

**REPLY BY THE PRESIDENT OF  
THE COMMITTEE FOR POLICY & RESOURCES  
TO QUESTIONS ASKED PURSUANT TO RULE 14 OF THE RULES OF  
PROCEDURE BY DEPUTY RICHARD GRAHAM**

**Preamble**

I supported the launch of the Guernsey Investment Fund in early 2018. Now that the Fund approaches its second anniversary, it is appropriate that States members, and the public as shareholders, should learn how the Fund is faring. With that in mind, I regard the Policy & Resources Committee (the Committee) as being in the role of representing the shareholders, and accordingly submit the following questions to the Committee's president under Rule of Procedure 14.

**Question 1**

**How much has the States invested in the Guernsey Investment Fund (the Fund) to date?**

**Answer**

As of 31 December 2019, £14,111,842 had been called and invested into the Guernsey Investment Fund (GIF) Technology & Innovation Cell and £100,000 called and invested into the GIF Property Cell.

**Question 2**

**Has that amount been matched by an equal investment from private investors, as I believe was intended when the Fund was launched?**

**Answer**

With regards the Technology & Innovation Cell, it was agreed that the Manager would raise additional commitments of £1 for every £2 committed by the States of Guernsey. These commitments were duly obtained before the fund was launched. The Property Cell has a co-investment agreement with the Ravenscroft RED Fund. The intention here is for the two funds to both participate in property investments, generally on an equal basis, where that investment is in alignment with each fund's investment mandate and each board has given approval.

### **Question 3**

**How are the States' investments in the Fund made: in advance in full or as required?**

#### **Answer**

Commitments of £25m and £40m have been made by the States to the GIF Technology & Innovation and Property Cells respectively. These commitments are drawn down by the fund as investments and/or costs are made or incurred. It is intended that the commitments be fully drawn within the 5 year investment period.

### **Question 4**

Noting that Ravenscroft is the sole investment manager for the Fund, what is the relationship between MXC Advisory Limited and Ravenscroft?

#### **Answer**

Ravenscroft, in its role as overall manager of the GIF, has contracted MXC Advisory Limited to act as investment advisor on the Technology & Innovation Cell. Advisory fees earned by MCXAL are paid by the manager, and as such are not additional costs to the fund. MXC Advisory has significant experience in technology investing which is essential to the investment strategy of the cell.

Subsequent to the establishment of the cell, Ravenscroft purchased a 25% stake in MXC Capital (UK) Limited, which is a subsidiary of AIM quoted MXC Capital, and the holding company of MXC Advisory and MXC Capital Markets LLP (MXC's advisory and corporate finance arms).

### **Question 5**

**Who are the board members of MXC Advisory Limited?**

#### **Answer**

The directors of MXC Advisory Limited are; Jill Collighan; Brian Michael O'Mahoney and Charlotte Alexandra Stranner.

### **Question 6**

In the absence from the Fund's board of any States member or civil servant, by what means is the Committee assured that the need for arm's length relationships is met in providing investment advice to the Fund's board?

#### **Answer**

The Guernsey Investment Fund PCC Limited is registered with the Guernsey Financial Services Commission (GFSC) as a closed ended investment scheme. The GIF has its own independent directors who all have significant relevant experience. As the majority shareholder the States holds considerable control in the appointment or removal of directors.

### **Question 7**

Given that the Fund is an equity, rather than loan, model, does the Committee regard itself as the representative of the States' shareholders who are ultimately the Guernsey and Alderney taxpayers?

#### **Answer**

In line with its delegated authority to manage investments, the Committee acts on behalf of the States in their role as shareholder.

### **Question 8**

If so, does the board of the Fund report to the Committee and if it does, by what means and how often?

#### **Answer**

The board report to the States as the majority shareholder through an annual investment update report produced each August, the annual accounts to year end and four quarterly projected drawdown schedules.

### **Question 9**

Is the Guernsey Investment Fund regulated by the Guernsey Financial Services Commission?

#### **Answer**

Yes as mentioned above the GIF is registered with the GFSC as a closed ended investment scheme. The GIF was incorporated in Guernsey as a protected cell company.

### **Question 10**

What companies have received investment from the Fund?

#### **Answer**

The complete list of companies in which the Fund has invested is not public information due to commercial sensitivity and in order to protect the privacy of third parties, especially during negotiations. The Fund Manager has, however, issued press releases giving updates on the progress of the Fund. Please see the links below.

