



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
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**REPORT ON IFAD'S INVESTMENT PORTFOLIO FOR THE
SECOND QUARTER OF 1999**

I. INTRODUCTION

1. The following report on IFAD's Investment Portfolio covers the three-month period ending 30 June 1999 and includes figures for the first quarter of 1999, cumulative figures for the first six months of the year and comparative figures for the year ending 31 December 1998.

II. INVESTMENT CONDITIONS

2. This section reviews the economic and investment environment prevailing in the second quarter of 1999.

A. Economic Background

Gross Domestic Product

3. Annex I shows percentage changes in real gross domestic product (GDP) for the countries whose currencies are included in the Special Drawing Rights (SDR) valuation basket, namely, the Euro zone countries, Japan, the United Kingdom and the United States.

4. The United States' economy has grown well above the long-term trend rate. The main engine of growth is the introduction of new technology which stepped up productivity and led to high levels of consumer spending as confidence was boosted by the soaring stock market.

5. The economies of the three major Euro zone countries continued to be quite weak with an annualized growth rate of less than 1% in France, Germany and Italy. The introduction of the single currency at the start of the year has stiffened competition within Europe as consumers and corporate buyers find it easier to compare prices within the zone. In addition, consumer spending has slowed down since the first quarter, leading to possible falls in corporate profits.



6. The Japanese economy is struggling to recover after a long period of declining growth. Despite a good first quarter, recent statistics from Japan continue to indicate a weak economic picture. For example, housing and construction orders are at their lowest levels for a decade.

7. Recent economic data from the United Kingdom had been on the strong side, indicating a pick-up in economic growth in the second quarter. However, the strong currency is affecting the competitiveness of the United Kingdom's manufacturing sector.

8. Economic recovery in the emerging markets is well under way, with reports of a GDP growth in many Asian and East European countries.

Labour Market Development

9. Annex II shows unemployment rates as a percentage of the labour force for countries whose currencies are included in the SDR valuation basket.

10. Unemployment is gradually falling in continental Europe whereas slight increases are foreseen in the United States and the United Kingdom. In Japan, unemployment has reached its highest level for the past 50 years and the situation is expected to deteriorate further over the next 18 months.

Inflation

11. Annex III shows the percentage changes in consumer prices for countries whose currencies are included in the SDR valuation basket.

12. Inflation remains low in the United States, despite the recent increase in oil prices and a tight labour market. It is not expected that manufacturers will pass the price increases on to consumers because of intense competition from imports. Increasing access to price databases has led to the intensification of competitive shopping at both the wholesale and retail levels.

13. In Europe, the increase in oil prices was mainly responsible for inflation in the second quarter. In Japan, wage increases are being kept at very low levels and consumer prices are expected to continue to fall during the year.

Monetary Policies

14. Annex IV shows the evolution of central bank and government-controlled interest rates for the four currencies included in the SDR valuation basket.

15. Following a series of rate cuts in the last quarter of 1998, largely due to the deteriorating international economic environment, the United States Federal Fund's overnight rate remained stable at 4.75% per annum until June 1999 when it was raised by 25 basis points to 5% per annum to combat the risk of incipient inflation.

16. In the Euro zone, on 8 April 1999 the official Euro overnight rate was cut from 3% per annum to 2.5% per annum under the aegis of the European central bank. This marked the first change in the official interest rate since the introduction of the new currency on 1 January 1999.

17. In Japan, the official discount rate remained unchanged at 0.5% per annum while, in a series of rate cuts, the bank rate in the United Kingdom declined from 6% per annum at the beginning of the year to 5% on 30 June 1999.



Exchange Rates

18. Annex V illustrates the end-of-month exchange rates of the United States dollar against the other three currencies included in the SDR evaluation basket.

19. During the fourth quarter, all three currencies depreciated against the United States dollar. The weakest of the three currencies was the Euro, which depreciated by about 4.5% against the United States dollar during the second quarter of 1999.

Fiscal Policy

20. Annex VI shows budget deficits as a percentage of normal GDP for the countries whose currencies are included in the SDR valuation basket.

21. The United States is expected to achieve a budget surplus in 1999 and a decline in the budget deficit is expected in the Euro zone countries. Japan is expected to increase its budget deficit in both 1999 and 2000 as government borrowing increases to finance projects that stimulate the economy.

B. Financial Markets

22. Annex VII shows the evolution of short and long-term interest rates for the four currencies included in the SDR valuation basket.

23. With the exception of the United States, where short-term rates rose in response to tightening by the Federal Reserve, short-term interest rates have fallen in the second quarter.

24. United States bond yields rose in expectation of Federal Reserve tightening. The weakness of the Euro prompted many overseas holders of Euro-denominated bonds to sell their holdings and this resulted in significant yield increases.

25. Annex VIII shows bond market returns for countries included in the J.P. Morgan Global Government Bond Traded Index. The benchmark index includes both coupon income and capital gains and losses, in line with market practice. All bond markets performed poorly in the second quarter of 1999.

26. Annex IX shows the performance of the J.P. Morgan Global Government Bond Traded Index (reweighted for currency matching purposes) in local currency terms compared with the Solomon Brothers Broad Investment Grade (BIG) Index. The latter includes United States Treasury bonds and corporate bonds denominated in United States dollars, and is used as a benchmark for IFAD's diversified fixed-interest portfolio. The chart indicates a deteriorating bond market in the second quarter of 1999.

27. Annex X shows the development of the five equity markets in which IFAD has invested: Japan; Asia and Australasia (excluding Japan); emerging markets; North America; and Europe. The first three markets showed a strong performance in the second quarter, and the Japanese equity market was strengthened by buying on the part of overseas investors. Europe continued to perform poorly, reflecting concern about the weakness of the Euro.

III. RATE OF RETURN AND INVESTMENT STRATEGY

Overall Portfolio Performance

28. Investment income for the second quarter of 1999 amounted to USD 46 185 000 equivalent which, added to income for the first quarter of USD 25 702 000 equivalent, amounted to USD 71 887 000 equivalent for the first six months of 1999. In line with market practice, capital gains and losses include both realized and unrealized gains and losses. All amounts are included on an accrual basis. Table 1 summarizes net investment income earned during the period under review, while further details of gross income per market are provided in Tables 4 and 7 for fixed-interest investments and equities investments, respectively.

**Table 1: Investment Income
(USD '000 equivalent)**

	FIXED INTEREST	EQUITIES	SECOND QUARTER 1999	FIRST QUARTER 1999	YEAR TO DATE (1999)	1998
Interest from fixed-income investments and bank accounts	22 164	258	22 422	23 162	45 584	112 668
Dividend income	-	2 417	2 417	1 999	4 416	5 654
Realized capital gains	(6 185)	5 800	(385)	10 780	10 395	40 846
Unrealized capital gains	(40 792)	65 124	24 332	(8 472)	15 860	36 111
Subtotal: gross investment income	(24 813)	73 599	48 786	27 469	76 255	195 279
Securities lending income	134	32	166	137	303	905
Custody fees	(528)	(128)	(656)	(331)	(987)	(1 469)
Investment management fees	(849)	(848)	(1 697)	(1 573)	(3 270)	(6 132)
Financial advisory fees	(118)	(29)	(147)	-	(147)	(138)
Taxes	(2)	(213)	(215)	-	(215)	(129)
Other investment expenses	(60)	8	(52)	-	(52)	(417)
Net investment income	(26 236)	72 421	46 185	25 702	71 887	187 899

29. The relative size of the two main sections of the investment portfolio and the movements affecting the portfolio are shown in Table 2.

**Table 2: Movements in Cash and Investments
(USD '000 equivalent)**

	FIXED-INTEREST PORTFOLIO	EQUITIES PORTFOLIO	OVERALL PORTFOLIO
Opening balance (31 March 1999)	1 780 375	429 966	2 210 341
Transfers between portfolios	(70 973)	70 973	-
Other net outflows	(4 354)	-	(4 354)
Gross investment income	(24 813)	73 599	48 786
Securities lending income	134	32	166
Fees, charges and taxes	(1 557)	(1 210)	(2 767)
Movements on exchange	(28 493)	(267)	(28 760)
Closing balance (30 June 1999)	1 650 319	573 093	2 223 412

30. The overall rate of return on the portfolio, net of management and custodian fees, for the second quarter of 1999 was 2.11%. Taking account of the rate of return of 1.14% for the first quarter of 1999, this results in a return for the first six months of 1999 of 3.26% (annualized 6.52%) compared with 8.5% in 1998. Returns were affected by weak performance in the fixed-interest sector and a strong performance by the equity markets.

31. The performance of the various sectors of the investment portfolio is measured against preassigned independent benchmarks indicating the return that may be expected through passive management of a defined sector of the market. Table 3 compares the return of each major section of the portfolio with the appropriate benchmark rate of return, and shows an overall outperformance of 27 basis points for the second quarter of 1999 compared with an overall underperformance of 42 basis points in the first quarter of 1999. This results in an overall underperformance of 16 basis points for the first six months of 1999 (c.f. 1998 overall outperformance of 153 basis points). This information is presented graphically in Annex XI.

Table 3: Overall performance Compared with Benchmarks – Second Quarter 1999

	Rate of Return %		Out/(Under) Performance
	Portfolio	Benchmark	
Total fixed interest	(1.49)	(1.13)	(0.36)
Total equities	15.35	13.54	1.81
Overall portfolio gross rate of return	2.22	1.95	0.27
Less management fees, etc.	(0.12)	(0.12)	-
Overall portfolio net rate of return	2.10	1.83	0.27
1st Quarter 1999 net rate of return	1.14	1.56	(0.42)
Six months 1999 net rate of return	3.26	3.42	(0.16)
Year 1998 net rate of return	8.50	6.97	1.53

Fixed-Interest Portfolio

32. The fixed-interest portfolio consists of the internally-managed portfolio, the global bonds portfolio and the diversified fixed-interest portfolio. In aggregate, the loss for the second quarter of 1999 amounted to USD 26 236 000, as shown in Table 4.

