise seen in 2020 stemmed from significant outperformance generated in that year. The gross return of the Absolute Return Pool in 2020 was £75.2 million whereas fees rose to c.£19.6m in 2020 (3.5% of the pool closing net asset value) The total return over the life of the Absolute Return asset class is currently c.£135m – two and half times the level of fees (c.£53m).

**Fees paid per category per year:**

<b>FEES PAID</b>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Manager Fees	(£3.0)	(£7.0)	(£9.9)	(£12.7)	(£13.1)	(£20.9)	(£22.7)	(£22.3)	(£29.3)	(£38.9)
Advisory Fees	(£0.4)	(£0.1)	(£0.3)	(£0.1)	(£0.6)	(£0.4)	(£0.5)	(£0.7)	(£0.6)	(£0.7)
Custodian Fees	(£0.7)	(£0.2)	(£0.3)	(£0.6)	(£0.6)	(£0.5)	(£0.4)	(£0.5)	(£0.5)	(£0.5)
Administration Fees	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0	(£0.2)	(£0.2)	(£0.2)	(£0.2)
<b>Total Fees</b>	<b>(£4.1)</b>	<b>(£7.3)</b>	<b>(£10.5)</b>	<b>(£13.4)</b>	<b>(£14.3)</b>	<b>(£21.8)</b>	<b>(£23.8)</b>	<b>(£23.7)</b>	<b>(£30.6)</b>	<b>(£40.3)</b>
Investment gain/(loss) gross of fees	£10.8	£139.9	£271.4	£220.2	£90.8	£480.2	£368.1	(£77.3)	£499.0	£321.2
<b>Investment gain/ (loss) net of fees</b>	<b>£6.7</b>	<b>£132.6</b>	<b>£260.9</b>	<b>£206.8</b>	<b>£76.5</b>	<b>£458.4</b>	<b>£344.3</b>	<b>(£101.0)</b>	<b>£468.4</b>	<b>£280.9</b>

To give context to the above numbers, fees are illustrated as a % of net asset value as at the yearend in the table below.

**Fees as a % of closing net asset value invested:**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>CIF NAV (closing)</b>	<b>£1,268.1</b>	<b>£1,549.7</b>	<b>£2,372.4</b>	<b>£2,862.4</b>	<b>£2,943.4</b>	<b>£3,341.8</b>	<b>£3,695.1</b>	<b>£3,567.9</b>	<b>£3,936.6</b>	<b>£3,895.5</b>
Manager Fees	0.24%	0.45%	0.42%	0.44%	0.45%	0.63%	0.61%	0.63%	0.74%	1.00%
Advisory Fees	0.06%	0.01%	0.01%	0.02%	0.02%	0.01%	0.01%	0.01%	0.01%	0.02%
Custodian Fees	0.03%	0.01%	0.01%	0.00%	0.02%	0.01%	0.01%	0.02%	0.02%	0.01%
Administration Fees	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.01%	0.01%	0.01%
<b>Total Fees</b>	<b>0.32%</b>	<b>0.47%</b>	<b>0.44%</b>	<b>0.47%</b>	<b>0.49%</b>	<b>0.65%</b>	<b>0.64%</b>	<b>0.66%</b>	<b>0.78%</b>	<b>1.03%</b>

Note, columns may not sum due to rounding to the closest 0.01%