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Investing in rural people

IFAD After-Service Medical Coverage Scheme Trust Fund Investment Policy Statement

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Abbreviations and acronyms

AEI	Agreement Establishing IFAD
ALM	asset liability management
ASMCS	IFAD After-Service Medical Coverage Scheme
CVaR	Conditional value-at-risk
IPS	Investment Policy Statement
PwC	PricewaterhouseCoopers
TRE	Treasury Services Division

Executive summary

1. The IFAD After-Service Medical Coverage Scheme (ASMCS) Trust Fund was established in 2003 by the Governing Council pursuant to Governing Council resolution 132/XXVI in order to ensure funds are set aside to provide medical benefits to IFAD staff receiving a United Nations pension. The resolution includes the obligation to follow the IFAD Investment Policy Statement (IPS) in managing investments and prohibits investments in equity and similar instruments.
2. Given the specificity of the IFAD ASMCS Trust Fund investment objectives, investment horizon and associated risk, within the provisions of IFAD's IPS, in 2012 the Treasury Services Division (TRE) designed a dedicated investment strategy, which was implemented through an external manager.
3. In June 2013, TRE approached the Audit Committee with the recommendation to perform an independent study to review the investment strategy and asset allocation in the context of the ASMCS's funding ratio and the evolving situation on the financial markets. IFAD committed to perform an independent asset liability management (ALM) study every three years. For 2017, the ALM review was performed by PricewaterhouseCoopers (PwC).
4. The outcome of the study confirmed that the current asset allocation is close to optimal. However, it also concluded that in order to minimize any funding gap and extraordinary contributions from IFAD's regular resources, in the midterm the optimal portfolio should include equity as well as emerging market debt.
5. Recommendations based on the study focus on changes in the investments of the Trust Fund. However, the optimal asset allocation resulting from the study does not require the approval of any additional asset class.
6. The ASMCS Trust Fund IPS reflects the specificity of the ASMCS Trust Fund, but follows the format of the IFAD IPS and, wherever appropriate, incorporates also a number of IFAD IPS provisions including sections on governance and a risk management framework.

Preamble

- I. The present IPS is adopted to address the need to establish the basic directives for the investment of the resources of the IFAD ASMCS Trust Fund. It aims to abide – as far as possible and within the objective and functions set forth in Governing Council resolution 132/XXVI establishing the IFAD ASMCS Trust Fund by the principles of the United Nations Global Compact.
- II. The responsibility to set the IPS rests with the Executive Board, within the parameters established by the Governing Council, whereas the President remains responsible for adopting guidelines for staff and external fund managers concerning investment of the IFAD ASMCS Trust Fund's resources.¹

¹ Detailed organizational structure and roles and responsibilities as outlined in the document Internal Control Framework for IFAD Investments (EB 2013/110/R.30/Add.1) apply also to this IPS.

Recommendation for approval

The Executive Board is invited to approve IFAD's After-Service Medical Coverage Scheme Trust Fund Investment Policy Statement, as contained in this document.

IFAD After-Service Medical Coverage Scheme Trust Fund Investment Policy Statement

I. Scope and purpose

1. This statement has been drafted in accordance with the Chartered Financial Analyst Institute's Elements of an Investment Policy Statement for Institutional Investors, which suggests desirable components of an investment policy statement for institutional investors. Minimum components of such a statement include the governance of investments, objectives for return and risk, and criteria for performance and risk management.²
2. The IFAD After-Service Medical Coverage Scheme Trust Fund Investment Policy Statement (IFAD ASMCS Trust Fund IPS) governs the investment of the Trust Fund's assets and provides an investment management framework. The purpose of this statement is to document the Trust Fund's investment policy by:
 - (a) Identifying key roles and responsibilities relating to the governance of the Trust Fund's investment portfolio (section II);
 - (b) Setting forth the Trust Fund's investment objectives for risk and return, including eligible asset classes (section III);
 - (c) Defining key components of investment guidelines (section III); and
 - (d) Establishing formalized criteria to measure, monitor and evaluate performance and risk (section IV).
3. The IFAD ASMCS Trust Fund IPS is intended to follow, where appropriate, the Investment Policy Statement applicable to IFAD's investment portfolio for regular resources.
4. Accordingly, the present document is divided into four sections. Annex I is to be considered an integral part of the document, while annex II is provided for information only.