**Table 4: Fixed-Interest – Investment Income
(USD '000 equivalent)**

	INTERNALLY MANAGED PORTFOLIO	GLOBAL FIXED INTEREST PORTFOLIO	DIVERSIFIED FIXED INTEREST PORTFOLIO	TOTAL FIXED INTEREST PORTFOLIO
Interest from fixed-income investments and bank accounts	446	18 273	3 445	22 164
Dividend income	-	-	-	-
Realized capital gains/(losses)	-	(3 759)	(2 426)	(6 185)
Unrealized capital gains/(losses)	-	(38 868)	(1 924)	(40 792)
Subtotal: gross investment income	446	(24 354)	(905)	(24 813)
Securities lending income	4	114	16	134
Custody fees	(17)	(450)	(61)	(528)
Investment management fees	-	(652)	(197)	(849)
Financial advisory fees	(4)	(101)	(13)	(118)
Taxes	-	-	(2)	(2)
Other investment expenses	(95)	38	(3)	(60)
Net investment income	334	(25 405)	(1 165)	(26 236)

33. Movements affecting the fixed-interest portfolio during the second quarter of 1999 are shown in Table 5.

**Table 5: Movements on Fixed-Interest Portfolio — Second Quarter 1999
(USD '000 equivalent)**

	INTERNALLY-MANAGED PORTFOLIO	GLOBAL FIXED-INTEREST PORTFOLIO	DIVERSIFIED FIXED-INTEREST PORTFOLIO	TOTAL FIXED-INTEREST PORTFOLIO
Opening balance (31 March 1999)	56 311	1 516 989	207 075	1 780 375
Transfers between portfolios	37 682	(108 911)	256	(70 973)
Other net outflows	(4 354)	-	-	(4 354)
Gross investment income	446	(24 354)	(905)	(24 813)
Securities lending income	4	114	16	134
Fees, charges and taxes	(115)	(1 165)	(277)	(1 557)
Movements on exchange	(515)	(27 645)	(333)	(28 493)
Closing balance (30 June 1999)	89 459	1 355 028	205 832	1 650 319

34. The performance of the fixed-interest portfolio by type of mandate is presented in Table 6. This information is presented graphically in Annex XII.

Table 6: Fixed-Interest Performance Compared With Benchmarks — Second Quarter 1999

	Rate of Return %		Out/(Under) Performance
	Portfolio	Benchmark	
Internally-managed portfolio	0.37	0.90	(0.53)
Global government bonds	(1.79)	(1.30)	(0.49)
Diversified fixed interest	(0.44)	(0.90)	0.46
Total fixed interest	(1.49)	(1.13)	(0.36)
1st Quarter 1999 rate of return	(0.55)	0.05	(0.60)
Six months 1999 rate of return	(2.04)	(1.08)	(0.96)
Year 1998 net rate of return	11.52	10.23	1.29

35. The fixed-interest portion of the portfolio continued to perform poorly in the second quarter of 1999. Most of the external managers entrusted with global government bonds mandates continued to underweight Japan and lower the duration of European and United States bonds. In the diversified fixed-interest area, the external managers underweighted global and corporate bonds and overweighted mortgage-backed securities.

Equities Portfolio

36. The equities portfolio performed well in the second quarter of 1999, and further funding of North American equities mandates was made during this period. In aggregate, the investment income attributable to the equities portfolio for the second quarter of 1999 was USD 72 421 000, as illustrated in Table 7.

**Table 7: Equities – Investment Income
(USD '000 equivalent)**

	JAPANESE EQUITIES	ASIAN AND AUSTRALASIAN EQUITIES	EMERGING MARKETS EQUITIES	NORTH AMERICAN EQUITIES	EUROPEAN EQUITIES	CURRENCY OVERLAY	TOTAL
Interest income	-	30	48	33	33	114	258
Dividend income	34	530	724	491	638	-	2 417
Realized capital gains/(losses)	1 323	1 815	858	2 380	(576)	-	5 800
Unrealized capital gains/(losses)	11 683	13 010	28 381	11 305	745	-	65 124
Subtotal: gross investment income	13 040	15 385	30 011	14 209	840	114	73 599
Securities lending income	8	6	6	7	5	-	32
Custody fees	(32)	(25)	(25)	(29)	(17)	-	(128)
Investment management fees	(136)	(141)	(324)	(191)	(56)	-	(848)
Financial advisory fees	(7)	(6)	(6)	(6)	(4)	-	(29)
Taxes	-	(31)	(97)	(31)	(54)	-	(213)
Other investment expenses	-	2	9	-	(3)	-	8
Net investment income	12 873	15 190	29 574	13 959	711	114	72 421

37. Movements affecting the equities portfolio during the second quarter of 1999 are shown in Table 8.

**Table 8: Movements on the Equities Portfolio — Second Quarter 1999
(USD '000 equivalent)**

	JAPANESE EQUITIES	ASIAN AND AUSTRALASIAN EQUITIES	EMERGING MARKETS EQUITIES	NORTH AMERICAN EQUITIES	EUROPEAN EQUITIES	CURRENCY OVERLAY	TOTAL
Opening balance (31 March 1999)	107 323	82 798	85 244	96 408	58 193	-	429 966
Transfers between portfolios	167	166	349	60 219	72	10 000	70 973
Subtotal: gross investment income	13 040	15 385	30 011	14 209	840	114	73 599
Securities lending income	8	6	6	7	5	-	32
Fees, charges and taxes	(175)	(201)	(443)	(257)	(134)	-	(1 210)
Exchange gains/(losses)	(2 153)	2 108	1 769	-	(2 097)	106	(267)
Closing balance (30 June 1999)	118 210	100 262	116 936	170 586	56 879	10 220	573 093

38. The performance of the equities portfolio by type of mandate is presented in Table 9. This information is presented graphically in Annex XIII.

Table 9: Equities Performance Compared with Benchmark — Second Quarter 1999

Portfolio	Rate of Return %		Out/(Under) Performance
	Portfolio	Benchmark	
Equities, Japan	12.40	11.97	0.43
Equities, Asia and Australasia (excluding Japan)	18.57	21.05	(2.48)
Equities, Emerging markets	35.16	22.89	12.27
Equities, North America	9.84	7.46	2.38
Equities, Europe (funded 2/99)	1.46	3.64	(2.18)
Total equities	15.35	13.54	1.81
1st Quarter 1999 net rate of return	9.97	9.95	0.02
Six months 1999 net rate of return	26.85	24.84	2.01
Year 1998 net rate of return	(7.05)	(10.03)	2.98

39. The equities portion of the portfolio continued to perform well in the second quarter of 1999. Equities managers outperformed the benchmark, mainly by stock-picking but also by underweighting or overweighting particular industries or countries. A notable outperformance was achieved in the emerging markets portfolio, largely by overweighting Asian markets and underweighting Eastern Europe which continued to be affected negatively by the Balkans war.

IV. COMPOSITION OF THE PORTFOLIO

General

40. As of 30 June 1999, the Fund's investment portfolio amounted to USD 2 223 412 000 equivalent (31 March 1999 – USD 2 210 341 000 equivalent) excluding amounts subject to restriction provided by donors for participation in specific IFAD projects and activities. During the second quarter of 1999, prior to taking account of movements in exchange rates, the amount of the portfolio increased by USD 41 831 000 (first quarter 1999 – USD 7 934 000 equivalent), as indicated in Table 10.

**Table 10: Analysis of Cash Flows in the Overall Portfolio
(USD '000 equivalent)**

	SECOND QUARTER 1999	FIRST QUARTER 1999	YEAR TO DATE 1999	12 MONTHS TO 31 DECEMBER 1998
Opening balance	2 210 341	2 268 295	2 268 295	2 150 730
Net investment income	46 185	25 702	71 887	187 899
Other net outflows	(4 354)	(17 768)	(22 122)	(138 775)
Increase, prior to exchange adjustments	41 831	7 934	49 765	49 124
Exchange movement	(28 760)	(65 888)	(94 648)	68 441
Closing balance	2 223 412	2 210 341	2 223 412	2 268 295

Composition of the Portfolio by Instrument

41. IFAD's portfolio is divided into fixed-interest and equities portfolios. Table 11 provides an analysis of the instruments held in each of the main sections of the investment portfolio, while a more detailed analysis of the fixed-interest portfolio is found in Annex XIV.

**Table 11: Analysis of the Portfolio by Instrument as at 30 June 1999
(USD '000 equivalent)**

INSTRUMENTS	FIXED INTEREST PORTFOLIO 30.06.99	EQUITIES PORTFOLIO 30.06.99	OVERALL PORTFOLIO 30.06.99	OVERALL PORTFOLIO 31.03.99	OVERALL PORTFOLIO 31.12.98
Cash	50 409	3 140	53 549	36 804	60 848
Time deposits	269 773	19 565	289 338	247 832	201 442
Treasury bills	-	-	-	338	173
Global government bonds	1 205 411	-	1 205 411	1 421 572	1 545 332
Emerging market bonds	22 883	-	22 883	21 982	13 603
Mortgage-backed securities	169 823	-	169 823	97 606	90 440
Asset-backed securities	-	-	-	1 905	1 965
Corporate bonds	49 127	-	49 127	47 351	52 698
Equities	-	543 205	543 205	411 345	324 500
Futures	365	-	365	282	422
Options	12	-	12	-	-
Open trades	(142 273)	(410)	(142 683)	(113 913)	(64 082)
Accrued interest income	23 948	1	23 949	29 730	33 593
Dividends receivable	-	572	572	1 202	407
Non-convertible currencies	841	7 020	7 861	6 305	6 954
Total	1 650 319	573 093	2 223 412	2 210 341	2 268 295
Percentage	74.2%	25.8%	100.0%	100.0%	100.0%

Composition of the Portfolio by Currency

42. The majority of IFAD's commitments are expressed in SDRs. Consequently, its overall assets are maintained in such a way as to ensure that, to the extent possible, commitments for undisbursed loans and grants denominated in SDRs are matched by assets denominated in the currencies and in the ratios of the SDR valuation basket. Similarly, the general reserve and commitments for grants denominated in United States dollars are matched by assets denominated in United States dollars.

