STATES OF JERSEY

STATES OF JERSEY INVESTMENT STRATEGIES (OCTOBER 2019)

Presented to the States on 28th October 2019
by the Minister for Treasury and Resources

STATES GREFFE

REPORT

INVESTMENT STRATEGIES – INTRODUCTION

1. INTRODUCTION

1.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2019 (Article 25) ("the Finance Law") which requires that the Minister for Treasury and Resources ("the Minister") presents his/her investment strategies for States Funds.

1.2. The States agreed the establishment of a States of Jersey – Common Investment Fund ("CIF") in P.35/2010, approved by the States on 11th May 2010. Under this arrangement the majority of States Funds will be pooled for investment purposes.

1.3. This report outlines the investment strategies for each specified States Fund. The strategies reflect the Minister's long-term strategic aims for each States Fund. It is the Minister's intention that each States Fund will move towards its strategic aim, as investment opportunities and market conditions allow.

1.4. This document also includes governance arrangements for States investments, including strategies for the Pools of the CIF, through which States Funds will invest to meet their investment objectives.

1.5. Each of the following sections provides a high-level overview of the more detailed content included in the corresponding Appendices.

2. OVERARCHING INVESTMENT POLICIES

A number of overarching policies are applied to all States' investments, if not superseded by specific arrangements or legislation. These are split between Governance Arrangements outlining the responsibilities of the various bodies involved in the oversight of the States' Investment Portfolios, Investment Policies outlining specific guidelines applied to the CIF, and Risk Management Statements, providing a high-level overview of how particular risks are managed within the investment portfolio.

3. STATES OF JERSEY 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 the Appendices to this report.

Funds	Equities %	Alternative Investments Class %	Bonds %	Cash %	Participating in Common Investment Fund
States of Jersey Major Funds					
Strategic Reserve Fund	50	10	40	–	Yes
Stabilisation Fund	–	–	100	–	Yes
Social Security (Reserve) Fund	58	35	5	2	Yes
Health Insurance Fund	40	–	45	15	Yes(1)
Consolidated Fund(2)	45	10	45	β	Yes(1)
Currency Notes and Coins Fund	20	60	10	10	Yes(1)
Housing Development Fund	0	25	65	10	Yes

(1) Monies required for working balances will be held outside of the States of Jersey – CIF.

(2) The Consolidated Fund is to hold the cash deemed to 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. STATES EMPLOYEES' PENSION FUNDS

4.1. The 2 major Pension Funds are the Public Employees' Pension Fund ("PEPF") and the Jersey Teachers' Superannuation Fund ("JTSF"); the investment strategies and governance arrangements of these Funds are subject to specific legislation. Accordingly, their investment strategies are outlined in separate published documents issued by their governing bodies.

For further information please see the appropriate Appendices to this report.

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 the Appendices to this report.

Funds	Equities %	Alternative Investments Class %	Bonds %	Cash %	Participating in Common Investment Fund
Special Funds					
Tourism Development Fund	–	–	–	100	Yes(1)
Channel Islands Lottery (Jersey) Fund	–	–	–	100	Yes(1)
Dwelling Houses Loan Fund	–	–	75	25	Yes(2)
Ecology Fund Investment Strategy	54	–	44	2	Yes(1)
Long-Term Care Fund	–	–	50	50	Yes(1)
Jersey Reclaim Fund	20	30	25	25	Yes(1)

(1) Monies required for working balances will be held outside of the States of Jersey – CIF.
(2) The loan book will be held outside of the States of Jersey – CIF.

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 the Appendices to this report.

Funds	Equities %	Bonds %	Cash %	Participating in Common Investment Fund
Trust and Bequest Funds				
Capital appreciation[2]				
Estate of A.A. Rayner Fund	55	43	2	Yes
Greville Bathe Fund	55	43	2	Yes
Rivington Travelling Scholarship	55	43	2	Yes
Income-Balanced[3]				
Estate of A.H. Ferguson Bequest	54	44	2	Yes
Lord Portsea Gift Fund	54	44	2	Yes
Income-Focussed[3]				
Le Don de Faye Trust Fund	54	44	2	Yes[1]

(1) The holding of the Fund in Jersey Water will be held outside of the States of Jersey – CIF.

(2) The 'Capital appreciation' strategy is expected to have a greater operational allocation to the 'Absolute Return Bond' category of the bond pools, relative to the 2 Income strategies.

(3) The 'Income-Balanced' and 'Income-Focussed' have the same strategic asset allocations, however the Income-Balanced strategy is expected to have a greater operational allocation to the 'Absolute Return Bond' category of the bond pool, while the Income-Focussed will have a greater allocation to the 'UK Corporate Bond' category of the bond pool.

Two Trust and Bequest Funds hold significant Jersey Property in their portfolios which is in the process of being rationalised. The below asset allocations represent interim strategies pending details of property liquidation, after which these strategies will be re-reviewed and re-issued.

Funds	Equities %	Alternative Investments Class %	Bonds %	Cash %	Participating in Common Investment Fund
Other Funds					
Estate of E.J. Bailhache	65	5	27	3	Yes
Estate of H.E. Le Seelleur	65	5	27	3	Yes

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 the Appendices to this report.

Funds	Equities %	Alternative Investments Class %	Bonds %	Cash %	Participating in Common Investment Fund
Other Funds					
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 – CIF currently operates a number of investment pools (see Appendices 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 –

- Active Global Equity Pool
- Active Emerging Market Equity Pool
- Special Fund Equity pool
- UK Corporate Bond Pool
- Absolute Return Bond Pool
- UK Index-Linked Gilt Pool
- Short-Term Gilt Pool
- Long-Term Cash and Cash Equivalents Pool
- UK Pooled Property Pools
- Hedge Fund Pool
- Opportunities Pool
- Local Infrastructure Investments Pool
- Alternative Risk Premia Pool.

8.2. It is anticipated that further 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.

8.3. Over time, further Special and Trust and Bequest Funds may join and invest through the CIF. 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.

APPENDICES CONTENTS

APPENDIX 1

OVERARCHING INVESTMENT POLICIES

1. Governance Arrangements *(relates to all except Pension Funds)*

1.1. The Minister is responsible for the development of investment strategy for States Funds, these Strategies are outlined in this document. In line with the requirement of the Law, as soon as practicable after the Minister has prepared the investment strategy, or any review of it, the Minister must present it to the States.

1.2. The Treasurer of the States (the 'Treasurer') is responsible for ensuring that any investments so made are properly managed, controlled and accounted for in accordance with the investment strategy.

1.3. To achieve this, the Treasurer is empowered to appoint any investment managers required by virtue of the investment strategy; and may appoint such other suitably qualified and experienced investment managers, custodians, agents, investment advisers and other persons as the Treasurer considers necessary or convenient to enact the investment strategy.

1.4. The Minister and Treasurer have a range of powers and responsibilities relating to Treasury matters provided for through the Public Finances (Jersey) Law 2019 and associated Regulations. The Treasury Advisory Panel ("TAP") is established by the Minister to provide advice on discharging these responsibilities and exercising relevant powers. The primary focus of the Panel is to advise on matters relating to investment and specifically in the provision of oversight of the CIF.

1.5. The full duties, responsibilities and rights of the TAP are detailed within their Terms of Reference, which are available online.

2. Investment Policies

2.1. **Investment Advice**
It is expected that an Independent Investment Adviser (the "Investment Adviser") will be appointed to provide advice to the TAP, but also to the Treasurer and Minister.

2.2. **Appointment of investment managers**
Where appropriate, independent investment managers are to be appointed to manage the assets of States Funds in order to comply with their respective investment strategies. These Managers are appointed by the Treasurer, but are expected to be scrutinised and recommended by the TAP, who will oversee a rigorous selection process supported by the Investment Adviser.

2.3. **Performance monitoring**
Performance of managers is monitored against their specific performance target. The performance of managers against these targets is assessed formally by the TAP who meet at least quarterly. As well as monitoring by the TAP, performance is reviewed by the Treasury and Investment Management Team,

and managers are under constant review by the appointed Investment Adviser, both of whom will report by exception to the TAP on identification of any significant issues.

2.4. Investment managers are subject to challenge by the TAP, who periodically require managers to present on performance and adherence to their mandate. Managers would be expected to explain any underperformance against target, together with their plans to return to target.

2.5. **Reporting**
The Minister will report on the performance of both the CIF and the States' Major Funds in the Annual Accounts. The TAP shall produce a report, at least annually, addressed to the Minister to describe the performance and position of the States' Investment Portfolio.

2.6. **Independent Custodians**
In order to safeguard States' interests and assets and to mitigate risk, independent custodians are appointed to hold investment assets, except in cases of direct local infrastructure investment or where a custodian is appointed directly by the investment managers.

2.7. **Operation of the Investment Strategy**
The primary driver of the long-term return of a States Fund investment strategy is its asset allocation. Investment Strategies presented by the Minister include a strategic aim and investment ranges across a broad range of assets. This allocation is reviewed by the TAP at least annually to ensure the strategies remain appropriate.

2.8. The TAP review and make recommendations to the allocation of States Funds' assets between the various Pools within the broad asset class defined within the investment strategy. This may include pools with various geographic, style or sector tilts. The TAP may recommend allocation of assets within the strategic ranges defined in the Strategy in reaction to market conditions or may recommend modification to those ranges/aims.

2.9. **Rebalancing of Funds within Strategic Ranges**
Market movements will shift the asset allocations of States Funds, potentially moving them outside the strategic ranges defined in their strategies. States Funds' positions are reviewed frequently, and movement outside of strategic ranges prompts rebalancing. Rebalancing of States Funds is not automatic and must be considered in line with the circumstances of the States Fund. Future cashflows may provide opportunity for cost-effective rebalancing of positions.

2.10. **Divergence from Strategic Ranges**
When considering investment ranges, the TAP is cognisant of the costs of rebalancing against the risks associated with movement away from a States Fund's long-term strategic aims. In order to properly manage risk, it is anticipated that under certain circumstances, as deemed appropriate by the TAP, movement away from a States Fund's strategic aims and outside investment ranges may be necessary, and is permissible without modification to Strategy.

2.11. In these cases, the TAP would be expected to assess whether the movement outside the strategic ranges was short-term or long-term and assess the risks associated with such movements. It would be expected that long-term movement outside strategic ranges would prompt recommendation of amendment to the Investment Strategy Document or rebalancing.