A. Definition of investor and assets

5. The IFAD ASMCS Trust Fund was established pursuant to Governing Council resolution 132/XXVI.
6. The ASMCS is administered by the Food and Agriculture Organization of the United Nations and provides medical benefits for staff receiving a United Nations pension and for eligible former staff on a cost-sharing basis. In accordance with International Accounting Standard No. 19 (IAS 19 revised), the Trust Fund was established to cover IFAD's liabilities under the ASMCS.
7. IFAD has been appointed the administrator of the IFAD ASMCS Trust Fund, which includes also responsibility for managing the fund's investments.³

² Chartered Financial Analyst Institute, "Elements of an Investment Policy Statement for Institutional Investors", (May 2010), www.cfapubs.org/doi/abs/10.2469/ccb.v2010.n13.1.

³ Governing Council resolution 132/XXVI.

B. Actors and their roles

8. This section mirrors section I.B (Actors and their roles) in IFAD's IPS and any changes in IFAD's IPS will apply mutatis mutandis to this IPS.

Governing Council

9. The Governing Council is the supreme plenary organ of IFAD. It is composed of representatives of the Member States. All powers of IFAD are vested in the Governing Council. Subject to the limitations stated in the IFAD's charter, it may delegate powers to the Executive Board.

Executive Board

10. The Executive Board is the non-plenary executive organ of the IFAD and is composed of 36 Member States. In addition to providing oversight on the functions attributed to the President, it is responsible for the conduct of the general operations of IFAD and exercises the powers given to it by the charter or delegated by the Governing Council.

Audit Committee: The Executive Board has established a subsidiary body, the Audit Committee, to which it has referred, inter alia, questions concerning the investment of IFAD's resources in preparation for decisions by the Executive Board.

The President

11. Under the control and direction of the Governing Council and the Executive Board, the President heads, organizes and appoints and manages IFAD's staff, and is responsible for conducting the business of IFAD.

Advice and Discussion: In order to discharge functions related to financial management and investments, the President has established a management committee to provide investment and financial advice – Investment and Finance Advisory Committee (FISCO).

Organizational units: Based on his/her authority to organize staff, from time to time the President configures IFAD's organizational structure.

II. Governance

12. This section mirrors section II (Governance) in IFAD's IPS and any changes to IFAD's IPS will apply mutatis mutandis to this IPS.

A. Responsibilities for determining, executing and monitoring the investment policy

13. The President will ensure implementation and monitoring of all aspects of the IPS.

B. Process for reviewing and updating the investment policy

14. The appropriateness of the IPS will be reviewed every three years and will incorporate the outcome of an asset liability management (ALM) study, to be performed by a professional financial adviser. The Executive Board, at its last session of the calendar year, will review the IPS on the basis of a report submitted to it by the President. Having considered the report, the Executive Board may amend and update the IPS accordingly.

C. Responsibilities for approving investment guidelines and changes thereto

15. The President shall approve and adopt investment guidelines for managing the investment portfolio with due regard to the IPS.

D. Responsibilities for engaging and discharging the external investment manager, the custodian bank and other financial advisers

16. The President is responsible for the appointment and dismissal of the external investment manager, the custodian bank and other financial advisers required to execute the Fund's investments.
17. For the selection of the external investment manager, the custodian bank and other financial advisers, the President will follow a selection process governed by IFAD's Procurement Guidelines for Headquarters.
18. The external investment manager must fulfil the following initial requirements in order to be considered for the selection process:
 - (a) Manager must adhere to the governing legislation and regulation in the relevant country concerning financial services, including the authority of the competent regulatory body;
 - (b) Manager should endeavour to comply with the Global Investment Performance Standards and to provide at least historical quarterly performance data calculated on a time-weighted basis, based on a composite of fully discretionary accounts or similar investment style, and reported net and gross of fees;
 - (c) Manager must provide detailed information on the history of the firm, key personnel, key clients, fee schedule and support personnel; and
 - (d) Manager must clearly articulate the investment strategy that will be followed and document that the strategy has been adhered to over time.
19. The selected external investment manager is formally appointed on the signing of its investment management agreement by the President. The agreement outlines in detail the responsibilities of the manager.⁴
20. A copy of this IPS is provided to the investment management firm retained to provide investment services to IFAD. The firm will acknowledge receipt of the document and acceptance of its content in writing as part of the agreement. Sharing of the IPS is intended to make the manager aware of the overarching principles as a common basis and as applicable to the investment guidelines of the investment portfolio.