43. Every five years, the Executive Board of the International Monetary Fund (IMF) reviews the SDR valuation basket to determine which currencies should be part of the basket, and which percentage weight should apply to each currency at the date of the reweighting of the basket.

44. At the last such review in September 1995, weights were determined for each of the five component currencies and applied to the reweighting of the valuation basket on 1 January 1996. The units of each currency constituting the basket for the five-year period 1 January 1996 – 31 December 2000 were determined on the basis of the agreed weights and market exchange rates as at 31 December 1995.

45. Following its introduction on 1 January 1999, the Euro will be included in the valuation basket as the currency of both France and Germany. The new units applicable, together with their weights as at 1 January 1999 and 30 June 1999, are shown in Table 12.

Table 12: Units and Weight Applicable to the SDR Valuation Basket

Currency	1 January 1999		30 June 1999	
	Units	Percentage Weight	Units	Percentage Weight
USD	0.5821	41.5	0.5821	43.6
EUR	0.3519	29.3	0.3519	27.2
JPY	27.200	16.8	27.200	16.8
GBP	0.105	12.4	0.105	12.4
Total		100.0		100.0

46. During the course of the two-year period 1999–2000, the IMF will discuss various options for the future of the valuation basket. These include the possibility of a tripolar SDR comprising the Euro, Japanese yen and United States dollar, or of a larger basket of currencies.

47. As at 30 June 1999, assets in the form of cash, investments, promissory notes and amounts receivable from contributors under the Fourth Replenishment amounted to USD 2 740 286 000 equivalent (31 March 1999 – USD 2 791 051 000 equivalent). An analysis showing the cash and investments, promissory notes and amounts receivable from contributors in currency terms is to be found in Annex XV. The alignment of assets with the currency composition of the SDR valuation basket at 30 June 1999 is shown in Table 13.

Table 13: Alignment of Assets with the Currency Composition of the SDR Valuation Basket at 30 June 1999 (USD '000 equivalent)

Currency	Investment Portfolio Promissory Notes and Amounts Receivable	Less: USD Commitment ^{a)}	Assets Subject of Alignment with SDR		Composition of Valuation Basket
			Amount	%	%
USD	1 129 861	(151 000)	978 861	46.2	43.6
EUR	552 474		552 474	26.0	27.2
JPY	276 381		276 381	13.0	16.8
GBP	314 168		314 168	14.8	12.4
Subtotal	2 272 884	(151 000)	2 121 884	100.0	100.0
Other convertible currencies	457 914				
Non-convertible currencies (NCC)	9 488				
Total	2 740 286				

a) Consists of the balance of the general reserve (USD 95 000 000) and the undisbursed balance of grants denominated in United States dollars (USD 56 000 000).

48. As of 30 June 1999, there were shortfalls in holdings of Japanese yen and Euros and excess holdings of United States dollars and pounds sterling. The shortfall in holdings of Japanese yen reflects the aggregate underweight position for bonds denominated in Japanese yen held in the global bonds portfolio.

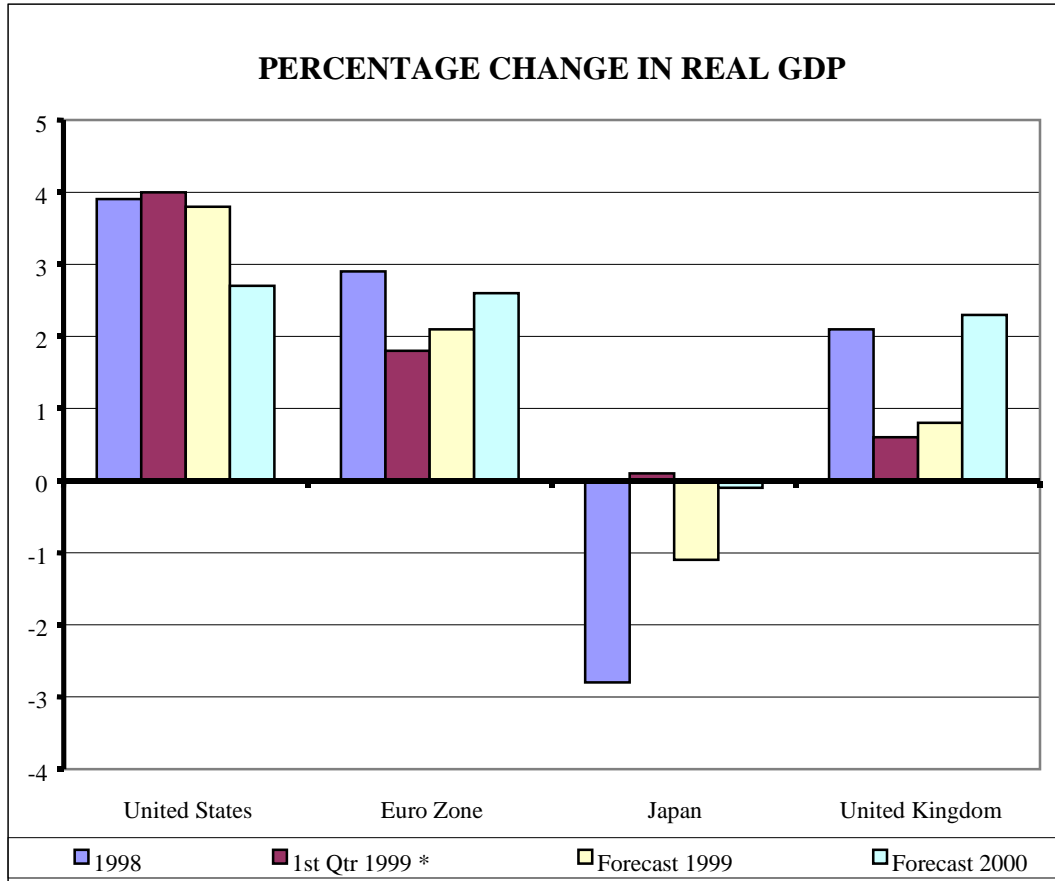
49. Some USD 131 322 000 equivalent, consisting of cash and investments denominated in emerging market currencies (identified in Annex XV), is subject to currency overlay arrangements that began in April 1999. The intention is to preserve, to the extent possible, the value in terms of United States dollars of currencies included in the equities mandates for Asia and Australasia (excluding Japan) and emerging markets.



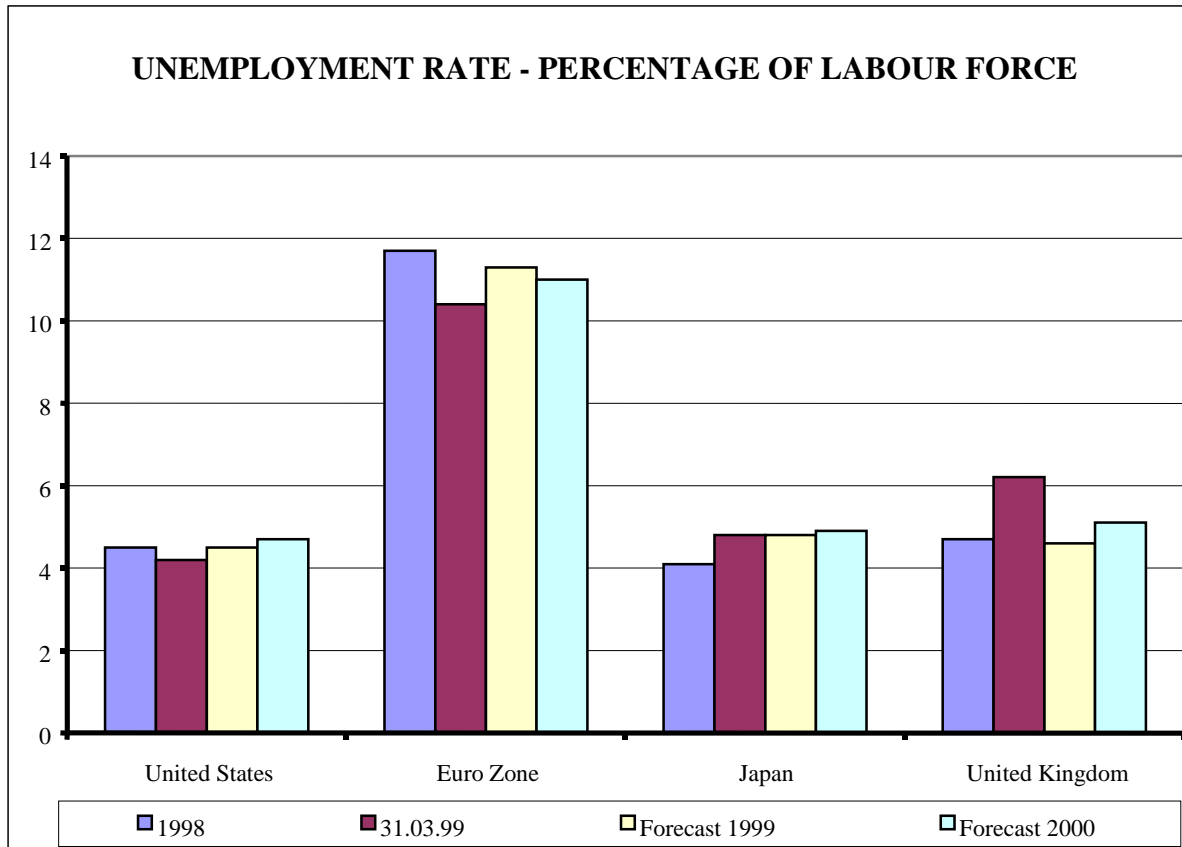
V. DIVERSIFICATION OF THE INVESTMENT PORTFOLIO

