Decision No. (9) of 2023

Regarding the Adoption of the Cash Liquidity Surplus Investment Policy for the Government of Ajman

- Having reviewed the Unified Financial System of the Government of Ajman
- And Amiri Decree No. (15) of 2012 concerning the Department of Finance in Ajman and its amendments.
- And Decision No. (15) of 2021 regarding the adoption of the Cash Liquidity Surplus Investment Policy for the Government of Ajman

And for the public interest, we have decided the following:

Article (1)

Adoption of the Investment Policy

The Cash Liquidity Surplus Investment Policy for the Government of Ajman, attached to this decision, is hereby adopted.

Article (2)

Commitment to Policy Implementation

The concerned organizational units shall commit to applying the provisions and procedures contained in the Cash Liquidity Surplus Investment Policy for the Government of Ajman adopted under Article (1) of this decision.

Article (3)

Repeal

Decision No. (15) of 2021 regarding the adoption of the Cash Liquidity Surplus Investment Policy for the Government of Ajman is hereby repealed.

Article (4) Entry into Force

This decision shall come into force from the date of its issuance.

Issued on 10/05/2023

Ahmed bin Humaid Al Nuaimi

Chairman of the Department of Finance

Investment Policy for the Cash Liquidity Surplus of the Government of Ajman

Second Edition - September

First: Definitions

In the application of the provisions of this policy, the following words and phrases shall have the meanings indicated next to each, unless the context requires otherwise:

Term	Definition
The Government	The Government of Ajman
The Crown Prince	The Crown Prince of the Emirate of Ajman
The Ruler's Representative	The Ruler's Representative for Administrative and Financial Affairs
The Department	The Department of Finance in Ajman
The Chairman	The Chairman of the Department
The Director General	The Director General of the Department
The Investment Committee	The committee formed by a decision of the Chairman in the Department, which exercises the tasks and powers specified in this policy
Cash Liquidity Surplus	The balance of financial assets in the form of cash, cash equivalents, deposits, bonds, sukuk, shares in

Term	Definition
	investment funds, shares in the capital/stocks of establishments, shares held for trading, or loans
Treasury Surplus Funds	The cash balance available for investment after excluding the cash liquidity required to cover needs
Cash Equivalent	Short-term, highly liquid investments that are readily convertible to cash amounts and are not subject to
Money Market Instruments	Short-term investments where the maturity of the financial instrument does not exceed one year, for example
Derivatives	Financial instruments whose value changes in response to a change in an interest rate, a security price, a commodity price
Subsidiary Establishments	Investments where the Government or the Department owns all or part of the capital, enabling it to control the establishment
Joint Arrangements	Investments subject to joint control between the Government or the Department and other parties, divided into a joint venture or a joint operation
Investment Portfolio	A collection of financial assets held to achieve specific financial objectives and managed individually

Second: Policy Objectives:

The primary objectives adopted by this policy are as follows:

1. Preservation of capital and protection of the investment principal.
2. Maintaining sufficient liquidity to meet cash flow needs.
3. Achieving the maximum possible return without prejudice to the two objectives mentioned above.

4. Full investment of the available cash liquidity surplus as much as possible.
5. Efficient and effective management of investments.

Third: Scope of Application

This policy applies to all investments of the cash liquidity surplus and their respective investment portfolios.

Fourth: Duties and Powers

1. The Chairman

The supreme authority and responsible for setting the general framework for the cash liquidity surplus investment strategy, and for issuing decisions and orders from time to time as may be necessary and essential to ensure its implementation. He may delegate some of his powers to any of the Department's employees.