E. Responsibilities for monitoring the external investment manager, the custodian bank and other financial advisers

21. The President will ensure that properly equipped organizational units are made responsible for developing and maintaining relationships with the external investment manager and the custodian bank.
22. The President will ensure that the appointed investment manager fulfils its mandate within the contractual obligations outlined in the relevant investment management agreement, including the investment guidelines incorporated in the agreement. This may comprise:
 - (a) Follow-up with the external investment manager on compliance issues following the preparation of compliance reports and/or alerts resulting from these. All compliance issues are summarized in a monthly compliance audit report;
 - (b) Monitoring of criteria that would result in placing an investment manager on "watch" for consideration of possible replacement;

⁴ Responsibilities include: investment authority, liability of manager, representations and warranties, performance benchmark, fees, reporting and other administrative requirements. The IPS and relevant investment guidelines are incorporated in each agreement.

- (c) Monthly monitoring of the performance of the external investment manager relative to benchmark and other key performance indicators (an annual report is submitted to the Executive Board);
- (d) Monthly and quarterly review of performance and risk statistics provided by the custodian bank;
- (e) Month-end review of trade executions; and
- (f) Regular review meetings with the external investment manager and other service providers.

23. With regard to the custodian bank, the President will ensure the following:

- (a) Monitoring adherence to the master custody agreement;
- (b) Monitoring the service-level agreement and key performance indicators that form part of the master custody agreement; and
- (c) Quarterly service review meetings.

F. Responsibilities for the determination of asset allocation

- 24. Strategic asset allocation is driven by the financial and actuarial characteristics of the ASMCS liabilities and the ASMCS Trust Fund's risk budget. The strategic asset allocation shall be verified in a three-year cycle by an ALM study performed by a professional financial adviser.
- 25. Under this approach necessary adjustments are made to the investment portfolio composition to ensure an optimal portfolio to mitigate risks and remain within the approved risk budget. The risk budget for the overall portfolio is approved by the Executive Board. Within this limit, the President approves the asset allocation for the investment portfolio.

G. Responsibilities for risk management, monitoring and reporting

- 26. The President will ensure, through the Risk and Compliance Function, ongoing and rigorous internal monitoring of and adherence to the risk budget while closely analysing any investment risk on the externally managed portfolio. This may comprise:
 - (a) Day-to-day monitoring of the portfolio for compliance and risk-related issues;
 - (b) Follow-up with the external investment manager on compliance issues;
 - (c) Follow-up with the external manager on credit issues when the risk level reaches the maximum allowable limit as stated in the risk budget;
 - (d) Review of level of risk budget measures and of other relevant risk measures on a monthly basis; and
 - (e) Review of the status of the alignment of the IFAD ASMCS Trust Fund's assets with the currency exposure of IFAD's liabilities under the ASMCS for currency risk hedging purposes and recommend corrective actions when needed.

III. Investments, return and risk objectives

A. Overall investment objective

- 27. The Governing Council adopted resolution 132/XXVI, which states that "IFAD will invest the resources of the IFAD ASMCS Trust Fund prudently [and] non-speculatively". In light of this resolution, the ASMCS Trust Fund investments will adopt the general principles for the investment of funds as outlined in IFAD's Financial Regulation VIII.2 for regular resources:

- (a) Security – meaning preserving value of assets implying that no negative return should be strived for within the parameters in the risk budget approved by the Executive Board.
- (b) Liquidity – meaning liquidity of assets. The portfolio should be invested in instruments that are publicly traded in sufficient volume to facilitate, under most market conditions, prompt sale without significant market price effect.⁵
- (c) Return – the long-term average return over a period of 40 years should be equal to or greater than the return used as discount rate to value the amount of the ASMCS liability calculated using the funding valuation⁶ methodology in order to minimize any funding gap and extraordinary contributions by IFAD's regular budget as foreseen in GC 26/L.7.

B. Risk tolerance

28. The level of risk taken should be consistent with the overall investment objective of the IFAD ASMCS Trust Fund as described in section III.A, paragraph 27. It is recognized and acknowledged that some risk must be assumed in order to achieve the investment objectives. Quantified risk tolerance levels are determined and approved within the risk-budgeting framework. The IFAD ASMCS Trust Fund actors are responsible for understanding the risks and for measuring and monitoring them continually.

C. Eligible asset classes

29. The following asset classes are eligible within the IFAD ASMCS Trust Fund's asset allocation:

Short-term instruments

- (a) Short-term investments, including but not limited to time deposits, credit-linked notes, floating rate notes, treasury bills or equivalent securities.