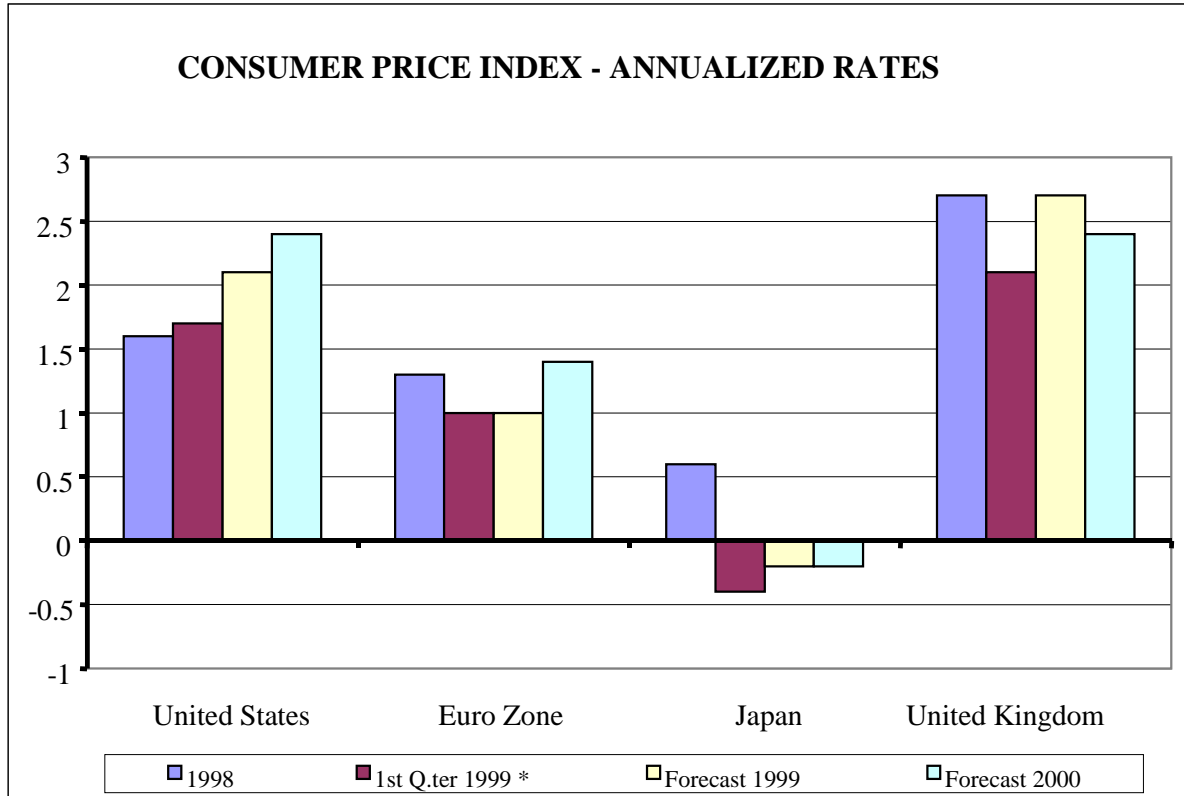
50. In addition to the funding and inception of the currency overlay mandate, during the course of the second quarter of 1999 the North American mid-capitalization equities mandate, amounting to USD 40 million, was fully funded. The North American large-capitalization equities values mandate was partially funded in the amount of USD 20 million while the balance of USD 20 million for that mandate was funded in July 1999.

51. The selection process for global equities mandates was completed in July 1999 and it is expected that the funding of the global equities portfolio, which amounts in aggregate to USD 360 million, will be completed during the course of 2000.



* Annualized Rates

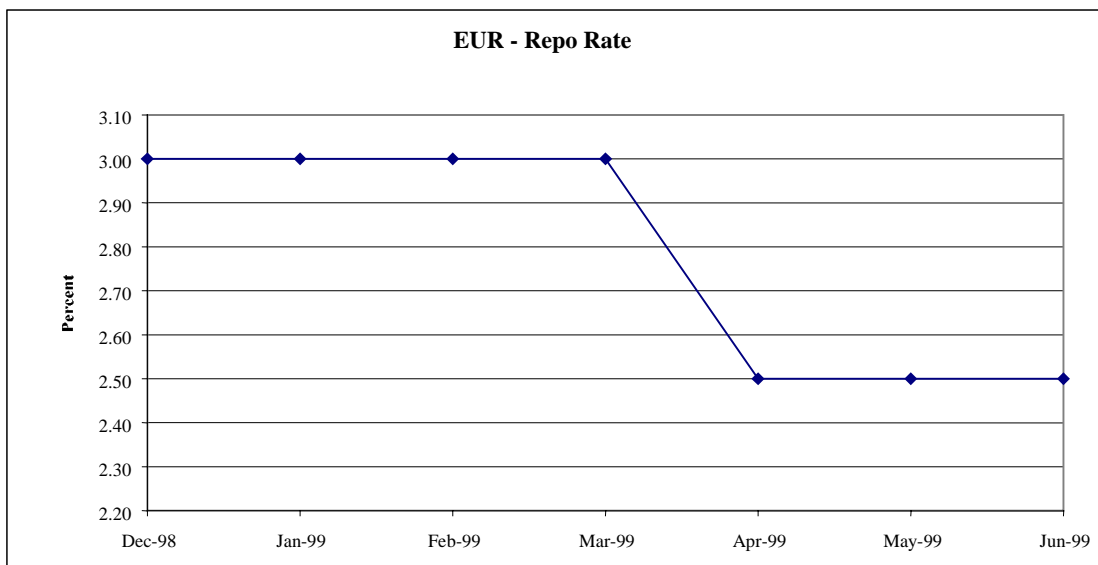
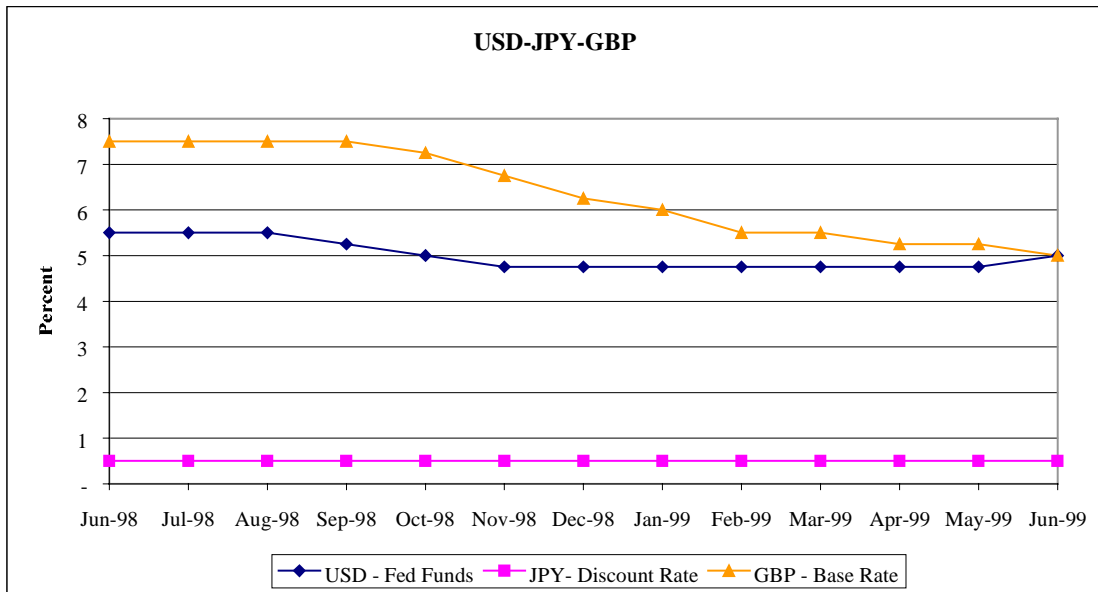