2. The Director General

The highest-ranking official in the executive body of the Department, responsible for the general supervision of the implementation of policies and plans approved by the Chairman and any decisions issued thereunder. He may perform all actions and dispositions necessary to achieve this objective in accordance with the rules specified in this policy, and in particular:

a- Approving the policy and plans for investment and reinvestment of the cash liquidity surplus and presenting them to the Chairman for adoption.

b- Making investment decisions according to the schedule of powers approved by the Chairman.

c- Approving the placement of deposits with an original maturity of one year or less, based on the recommendation of the Investment Manager.

d- Approving the sale, exchange, or liquidation of any financial assets that are part of the Main Investment Portfolio's investments, as proposed by the Investment Committee.

e- Submitting a proposal to the Chairman to obtain his approval for modifying the minimum cash reserve.

f- Submitting a proposal to the Chairman to obtain his approval for modifying the value of the Main Investment Portfolio.

g- Submitting a proposal to the Ruler's Representative to obtain his approval for the purchase or disposal of any financial assets that are part of the Strategic Investment Portfolio's investments.

h- Submitting a proposal to the Ruler's Representative for purchasing on margin, with borrowed funds, or short selling to obtain the approval of His Highness the Crown Prince.

3. The Investment Committee

A permanent committee named the "Investment Committee" shall be formed in the Department, its members and rules of procedure to be determined by a decision from the Chairman. It aims to assist him in performing his supervisory and monitoring duties efficiently and effectively and shall be responsible for overseeing all operations of investing and reinvesting the cash liquidity surplus. It shall specifically:

a- Supervise the implementation of this policy and recommend its amendment whenever necessary.

b- Supervise the development of plans for investing and reinvesting the cash liquidity surplus.

c- Study and evaluate investment opportunities proposed by the Investment Manager regarding the following transactions and recommend thereon:

1. Mergers and acquisitions of companies, businesses, or assets.
2. Any termination, sale, transfer of ownership, exit from, or disposal of an existing investment.
3. Investment in new or existing projects or joint ventures.
4. Purchasing on margin, with borrowed funds, or short selling.
5. Any investment opportunities the Department wishes to enter into.

d. Ensure that proposed investment opportunities comply with relevant regulations, laws, and instructions.

e. Determine and arrange priorities for proposed investment offers.

f. Approve investment opportunities proposed by the Investment Manager within the limit of 200 million dirhams for the Main Investment Portfolio.

g. Approve the breaking of deposits.

h. Approve the creation, cancellation, or merger of sub-portfolios of the Main Investment Portfolio and adopt their investment plans.

i. Approve the financing, sale, exchange, or liquidation of the Returns Portfolio as proposed by the Investment Manager, within a limit of 100 million dirhams; approval from the Chairman must be obtained for amounts exceeding this.

j. Approve the appointment and dismissal of banks and other financial or investment institutions entrusted with implementing any of the investment plans, based on the recommendation of the Investment Manager.

k. Approve the use of financial derivatives to counter future risks that may arise from any fluctuations in commodity, stock, or bond prices, currency exchange rates, or interest rates, such as futures, forwards, options, and swap contracts, based on the recommendation of the Investment Manager.

l. Follow up on the activity and performance of cash liquidity surplus investments and the performance of investment managers entrusted with implementing investment plans.

m. Follow up on the implementation of all regulations, systems, decisions, and orders issued by the Chairman or the Director General.

4. Financial Resources Development Section

Determine the treasury surplus funds that can be invested according to the financial policies and procedures manual. a. Notify the Investment Manager of the expected deficit in the treasury account in sufficient time to arrange for the required liquidity.

5. The Investment Manager

a- Propose plans for investing and reinvesting the cash liquidity surplus and submit them to the Investment Committee.

b- Recommend to the committee the breaking of deposits in case of indicators of a liquidity deficit or the existence of investment opportunities after confirming the economic feasibility of the investment in question.

c- Study and analyze investment offers and submit appropriate recommendations thereon to the competent authority.

d- Manage relationships with relevant parties in the field of investments.

e- Monitor issuers, counterparties, securities, and financial markets in general.

f- Monitor risks surrounding investments, develop scenarios and propose strategies to mitigate those risks, and submit periodic reports thereon.

g- Evaluate investments that require valuation.

h- Provide the Investment Committee with data, information, and monthly reports on investment activities.

i- Maintain records for investments, reconcile them with investment account statements on a monthly basis, and provide the Financial Services Section with data for each investment monthly.

j- Any other tasks assigned by the Director General or the Investment Committee within his area of competence.