Fixed-income securities

- (b) Government and government agencies
- (c) Government and government agencies inflation-linked
- (d) Supnationals
- (e) Asset-backed securities (only agency-issued or -guaranteed)
- (f) Corporate bonds
- (g) Emerging market government debt⁷ denominated in local and foreign currencies

Equity securities

- (h) Developed market equities

⁵ The ASMCS operates on a pay-as-you-go basis, meeting annual costs out of annual budgets and staff contributions. Hence the purpose of the ASMCS Trust Fund is to cover the after-service medical costs for eligible staff in case IFAD ceases to exist.

⁶ Extraordinary contributions are made to the Trust Fund based on the amount of the liability derived from the funding valuation methodology as opposed to the accounting valuation, as the funding valuation is used to calculate the funding ratio.

⁷ Including quasi-sovereign issuers that are at least 50 per cent government owned.

30. Descriptions of eligible asset classes and their minimum credit quality requirements (as applicable) are outlined in the following table. Annex II lists the current asset allocation for information.

Eligible asset and credit rating floors

Eligible Asset Classes	
<i>Fixed Income</i>	<i>Credit rating floors (Standard & Poor's [S&P], Moody's and Fitch)</i>
Short-term investments	Counterparty must have a minimum short-term rating of A-1 (S&P or Fitch) or P-1 (Moody's)
Government and government agencies fixed-income securities	Investment grade
Government and government agencies inflation-linked fixed-income securities	Investment grade
Supranationals	Investment grade
Asset-backed securities (only agency-issued or guaranteed)	AAA*
Corporate bonds	Investment grade
Emerging market government debt denominated in local and foreign currencies	Investment grade
<i>Equities</i>	<i>Index</i>
Developed market equities	Morgan Stanley Capital International – developed market equities
Derivatives (for hedging purposes only)	
	<i>Credit rating floors (S&P, Moody's and Fitch)</i>
Currency forwards	Counterparty must have a minimum short-term rating of A-1 (S&P or Fitch) or P-1 (Moody's)
Exchange-traded futures and options	Counterparty must have a minimum short-term rating of A-1 (S&P or Fitch) or P-1 (Moody's)
Interest rate swaps	Counterparty must have a minimum short-term rating of A-1 (S&P or Fitch) or P-1 (Moody's)
Credit default swaps	Counterparty must have a minimum short-term rating of A-1 (S&P or Fitch) or P-1 (Moody's)

* Or equivalent of United States Treasuries or German Bunds ratings, within investment grade.

31. Eligible instruments and all other components of the investment guidelines are approved and updated by the President. Investment guidelines are incorporated into the investment management agreement and will include at least the following components:
- Investment objectives: defining expected return and risk;
 - Risk budget (tracking error, etc.);
 - Base currency: typically United States dollar;
 - Performance benchmark;
 - Eligible currencies;
 - Eligible instruments;
 - Minimum and maximum portfolio duration;
 - Credit quality;
 - Diversification requirements; and

(j) Clearing for futures and options.

32. The benchmark identified in the investment guidelines must meet the following criteria: (i) unambiguous, transparent and simple; (ii) investable and replicable; (iii) measurable and stable; (iv) appropriate to the investment purpose; (v) reflective of current investment opinions; and (vi) specified in advance.
33. The investment portfolio will have a performance benchmark.
34. The IFAD ASMCS Trust Fund does not use any form of leverage.⁸

D. Tax considerations and other privileges and immunities

35. Pursuant to article 10 of the Agreement Establishing IFAD (AEI), and in line with IFAD's privileges, the IFAD ASMCS Trust Fund shall enjoy in the territory of each of IFAD's Members such privileges and immunities as are necessary for the exercise of IFAD's functions and for the fulfilment of its objective.
36. The privileges and immunities referred to in article 10, section 2(a) of the AEI are set forth in the Convention on Privileges and Immunities of the Specialized Agencies of the United Nations and in annex XVI thereof. Accordingly, article 10, section 2(b) (i) and (ii) of the AEI provide that, in the case of Member States that have ratified said convention, the privileges and immunities referred to in article 10, section 2(a) shall be defined in the standard clauses of that convention as modified by an annex thereto, approved by IFAD's Governing Council.
37. In particular, the Convention provides that the property and assets of the IFAD ASMCS Trust Fund, being assets of IFAD, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation and any other form of interference, whether by executive, administrative, judicial or legislative action. Moreover, the Trust Fund may freely transfer funds, gold or currency from one country to another or within any country and convert any currency held into any other currency. Furthermore, the Trust Fund is exempt from all direct taxes on its assets, income and property.⁹

IV. Risk management framework and performance measurement

38. This section mirrors section IV (Risk management framework and performance measurement) in IFAD's IPS and any changes to IFAD's IPS will apply mutatis mutandis to the IFAD ASMCS Trust Fund IPS where appropriate.

