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Enabling poor rural people  
to overcome poverty

## Tactical changes to IFAD Investment Portfolio

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For: **Information**

## Tactical changes to IFAD Investment Portfolio

1. At the informal seminar to discuss changes to IFAD's investment policy, held on March 16 2011, IFAD gave a presentation "Changes to IFAD Investment policy" for review and discussion.
2. During the discussion, it was noted that the IFAD Statement of Investment Policy was the original 2001 paper, subsequently amended but without a comprehensive review. It was further noted that the financial environment today is not as it was in 2001. IFAD, therefore undertook to present a new Investment Policy Statement and accompanying Investment Strategy Paper for presentation to the Audit Committee and the Executive Board. This paper is currently being worked on and it is anticipated that it will be completed in time for the September 8 Audit Committee meeting and September 15 Executive Board.
3. At the same time, IFAD has a short term tactical problem in that it needs to amend urgently the current investment portfolio balance to ameliorate the unfavourable risk/return profile highlighted in the March 16 informal meeting.
4. IFAD Treasury will therefore enter into discussion with external managers to explore several pre-emptive options including the change of the benchmark by shortening the duration from the current level of 1.8 years as a short-term measure to address the negative outlook of the investment portfolio performance particularly in the global government bond sector (the year to date return as of end of March 2011 is -0.11%). The shortening of the duration will provide the same effect and protection by going to cash more easily than liquidating the securities as no transition process is involved. The outcome of these time-bound tactics being taken will be reported at the September Executive Board meeting.
5. Management therefore intends to inform the Executive Board of the tactical changes in the balance of the investment portfolio described above at the May 10-12 Executive Board meeting in advance of the full Investment Policy Statement being available in September.