* Annualized Rates

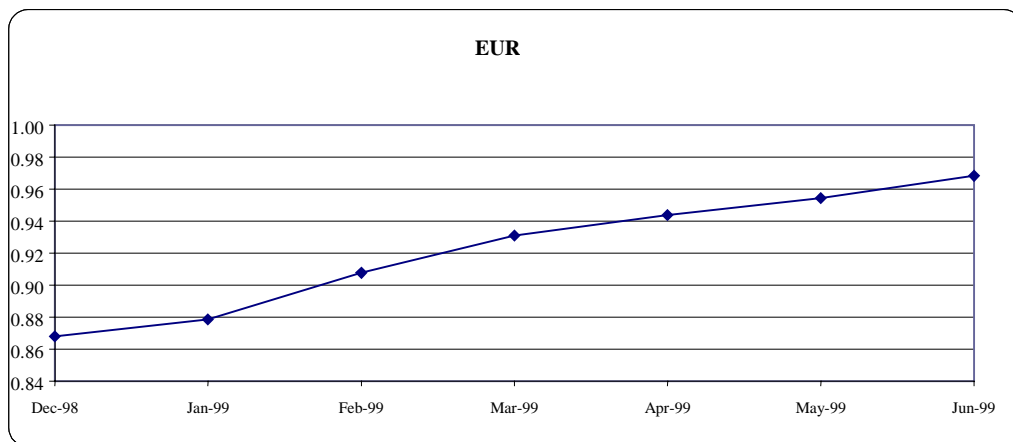
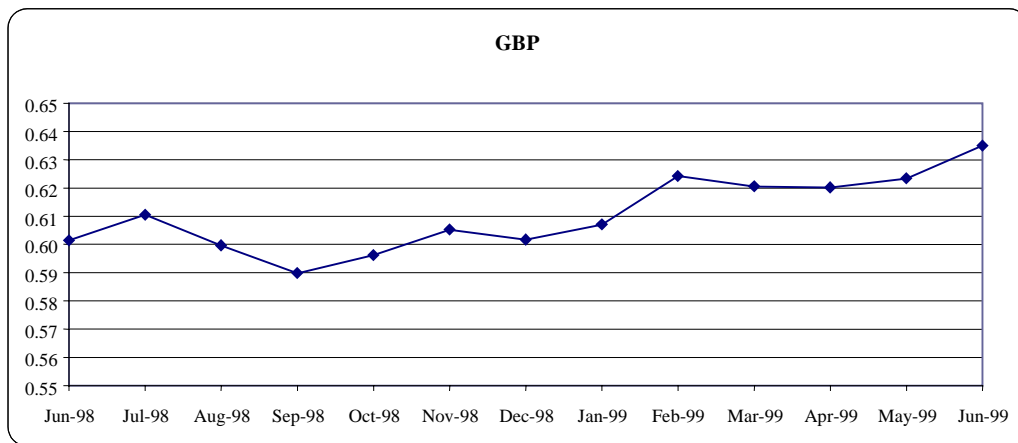
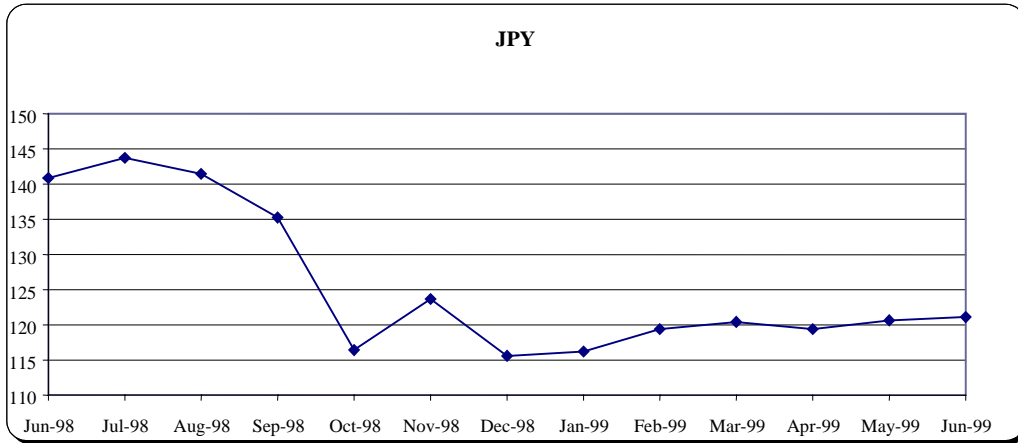


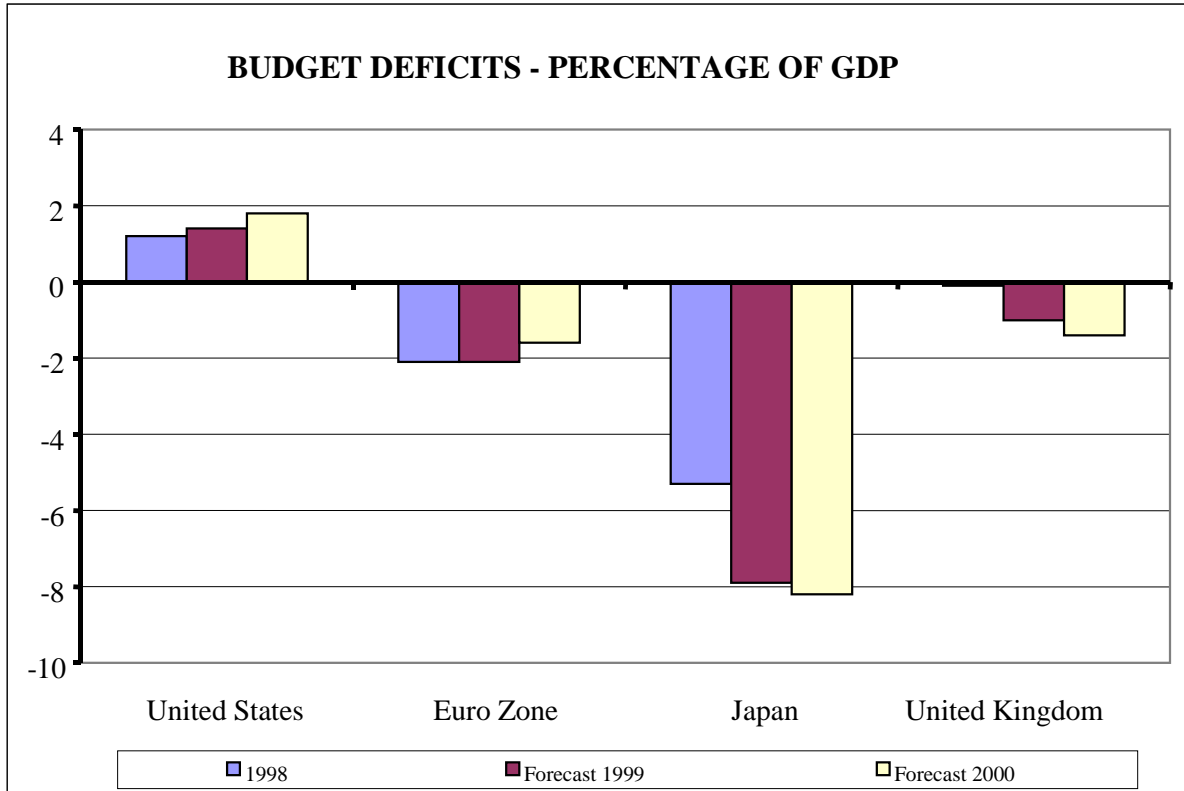
CENTRAL BANK-CONTROLLED INTEREST RATES





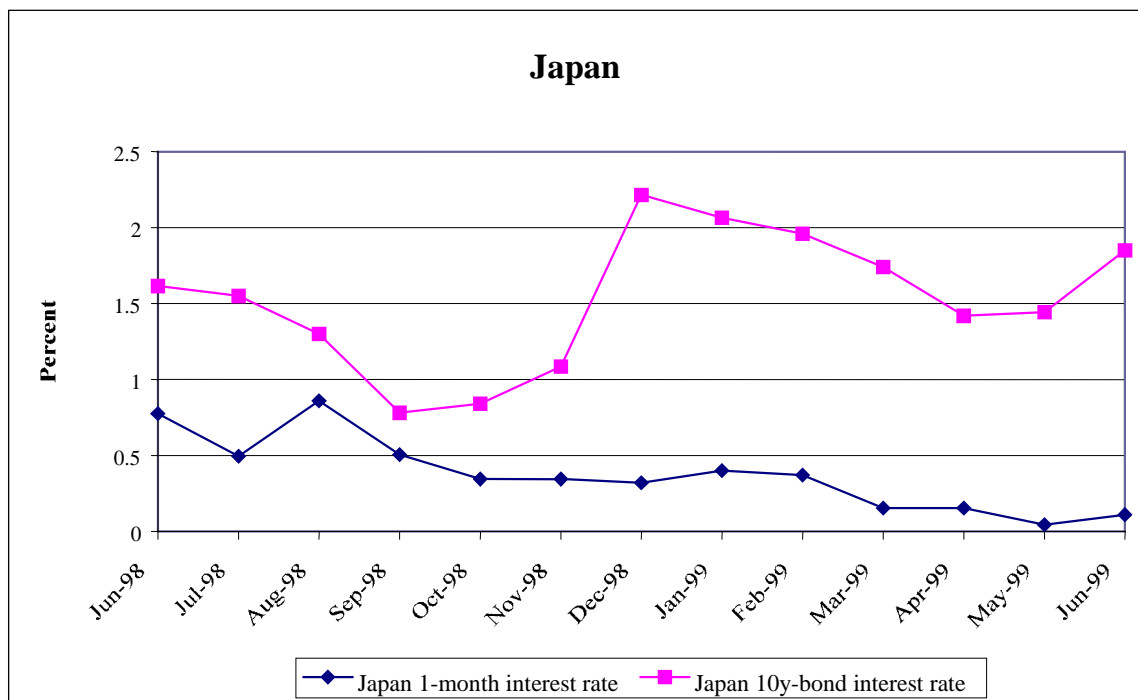
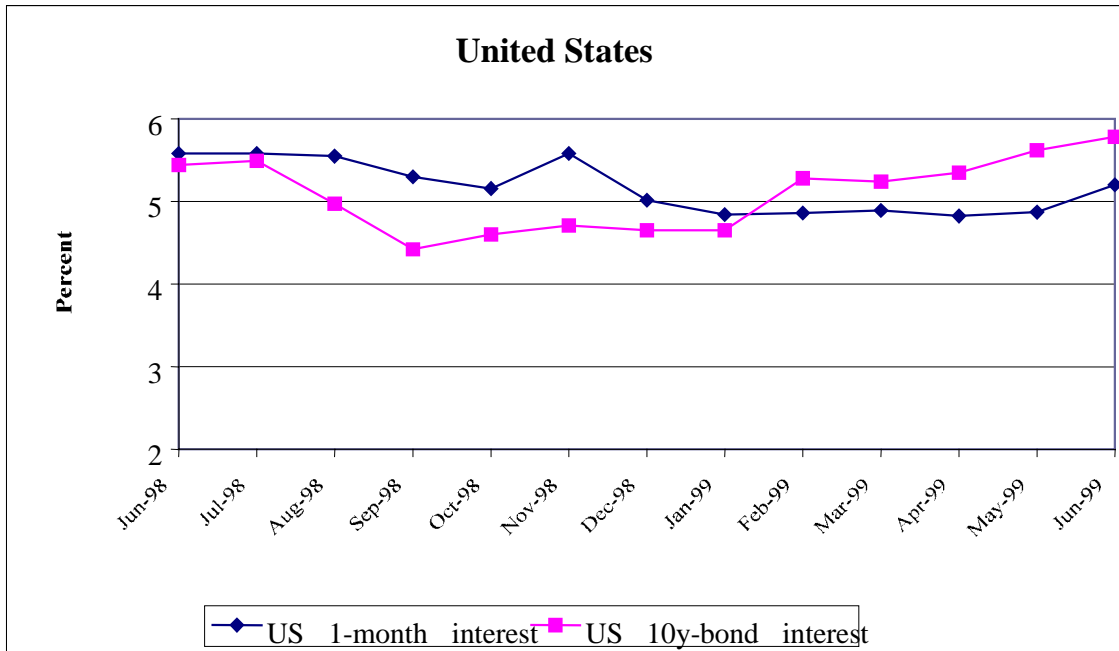
VALUE OF THE UNITED STATES DOLLAR AT IMF MONTH-END EXCHANGE RATES