A. Risk management framework, risk budgeting, decision-making process

Risk management framework

39. The IFAD ASMCS Trust Fund's investments are subject to a number of risk types: interest rate, currency, credit, liquidity and operational risks (see section IV.B.). These risks are constantly monitored and measured on a monthly basis with appropriate risk metrics either provided by the custodian or derived from internal analyses.
40. The President will ensure that appropriate organizational units are made responsible for managing, monitoring, analysing and assessing risks and reporting risk levels in the same manner as for the IFAD IPS.

⁸ Leverage is defined as a level in excess of capital invested in that asset or exposure to any asset in excess of the market value appreciation of the asset.

⁹ Article III, *Convention on Privileges and Immunities of the Specialized Agencies of the United Nations*.

Risk budgeting

41. Risk budgeting is the procedure of allocating risk within funds. It entails setting predetermined risk limits for the investment portfolio. These measures are monitored and the portfolio adjusted whenever they exceed the tolerance level.
42. The risk budget for the portfolio (see annex I) is approved and adopted by the Executive Board and is monitored in line with the procedures in place for IFAD's IPS.
43. As part of the annual report on IFAD's investment portfolio, the Executive Board will receive updates on the IFAD ASMCS Trust Fund's investment portfolio performance and risk level versus established risk budgets, and will be informed of any adjustments to be made to align with agreed risk levels.
44. The IFAD ASMCS Trust Fund's external asset manager will engage in active management, consistent with the risk budget and tracking error limits provided. Active management is limited to a discretionary authority to address the tracking errors and any other constraints deriving from the risk management framework. Deviations from the benchmark are addressed under this discretionary authority and are intended to optimize the external (or internal if any) asset manager's skills and the derived return in the risk-budgeting context.

Decision-making process for establishing and rebalancing the portfolio allocation in line with risk tolerance limits

45. Should one or more of the risk measures exceed the budgeted level, the President shall ensure that an analysis to highlight the source of increased risk is carried out.
46. Should the excess overall portfolio risk stem from joint factors in overall asset allocation, the President will ensure that various options are analysed in order to formulate actions to bring back the overall risk profile of the portfolio to the budgeted level.
47. Any risk-mitigating measure(s) taken will be reported to the Executive Board as part of the report on IFAD's investment portfolio on an annual basis.

B. Risk types and metrics

48. The President will ensure that analyses are performed and reports prepared on the following risks.

Interest rate risk

49. Interest rate risk, including volatility risk, is monitored for the overall portfolio and for single managers based on measures provided on a monthly basis by the custodian or by another external risk management company. Examples of these measures include the portfolio's standard deviation, the value-at-risk, the conditional value-at-risk and the active risk compared with benchmarks.
50. The data provided by the custodian are complemented by internal independent analyses through the Risk and Compliance Function on single securities performed through the use of sources such as Bloomberg and other market sources.

Credit risk

51. Credit risk, in addition to ongoing internal overview and monitoring, is managed through the establishment of a minimum rating floor in the investment guidelines. The eligibility of individual securities and issuers is determined on the basis of ratings by major credit-rating agencies.

Counterparty risk

52. Counterparty risk is managed for all investments through establishment of a minimum rating for eligible counterparties, including banks for operational cash and for short-term investments. Counterparty risk will also be managed by capping exposure to each issuer/bank.

Currency risk

53. Currency risk is managed on an asset liability management basis and monitored through a comparison between the composition of the IFAD ASMCS Trust Fund assets and the ASMCS claims' currency exposure. The liabilities of IFAD under the ASMCS are expressed in both euros and United States dollars. Consequently, the Fund's overall assets are maintained in such a proportion as to ensure IFAD's liabilities are matched, to the extent possible, by assets denominated in, or hedged into, the relevant currencies.¹⁰
54. Any currency changes within IFAD's ASMCS liabilities, as determined by the annual actuarial study, will be applied to the ASMCS asset portfolio to avoid currency risk exposure.
55. Monitoring of the status of alignment to the ASMCS claims' currency exposure is performed on a monthly basis and changes may be implemented in the asset portfolio in order to mitigate currency risk.