[https://www.ravenscroftgroup.com/news-insights/?tag=Guernsey Investment Fund](https://www.ravenscroftgroup.com/news-insights/?tag=Guernsey%20Investment%20Fund)

<https://guernseypress.com/news/business/2019/10/24/guernsey-investment-fun-invest-in-next-generation-it/>

## Question 11

How many of these companies were already established companies prior to investment in them by the Fund and how many new companies have been established as a result of investment through the Fund?

### Answer

All investment companies were established prior to investment by the Fund, albeit some would be deemed well-established and other as early stage. The Fund's investment has enabled access to essential resources and or necessary investment into their business plans.

## Question 12

Where are these companies based?

### Answer

We would refer to the Fund's investment objectives for clarity (see below). The Manager has been happy to confirm that the majority of invested funds are in Guernsey-based companies.

*The investment objective of the Company and of each Cell is to aim to achieve long term capital growth achieving a commercial rate of return for Shareholders. The Company and each Cell intends to achieve this through investments which have a Bailiwick of Guernsey focus or which may, in the view of the Board and the Investment Manager, benefit directly or indirectly the development of the Bailiwick. The investment focus is to seek to achieve the required return by investing in:*

- *Bailiwick of Guernsey situs assets which the Board and the Investment Manager believe will increase in value and which may also have the potential to positively impact on the Bailiwick's economy, improve employment opportunities and attract investments into the Bailiwick;*
- *Bailiwick of Guernsey based businesses or assets which may not otherwise be developed;*
- *Non-Bailiwick businesses which have interests in the Bailiwick and the investment may lead to further direct or indirect investment opportunities and benefits to the Bailiwick; and/or*
- *Non-Bailiwick based businesses where the Board and the Investment Manager reasonably believe that there may be the potential for a future positive impact on or benefit to the Bailiwick's economy.*

### **Question 13**

Do any of these companies have either direct or indirect links to the Fund manager?

#### **Answer**

The only relevant link we are aware of is that the Manager is a customer to one of the investee companies. We are assured this is on an arm's length basis.

### **Question 14**

Who conducts due diligence on potential investment opportunities?

#### **Answer**

The Manager and Investment Advisor are responsible for presenting all reasonable investment opportunities to the board. Should the board feel these are worth pursuing they will authorise them to carry out detailed due diligence which will then be re-presented to the board with a recommendation to invest or not. Third parties may also be engaged by the manager for specific areas of due diligence where appropriate, depending on the nature of the proposed investment. The final decision will then be made by the board once they are happy with all details of the investment proposal.

### **Question 15**

Noting that the Fund is close to celebrating its second anniversary, when will the Fund's accounts be published for the first time and who is the appointed auditor?

#### **Answer**

The company produces interim and year end accounts, however as a private unlisted company these are not published. The annual accounts are audited by PricewaterhouseCoopers CI LLP.

### **Question 16**

Who conducts the Fund's independent valuation?

#### **Answer**

Oak Fund Services (Guernsey) Limited (formerly International Administration Group (Guernsey) Limited) are the appointed administrator, Secretary and Registrar to the fund. Part of their responsibility is to produce valuations and accounts.

### **Question 17**

Notwithstanding that the Fund was launched with the aim of achieving long-term capital growth which will benefit the development of the Bailiwick, it is important at this relatively early stage to understand any return to the investment of public money and the performance of the underlying companies themselves. How has the fund performed to date and what economic benefit has accrued to the Bailiwick through public investment in each individual company?

#### **Answer**

As with any investment in venture capital or private equity the success of the underlying investments will only be known once the underlying business plans have been implemented and given a chance to gather momentum. As mentioned earlier the fund is targeting to be fully invested within 5 years, with realisations taking place over the following 5 years. It is too early to assess the likely outcomes at this stage. With regards the direct or indirect benefits to the Bailiwick, the committee has asked the fund to develop a reporting methodology which can be used to assess the progress of this secondary objective. It is hoped that some early metrics will be available to shareholders during the first quarter of 2020.

### **Question 18**

Does the Fund still have only one cell, namely the GIF Technology & Innovation Cell?

#### **Answer**

As referred to above, in late 2019 a second cell was created with the objective of investing in development property predominately within the Bailiwick of Guernsey.

### **Question 19**

Does the Fund envisage further discrete cells for property and for infrastructure and if so, when will they be established?

#### **Answer**

As mentioned the Property Cell is already in place. The opportunities available for an infrastructure cell are currently being investigated.