Fifth: Avoidance of Conflict of Interest

Employees responsible for implementing this policy and participating in the investment process must refrain from any personal business activity that could conflict with the proper implementation of the investment program or impair their ability to make impartial investment decisions, or in which they have a direct or indirect interest in the investment activity undertaken by the Department. They must also refrain from disclosing any data or information related to investment operations to unauthorized persons. They must disclose any act or conduct that would create a conflict of interest when investing and avoid any action that results in an unnecessary increase in costs or risks to the investment, and they must work to protect the interests of the Department in every action or procedure.

Sixth: Cash Liquidity Surplus Investment Strategy:

1. Cash Reserve

The Department shall maintain a cash reserve of a minimum of 2 billion dirhams, to be invested in renewable fixed-term deposits, provided that these funds are deposited in banks within the state. The Chairman may amend the minimum cash reserve based on a proposal from the Director General. If the cash reserve falls below the approved minimum due to its use to finance a treasury account deficit, it will be rebuilt from future treasury surplus funds.

2. Main Investment Portfolio

An investment portfolio valued at one billion dirhams, which includes sub-portfolios and other financial assets held by the Department in the form of bonds, sukuk, and shares held for trading, with the aim of diversifying risks surrounding the investment and keeping the associated risk levels at a minimum to ensure capital preservation while obtaining the highest possible return according to market conditions and the approved investment plan. Its value may be amended with the approval of the Chairman based on a proposal from the Director General.

3. Returns Portfolio

- An externally managed, diversified, and comprehensive investment portfolio of assets with high risk to capital and return, funded through returns received from the investments of the Main Investment Portfolio, based on a recommendation from the Investment Manager to achieve a high return from long-term capital growth. It may incur significant or total losses, depending on market conditions and the approved investment plan.
- If the total losses of the Returns Portfolio reach 20% of the investment amount, the Investment Manager must convene the Investment Committee to consider recommending the continuation or liquidation of the portfolio. If losses continue and reach 50%, the portfolio will be liquidated, except during times of financial crisis or temporary price fluctuations.

- If the Investment Manager recommends liquidating the portfolio, a portfolio liquidation plan and its timeline must be attached to the recommendation, in line with the nature of the investments available within the portfolio to preserve capital as much as possible.

4. Strategic Investment Portfolio

- An investment portfolio that includes the Government's investments in the capital shares/stocks of associate and subsidiary establishments and joint ventures.

- A written decision to dispose of these investments shall be issued by the Ruler's Representative after a study and recommendation from the Investment Committee, confirming that there are reasonable justifications for carrying out the said disposal.

5. Treasury Surplus Funds

To be invested in investment deposits with Ajman Bank with a fixed term not exceeding one year each, to be transferred to the cash reserve at the end of each fiscal year. The Chairman, based on a proposal from the Director General, may issue a decision regarding its transfer, in whole or in part, to the Main Investment Portfolio.

Seventh: Guidelines for Cash Liquidity Surplus Investments:

1. Bank Deposits

a- The duration of deposits allocated to ensure liquidity should not exceed 12 months as a maximum.

b- The total cumulative investment with a single bank should not exceed 10% of its capital, with the exception of banks in which the government holds a share of 20% or more.

c- Investments must be in banks rated by accredited international credit rating agencies, with a credit rating of no less than (BBB) according to Fitch or its equivalent from other credit rating agencies, with the exception of banks in which the government holds a share of 20% or more.

d- If updated financial statements are issued for an approved bank during the period, resulting in a change in the size of its capital and reserves or in the size of its assets, the maximum limit for dealing with the concerned bank will be increased or decreased according to the deposit limits approved in the investment plans.

e- If there is a change in the rating or creditworthiness of a bank, the following measures will be taken:

- If the new rating falls within the acceptable categories: the maximum dealing limit will be increased or decreased within the approved deposit limits according to the rating trend.
- If the new rating falls outside the acceptable categories: dealings with the bank will be frozen while monitoring developments.