Operational risk

56. Operational risk includes all risk sources other than those stated above, including business continuity and legal risk.
57. The President will ensure that any legal risk is assessed by the Office of the General Counsel.
58. The President will ensure that procedural risk is addressed by establishing a clearly defined framework of responsibility and accountability within IFAD's financial structure.

C. Performance measurement and reporting

Performance measurement

59. The custodian calculates performance of the investment portfolio and provides a monthly update.
60. Performance of the investment portfolio is calculated both in United States dollars and in local currency equivalents, i.e. by stripping out the effect of fluctuations of the currencies in which the portfolio is invested.
61. Performance is compared with the relative benchmark index and out- and underperformances are highlighted in the reports.
62. The custodian also provides risk-adjusted return measures on the overall portfolio and by manager, including the Sharpe Ratio, tracking error and information ratio, and beta, alpha and r-squared.
63. On a quarterly basis, the custodian provides performance attribution analysis for the portfolio.

Performance reporting

64. The President will ensure that a monthly overall analysis is carried out on portfolio performance in United States dollars, together with performance attribution, and that the performance in local currency equivalents is also reported.
65. The overall portfolio and benchmark performance in local currency terms will be reported annually to the Executive Board at its first session of the year in the report on IFAD's investment portfolio. The report will include performance figures for the previous year.
66. Should the manager show a significantly poor performance for a period of three or more months, or should a sudden change in a manager's performance trend be observed in a specific month, the manager will be contacted and a written

¹⁰ As of December 2014, the currency exposure is approximately two thirds in euros and one third in United States dollars.

explanation of the performance trend will be required. If the underperformance persists, the President will take the necessary measures to ensure that a strategy and corrective action for the underperforming manager are put in place.

D. Monitoring of compliance

67. The President will ensure performance of the following: Monitoring of the external investment manager's compliance with IFAD's investment guidelines on a daily basis through an online application provided by the custodian and through internal analyses provided by the Risk and Compliance Function in conjunction with TRE. Should the compliance system trigger an alert message, this will be analysed and action with respect to the manager will be taken as deemed necessary.

Risk budget – ASMCS investment portfolio

I. Key risk measure

- Conditional value-at-risk (CVaR) at 95 per cent confidence level over a one-year horizon (1-year CVaR). CVaR is the average investment (nominal) loss in the 5 per cent of worst case scenarios of the overall portfolio over a one-year horizon. This measure quantifies the distribution of losses in the 5 per cent left tail and is an indicator of so-called "tail risk".

II. Risk tolerance levels

- 1-year CVaR at 95 per cent confidence level. Budget level: Maximum 8.0 per cent of total portfolio market value. If the CVaR level reaches 8.0 per cent of total portfolio market value, steps will be taken to reduce the risk level, including but not limited to steps to rebalance the investment portfolios' asset allocations.

This annex is an integral part of the IFAD ASMCS Trust Fund's Investment Policy Statement.

Risk budget and strategic asset allocation as at 31 December 2017

As at December 2017 the portfolio is managed as a single mandate.

- I. Risk tolerance level
 1. Ex ante tracking error (one-year forward-looking)
 - ACMCS global diversified fixed-income portfolio: maximum 3.0 per cent
 2. 1-year CVaR at 95 per cent confidence level
 - ACMCS global diversified fixed-income portfolio: 8.0 per cent
- II. Strategic asset allocation changes following PwC outcome
Current strategic asset allocation within the IFAD ASMCS Trust Fund's risk budget:

<i>Asset Type</i>	<i>Allocation</i>
Corporate fixed income	50-100 per cent
Government bonds	0-50 per cent
<ul style="list-style-type: none"> • Developed markets • Emerging markets hard currency 	0-25 per cent 0-25 per cent
Equity developed market	0-25 per cent

- IFAD reviewed the proposed asset allocation of a study performed by PwC and agreed with the potential benefits that could be achieved following the study's results. Nevertheless, IFAD's strategic allocation remains more prudent in current market conditions relative to the PwC proposition.
- A more conservative asset allocation is considered appropriate, in particular when considering the possibility of investing in equities. In order to ensure the flexibility of the investment strategy, the optimal asset allocation is expressed in terms of percentage ranges, not single percentage values. This will allow IFAD to implement the optimal asset allocation when the market allows.

This annex is for information only.