

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

Subject: Investment Portfolios' Performance

States' Member: Deputy G A St Pier

Date received: 14th April 2023

Date acknowledged: 17th April 2023

Date of reply: 25th April 2023

Questions

1. Can P&R please publish quarterly investment performance on the investment portfolios now overseen by the States' Investment Board (previously by the Committee *for* Employment & Social Security and the Policy & Resources Committee) for the 5 years to 31st December 2022, tracked against both agreed benchmarks and the portfolios' agreed investment targets?
2. Have there been any changes agreed to the portfolios' investment managers since the appointment of Cambridge Associates as investment adviser?
3. Have there been any changes in investment strategy since the creation of the States' Investment Board and/or the appointment of Cambridge Associates as investment adviser?

Response

1. Quarterly investment performance for the Committee *for* Employment & Social Security portfolio for the 5 years to 31st December 2022 is shown below. The agreed benchmark (and investment target) is shown in the right-hand column.

Quarterly Returns	ESS Portfolio	SONIA+3.5%
31/03/2018	-0.43%	0.97%
30/06/2018	-0.60%	0.98%
30/09/2018	0.85%	1.03%
31/12/2018	-3.97%	1.05%
31/03/2019	3.50%	1.03%
30/06/2019	2.13%	1.04%
30/09/2019	1.08%	1.05%
31/12/2019	0.66%	1.05%
31/03/2020	-6.80%	1.01%

30/06/2020	0.93%	0.88%
30/09/2020	1.94%	0.89%
31/12/2020	4.03%	0.88%
31/03/2021	3.78%	0.86%
30/06/2021	3.39%	0.87%
30/09/2021	1.11%	0.88%
31/12/2021	2.64%	0.89%
31/03/2022	1.29%	0.95%
30/06/2022	-2.00%	1.09%
30/09/2022	-0.92%	1.27%
31/12/2022	1.96%	1.57%
5 Year Annualised Trailing Return	2.81%	4.10%

Quarterly investment performance for the Policy & Resources Committee portfolio for the 5 years to 31st December 2022 is shown below. The agreed benchmark (and investment target) is shown in the right-hand column.

Quarterly Returns	P&R Portfolio	RPI+4.00%
31/03/2018	-1.48%	1.06%
30/06/2018	1.35%	2.14%
30/09/2018	1.66%	1.92%
31/12/2018	-5.03%	1.52%
31/03/2019	5.64%	0.81%
30/06/2019	2.35%	2.57%
30/09/2019	0.93%	1.47%
31/12/2019	2.74%	1.30%
31/03/2020	-10.84%	1.23%
30/06/2020	9.47%	1.02%
30/09/2020	3.31%	1.54%
31/12/2020	7.44%	1.36%
31/03/2021	2.11%	1.50%
30/06/2021	4.57%	3.39%
30/09/2021	0.61%	2.51%
31/12/2021	2.27%	3.95%
31/03/2022	-3.61%	2.82%
30/06/2022	-6.84%	6.12%
30/09/2022	-3.97%	3.24%
31/12/2022	2.50%	4.69%
5 Year Annualised Trailing Return	2.60%	9.52%

- Following the appointment of Cambridge Associates as investment adviser the immediate priority was to review all States' investment portfolios. It was subsequently agreed to pool the Social Security fund with other States reserves and, for legal reasons, to separate out the assets of the Public Servants Pension Scheme.

A revised investment strategy for both portfolios was subsequently agreed and is in the early stages of implementation. The following changes to investment managers have been agreed at the time of writing:

- I. An existing fixed income manager has been put on notice and positions are being realised for investment into an alternative strategy as per the target asset allocation.
- II. Two further managers of largely illiquid assets have had their mandates amended to prevent new commitments, and to allow for an orderly redemption of their portfolios over the medium term. Funds will re-directed as received to preferred illiquid strategies in line with the target asset allocation.

In addition, several new equity managers have been researched and interviewed and it is likely at least one will be appointed during this quarter.

3. The States' Investment Board was appointed on 1st January 2022 and first focused on understanding the existing portfolios and strategies under the existing two advisors. During this period the existing advisors were retained and little change was undertaken. The States' Investment Board then undertook a review of the investment advisory market and agreed to appoint a single advisor.

Following their appointment, Cambridge Associates undertook a comprehensive review of the existing investment managers and presented their findings and recommended investment strategy, including target asset allocations, to the States' Investment Board. Three of the key outcomes are listed below:

- i. The portfolio was found to be overly diversified through too many generalists, mostly multi-asset managers, potentially investing in the same or similar assets given their mandates,
- ii. Increased use of specialised managers was recommended as a long- term approach to improving long term returns,
- iii. Given the long-term nature of the portfolios, it was felt that it would be possible to increase exposure to asset classes with longer term time horizons and the associated potential for higher returns, notably private equity and private credit.

These recommendations were accepted by the States Investment Board and are being implemented as part of the ongoing strategic management of the portfolios.

Deputy Peter Ferbrache
President
Policy & Resources Committee