2. Money Market Instruments

a- Must be issued or guaranteed by the State, the Central Bank, one of the GCC countries, or a country with a credit rating of no less than (BBB) according to Fitch or its equivalent from other credit rating agencies, or a company with a credit rating of (AAA) according to Fitch or its equivalent from other credit rating agencies, or an international financial institution such as the World Bank (WB), the International Monetary Fund (IMF), or the International Finance Corporation (IFC).

b- Must be traded in a regulated primary market by a supervisory authority within or outside the state, or be liquid (easily convertible to cash if not traded).

c- The maximum ownership of monetary instruments from a single issuer shall be 10% of the total monetary instruments issued by that issuer.

d- If there is a change in the rating or creditworthiness of an issuer to outside the acceptable categories, dealings with the issuer will be frozen while monitoring developments.

3. Derivatives (For Hedging Purposes Only)

a- Must be traded in a regulated primary market by a supervisory authority within or outside the state.

b- If outside regulated markets, they must meet the following conditions:

- The underlying assets of the derivative must be securities or monetary instruments traded in a regulated market.
- The counterparty in derivative contracts must be institutions with financial solvency approved by the State, one of the GCC countries, or a country with a credit rating of (AAA) according to Fitch or its equivalent from other credit rating agencies.
- Derivatives must be valued, and their tradability, termination, and settlement must be possible on a daily basis.

c- The issuing entity of such contracts must be subject to financial adequacy rules issued by a supervisory authority within or outside the state.

d- Futures and options contracts may not be used as a means to create financial leverage.

e- The minimum short-term credit rating for the counterparty must be (A-1) according to Fitch or its equivalent from other credit rating agencies.

f- The maximum investment limit shall be 10% of the total contracts issued if the counterparty is a bank and 5% in other cases.

4. Bonds and Sukuk

a- Must be listed in a regulated primary market by a supervisory authority within or outside the state.

b- Must be tradable.

c- The credit rating of the invested bonds and sukuk must not be less than (BBB-) according to Fitch or its equivalent from a recognized rating agency, except for mortgage-backed securities, asset-backed securities, and covered bonds which must have a (AAA) rating from at least two rating agencies.

d- Funds allocated for investment in fixed-income bonds and sukuk and convertible currencies of governments shall have a maximum maturity of ten years, with the exception of the State, local governments, one of the GCC countries, or a country with a credit rating of (AAA) according to Fitch or its equivalent from a recognized rating agency, which shall not exceed thirty years. For companies, the maximum maturity is seven years, with the exception of perpetual subordinated bonds.

e- Investment may be made up to a maximum of 10% of the total bonds and sukuk issued by a single issuer, with the exception of bonds and sukuk issued or guaranteed by the State, local governments, one of the GCC countries, or a country with a credit rating of (AAA) according to Fitch or its equivalent from a recognized rating agency.

f- The Investment Committee may approve investment in bonds and sukuk that do not meet the above requirements (such as: unrated government bonds, high-yield bonds, and convertible bonds), up to a maximum of 5% of the investment portfolio's value.

g- If the credit rating of bonds or sukuk is downgraded below the minimum credit rating levels, the concerned bonds or sukuk must be disposed of within 30 days from the date of the downgrade by the credit rating agency.

5. Investment Funds

a- Must be licensed by a supervisory authority within or outside the state.

b- Must be tradable.

c- The investment period should not exceed a maximum of seven years.

d- Investment is permitted in open-ended and closed-ended investment funds.

e- Investment shall be made in investment funds that invest in bonds and sukuk with a credit rating of no less than (BBB-) according to Fitch or its equivalent from a recognized rating agency.

f- The maximum investment for a single issuer shall be 10% of its total issued units.

g- If the funds are listed under a single offering document, each fund shall be treated as independent of the others.

h- Investment in leveraged exchange-traded funds (ETFs) is not permitted.