2.12. **Statement on Currency Hedging**
The States of Jersey maintains investments that may be denominated in currencies other than Sterling. Where the States is exposed to the risk posed from foreign currencies, the following policy applies.

2.13. Global equities are not, under normal circumstances, hedged back to Sterling. Bonds within the CIF may be hedged, but this is typically dealt with within the underlying investment vehicle through which the CIF invests, and is managed by the Investment Manager. The majority of the foreign currency risk within the CIF's Hedge Fund Pool is hedged within the underlying investment vehicle by the Investment Manager. Where this is not possible, for example due to the lack of a Sterling share class, 95% of the exposure will be hedged within the pool.

2.14. Under advice from the TAP further hedging arrangements, in addition to those described above, may be entered into to protect the States' Investments from movements in exchange rates to which they would be exposed, this includes (but is not limited to) the use of currency derivatives.

2.15. **Responsible Investment Policy**
The Minister recognises the importance of acting in a responsible manner when managing investments on behalf of the States of Jersey.

2.16. Although the States does not directly intervene in the activities of the investment managers, its responsible investment framework is implemented through the appointment of investment managers and the mandate under which these managers act. Both during the appointment process and on an ongoing basis, due consideration is given to the managers' approach to Environmental, Social and Governance ('ESG') risk.

2.17. When making investment decisions, investment managers are required, where relevant, to give consideration to risks in their assessment of value. Through this process, investment managers are expected to incorporate the potential risk and value impact of ESG factors in their investment decisions, 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.

3. Risk Management Statements

3.1. The States of Jersey is exposed to risk through its holdings of financial instruments, both through its operational activities and through its investment portfolios. The States holds financial instruments for a variety of purposes; however, by far the most material concentration are held within the States' Investment Portfolio, which is predominantly invested through the CIF.

3.2. Assessment and control of risk is integral to the management of the States' investment portfolios. The objective of the risk management is to identify, manage and control risk exposure within acceptable parameters, whilst optimising the return on that risk.

3.3. Risk management effectively takes place at 2 levels, the Fund level and the Pool level. At the Fund level, risk is primarily managed through control over the exposure to, and diversification across, underlying asset classes. This is summarised as an asset allocation within the investment strategy published for each Fund within this document. Exposure to asset classes is achieved through investment across the individual Pools of the Common Investment Fund. Risk at the Pool level is managed by the appointed investment managers, who operate investment mandates designed to appropriately control risk within strictly controlled guidelines.

3.4. Investment strategy and risk management is overseen by the TAP under the advice of the States' Investment Adviser, Aon Hewitt. As part of their standing agenda, TAP maintain and review a risk matrix assessing the key risks associated with the portfolio. The key risks are under constant review, and those directly impacting the portfolio are summarised below.

3.5. **Strategic Risk**

The risk an investment strategy is incorrectly aligned with the requirements of the Fund and consequently the Fund has a sub-optimal chance of meeting its strategic objectives.

3.6. Investment objectives are considered and defined in the strategy for each States Fund, and are used to build an appropriate asset allocation designed to meet those objectives over the appropriate timescale. It is recognised that the strategic asset allocation of States Funds will be the most significant determinant of long-term investment returns and portfolio asset value stability. Appropriate asset allocation is therefore a key driver of risk management. The associated risk inherent in these allocations is managed through conducting appropriate due diligence in preparation and review of investment strategies.

3.7. Investment strategies are reviewed by the TAP at least annually, or more regularly if prompted by a change of circumstances, and take into account factors such as diversification, correlation, time horizon and liquidity requirements.

3.8. **Manager Risk**

Manager risk is the broad risk which encompasses losses arising from the mistakes, negligence and underperformance of the Investment Managers in the discharge of their responsibilities in the management of a financial portfolio.

3.9. In assessment of manager risk, we have differentiated between performance risk, the risk that the investment manager underperforms their relative benchmark, and operational risk, the risk that the investment manager fails to adequately discharge their responsibilities and comply with requirements of their underlying mandate.

3.10. Performance risk is managed through the initial selection of Investment Managers, ongoing monitoring of performance, and through diversification across managers to manage concentration risk. Appointment and dismissal of Investment Managers is subject to the recommendation of the TAP following appropriate scrutiny supported by the Investment Adviser.

3.11. Ongoing performance of Investment Managers is monitored on a monthly basis and reported and scrutinised by the TAP on a quarterly basis. Performance is reported against a benchmark, but this is only one part of a wider monitoring process applied by the TAP, which includes ongoing manager assessment by the Investment Adviser. This incorporates their view of the manager's ability to meet their performance objectives on an ongoing basis.

3.12. With regard to the operational risk, the Investment Adviser conducts a continuous monitoring program over the managers, and reports both by exception and at the quarterly meetings of the TAP. Operational due diligence is carried out by an experienced team at the Investment Adviser, and includes both on-site visits and examination of internal control reports, where produced.

3.13. Limits are placed to ensure that assets do not become overly concentrated with a single manager or strategy, and that holdings relative to limits are monitored and reported quarterly to the TAP. Where the maximum limit on a pool is reached, the pool can be expected to be closed to new investment and plans put into place to reduce the concentration.

3.14. Investment managers are appointed by the Treasurer under the advice of the TAP to meet pool investment objectives as defined in the pool strategies published within this document. The TAP takes into account factors such as, but not limited to, diversification, factor exposure, and concentration risk during the appointment process, and monitor ongoing manager performance and pool characteristics.

3.15. **Interest Rate risk**

The States are exposed to interest rate risk through holdings in interest-bearing assets held both directly and indirectly through Fund structures. Asset classes most heavily exposed to interest rate risk include Cash, UK Government Bonds, UK Corporate Bonds and Absolute Return Bonds Pool.

3.16. UK Government Bonds:

UK Government Bonds are held directly within the Short-Term Government Bond and Index-Linked Government Bond Pool of the CIF. These pools are passively managed, and interest rate risk is managed through limiting the duration of the States' holdings. The average effective duration of the gilt portfolio is a measure of the sensitivity of the fair value of the holding to changes in market interest rates. The average maturity of the gilt holding is maintained at a constant level to limit the duration of the pools.

3.17. Cash, UK Corporate Bond and Absolute Return Bond Pools:

Cash, UK Corporate Bond and Absolute Return Bond class assets are actively managed by external managers. The investment managers are responsible for the management of interest rate risk. Some managers may, subject to restrictions, utilise derivative instruments such as futures, options and swap agreements to modify duration. Risk management within the collective investment vehicles is carried out in line with each vehicle's individual mandate and investment restrictions. Compliance with mandate conditions is monitored by the Investment Adviser as part of their ongoing operational due diligence review and reported to the TAP; this is considered further in the manager risk section of the document.

3.18. **Liquidity Risk**
Liquidity risk is the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss or liquidated to meet States' Fund drawdowns when they becomes due.

3.19. Cashflows are forecast for relevant States Funds to ensure that sufficient short-term cash is available to meet monthly cash requirements. Sufficient liquid assets are maintained in the Consolidated Fund to meet all States' short-term requirements.

3.20. Each States Fund's investment strategy is prepared taking account of cash and liquidity requirements, and these strategies are reviewed by the TAP at least annually. The TAP also periodically review the level of liquidity available within the CIF at a strategic level. From an operational perspective, management of liquidity is within the mandates of appointed pool managers.

3.21. **Credit and Counterparty Risk**
Credit and Counterparty Risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. This is most commonly associated with default by fixed-income instruments such as a corporate bond or gilt.

3.22. The main concentration to which the States is exposed arises from investment in fixed-income and cash class assets; this includes holdings of cash and cash equivalents outside the CIF held for operational purposes. The approach to risk has been split between the fixed-income asset classes as detailed below.

3.23. Gilts:
UK Gilts are held within the Short-Term Government Bond Pool and Index-Linked Gilt Pool, and are dependent on the solvency of the UK Government. The credit rating of the UK Government is Aa1; this rating is monitored by the Investment Adviser, who reports on the holding within the Bond pools both quarterly to the TAP and by exception.

3.24. UK Corporate Bonds/Absolute Return Bonds:
These assets classes are invested through investment vehicles, these vehicles indirectly expose the CIF to credit risk. Credit risk within these investment vehicles is managed by Investment Managers through diversification and selection of securities, Investment Managers may, subject to restrictions, also use derivative instruments such as futures, options and swap agreements for hedging purposes. Risk management within the investment vehicles is carried out in line with each vehicle's individual mandate and investment restrictions.

3.25. Cash:

Cash held for investment purposes is held by the States' Cash Manager, Royal London Asset Management ("RLAM") on a daily basis. RLAM manage both the investments within the CIF and accounts outside the CIF for holding operational monies. To control credit risk, RLAM operate a mandate which enforces counterparty rating limits, concentration limits and maturity limits.

3.26. **Foreign Currency Risk**

Foreign Currency Risk represents the risk that the fair value of future cashflows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling.

3.27. The States is exposed to currency risk through its investments denominated in currencies other than Sterling. Currency is considered to be included in the opportunity set available to CIF active managers and incorporated into the risk/return profile of investment pools. The option to enter into hedges to reduce exposure is outlined in the 'Statement on Currency Hedging' within the States' overarching investment policies.

3.28. **Market Price Risk**

Market price risk is the risk that the value of a States Fund's investments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Funds might hold. It represents the potential loss the Funds might suffer through holding market positions in the face of price movements.

3.29. Market Price risk is managed via asset allocation at the strategic level; it is also managed by Investment Managers at the operational level, through tools such as diversification and selection of individual securities. The operational controls employed by the managers are included within their investment management agreements, scheme rules or equivalent. As well as being considered in detail on appointment, compliance with mandate conditions is monitored by the Investment Adviser as part of their ongoing operational due diligence review and reported to the TAP.

APPENDIX 2

STATES OF JERSEY MAJOR FUNDS

These strategies relate to the largest States of Jersey Funds separately constituted under Jersey law. Each of these is included in the Annex to the States' financial accounts, where further details of the annual performance and investment portfolio constituents as at the year-end can be found.

4. Strategic Reserve Investment Strategy

4.1. Purpose of the Strategic Reserve

4.1.1. On 5th December 2006, the States approved P.133/2006 and thereby confirmed the policy for the Strategic Reserve as –

4.1.2. "*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.*"

4.1.3. The States approved P.122/2013 and defined the balance of £651,216,000 as at 31st December 2012 as the capital value of the Strategic Reserve and that, for future years, the capital value be maintained in real terms by increasing the capital value in line with increases in Jersey RPI(Y).