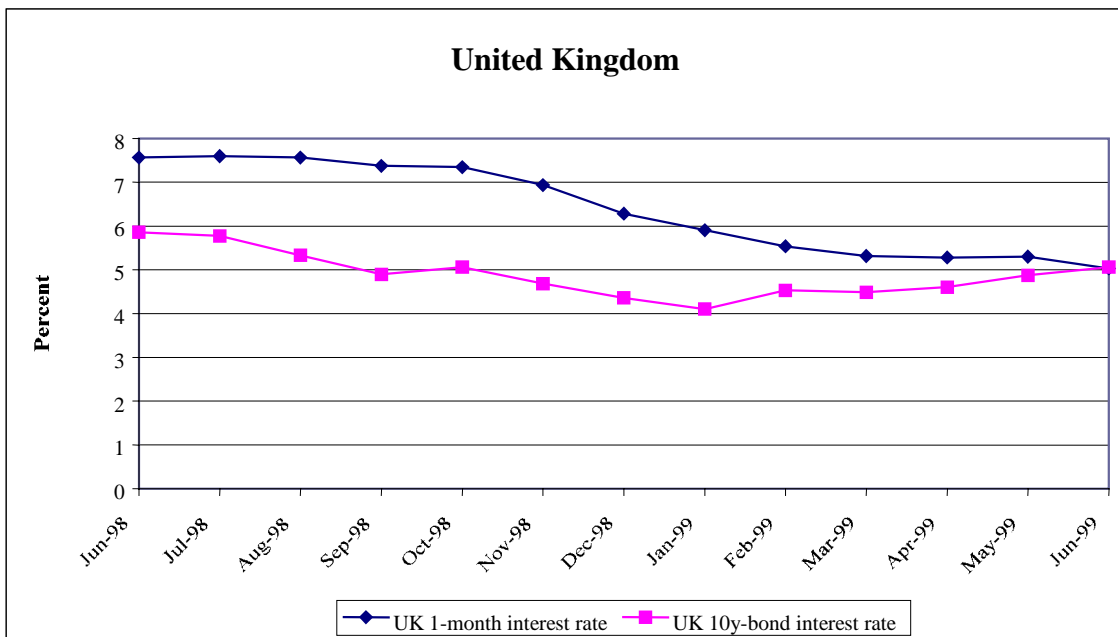
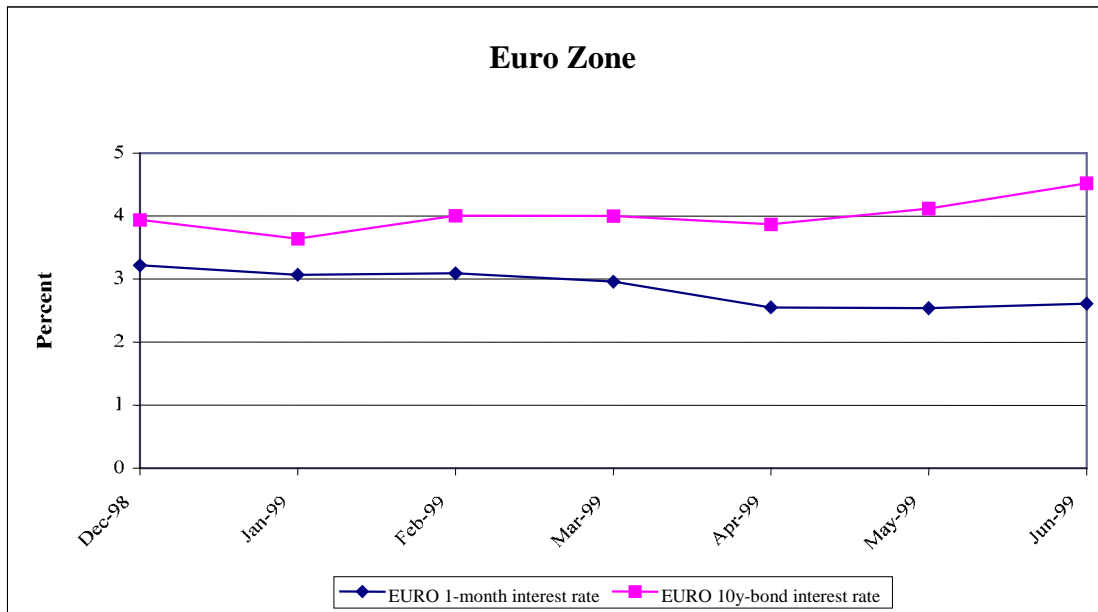






SHORT AND LONG-TERM INTEREST RATES





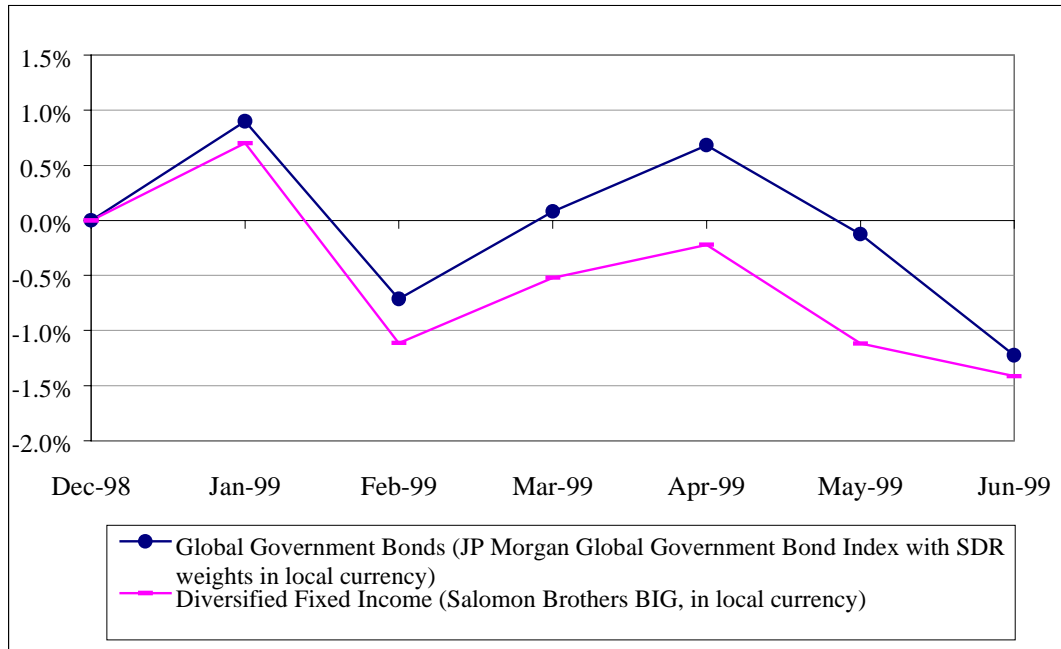
**GOVERNMENT BOND RETURNS PER COUNTRY INCLUDED IN THE J.P.
MORGAN GOVERNMENT BOND TRADED INDEX**

COUNTRY	SECOND QUARTER 1999	FIRST QUARTER 1999	SIX MONTHS 1999
United States	-1.00	-1.78	-2.77
Germany	-1.34	0.66	-0.69
Japan	-0.82	3.43	2.58
France	-1.68	0.41	-1.27
United Kingdom	-1.74	-0.20	-1.94
Australia	-1.89	-0.48	-2.37
Belgium	-1.53	0.67	-0.87
Canada	-0.89	0.47	-0.43
Denmark	-1.25	1.51	0.24
Italy	-1.60	0.43	-1.17
Netherlands	-1.53	0.65	-0.89
Spain	-1.48	0.29	-1.20
Sweden	-2.86	1.02	-1.87
Global	-1.25	0.20	-1.05