6. Stocks

a- Must be listed in a regulated primary market by a supervisory authority within or outside the state.

b- Must be tradable.

c- The value of investment from a single issuer shall not exceed 5% of its issued shares or 10% of the total shares that do not have voting rights.

d- If the issuer incurs financial losses, the following measures will be taken:

- If the losses are for a single fiscal year, developments will be monitored. If the losses are consecutive, the stock will be disposed of within a period not exceeding six months.

7. Lending

a- The Department may grant financial loans to subsidiary establishments upon the recommendation of the Ruler's Representative and the written approval of His Highness the Crown Prince.

b- The interest rates on loans shall not be less than the interest rate on long-term bank deposits and shall not exceed the prevailing market interest rates.

c- The Department may recommend granting loans at zero interest rates, stating the reasons and justifications.

d- The loan term shall not exceed 7 years.

e- A contract must be concluded between the Department and the borrowing entity that has been approved for the loan, including the basic terms of the loan such as the loan amount, repayment period, interest rate, the entity's commitment to use the loan for the purpose it was borrowed for, and penalty clauses in case the entity fails to meet its obligations.

f- Any loan may be rescheduled with the approval of the Ruler's Representative.

g- Any loan or part of it may be written off or waived upon the recommendation of the Ruler's Representative and the written approval of the Crown Prince.

8. General Obligations

a- No provision in this policy shall be interpreted to permit any type of investment prohibited by applicable legislation, the direct purchase of real estate, the purchase of conditional sales contracts, or dealing in direct or individual issues in commodities including gold and silver, mineral exploration programs, or exploration in futures contracts, oil, gas, or other minerals.

b- In case of more than one credit rating, the lower credit rating shall be considered.

c- It is permissible to combine investment in stocks, traded bonds and sukuk, or in deposits of a single issuer, not exceeding 15% of the issuer's capital. This excludes banks in which the government holds a share of no less than 20%. The value of securities, traded monetary instruments, and related derivatives shall be included in this calculation.

d- A group of related issuers shall be treated as a single issuer.

e- Investment in new issues is permissible provided they are approved for trading in a regulated primary market by a supervisory authority within or outside the state.

f- Investment must not be concentrated in a specific security or securities, or in a specific country, geographical region, industry, or sector.

g- The Investment Committee must establish a mechanism to reduce any excess in the percentages mentioned in this policy if the cause of the excess is beyond its control or has devolved to the Department through subscription.

h- Any assets shall be valued according to the fair value principle if a market price is not available.

i- All investments, which include authorized and secured or certified investment instruments through securities, may be held in the name of the Department.

j- Securities may be held with a bank, trust company, or brokerage agency under a signed agreement between the Department and the agency.

k- A bank or investment agency may be delegated for a renewable one-year term to manage investments under a delegation agreement. The bank or investment agency shall, under this agreement, assume full responsibility for transactions until the date of revocation of the authority's delegation or the expiration of its powers. The delegated bank or agency must provide a monthly report on these transactions to the Department, which the Investment Manager shall review and approve before submitting it to the Investment Committee.

l- Employees responsible for implementing the investment policy must exercise due professional care (the "prudent person" standard) and use a standard of caution, whereby investments must be chosen wisely and carefully under the prevailing circumstances at the time.

m- Employees responsible for implementing this policy, if they have acted in accordance with written procedures and the approved investment policy and have exercised due professional care, shall be exempt from personal liability for the credit risk of individual securities or changes in market prices, provided that deviations from expectations are reported in a timely manner and appropriate actions are taken to control adverse developments.

Eighth: Risk Management and Performance Measurement:

1. Risk Appetite

The level of risk borne by the cash liquidity surplus investments should be consistent with the objective of this policy. However, it is recognized and acknowledged that investment should bear a degree of risk in order to achieve the desired investment objectives.

2. Risk Management Framework

a- Cash liquidity surplus investments are subject to a number of risks, which are as follows:

- **Interest Rate Risk**
Interest rate risk is managed based on metrics provided by the depository on a monthly basis. The data provided by the depository may be supplemented by internal analyses.