4.1.4. The States also approved P.84/2009, which proposed that the policy is varied to enable the Strategic Reserve to be used, if necessary, for the purposes of providing funding of up to £100 million for a Bank Depositors Compensation Scheme.

4.1.5. The States approved P.76/2015, which proposed that the Minister is requested to bring forward proposals for the use of income earned on the Strategic Reserve above that required to maintain the capital value.

4.1.6. The clarification of the purpose of the Strategic Reserve by the States enables greater emphasis to be given to increasing the longer-term value of the Strategic Reserve rather than the need to generate annual income. This has enabled an increase in the proportion of the Strategic Reserve being allocated to return-seeking assets from previous levels, but considerable emphasis still needs to be given to capital preservation and liquidity.

4.2. Strategy

4.2.1. In order to meet the purpose of the Strategic Reserve, the Minister has set a strategic aim of investing 60% in return-seeking assets (equities and alternative investments) and 40% in risk-reducing assets as detailed below –

	Strategic Aim %	Range %
Equities	50	40–60
Bonds	40	25–45
Cash	–	0–10
Alternative Investments Class	10	0–25

4.2.2. Alternative assets may include allocations to the Property Pool, Hedge Fund Pool, Alternative Risk Premia and Opportunities Pool. Due to the reduced liquidity of these asset classes, automatic rebalancing with ranges is not appropriate. Short-term movements away from strategic allocations are therefore permissible, either due to market movements or transitionally as positions are built. This will not be deemed to be a breach of Strategy and the TAP are expected to keep asset allocations under review.

4.2.3. The Strategic Reserve asset allocation is under constant strategic review. An allocation of £100 million to hedge funds has been recommended by the TAP as a transitional measure to meet the desired objective of reducing exposure to equities, while maintaining allocations to growth assets. This will increase allocation to alternatives investments to above 10%, but all other asset classes are expected to remain in line with the existing strategic ranges of the Strategic Reserve.

4.2.4. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

4.2.5. Other asset class-specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

4.3. Investment Structure

4.3.1. The Strategic Reserve can carry out its investments through the CIF.

4.4. Investment in Jersey

4.4.1. 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.

4.5. Planned review of Investment Strategy

4.5.1. The investment strategy of the Strategic Reserve is under quarterly review by TAP. A full review of the Strategy will be performed immediately following the States' decision on the use of the Strategic Reserve for the 'future hospital project'.

5. Stabilisation Fund Investment Strategy

5.1. Purpose of the Stabilisation Fund

5.1.1. The purpose of this Stabilisation 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 Stabilisation Fund receives cash allocations in more buoyant economic conditions and makes payments at times of anticipated economic downturn.

5.1.2. Given the purpose of the Fund, the strategy seeks to avoid holding assets that are likely to be materially impaired in a market downturn.

5.1.3. The Fund seeks to hold assets which would remain liquid in the event of a major market downturn or economic event, including a hard Brexit.

5.2. Strategy

5.2.1. In order to meet the purpose of this Stabilisation Fund, the long-term aim is to invest in line with the parameters indicated below –

	Strategic Aim %	**Range %**
Government bonds (indexed or conventional)	100	90–100

5.2.2. Specific cash limits, such as concentration limits or leverage limits, will be dealt with at the level of the investment pool.

5.3. Investment Structure

5.3.1. The Stabilisation Fund can carry out its investments through the CIF.

6. Social Security (Reserve) Fund Investment Strategy

6.1. Purpose of the Social Security (Reserve) Fund

6.1.1. The Social Security (Reserve) Fund (the "Reserve Fund") is the mechanism by which contribution rates and ceiling changes which fund pension and benefit costs of the Social Security Fund are smoothed over time. It effectively acts 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 is responsible for the investment of the Reserve 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.

6.1.2. 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 the Reserve 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 higher pension costs on future generations, as well as to smooth contributions for social security benefits over time.

6.1.3. Long-term growth is one of the main aims for the Reserve Fund, and therefore any income generated is reinvested. It is expected that there will be no requirement to draw on the assets of the Reserve Fund in the near term, and during this period there will continue to be net cash inflows.

6.2. Strategy

6.2.1. In order to ensure that the Reserve 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.

6.2.2. The longer-term strategic aim for the Reserve Fund is to invest within the parameters indicated below –

Asset Class	Strategic Aim %	Range %
Equities	58	48–68
Bonds	5	2–8
Cash	2	0–4
Alternative Investments Class	35	25–45

6.2.3. As the Reserve Fund is subject to 3-yearly actuarial reviews, the outcomes may result in a need to redefine the investment strategy.

6.2.4. Alternative assets may include allocations to the Property Pool, Hedge Fund Pool, Opportunities Pool and Alternative Risk Premia Pool. Due to the reduced liquidity of some of these asset classes, automatic rebalancing with ranges is not appropriate. Short-term movements away from strategic allocations are therefore permissible, either due to market movements or transitionally as positions are built. This will not be deemed to be a breach of Strategy.

6.2.5. In the case of allocations to asset classes where capital commitments are drawn over time, for example the Opportunities Pool, a long-term strategic allocation will be an aspirational target which is built towards over time. Care will be taken to achieve the allocation; however, the asset allocations cannot be rigidly applied, and the TAP are expected to keep asset allocations under review.

6.2.6. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

6.2.7. Other asset class-specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

6.3. Investment Structure

6.3.1. The Reserve Fund can carry out its investments through the CIF.

6.4. Investment in Jersey

6.4.1. 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.

7. Health Insurance Fund Investment Strategy

7.1. Purpose of the Health Insurance Fund

7.1.1. The Health Insurance Fund is established under the Health Insurance (Jersey) Law 1967. The Health Insurance 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 (G.P. subsidy) and pharmaceutical benefit. The Minister for Social Security has responsibility for the control and management of the Health Insurance Fund.

7.1.2. The Minister is responsible for the investment of the Health Insurance Fund's assets. The Minister may, after consultation with the Minister for Social Security, appoint one or more investment managers.

7.2. Strategy

7.2.1. In order to meet the Health Insurance Fund's purpose, the strategy 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.

7.2.2. The longer-term strategic aim for the Health Insurance Fund is to invest within the parameters indicated below –

Asset Class	Strategic Aim %	Range %
Equities	40	37–43
Bonds	45	40–50
Cash	15	13–17

7.2.3. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

7.2.4. Other asset class-specific limits such as concentration limits, leverage limits or country limits, will be dealt with at the level of the investment pool.

7.3. Investment Structure

7.3.1. The Health Insurance Fund can carry out its investments through the CIF.

8. Consolidated Fund Investment Strategy

8.1. Purpose of the Consolidated Fund

8.1.1. The Consolidated Fund is established under the Public Finances (Jersey) Law 2019 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.

8.1.2. The investment strategy of the Consolidated 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'.

8.2. Strategy

Operational Portfolio

8.2.1. Liquidity and security are the primary objectives of 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 higher return.

8.2.2. The monies 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.

8.2.3. Investment limits are dealt with primarily at the pool level of the CIF. Mandate conditions outside the CIF may allow for greater liquidity, reflecting the operational nature of external holdings, but should not be less stringent, in relation to concentration or credit rating limits, relative to the CIF Long-Term Cash Pool.

Long-Term Portfolio

8.2.4. 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.

8.2.5. 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 Consolidated Fund's capital preservation objective. In addition, the balanced approach reduces the concentration risk of being overly exposed to any single asset class.

	Strategic Aim %	Range %
Equities	45	40–55
Bonds	45	40–55
Alternative Investments Class	10	N/A

8.2.6. Due to the practicalities of alternative investment, it is not appropriate to manage these within a small control range.

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

8.2.8. The alternative investment class includes a range of pools as detailed within the CIF section of this document. Further alternative class pools are expected to be included as opportunities are identified; this document will be updated and presented to the States whenever such pools are added. Until the full anticipated range of alternative pools are operational, monies allocated to alternatives, not invested in the current range of alternative pools, will be invested in existing asset classes.

8.2.9. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

8.2.10. Other asset class-specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

8.3. Investment Structure

8.3.1. The Consolidated Fund can carry out its investments through the CIF.

9. Currency Notes and Coins Funds' Investment Strategy

9.1. Purpose of the Currency Notes and Coins Funds

9.1.1. The Currency and Coinage Funds are provided for under the Public Finances (Jersey) Law 2019 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.

9.2. Strategy

9.2.1. In order to meet the purpose of the Currency and Coinage Funds, the strategy is based mainly on the requirement to invest in low-risk 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.

9.2.2. In order to maximise the potential return to the Currency and Coinage Funds, a relatively small element of the Fund should be held in Equities.

9.2.3. 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.

9.2.4. The long-term strategic aim of the Currency and Coinage Funds is for the investable balance (i.e. non-operating stock of cash) to be invested in line with the parameters indicated below. In addition, a further cash buffer is held to provide against volatility of currency in circulation –

Asset Class	Strategic Aim %	Range %
Equities	20	18–22
Bonds	10	9–11
Cash	10	9–11
Alternative Investments Class	60	N/A

9.2.5. Due to the practicalities of alternative investments, it is not appropriate to manage these within a small control range.

9.2.6. Allocation to the alternative investment class is subject to the availability of projects and so is necessarily fluid. Monies allocated to the alternative class, which cannot be invested due to lack of appropriate available projects, will be invested in existing asset classes.

9.2.7. The Currency and Coinage Funds may 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. Its investment may take place directly or via the local infrastructure investment pool.

9.2.8. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

9.2.9. Other asset class-specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

9.3. Investment Structure

9.3.1. The Currency and Coinage Funds may carry out their investments through the CIF.

10. Housing Development Fund Investment Strategy

10.1. Purpose of the Housing Development Fund

10.1.1. On 22nd June 1999, the States approved P.84/1999 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 16th May 2013, P.33/2013 enabled the Housing Department to become incorporated into a wholly States-owned Housing Company: Andium Homes Limited ("Andium"). The key objective of Andium 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 low rates of interest relative to alternative borrowing which could be achieved by Andium.

The proceeds of the Bond issuance are to be placed in the Housing Development Fund and issued to Andium or equivalent facilitating agencies to fund construction and improvement works, in line with their defined purpose.