FIXED-INCOME MARKET DEVELOPMENT YEAR TO DATE, 1999

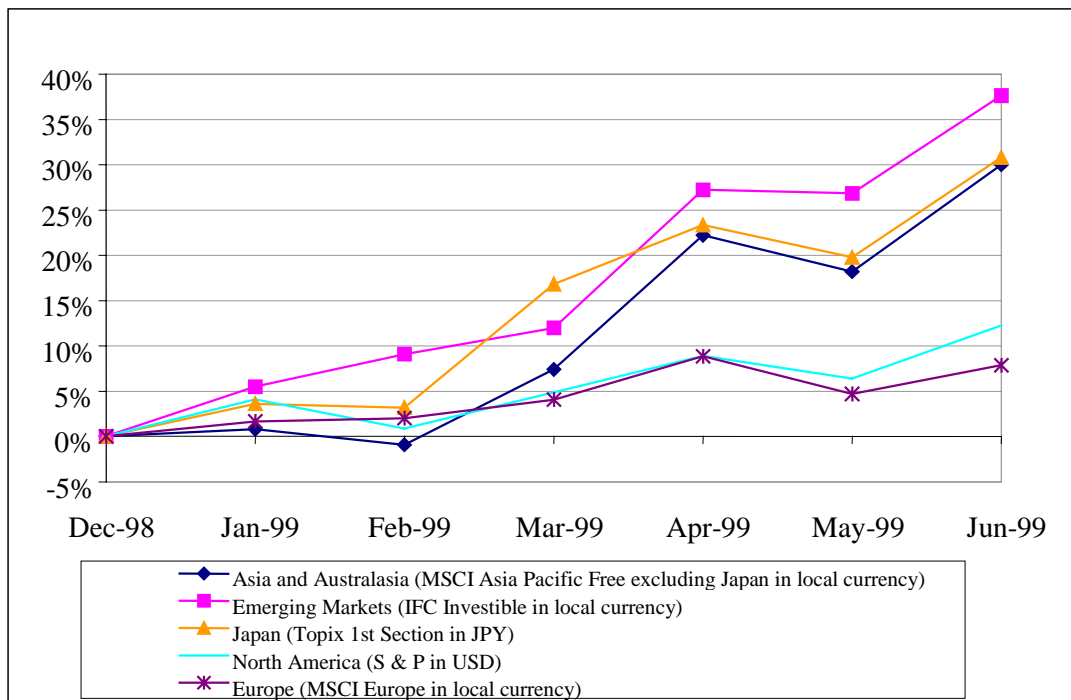
(Monthly Data)



Source: State Street Analytics



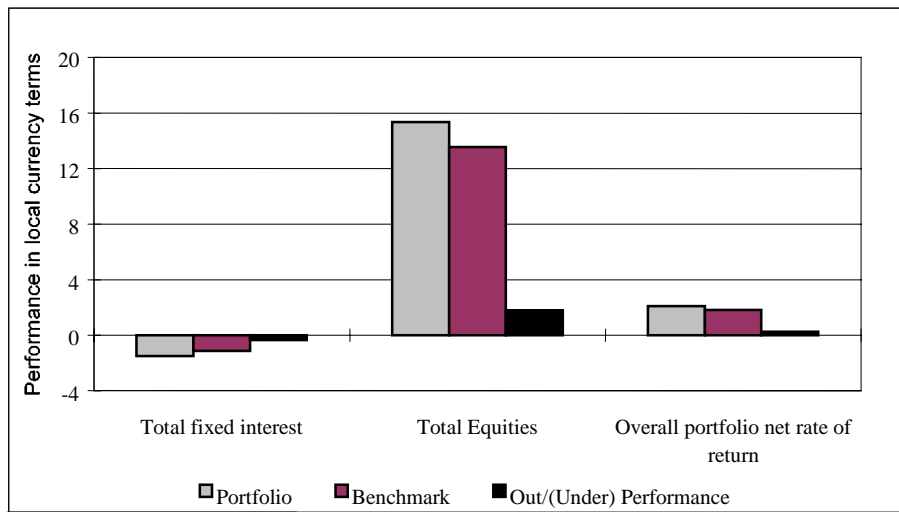
**EQUITY MARKET DEVELOPMENT YEAR TO DATE, 1999
(Monthly Data)**



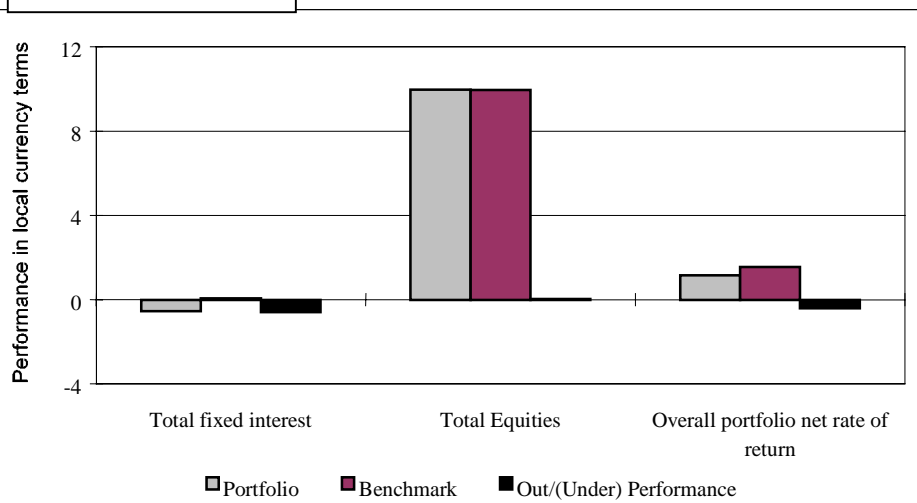
Source: State Street Analytics



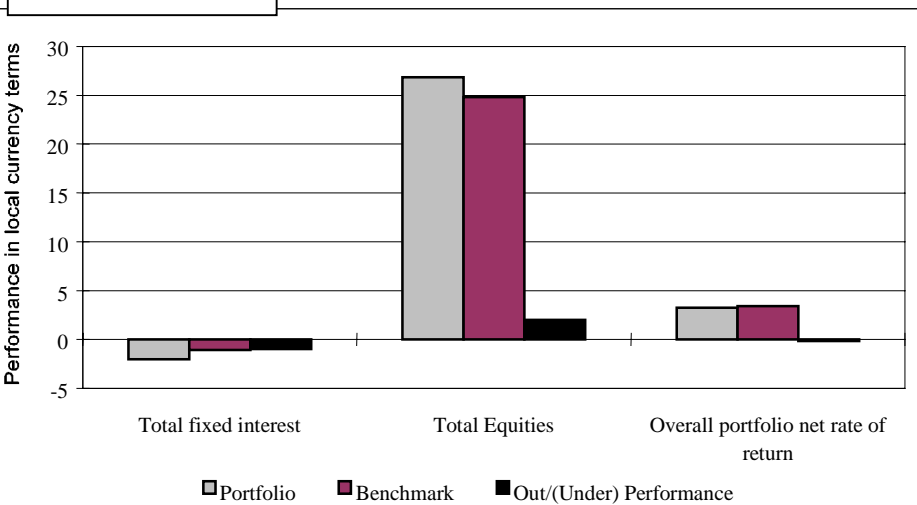
PERFORMANCE – OVERALL PORTFOLIO, SECOND QUARTER 1999



FIRST QUARTER 1999

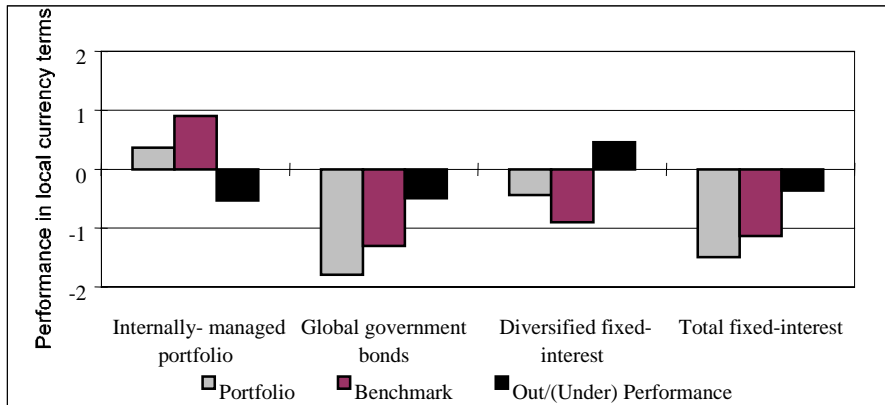


SIX MONTHS 1999

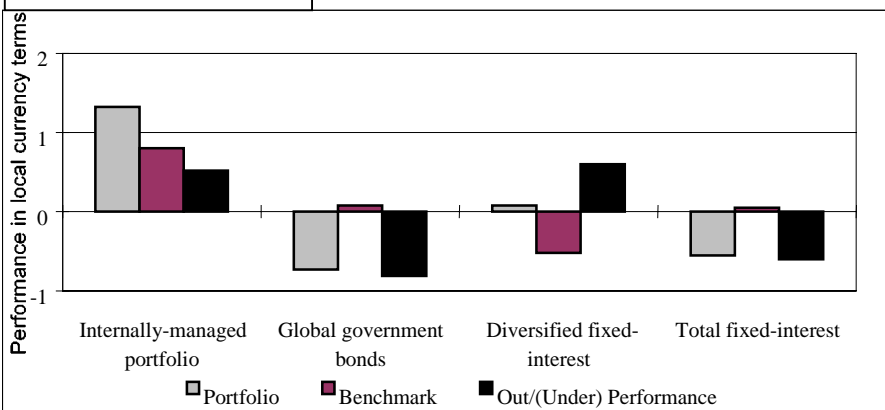




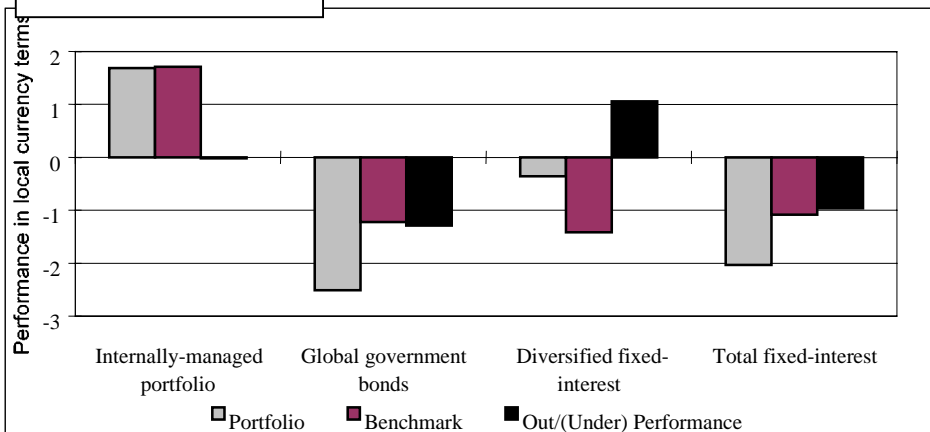
PERFORMANCE – FIXED-INCOME, SECOND QUARTER 1999