- **Currency Risk**
Currency risk is managed on an asset-liability management basis. The alignment status and currency weightings are monitored monthly. If

necessary, re-alignment measures may be implemented by changing the currency weightings of cash liquidity surplus investments or by issuing necessary instructions to external managers assigned to manage currency risk to implement the relevant changes for currency alignment.

- **Credit Risk**

Credit risk is managed by setting a minimum credit rating in the investment policy. The eligibility of individual securities and individual issuers is determined based on the credit ratings set by major credit rating agencies. The Investment Manager conducts risk analyses distributed by individual securities and issuers for all internally managed investments and on a selective basis for externally managed assets, and for relevant commercial and central banks, using data provided by Bloomberg or other sources and utilizing credit analysis providers and other sources. All other credit analyses are conducted and reported on as an integral part of the risk management process.

- **Liquidity Risk**

Liquidity risk is managed by adhering to the minimum liquidity requirements for the treasury account. This minimum should be available at any point in time to ensure the ability of the Department and government departments to meet their payment obligations.

- **Counterparty Risk**

Counterparty risk for all investments is managed by setting a minimum credit rating for eligible counterparties, including banks for operational cash and for short and long-term investments. Counterparty risk is also managed by setting a maximum transaction size with each issuer/bank. The Investment Manager analyzes counterparty risk related to the investment management process, including trading and derivatives, eligible banks for investments, and relevant commercial and central banks, using financial information systems and utilizing credit analysis providers and other sources. All other credit analyses are conducted and reported on as an integral part of the risk management process.

- **Operational Risk**

a- Operational risks include all sources of risk other than those mentioned above, including legal risks. The Policies and Consultation Office in the Department will assess any legal risks. Procedural risks are managed by establishing a specific framework of responsibility and accountability.

b- These risks are measured on a monthly basis using appropriate risk measurement tools provided by the bank or investment agency acting as a depository or derived from internal analyses.
c- The Investment Manager is responsible for monitoring, analyzing, evaluating, and reporting on the risk levels in the cash liquidity surplus investments through a quarterly report. Except that liquidity risk is reported on a semi-annual basis, and operational risks are reported on annually. This report includes measurement tools for all types of risk and comparisons with previous periods.

d- In addition to his recommendations for their mitigation, stress tests according to various scenarios must be conducted on the investment portfolios.

e- The Investment Manager shall continuously monitor the adequacy of risk budgeting measures and the level of risk tolerance and review them. The risk level of cash liquidity surplus investments and individual portfolios, managed externally and internally, should not exceed the degree of risk tolerance as determined by the risk budget level on a quarterly basis.

f- The Chairman shall be presented, as part of the report prepared on cash liquidity surplus investments, with updates on the risk level of those investments compared to risk tolerance levels, and shall be informed of any adjustments that must be made to the cash liquidity surplus investments to make them compatible with the agreed-upon risk levels.

3. Risk Budgeting

a- Risk budgeting is a procedure of distributing risk among funds. It entails setting pre-determined risk limits applied to cash liquidity surplus investments at a total level as well as at the level of individual portfolios and investment managers, monitoring these metrics, and adjusting the portfolio whenever these metrics exceed the tolerance level. The risk budgeting process is as follows:

- Measuring and breaking down the total risk faced by the portfolio into its constituent elements on a quantitative basis; setting maximum risk limits (risk budgets) for the investment portfolio and/or each asset class separately based on what is expected by defining ranges for selected risk measurements consistent with the appetite for risk and the level of risk tolerance;

- Distributing risk among assets in accordance with risk budgets;

- Monitoring the use or misuse of the risk budget on an ongoing basis;

- Analyzing results on an actual basis;

- Making changes to investments when necessary to align the portfolio with the desired risk level.

b- External asset managers appointed by the Department engage in active management, consistent with the risk budgeting framework. Deviation from standard rules is within this discretionary authority, and the goal of this deviation is to optimize the skills of external and internal asset managers and the derived return within the context of risk budgeting.