The drawdowns and repayments shall be made in accordance with underlying loan/investment agreements in accordance with the construction/renovation timetable. Interest will be paid on the loans/investments into the Housing Development Fund in accordance with the underlying agreements. The recipient will fund required capital repayments and interest from returns generated from the new and refurbished properties that the loan will fund.

10.2. Strategy

10.2.1. The investment strategy of Housing Development Fund is subject to a rolling quarterly re-assessment process, in line with the recommendations of the Investment Adviser, as published on page 99 of the Draft Budget Statement 2015. Consequently, under advice from the Investment Adviser, the Housing Development Fund is permitted to periodically crystallise gains made by asset classes, or make strategic allocations which can result in short-term movements away from published strategy.

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

10.2.3. Reflecting the planned drawdown of the Housing Development Fund's assets to make planned loans to Andium, a fluidity to the investment strategy is necessary to react to liquidity requirements and market conditions. Unlike longer-term Funds, the Housing Development Fund is granted the ability to move away from its strategic aims under advice of the TAP or Investment

Adviser. In accordance with these conditions, a strategic range is not included, as the asset allocation will be reviewed at the quarterly meeting of the TAP.

10.2.4. The Housing Development Fund’s strategic aims are detailed below, although as highlighted above, the relatively rapid drawdown to fund planned loans to Andium means that asset allocations cannot be rigidly applied and rebalanced. The allocations are therefore a conceptual aim for the average Fund balance over the drawdown period, and actual positioning will be reviewed quarterly.

	Strategic Aim %
Cash	10
Absolute Return Bonds	65
Alternatives	25

10.2.5. Alternative assets may include allocations to the Property Pool, Hedge Fund Pool and Opportunities Pool. Due to the reduced liquidity of these asset classes, automatic rebalancing with ranges is not appropriate. Short-term movements away from strategic allocations are therefore permissible, either due to market movements or transitionally as positions are built. This will not be deemed to be a breach of Strategy, and the TAP are expected to keep asset allocations under review.

10.2.6. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

10.2.7. Other asset class-specific limits such as concentration limits, leverage limits or country limits will be dealt with at the level of the investment pool.

10.3. Investment Structure

10.3.1. The Housing Development Fund can carry out its investments through the CIF.

10.4. Investment in Jersey

10.4.1. 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.

APPENDIX 3

STATES EMPLOYEES' PENSION FUNDS

The 2 major Pension Funds are the Public Employees' Pension Fund ("PEPF") and the Jersey Teachers' Superannuation Fund ("JTSF"). Arrangements for the governance of the Investment Strategies of these Funds are outlined below.

11. Public Employees' Pension Fund Investment Strategy

11.1. Purpose of the Public Employees' Pension Fund

The Public Employees' Contributory Retirement Scheme ("PECRS") and Public Employees' Pension Scheme ("PEPS") which, combined, make up the PEPF, is the States' pension scheme set up to meet retirement benefits of all contributing public sector employees (excluding teachers).

11.2. Governance and strategy arrangements

The Public Employees (Pensions) (Jersey) Law 2014 and relevant legislation, including the Public Employees (Pension Scheme) (Administration) (Jersey) Regulations 2015, provides for the governance of the PEPF.

11.3. The above legislation includes for the appointment and composition of the Committee of Management ("the Committee") as the governing body of the respective schemes.

11.4. The PEPF 'Statement of Investment Principles' ("SIP") includes all required investment matters in compliance with relevant legislation. Having been prepared and reviewed by the Committee, the document is referred to the Minister for approval.

11.5. The investment strategy of PEPF is published online within the PEPF SIP.

12. Jersey Teachers' Superannuation Fund Investment Strategy

12.1. Purpose of the Jersey Teachers' Superannuation Fund

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.

12.2. Governance and strategy arrangements

The Teachers' Superannuation (Jersey) Law 1979, and relevant legislation including the Teachers' Superannuation (Administration) (Jersey) Order 2007, establishes the Teachers' Superannuation Management Board ("the Board") and provides for the governance of the JTSF.

12.3. The above legislation includes the appointment and composition of the Management Board ("Board") as the governing body of the respective scheme.

12.4. The Board defines the investment strategy of the Jersey Teachers' Superannuation Fund. The investment strategy sets out the long-term strategic allocation of the JTSF which is enacted through the CIF. The CIF is subject to the oversight of the TAP, and the investment ranges define the level of flexibility that the TAP has to manage around the long-term strategic allocation.

12.5. The JTSF Investment Strategy is set following advice from the Board's Investment Adviser. Having been agreed by the Board, it is referred to the Minister for approval, and is published online within the JTSF SIP.

APPENDIX 4

SPECIAL 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.

13. Tourism Development Fund Investment Strategy

13.1. Purpose of the Tourism Development Fund

13.1.1. The Tourism Development Fund was established by proposition P.170/2001, lodged by the former Tourism Committee (now the Minister for Economic Development, Tourism, Sport and Culture) entitled – "Investing in Tourism's future". This was adopted by the States on 18th December 2001.

13.1.2. The purpose of the proposition was for the Tourism Development Fund to replace the old Tourism Investment Fund ("TIF"). The aim and objectives of the Fund are as follows –

13.1.3. *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."*

13.1.4. Fund's *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."*

13.2. Investment strategy

13.2.1. The Fund retains a limited balance of cash and is anticipated to be exhausted in the short term, therefore the strategy for the Tourism Development Fund is to hold monies in an operational portfolio of cash and cash equivalents in line with operational restrictions.

13.2.2. The investment strategy should be revisited if plans to make any material transfers to rebuild the Tourism Development Fund take place.

14. Channel Islands Lottery (Jersey) Fund Investment Strategy

14.1. Purpose of the Channel Islands Lottery (Jersey) Fund

14.1.1. 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 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 as at February 2010.

14.1.2. Under Article 3 of the Gambling (Jersey) Law 1964 (*now superseded by the Gambling (Jersey) Law 2012*), the Gambling (Channel Islands Lottery) (Jersey) Regulations 1975 were made, setting out the Channel Islands Lottery (Jersey) Fund's constitution, operations and administration provisions.

14.1.3. The promotion of the lottery is carried out by the Minister for Economic Development, Tourism, Sport and Culture jointly with the Guernsey Committee ("States of Guernsey Gambling Control Committee").

14.1.4. The Minister for Economic Development, Tourism, Sport and Culture 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.

14.2. Investment strategy

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

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

14.2.3. In order to meet the Channel Islands Lottery (Jersey) 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.

14.2.4. 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 cashflows occur annually, some of the cash may be invested on a longer-term basis (i.e. greater than 3 months).

14.2.5. The intention is that the Channel Islands Lottery (Jersey) Fund, apart from any cash balances required as working balances, will be able to participate in the CIF.

14.2.6. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

14.2.7. Other asset class-specific limits such as concentration limits, leverage limits or country limits, will be dealt with at the level of the investment pool.

14.2.8. No off-balance sheet vehicles are permitted.

14.3. Investment Structure

14.3.1. The Channel Islands Lottery (Jersey) Fund can carry out its investments through the CIF.

15. Dwelling Houses Loan Fund Investment Strategy

15.1. Purpose of the Dwelling-Houses Loan Fund

15.1.1. Article 2 of the Building Loans (Jersey) Law 1950 ("the Law"), established the "Dwelling-Houses Loan Fund" for the following purpose –

15.1.2. "*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.*"

15.2. Investment strategy

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

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

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

15.2.4. 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 –

	Strategic Aim %	**Range %**
Government Bonds	75	72–83
Cash	25	22–28

15.2.5. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

15.2.6. Other asset class-specific limits such as concentration limits, leverage limits or country limits, will be dealt with at the level of the investment pool.

15.2.7. No off-balance sheet vehicles are permitted.

15.3. Investment Structure

15.3.1. The Dwelling Houses Loan Fund can carry out its investments through the CIF.

16. Ecology Fund Investment Strategy

16.1. Purpose of the Ecology Fund

16.1.1. The Ecology Fund was established on 26th 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 –

16.1.2. *"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*".

16.1.3. The Ecology Fund rules and administrative structure were laid out in P.32/1991 by the former Finance and Economics Committee (now the Minister).

16.1.4. On 29th September 2005, the States approved amendments to the Ecology 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.

16.1.5. The Ecology Fund is managed by Trustees; under P.192/2005, the Chairman of the Trustees should be a Member of the States, and there should be 5 Trustees nominated by the Environment and Public Services Committee (superseded by the Minister for the Environment) and appointed by the States.

16.2. Investment strategy

16.2.1. Whilst P.32/1991 gives the Treasurer the responsibility for investing the capital of the Ecology Fund, the proposition provides no guidance as to how the investments should be carried out. Therefore, in line with Article 25 of the Public Finances (Jersey) Law 2019 the Minister has developed an investment strategy for the Ecology Fund.

16.2.2. In order to meet the Ecology Fund's purpose, the investment strategy applies half of the assets to work towards an objective of maintaining, with a target of exceeding, the real value of the assets over a rolling 5-year period, and for the remainder of the Ecology Fund's assets to provide sufficient levels of income for distribution.

16.2.3. 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.

16.2.4. The requirements of the Ecology Fund were assessed, and the 'Income-Balanced' strategy outlined in the Trust and Bequest Fund introduction was deemed to give the greatest chance of meeting the Fund's strategic objectives.

16.2.5. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

16.2.6. Other asset class-specific limits such as concentration limits, leverage limits or country limits, will be dealt with at the level of the investment pool.

16.2.7. No off-balance sheet vehicles are permitted.

16.3. Investment Structure

16.3.1. The Ecology Fund can carry out its investments through the CIF.

17. Long-Term Care Fund Investment Strategy

17.1. Purpose of the Long-Term Care Fund

17.1.1. Established under the Long-Term Care (Jersey) Law 2012, the Long-Term Care Fund is a ring-fenced Fund funded by the Long-Term Care Charge payable by local residents and a grant from the States. The Long-Term Care Fund pays benefits to adults with long-term care needs.

17.1.2. From 1st July 2014, individuals with long-term care needs have been able to claim benefits from the new long-term care scheme. The value of the benefit depends on the assessed care level of the individual and where the care is being received. Claimants can receive care in their own home, in a specialist group home or in a residential home. A means-tested benefit is available from the start of the care for those with lower income and assets. Property loans are available which are secured against the value of the family home. Once standard care costs have reached a certain level, all claimants are entitled to a benefit which covers their standard care costs.

17.1.3. The portion of the Long-Term Care Fund's assets not expected to be utilised in the short-term future is to be maintained within the investment portfolio.

