

**Response to a Question Pursuant to Rule 14
of the Rules of Procedure of the States of Deliberation and their Committees**

Subject: Appointment of Cambridge Associates as Investment Adviser to the States of Guernsey

States' Member: Deputy G A St Pier

Date received: 1st September 2022

Date acknowledged:

Date of reply: 16th September 2022

Questions

1. On what date did the contracts for services with IAM and Redington terminate?
2. On what date did the contract for services with Cambridge Associates begin?
3. Why, in the final quarter of 2021, were the outgoing investment advisers directed to only monitor the portfolios for which they were responsible but to cease suggesting any material changes thereto?
4. a) What are the arrangements and who is responsible for providing oversight of the portfolio of local investment managers?
4. b) Is it intended that assets under management with the portfolio of local investment managers be increased or reduced as a proportion of the whole portfolio?
4. c) What is the estimate of fees generated for the local economy from the portfolio of local investment managers?
5. a) Given that there is no suggestion that the performance of the local adviser over the last decade was unsatisfactory and there is more than one local adviser capable or providing the service, why was a local adviser not appointed?
5. b) In the tender evaluation process, what weighting was given to cost?
5. c) In the tender evaluation process, what weighting was given to the service provider being locally based?

6. d) Who comprised the interview panel for the short-listed advisers and who attended the presentations?

Responses

1. 30th June 2022.
2. Cambridge Associates was appointed on 22nd June 2022 and the contract for services was signed on 29th July 2022. A Non-Disclosure Agreement was established to cover the intervening period which enabled Cambridge Associates to provide ad-hoc advice and commence early transition activities prior to the finalisation of legal terms and contract signature.
3. The advisors were not directed to only monitor the portfolios for which they were responsible and cease suggesting any material changes.

The former Investment & Bond Sub Committee agreed that no major discretionary changes to the portfolios would be initiated during the final quarter of 2021 only as the newly formed States Investment Board was due to take up its duties in January 2022. The advisors were instructed to continue to bring forward any urgent recommendations for consideration during that period. This request fell away in January 2022 with the appointment of the States Investment Board.

The portfolios remained under the advice of the advisors at all times who remained responsible and liable for recommending any changes they felt were appropriate.

4. a) The States Investment Board is responsible for the oversight of the local investment managers advised by Cambridge Associates. The ability to monitor the pool of local managers was assessed as part of the selection process for the new advisor.
4. b) With portfolio construction with Cambridge at a very early stage, there are no plans at the current time to alter the proportion of the portfolio that is allocated to local managers.
4. c) The entire local portfolio generated investment management fees of £1.4million in 2021.
5. a) The previous local advisor had been advising the States since 2008 without any formal or competitive review. In the interests of good governance, a decision was taken in 2020 to undertake a full review of the investment advisory marketplace to ensure that the States were receiving the best advice on their significant assets and achieving the best possible return for taxpayers.

A total of eleven advisors were asked to participate in the review. Three Channel Islands advisors were invited - the two largest Guernsey Investment Advisors and a Jersey based advisor. Eight UK based advisors (including the incumbent advisor to

the ESS portfolio) were invited to participate based on their suitability and track record.

A detailed and thorough tender process was undertaken following which Cambridge Associates was appointed based on its scoring relative to the defined criteria including the depth of resources required to meet the investment objectives of the States of Guernsey

5. b) As is standard practice in States' procurement processes the States Investment Board did not see the cost element of each bid until after the quality scoring had been completed. The price element of the initial tender submissions was not specifically weighted given the impact that the advisory role can have over the States' almost £3.5 billion portfolio.

However, the evaluation team did assess the affordability of each proposal using current pricing as the benchmark. All short-listed providers fell within this affordability envelope and pricing was then negotiated further as part of the final selection process

5. c) A decision was made not to include a specific weighting for local factors. The initial evaluation sought to assess a wide range of technical capabilities and the inclusion of a local weighting element would have diluted the scoring and potentially undermined the effective assessment of key capabilities used to test a provider's ability to meet the requirements.

Local factors would have been taken into account in the event of close scoring. However, the inclusion of a weighting for local factors would not have had any impact on the short-listing process or eventual selection decision.

5. d) The States Investment Board ran the process, scored the bids and interviewed the short-listed advisors. A representative of the Policy & Resources Committee also attended. The process was administered and advised upon by officials who also attended the presentations but did not participate in the voting or selection process.

Deputy Peter Ferbrache
President
Policy & Resources Committee