4. Decision-Making Process for Establishing and Rebalancing Portfolio Allocation in Accordance with Maximum Risk Tolerance Limits

a- If one or more of the risk metrics exceed their level specified in the risk budget, the Investment Manager will conduct an analysis that highlights the source of the increase in risk.

b- If the excess in the risk level of the overall portfolio is due to a single manager's position only, the Investment Manager must develop a detailed strategy to reduce the risk in that portfolio and formulate recommendations to the Investment Committee regarding the actions to be taken within that mandate.

c- If the excess in the overall portfolio risk is due to common factors in the total asset allocation, the Investment Manager is responsible for analyzing the advantages and disadvantages of various options in order to formulate actions aimed at returning the overall risk characteristics of the portfolio to the level included in the risk budget.

d- The Chairman is informed of the risk mitigation measure(s) as part of the report on liquidity surplus investments.

5. Compliance Monitoring

The Internal Audit Office shall perform the following activities:

a. Monitor the compliance of internal and external investment managers with the investment policy and conduct internal analyses. In the event that one of the investment managers materially deviates from the specific mandate issued to them, it shall submit its recommendations to the Investment Committee regarding the necessary actions to be taken with that manager after verifying the gravity of the issue under consideration.

b. Monitor compliance related to internal operational cash on a semi-annual basis to ensure the soundness of liquidity management and the soundness of risk budget management.

6. Performance Measurement

a- Performance for cash liquidity surplus investments and for individual portfolios managed internally and externally is calculated on a monthly basis.

b- The performance of cash liquidity surplus investments and individual portfolios is calculated in UAE Dirhams and its equivalent in other currencies simultaneously, i.e., by excluding the effect of currency fluctuations in which the portfolio is invested. The performance records the return represented by coupons and price return and includes realized gains/losses, as well as unrealized gains/losses if the investment portfolio is not held to maturity.

c- Performance is compared with relative benchmark indicators for all mandates, and reports highlight cases of outperformance and underperformance against the target.

d- The performance of individual managers is calculated on a gross-of-fees basis, and fees are deducted from the overall portfolio performance, which is shown on a gross and net basis, as management, custody, and transaction costs are deducted from it.

7. Performance Reporting

a- The Investment Manager must conduct a monthly analysis of the performance of the cash liquidity surplus investments in UAE Dirhams and its equivalent in currencies at the same time and submit a report to the Investment Committee within 15 days of the following month.

b- The Director General shall submit a quarterly report to the Chairman on the cash liquidity surplus investments and their associated financial risks, detailing the asset composition of the cash liquidity surplus investments and their performance for the relevant quarter, compared to the same period of the previous year, including account balances, average interest rate (if any), and interest earned.

CHAIRMAN'S OFFICE

C- The General Manager shall submit an annual report to the Chairman on the investment business and activities, including a detailed explanation of the investment portfolio's composition and performance for the relevant fiscal year, along with a comparison with appropriate market benchmarks. The report shall present the results of the last completed fiscal year compared to the previous three years.

Ninth: Policy Review and Update

The policy is reviewed annually or whenever necessary and submitted to the Chairman for approval. The review shall take into account the percentages of cash investments, expected returns, broad representation of asset classes in capital markets, inflation rate expectations, and the risks associated with each type of asset class.

Appendix No. (1)

Table showing Investment Grade and Non-Investment Grade

Fitch Ratings	S&P Global	MOODY'S	
AAA	AAA	Aaa	Investment
AA+	AA+	Aa1	
AA	AA	Aa2	
AA-	AA-	Aa3	

Fitch Ratings	S&P Global	MOODY'S	
A+	A+	A1	
A	A	A2	
A-	A-	A3	
BBB+	BBB+	Baa1	
BBB	BBB	Baa2	
BBB-	BBB-	Baa3	
BB+	BB+	Ba1	Non-Investment Grade High Yield
BB	BB	Ba2	
BB-	BB-	Ba3	
B+	B+	B1	
B	B	B2	
B-	B-	B3	
CCC	CCC	Caa	
CC	CC	Ca	
C	C	C	
D	D	C	Default