17.2. Investment strategy

17.2.1. The current estimated future cash requirements of the Long-Term Care Fund are subject to a high degree of uncertainty, reflecting both the short history of operation and uncertain levels of drawdown. The level of drawdown and repayment into the Long-Term Care Fund is dependent on several factors, including long-term demographic and economic trends; these have been modelled, but assumptions may be subject to amendment.

17.2.2. Liquid assets are maintained outside the investment portfolio to meet any operational expenditure required for the day-to-day operation of the Long-Term Care Fund. These assets are considered outside the scope of the investment portfolio, although information regarding those holdings will be utilised when preparing the investment strategy.

17.2.3. In order to meet the Long-Term Care Fund's purpose, the investment strategy is set to focus on capital preservation and liquidity, reflecting the uncertain timing of future cashflows. The Strategy will be revisited when further information becomes available.

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

17.2.5. Therefore, the Minister has set a strategic aim of investing 50% in cash/short-dated gilts, providing a low-risk but low-return profile, complemented by a 50% allocation to absolute return bonds. This class has an absolute return focus and aims to add value in rising and falling markets with low volatility.

	Strategic Aim %	Range %
Cash/Short-term Gilts	50	45–55
Absolute Return Bonds	50	45–55

17.2.6. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

17.2.7. Other asset class-specific limits such as concentration limits, leverage limits or country limits, will be dealt with at the level of the investment pool.

17.2.8. No off-balance sheet vehicles are permitted.

17.3. Investment Structure

17.3.1. The Long-Term Care Fund can carry out its investments through the CIF.

18. Jersey Reclaim Fund Investment Strategy

18.1. Purpose of the Fund

18.1.1. Established under the Dormant Bank Accounts (Jersey) Law 2017, the Fund serves to receive the balances of dormant Jersey bank accounts transferred in accordance with that Law, for distribution for charitable and other purposes, subject to reclaim by transferring banks under certain conditions.

18.1.2. Money from Jersey bank accounts meeting dormancy conditions, as outlined in the above Law and accepted by the Chief Minister or delegate, is transferred into the Fund. Banks may reclaim from the Fund any monies subsequently reclaimed by customers, up to a maximum equal to the amount paid into the Fund, subject to terms laid out in the Law.

18.1.3. The Chief Minister or delegate must by Order, having consulted the Minister for Treasury and Resources, set out policies and procedures for determining whether to make any distribution from the Fund and, if so, the amounts that must be distributed for the purposes outlined below.

18.1.4. The purposes for which the monies may be distributed are –

- to defray the cost of the remuneration or other payment for the services of the Commissioner due under the terms of his or her appointment, and the cost of providing staff, accommodation or equipment that are required for the proper and effective discharge of the Commissioner's functions; and
- charitable purposes in accordance with the Law.

18.2. Investment strategy

18.2.1. The investment strategy of the Fund has been written in line with the Dormant Bank Accounts (Jersey) Law 2017, and the distribution policy as issued in the Dormant Bank Accounts (Distribution of Money) (Jersey) Order 2019 (the 'Distribution Policy').

18.2.2. The Distribution Policy limits the amount which can be distributed to no more than 50% of the value that could be reclaimed at any time and award sufficient funds to meet the costs of the Commissioner plus at least £250,000 for distribution for charitable purposes.

18.2.3. Given the purpose of the Fund, the strategy ensures that sufficient levels of security and liquidity are maintained to meet the level of drawings which might reasonably be expected to be made by banks identifying applicable dormant account owners.

18.2.4. In meeting the above aims, the Fund's investment strategy seeks to generate sufficient returns to meet the above distribution targets, whilst ensuring that the value at risk does not exceed the expected level of annual drawing.

18.2.5. The strategy is mindful of the need to maintain a diversified approach to control the level of risk to which the Fund is exposed.

18.2.6. The strategy is focussed on the security of the asset value of the Jersey Reclaim Fund in monetary, rather than real terms, given the fixed value of liability.

18.2.7. The strategic asset allocations of the Jersey Reclaim Fund are as follows:

	Strategic Aim %	**Range %**
Absolute Global Equities	20	10–30
Absolute Return Bonds	25	15–35
Cash	25	15–35
Alternatives	30	20–40
ARP	15	
Hedge Funds	15	

18.2.8. Alternative assets may include allocations to the Hedge Fund and Alternative Risk Premia Pool. Due to the reduced liquidity of some of these asset classes, automatic rebalancing with ranges is not appropriate. Short-term movements away from strategic allocations are therefore permissible, either due to market movements or transitionally as positions are built. This will not be deemed to be a breach of Strategy, and the TAP are expected to keep asset allocations under review.

18.2.9. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

18.2.10. Other asset class-specific limits such as concentration limits, leverage limits or country limits, will be dealt with at the level of the investment pool.

18.2.11. No off-balance sheet vehicles are permitted.

18.3. Investment structure

18.3.1. The Jersey Reclaim Fund can carry out its investments through the CIF.

APPENDIX 5

TRUST AND BEQUEST FUNDS

19. Background to Trust and Bequest Funds

19.1. Purpose of the Funds

19.1.1. 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.

19.2. Introduction

19.2.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2019 (Article 25) ("the Finance Law"), which requires that the Minister presents his investment strategies for States Funds.

19.2.2. 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.

19.2.3. For Trust and Bequest Funds, the Minister recognises the responsibility to protect the interests of both present and future beneficiaries of the Funds when deciding on the investment strategy, 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.

19.2.4. The Treasurer is responsible for ensuring that the States' investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

19.3. Assessment of Trust and Bequest Funds' Objectives and Strategy

19.3.1. Given the relative size of the Trust and Bequest Funds, in order to effectively manage and monitor their investment strategies, Funds have been assessed to identify their objectives and then classified into one of 3 investment strategies –

- *Capital Appreciation; or*
- *Income-Balanced; or*
- *Income-Focussed.*

Resources can then be allocated to review and monitor the asset split of the strategies in a way which would not be cost-effective if applied to the individual Funds.

19.3.2. In line with their terms of reference, TAP review, at least annually, both the Investment Strategies, and the classification of Trust and Bequest Funds, to ensure that they remain appropriate.

19.4. Strategies

The following section summaries the 3 investment strategy types which may be applied to the Trust and Bequest Funds and their asset allocations/ranges.

Capital Appreciation

19.4.1. In order to meet this objective, the investment strategy seeks to maintain, with a target to exceed the real value of the invested assets over a rolling 5-year period, coupled with providing sufficient returns for distribution. Unlike the income-balanced and income-focussed strategies, the capital appreciation strategies focus on total return, rather than income yield.

19.4.2. This Strategy includes a balance between capital growth and income-generating assets in order to best serve the individual Trust and Bequest Funds' objectives. The strategy includes an allocation to growth-type assets expected to provide higher capital returns at the cost of higher expected volatility and slightly lower income generation.

Income-Balanced

19.4.3. In order to meet this objective, the investment strategy seeks to maintain the real value of the invested assets over a rolling 5-year period coupled with providing sufficient income for distribution.

19.4.4. This Strategy seeks a balance between capital and income generation in order to best serve the individual Trust and Bequest Funds' objectives. The strategy incorporates a balanced mix of growth-type assets, expected to provide higher capital returns, and income assets, expected to provide lower volatility and greater focus on consistent income generation.

Income-Focussed

19.4.5. In order to meet this objective, the investment strategy seeks to work towards an objective of maintaining the real value of the invested assets over a rolling 5-year period, coupled with a greater focus on generating distributable income.

19.4.6. This Strategy seeks a balance between capital and income generation assets, but has a greater focus on income-generating assets to secure greater distributable income. The strategy incorporates a balanced mix of growth-type assets expected to provide higher capital returns, and income assets, expected to provide lower volatility and greater focus on higher income generation.

The asset allocations

19.4.7. The following table outlines the proposed asset allocations and investment ranges of the 3 strategies.

	Capital appreciation*		*Income-Balanced***		*Income-Focussed***	
	Aim %	Range %	Aim %	Range %	Aim %	Range %
Equities	55	49–66	54	48–60	54	48–60
Bonds	43	38–48	44	39–49	44	39–49
Cash	2	0–4	2	0–4	2	0–4

*Although it has a similar allocation to core asset classes, the ‘Capital appreciation’ strategy is expected to have a greater operational allocation to the ‘Absolute Return Bond’ category of the bond pools relative to the 2 income strategies.

**‘Income-Balanced’ and ‘Income-Focussed’ have the same strategic asset allocations; however, the Income-Balanced strategy is expected to have a greater operational allocation to the ‘Absolute Return Bond’ category of bond pool, while the Income-Focussed will typically have a greater allocation to the ‘UK Corporate Bond’ category of bond pool.

20. Estate of A.A. Rayner Fund Investment Strategy

20.1. Purpose of the Estate of A.A. Rayner Fund

20.1.1. The late Mrs. Ann Alice Blason, née Colclough (wife of Charles Henry Blason and 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 30th October 1945.

20.1.2. The acceptance of the bequest by the States and the resolution on how the Estate of A.A. Rayner Fund was to be administered was expressed in R&O.2536 which was adopted by the States on 16th November 1949.

20.1.3. In 2001 the States approved amendments to the objects of the Estate of A.A. Rayner Fund (P.38/2001 dated 27th March 2001, lodged by the Finance and Economics Committee (now the Minister)), as the view was that the initial objectives of the Fund had been overtaken by time and events. The revised objectives are as follows –

"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."

20.1.4. P.38/2001 also made amendments to the administration of the Estate of A.A. Rayner Fund, thus rescinding R&O.2536 and a later act dated 11th September 1979. Under P.38/2001, the Fund's income is now administered by a Delegation consisting of 4 Jurats of the Royal Court of Jersey.

20.1.5. The Minister (formerly the Finance and Economics Committee) is responsible for any changes to the investment of the Estate of A.A. Rayner Fund after consultation with the Delegation.

20.1.6. Day-to-day administration and accounting are the responsibility of the States Treasury and Exchequer (formerly the Treasury and Resources Department).

20.1.7. The Will bequeaths the income of the Estate of A.A. Rayner 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 bequests have historically only been made out of the income.

20.2. Investment strategy

20.2.1. P.38/2001 gives the Minister (formerly the Finance and Economics Committee) responsibility for any changes to the investments of the Estate of A.A. Rayner 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.