FIRST QUARTER 1999

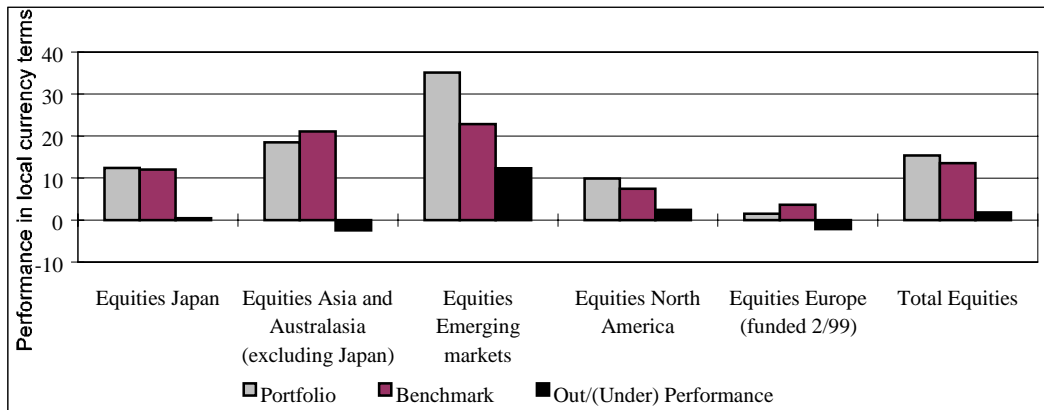


SIX MONTHS 1999

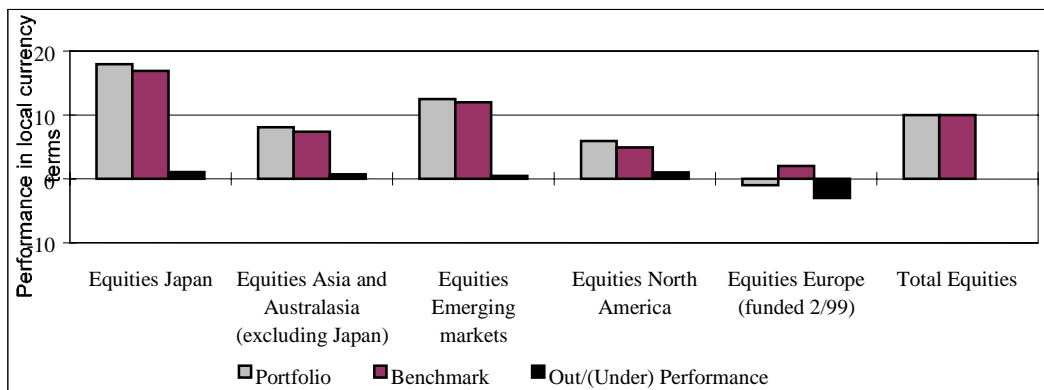




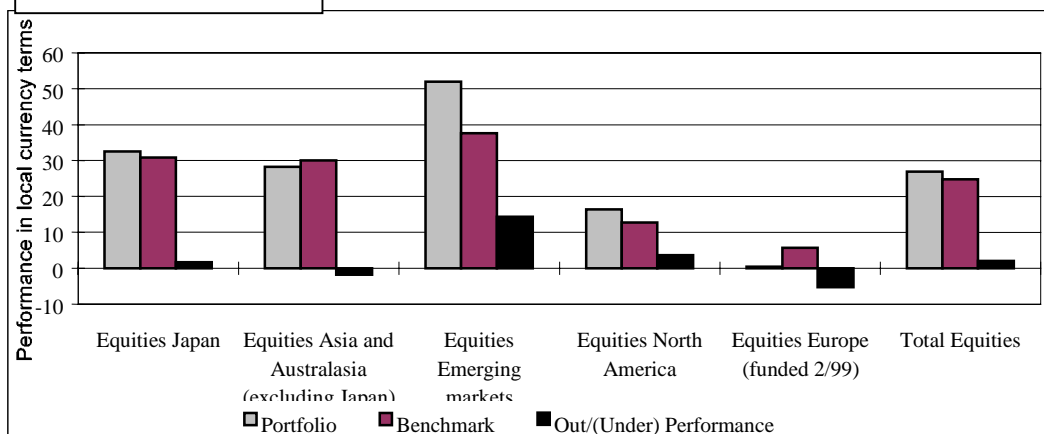
PERFORMANCE – EQUITIES, SECOND QUARTER 1999



FIRST QUARTER 1999



SIX MONTHS 1999



**ANALYSIS OF THE FIXED INTEREST PORTFOLIO BY TYPE OF MANDATE
AND BY INSTRUMENT AT 30 JUNE 1999
(USD '000 equivalent)**

INSTRUMENTS	INTERNALLY MANAGED PORTFOLIO	GLOBAL FIXED INTEREST PORTFOLIO	DIVERSIFIED FIXED INTEREST PORTFOLIO	TOTAL FIXED INTEREST PORTFOLIO 30.06.99
Cash	40 960	6 992	2 457	50 409
Time deposits	47 600	158 236	63 937	269 773
Treasury bills	-	-	-	-
Global government bonds	-	1 156 211	49 200	1 205 411
Emerging market bonds	-	-	22 883	22 883
Mortgage-backed securities	-	68 414	101 409	169 823
Asset-backed securities	-	-	-	-
Corporate bonds	-	-	49 127	49 127
Equities	-	-	-	-
Futures	-	-	365	365
Options	-	-	12	12
Open trades	-	(56 723)	(85 550)	(142 273)
Accrued interest income	58	21 898	1 992	23 948
Dividends receivable	-	-	-	-
Non-convertible currencies	841	-	-	841
Total	89 459	1 355 028	205 832	1 650 319

**CURRENCY COMPOSITION OF THE INVESTMENT PORTFOLIO, HOLDINGS OF
 PROMISSORY NOTES AND AMOUNTS RECEIVABLES FROM CONTRIBUTORS
 AT 30 JUNE 1999
 (USD '000 equivalent)**

CURRENCY	CASH AND INVESTMENTS	PROMISSORY NOTES	AMOUNTS RECEIVABLE	TOTAL
USD	967 610	117 221	45 030	1 129 861
EUR	412 724	101 055	38 695	552 474
JPY	219 520	32 993	23 868	276 381
GBP	282 805	24 230	7 133	314 168
Subtotal	1 882 659	275 499	114 726	2 272 884
ARS*	2 389	-	-	2 389
AUD	62 811	7 820	-	70 631
CAD	39 182	23 857	6 179	69 218
CHF	5 627	10 832	-	16 459
CNY*	154	-	-	154
DKK	41 464	29 027	-	70 491
EEK*	26	-	-	26
EGP*	365	-	-	365
GRD*	1 511	-	-	1 511
HKD*	27 509	-	-	27 509
HUF*	2 077	-	-	2 077
IDR*	10 315	-	-	10 315
ILS*	329	-	-	329
INR	-	4 546	-	4 546
KRW*	21 889	-	-	21 889
MXN*	8 990	-	-	8 990
NOK	-	10 195	4 870	15 065
NZD	1 724	876	-	2 600
PHP*	6 530	-	-	6 530
PKR*	342	-	-	342
SEK	50 762	26 820	-	77 582
SGD*	20 519	-	-	20 519
SKK*	65	-	-	65
THB*	14 880	-	-	14 880
TRL*	2 615	-	-	2 615
ZAR*	10 817	--	-	10 817
Subtotal	332 892	113 973	11 049	457 914
Total Convertible Currencies	2 215 551	389 473	125 775	2 730 798
NCC	7 861	1 627	-	9 488
Total	2 223 412	391 099	125 775	2 740 286

* Subject to currency overlay arrangements.



ISO CURRENCY ABBREVIATIONS

CURRENCY CODE	CURRENCY NAME
USD	UNITED STATES DOLLAR
EUR	EURO
JPY	JAPANESE YEN
GBP	POUND STERLING
ARS	ARGENTINE PESO
AUD	AUSTRALIAN DOLLAR
CAD	CANADIAN DOLLAR
CHF	SWISS FRANC
CNY	CHINESE YUAN
DKK	DANISH KRONE
EEK	ESTONIAN KRONE
EGP	EGYPTIAN POUND
GRD	GREEK DRACHMA
HKD	HONG KONG DOLLAR
HUF	HUNGARIAN FORINT
IDR	INDONESIAN RUPIAH
ILS	ISRAELI SHEKEL
INR	INDIAN RUPEE
KRW	SOUTH KOREAN WON
MXN	MEXICAN PESO
NOK	NORWEGIAN KRONE
NZD	NEW ZEALAND DOLLAR
PHP	PHILIPPINE PESO
PKR	PAKISTAN RUPEE
SEK	SWEDISH KRONA
SGD	SINGAPORE DOLLAR
SKK	SLOVAK KORUNA
THB	THAILAND BAHT
TRL	TURKISH LIRA
ZAR	SOUTH AFRICAN RAND