20.2.2. The requirements of the Estate of A.A. Rayner Fund were assessed, and the 'Capital Appreciation' strategy outlined in the Trust and Bequest Fund introduction was deemed to give the Fund the greatest chance of meeting its strategic objectives.

20.2.3. The strategic aims and ranges of that strategy are to be applied to the Estate of A.A. Rayner Fund.

20.2.4. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

20.2.5. Other asset class-specific limits such as concentration limits, leverage limits, or country limits, will be dealt with at the level of the investment pool.

20.2.6. No off-balance sheet vehicles are permitted.

20.3. Investment Structure

20.3.1. The Estate of A.A. Rayner Fund can carry out its investments through the CIF.

21. Rivington Travelling Scholarship Fund Investment Strategy

21.1. Purpose of the Rivington Travelling Scholarship Fund

21.1.1. The late Mr. William Charles Richmond-Pickering (the "testator") bequeathed the remainder of his estate to establish "the Rivington Travelling Scholarship", for the following purposes, as detailed within his Will dated 17th April 1980 –

"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."

21.1.2. The Will provided that, in the event that the States did not accept the legacy on the terms set out by the testator, the residue of his estate would be given to the Société Jersiaise.

21.1.3. The acceptance of the bequest by the States was expressed in proposition P.117/2004 lodged by the Education, Sport and Culture Committee (now the Minister for Economic Development, Tourism, Sport and Culture), which was adopted on 20th July 2004.

21.1.4. The administration of the Rivington Travelling Scholarship Fund is carried out by a delegation of 3 persons: one person nominated by the Minister for Economic Development, Tourism, Sport and Culture; one person representing the Jersey Arts Trust; and one person representing Jersey Heritage Trust.

21.1.5. The Will makes no differentiation as to whether distributions should be made out of the capital or income of the Rivington Travelling Scholarship Fund.

21.2. Investment strategy

21.2.1. The Will provides no guidance as to how the investments of the Rivington Travelling Scholarship Fund should be carried out, therefore, in line with Article 25 of the Public Finances (Jersey) Law 2019, so the Minister has developed an investment strategy for the Fund.

21.2.2. The requirements of the Rivington Travelling Scholarship Fund were assessed, and the 'Capital Appreciation' strategy outlined in the Trust and Bequest Fund introduction was deemed to give the greatest chance of meeting the Fund's strategic objectives.

21.2.3. The strategic aims and ranges of that strategy are to be applied to the Rivington Travelling Scholarship Fund.

21.2.4. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

21.2.5. Other asset class-specific limits, such as concentration limits, leverage limits, or country limits, will be dealt with at the level of the investment pool.

21.2.6. No off-balance sheet vehicles are permitted.

21.3. Investment Structure

21.3.1. The Rivington Travelling Scholarship Fund can carry out its investments through the CIF.

22. Estate of H.E. Le Seelleur Investment Strategy

22.1. Purpose of the Fund

22.1.1. Harold Ernest Le Seelleur died on 22nd October 1996, bequeathing assets to the States of Jersey, for itself and its successors in perpetuity, for the following purpose as detailed in his Will dated 28th December 1988 (which was registered in the Royal Court on 27th November 1996) –

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

22.1.2. The acceptance of the bequest by the States was expressed in the terms of proposition P.71/1997 of the Health and Social Services Committee, adopted by the States on 2nd June 1997. Under the proposition, it was decided that the administration of the Estate of H.E. Le Seelleur Fund should be carried out by the Minister for Health and Social Services (formerly known as the Health and Social Services Committee).

22.1.3. The assets originally settled into the Estate of H.E. Le Seelleur Fund comprised of Jersey-based property. Lifelong enjoyment was provided for 2 properties: numbers 1 and 4 The Denes, Grève d'Azette, St. Clement.

22.1.4. 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.

22.1.5. The Will makes no differentiation between whether bequests should be made out of capital or income. This, therefore, gives the administrators of the Estate of H.E. Le Seelleur Fund the power to distribute all available assets to needy causes as they arise (excluding the properties held with a life interest).

22.2. Investment strategy

22.2.1. The Will provides no guidance as to how the investments of the Estate of H.E. Le Seelleur Fund should be carried out; therefore, in line with Article 25 of the Public Finances (Jersey) Law 2019, the Minister has developed an investment strategy for the Fund.

22.2.2. The investment strategy has a blend of returns coming from income-producing and growth assets, and is designed to meet the Estate of H.E. Le Seelleur Fund's objectives. The income-producing assets should allow the Fund to meet its ongoing cashflow requirements, while the growth assets will help to produce a long-term real return. All the asset classes have been given a range of investable limits.

22.2.3. Therefore, the Minister has set a strategic aim of investing 65% in growth assets (Jersey property and equities) designed to produce long-term returns; and 35% in stabilising assets (bonds, alternatives and cash) designed to provide stability and income, as detailed below –

	Strategic Aim %	Range %
Growth Assets	**65**	**55–75**
Stabilising Assets	**35**	**25–45**
Bonds	27	
Alternatives (non-property)	5	
Cash	3	

22.2.4. The largest allocation in the strategy is to growth assets; the split between equities and Jersey property is determined by recommendations from Jersey Property Holdings, following a review of the properties that were bequeathed to the Estate of H.E. Le Seelleur Fund. The balance of this amount will then be allocated to equities so that that growth assets are within the range.

22.2.5. The intention is that the Estate of H.E. Le Seelleur Fund will be able to participate in the CIF.

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

22.2.7. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

22.2.8. Other asset class-specific limits such as concentration limits, leverage limits, or country limits, will be dealt with at the level of the investment pool.

22.2.9. No off-balance sheet vehicles are permitted.

22.3. Investment Structure

22.3.1. Investments may be carried out through the CIF.

23. Estate of E.J. Bailhache Fund Investment Strategy

23.1. Purpose of the Estate of E.J. Bailhache Fund

23.1.1. The late Mrs. Eunice Jane Bailhache (née Hubert), who died on 15th June 1979, bequeathed assets for the following purposes, as detailed in her Will dated 20th September 1974 –

"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".

23.1.2. The Jersey Law Officers' Department, in their letter dated 24th October 1994, provided a definition of welfare as "health, happiness and general wellbeing".

23.1.3. 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 25th January 1985.

23.1.4. The States' accepted the bequest, made up mostly of properties, under proposition P.13/1985 lodged by the Public Health Committee on 12th March 1985. The proposition resolved that the administration of the Estate of E.J. Bailhache Fund should be carried out by the lodging Committee (now the Minister for Health and Social Services).

23.1.5. Since the States' acceptance of the Estate of E.J. Bailhache 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.

23.1.6. The Will makes no differentiation between whether distributions should be made out of capital or income. Therefore, this gives administrators of the Estate of E.J. Bailhache Fund powers to distribute all available assets to projects as they arise.

23.2. Investment strategy

23.2.1. The Will provides no guidance as to how the investments of the Estate of E.J. Bailhache Fund should be carried out; therefore, in line with Article 25 of the Public Finances (Jersey) Law 2019, the Minister has developed an investment strategy for the Fund.

23.2.2. The investment strategy has a blend of returns coming from income-producing and growth assets, and is designed to meet the Estate of E.J. Bailhache Fund's objectives. The income-producing assets should allow the Fund to meet its ongoing cashflow 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.

23.2.3. Therefore, the Minister has set a strategic aim of investing 65% in growth assets (Jersey property and equities) designed to produce long-term returns; and 35% in stabilising assets (bonds, alternatives and cash) designed to provide stability and income, as detailed below –

	Strategic Aim %	Range %
Growth Assets	**65**	**55–75**
Stabilising Assets	**35**	**25–45**
Bonds	27	
Alternatives (non-property)	5	
Cash	3	

23.2.4. The largest allocation in the strategy is to growth assets, and the split between equities and Jersey property is determined by recommendations from Jersey Property Holdings, following a review of the properties that were bequeathed to the Estate of E.J. Bailhache Fund. The balance of this amount will then be allocated to equities so that that growth assets are within the range.

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

23.2.6. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

23.2.7. Other asset class-specific limits such as concentration limits, leverage limits, or country limits, will be dealt with at the level of the investment pool.

23.2.8. No off-balance sheet vehicles are permitted.

23.3. Investment Structure

23.3.1. The Estate of E.J. Bailhache Fund can carry out investment through the CIF.

23.3.2. All of the Jersey properties which will remain outside of the CIF.

24. Le Don De Faye Trust Fund Investment Strategy

24.1. Purpose of the Le Don De Faye Trust Fund

24.1.1. Jurat Percy Chambers Cabot died on 24th April 1959, and bequeathed his assets to the Treasurer ("the 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.

24.1.2. The Will dated 7th June 1958, states that the assets are to be held in trust, for the following purpose (the Will was probated on 29th April 1959) –

"*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.*"

24.1.3. 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", 2/13th to the Rector and Churchwardens of St. Clement in the first week of December, and 1/13th to each of the Rectors and Churchwardens of the other 11 parishes in the third week of December.

24.1.4. The Treasurer, as trustee for the Le Don De Faye Trust 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 controlling and supervising the finances of the States of Jersey (formerly known as the Finance and Economics Committee, now the Minister).

24.1.5. The Will clearly states that the bequests should only be made out of the income, and therefore the capital of the Le Don De Faye Trust Fund should be preserved and not distributed.

24.2. Investment strategy

24.2.1. The Will provides no guidance as to how the investments of the Le Don de Faye Trust Fund should be carried out; therefore, in line with Article 25 of the Public Finances (Jersey) Law 2019, the Minister has developed an investment strategy for the Fund.

24.2.2. The requirements of the Le Don De Faye Trust Fund were assessed, and the 'Income-Focussed' strategy outlined in the Trust and Bequest Fund introduction was deemed to give the Fund the greatest chance of meeting its strategic objectives.

24.2.3. The strategic aims and ranges of that strategy are to be applied to the Le Don De Faye Trust Fund.

24.2.4. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

24.2.5. Other asset class-specific limits such as concentration limits, leverage limits, or country limits, will be dealt with at the level of the investment pool.

24.2.6. No off-balance sheet vehicles are permitted.

24.3. Investment Structure

24.3.1. The Le Don De Faye Trust Fund can carry out investment through the CIF.

24.3.2. The Le Don De Faye Trust Fund's holding in Jersey Water will be retained and held outside the CIF.

25. Greville Bathe Fund Investment Strategy

25.1. Purpose of the Greville Bathe Fund

25.1.1. The late Mr. Greville Inverness Bathe bequeathed assets to the Treasurer of the States, 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 9th October 1961 (this Will was deposited and proved in the Registry in Florida on 17th December 1964).

"... half the income of the fund should be available for relief and 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 and of any age or denomination, resident in the Island of Jersey (Fund B)."

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

25.1.2. The Will expressed that the administrators of the Fund should be 4 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 to be Jurats of the Royal Court, as they are non-political and have been elected by an Electoral College established under the law.

25.1.3. The acceptance of the bequest by the States and the former Finance and Economics Committee (now the Minister), together with clarification of how the Fund was to be administered, was adopted by the States on 29th April 1964.

25.1.4. On 23rd 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 3 times the current year's 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 was taken that all future claimants be diverted to the Ann Alice Rayner Fund.

25.1.5. Day-to-day administration and accounting are the responsibility of the States Treasury and Exchequer.

25.2. Investment strategy

25.2.1. The Public Finances (Jersey) Law 2019 (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 (the "Trustee") is given powers to manage and maintain the investments of the Fund, and to invest the capital as thought fit and proper. Securities should be held within banks of good standing. In accordance, the Minister is to develop an investment strategy for the Fund, which is presented to the States.

25.2.2. The requirements of the Greville Bathe Fund were assessed, and the 'Capital Appreciation' strategy outlined in the Trust and Bequest Fund introduction was deemed to give the Fund the greatest chance of meeting its strategic objectives.

25.2.3. The strategic aims and ranges of that strategy are to be applied to the Greville Bathe Fund.

25.2.4. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

25.2.5. Other asset class-specific limits such as concentration limits, leverage limits, or country limits, will be dealt with at the level of the investment pool.

25.2.6. No off-balance sheet vehicles are permitted.

25.3. Investment Structure

25.3.1. The Greville Bathe Fund can carry out investment through the CIF.

26. Estate of A.H. Ferguson Bequest Fund Investment Strategy

26.1. Purpose of the Estate of A.H. Ferguson Bequest Fund

26.1.1. The late Mr. Alexander Hugh Ferguson, who died on 20th September 1982, bequeathed the remainder of his assets, for the following purposes, as detailed within his Will dated 13th November 1980 –

"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."

26.1.2. This means that the administration of the Estate of A.H. Ferguson Bequest Fund is the responsibility of the Minister for Health and Social Services (formerly the Public Health Committee).

26.1.3. The Will makes no differentiation as to whether distributions should be made out of the capital or income of the Estate of A.H. Ferguson Bequest Fund. Therefore, this gives administrators of the Fund powers to distribute all available assets to projects as they arise.

26.2. Investment strategy

26.2.1. The Will provides no guidance as to how the investments should be carried out; therefore, in line with Article 25 of the Public Finances (Jersey) Law 2019, the Minister has developed an investment strategy for the Fund.

26.2.2. The requirements of the Estate of A.H. Ferguson Bequest Fund were assessed, and the 'Income-Balanced' strategy outlined in the Trust and Bequest Fund introduction was deemed to give the Fund the greatest chance of meeting its strategic objectives.

26.2.3. The strategic aims and ranges of that strategy are to be applied to the Estate of A.H. Ferguson Bequest Fund.

26.2.4. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

26.2.5. Other asset class-specific limits such as concentration limits, leverage limits, or country limits, will be dealt with at the level of the investment pool.

26.2.6. No off-balance sheet vehicles are permitted.

26.3. Investment Structure

26.3.1. The Estate of A.H. Ferguson Bequest Fund can carry out investment through the CIF.

27. Lord Portsea Gift Fund Investment Strategy

27.1. Purpose of the Lord Portsea Gift Fund

27.1.1. On 15th 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 –

"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."

27.1.2. The States accepted the bequest under a proposition made by the former Education Committee on 23rd January 1968. (Responsibility for the Fund now sits with the Minister for Economic Development, Tourism, Sport and Culture.)

27.1.3. The Fund rules and administrative structure were laid out in the Lord Portsea Gift Fund (Jersey) Act 1971, which was later amended by 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.

27.1.4. The purpose of the Lord Portsea Gift 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; and to widen the range of occupations applicable.

27.1.5. The Lord Portsea Gift Fund is administered by a Grants Panel, comprising an independent Chairman, a Jurat of the Royal Court, and a States Member. The Panel held its first meeting on 13th July 2015.

27.1.6. The delegation has powers to approve grants, and their meetings generally occur twice a year, in March and September. Grants can only be funded from the current year income and accumulated income.

27.1.7. Under the 1971 Act, the former Finance and Economics Committee (now the Minister) has the power to make changes to the investments of the Lord Portsea Gift Fund as from time to time considered necessary or expedient.

27.2. Investment Strategy

27.2.1. Whilst the 1971 Act gives the Minister the responsibility for investing the capital of the Fund, the Act provides no guidance as to how the investments of the Fund should be carried out.

27.2.2. The Will provides no guidance as to how the investments of the Lord Portsea Gift Fund should be carried out; therefore, in line with Article 25 of the Public Finances (Jersey) Law 2019, the Minister has developed an investment strategy for the Fund.

27.2.3. The requirements outlined above were assessed, and the 'Income-Balanced' strategy outlined in the Trust and Bequest Fund introduction was deemed to give the Lord Portsea Gift Fund the greatest chance of meeting its strategic objectives.

27.2.4. The strategic aims and ranges of that strategy are to be applied to the Lord Portsea Gift Fund.

27.2.5. Specific cash limits, such as concentration limits or credit rating limits, are to be dealt with at the level of the investment pool.

27.2.6. Other asset class-specific limits such as concentration limits, leverage limits, or country limits, will be dealt with at the level of the investment pool.

27.2.7. No off-balance sheet vehicles are permitted.

27.3. Investment Structure

27.3.1. The Lord Portsea Gift Fund can carry out its investments through the CIF.

APPENDIX 6

OTHER FUNDS

Background

The States Treasury and Exchequer (formerly the Treasury and Resources Department) manages the investments of over 250 States' "other" Funds. These can be split into 4 main categories –

- Trust and Bequest Funds
- Confiscation Funds
- Special Funds
- Jersey Post Office Pension Fund.

Trust and Bequest Funds and Special Funds have been dealt with in previous Appendices to this Report.

28. Confiscation Funds' Investment Strategy

28.1. Purpose of the Confiscation Funds

Where assets have been seized following a court order, these are held within the Criminal Offences Confiscation Fund or Civil Assets Recovery Fund. These Funds are established under the Proceeds of Crime (Jersey) Law 1999 and Civil Asset Recovery (International Co-operation) (Jersey) Law 2007 respectively. These Funds hold amounts confiscated under law; monies are then distributed in accordance with the relevant legislation.

28.2. Strategy

The Fund will invest 100% of its assets in cash, in compliance with paragraph 24(6) of the Schedule *(formerly Schedule 1)* to the Proceeds of Crime (Jersey) Law 1999, as set out in modified form within paragraph 7 of the Schedule to the Proceeds of Crime (Enforcement of Confiscation Orders) (Jersey) Regulations 2008, which states –

"(6) Monies paid in to the Fund, while not applied for any of the purposes of paragraph (4), must be –

(a) held in the custody of the Treasurer of the States at the States Treasury; or

(b) placed, in the name of the States, in a current or deposit account with one or more banks selected by the Minister,

and any interest earned on such monies while held in such an account shall be paid by the States into the Fund.".

29. Jersey Post Office Pension Fund Investment Strategy

29.1. Purpose of the Jersey Post Office Pension Fund

29.1.1. 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.

29.1.2. 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).

29.2. Strategy

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 Jersey Post Office Pension Fund is predominantly invested in Index-Linked Gilts, as these are likely to provide the best match against the scheme's future liabilities.

	Asset Allocation %
Index-Linked Gilts	93
Cash or near-cash equivalents	7

APPENDIX 7

STATES OF JERSEY – COMMON INVESTMENT FUND

30. CIF Introduction

30.1. This strategy document is presented in accordance with the terms of the Public Finances (Jersey) Law 2019 (Article 25) ("the Finance Law"), which requires that the Minister presents his investment strategies for States Funds.

30.2. 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.

30.3. The Treasurer is responsible for ensuring that States' investments are properly managed, controlled and accounted for in accordance with the relevant investment strategies.

30.4. This document provides details on the investment strategies for the States of Jersey – CIF and its various investment pools.

30.5. The CIF is an administrative arrangement open only to States Funds. It provides States Funds with the opportunity to pool their resources and benefit from greater investment opportunities and economies of scale. Each States Fund will hold units in the CIF's asset pools in line with their individual investment strategies.

30.6. The strategy reflects the Minister's long-term investment aims for the States of Jersey – CIF.

30.7. 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.

31. Summary of CIF Structure

31.1. The States of Jersey – CIF was established by P.35/2010, lodged by the Minister for Treasury and Resources. The Projet was entitled "Draft Public Finances (Transitional Provisions) (No. 2) (Amendment) (Jersey) Regulations 201-". The purpose of the Projet was to amend several existing Regulations and to create new Regulations 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 on 12th May 2010.

31.2. The purpose of the States of Jersey – CIF is to create an administrative arrangement which is open only to States Funds to provide them with the opportunity to pool their resources and benefit from greater investment opportunities and economies of scale.

31.3. The CIF objectives are –

- To offer investment pools to States Funds to enable them to effectively carry out their investment strategies.

- For all States Funds to continue to control their own asset allocations under the current governance arrangements.
- To ensure that the CIF operates effectively, so as not to disadvantage any participating States Funds in relation to the 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 Investment Managers appointed; by benefiting from a 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 participating States Funds through economies of scale.
- To ensure that the CIF and participating States Funds' performance is regularly reviewed, and that it complies with internal rules; at all times ensuring that adequate controls are in place to manage its exposure of associated Investment and Operational risks.

31.4. The following investment pools will be available to States Funds participating in the CIF –

Equity Pools
- Active Global Equity Pool
- Active Emerging Market Equity Pool
- Special Fund Equity pool

Fixed-Income Pools
- UK Corporate Bond Pool
- Global Absolute Return Bond Pool
- UK Government Bond Pools

Cash Pools
- Long-Term Cash and Cash Equivalents Pool

Alternative Investment Pools
- UK Pooled Property Pools
- Hedge Funds Pool
- Local Infrastructure Investment Pool
- Opportunities Pool
- Alternative Risk Premia Pool.

31.5. Each participating States Fund will hold units in the CIF's individual asset pools in line with their individual investment strategies.

31.6. States Funds will have the opportunity to invest in the CIF as permitted by their legislation/ Trust deeds.

31.7. The States Treasury and Exchequer (formerly the Treasury and Resources Department) is responsible for the administration of the CIF.

31.8. The pools will offer accumulation units only to participating States Funds, and trading in units is only permitted monthly.

31.9. The following section outlines the investment approach of each respective CIF pool. Each pool is managed by an investment manager, or multiple managers, 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 not detailed within the investment strategy document, and are deemed to be part of the operational arrangements of the pool, and may be subject to modification to respond to changing circumstance. These are outside the scope of the investment strategy, and may be determined or modified by the Treasurer or delegate of the Treasurer.

31.10. 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.

32. CIF – Investment Pool Strategies

32.1. Equity Pools

32.1.1. Active Global Equity Pool
The Active Global Equity Pool contains a number of managers, due to the expected high allocation to this asset class. Multiple managers are utilised to diversify manager risk, and to ensure against over-concentration with a single provider. The focus of the pool is to invest in global equities which are constituents of the MSCI All Country World Index or similar global index. A Manager may be 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.

32.1.2. The pool seeks to generate returns which are in excess of those generated by the global market benchmark.

32.1.3. The Active 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, as far as they are expected to demonstrate 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 States 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.

32.1.4. The pool is permitted to purchase foreign exchange-type derivatives, such as forwards, but only for the purpose of hedging, cost-effective exposure to countries within the index, or in respect of the settlement of equity transactions/ dividend receipts which are in currencies other than Sterling. Managers may also purchase derivatives for the purpose of gaining exposure to countries within the index in a cost-effective manner; these exposures, however, are strictly controlled. Short selling of stocks is not permitted.

32.1.5. Active Emerging Market Equity Pool
The Active Emerging Market Equity 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 or equivalent index. The pool seeks to provide structural exposure to emerging markets to complement the exposures which may be obtained through the Active Global and Active UK Equity Pool, which focus on the developed world. Equity portfolios are expected to be higher-risk pools than the fixed-income pools, as far as they are expected to demonstrate 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, this portfolio is particularly appropriate for States 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.

32.1.6. The Active Emerging Market Equity Pool seeks to generate returns which are in excess of those generated by the emerging market benchmark.

32.1.7. The pool is permitted to purchase foreign exchange-type derivatives such as forwards, but only for the purpose of hedging, cost-effective exposure to countries within the index, or in respect of the settlement of equity transactions/ dividend receipts which are in currencies other than Sterling. Managers may also purchase derivatives for the purpose of gaining exposure to countries within the index in a cost-effective manner; these exposures, however, are strictly controlled. Short selling of stocks is not permitted.

32.1.8. Special Fund Equity Pool
In cases where tax structuring potentially precludes a States Fund from participating in one of the greater investment pools, a segregated unitised structure may be employed to ensure against tainting of the greater pool. In these cases, the vehicle will reflect, to as great a degree as possible, the arrangements which exist in the greater pools. The Special Equity Pool provides a mix of active equity managers, to allow those States Funds which cannot participate in the greater pools to benefit from active management, without putting the greater pooling arrangement at risk.

32.1.9. The pool seeks to earn long-term returns by allocating its assets to a well-diversified mix of UK and global 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 States 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.

32.2. Fixed-Income Pools

32.2.1. Corporate Bond Pool
The Corporate Bond Pool 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.

32.2.2. The pool seeks to generate returns which are in excess of those generated by the UK corporate bond benchmark.

32.2.3. The pool seeks yields that are more durable and usually higher than those available from the cash pool. It is suited for States Funds that can accept the market-value volatility associated with fluctuations in interest rates and credit markets, in order to earn a higher level of income over time than is generally available in the cash pools.

32.2.4. 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.

32.2.5. Global Absolute Return Bond Pool
The Global Absolute Return Bond Pool is an unconstrained debt-focused pool which invests in a wide fixed-income universe, and has greater discretion than the UK 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.

32.2.6. The pool will pursue absolute return strategies and seek to consistently achieve positive returns in all market conditions.

32.2.7. The pool tends to exhibit low correlation with fixed-income benchmarks, and so complements 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/ capital appreciation over time than is generally achievable from the cash pools.

32.2.8. The pool is 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 pool is also permitted to utilise derivatives in the form of options and futures, and can take both long and short positions.

32.2.9. Government Bond Pools
The UK Government Bond Pools are split between a Short-Term Government Bond Pool and an Index-Linked Government Bond Pool; each will invest in debt issued by the UK Government.

32.2.10. The pools are not actively managed, but passively follow an appropriate benchmark or a duration range.

32.2.11. 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.

32.2.12. The pools are not permitted to trade in derivatives such as options or futures.

32.3. Cash Pools

32.3.1. Long-Term Cash and Cash Equivalents Pool
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.

32.3.2. The pool seeks to generate returns which are in excess of short-term LIBOR.

32.3.3. The pool has a strict mandate to ensure that placements by the manager can only be made with institutions with a sufficiently high credit rating.

32.3.4. If assets fall below a minimum credit rating, they must be sold by the manager, unless specific exemption is granted by the Treasurer.

32.3.5. 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.

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

32.4. Alternative Investment Pools

32.4.1. 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.

32.4.2. UK Pooled Property Pools
The UK Pooled Property Pools are to invest in existing investment vehicles 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.

32.4.3. The pools seek to generate returns which are in excess of appropriate UK property benchmarks.

32.4.4. 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 States Funds which choose to invest monies with a longer-term horizon.

32.4.5. The pool is not permitted to trade in derivatives such as options or futures, although the underlying funds may have exposure to derivatives.

32.4.6. Hedge Fund Pool
The Hedge Fund Pool is structured as a portfolio of single strategy hedge funds with 8–15 hedge funds appointed directly to the Pool. The combination of managers is designed to provide desired characteristics for the pool as a whole.

32.4.7. The combination of managers is designed to provide a target return of LIBOR +4–6%, while providing protection in downturns and exhibiting low correlation with equity class assets.

32.4.8. To ensure appropriate diversification of manager risk, the portfolio is to contain an allocation to a minimum of 8 hedge fund managers. The pool may transitionally hold less than 8 managers during construction of the pool or through removal of a manager. In this case, the matter must be raised to the attention of the TAP, who will recommend steps to ensure that risk is managed.

32.4.9. Some of the hedge fund positions incorporate lock-in conditions limiting immediate liquidity; participating States Funds invested in the pool are aware that such restraints may prevent monthly trading, and consideration of these constraints is made at a strategy level before investment in the pool is made.

32.4.10. The pool is permitted to purchase foreign exchange-type derivatives, such as forwards, for the purpose of hedging non-GBP investments back to Sterling. Individual managers may make use of derivatives as part of their investment processes.

32.4.11. Local Infrastructure Investment Pool
The Local Infrastructure Investment Pool includes opportunistic allocations to low-risk local infrastructure projects. These projects may include a diverse range of potential opportunities, including local housing projects and Government infrastructure projects.

32.4.12. Individual projects will be assessed for appropriateness by the Treasury and Investment Management Team, reviewed by the TAP, and approved at ministerial level.

32.4.13. Each project will be contracted separately for a defined timescale; projects are considered from investment perspective and provide a better risk/return profile than would otherwise be available through conventional assets.

32.4.14. Examples of appropriate projects would include investments in Parish affordable housing construction projects. A proportion of funding for schemes could be supplied through States' investment, where investment terms and risk are deemed appropriate. This would provide social benefit to the Island, cost-effective funding, and a superior rate of investment return than would be available from equivalent low-risk assets.

32.4.15. Opportunities Pool
The Opportunities Pool invests in non-traditional asset classes which seek to generate long-term growth, but are expected to be less correlated with other growth class assets such as equities.

32.4.16. The portfolio will seek to access the illiquidity premium associated with investing in asset classes that require money to be locked up for a period of time, or have barriers to entry such as high initial transaction costs

32.4.17. The assets in the opportunities portfolio are expected to be 'closed ended' and therefore illiquid investments, which means that they are not suitable for all participating States Funds. The time horizon over which the investment is expected to perform is far longer than other asset classes, and will require commitments to be made over a significant period.

32.4.18. Because of the structure of these investment classes, commitments will be drawn slowly as opportunities are identified by the managers. The Opportunities Pool will therefore build up over time, as opposed to being fully funded at the outset.

32.4.19. Because of the long drawdown period, the appointment of managers will be staggered over time to allow diversification over vintages, and to allow the total value of drawn capital to be managed. Commitments will need to be made by participating States Funds on entrance into the pool, with the understanding that additional managers will be appointed over time.

32.4.20. Appropriate manager classes will be determined based upon conditions at the time of appointment, and are expected to include property debt, direct lending and infrastructure. Manager appointment is expected to be staggered over time, in order to achieve diversification over both source of return and vintage.

32.4.21. The pool is permitted to purchase foreign exchange-type derivatives such as forwards, for the purpose of hedging non-GBP investments back to Sterling.

32.4.22. Alternative Risk Premia Pool
The Alternative Risk Premia ("ARP") Pool seeks to invest in funds exploiting, on a long and a short basis, persistent market anomalies which are expected to generate value through long-term exposure.

32.4.23. ARP is expected to be active across a wide range of asset classes including, but not limited to, equities, currencies and commodities. These strategies are expected to perform well in a variety of market environments, and have low correlation to traditional sources of returns.

32.4.24.Although ARP is expected to exhibit low correlation with traditional sources of return, it is expected to generate a relatively high level of volatility, reflecting a target return in line with the hedge fund pool. Because strategies are designed to extract various risk premia from markets, if those premia are negative, they will experience negative performance. Investors should therefore be prepared to accept periods of underperformance, and maintain exposure over a longer timeframe to extract value.

32.4.25.The expected approach of ARP is similar to hedge funds (applying strategies seeking to exploit momentum, value, and carry), but applies exposure in a systematic manner, to minimise fees. Unlike the hedge fund pool, which is expected to have lock-in conditions and reduced liquidity, the ARP is expected to retain a high degree of ongoing liquidity.

32.4.26.The pool is permitted to purchase foreign exchange-type derivatives such as forwards, for the purpose of hedging non-GBP investments back to Sterling. Individual managers may make use of derivatives as part of their investment processes.