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IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board - Sixty-Eighth Session
Rome, 8-9 December 1999

REPORT ON IFAD'S INVESTMENT PORTFOLIO FOR THE THIRD QUARTER OF 1999

I. INTRODUCTION

1. The following report on IFAD's Investment Portfolio covers the three-month period ending 30 September 1999 and includes cumulative figures for the year to date and comparative figures for the year ending 31 December 1998.

II. INVESTMENT CONDITIONS

2. Section II reviews the economic and investment environment prevailing in the third 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. In the United States, GDP rose by only 1.6% in the second quarter. A slowdown in consumer and government spending, record imports and slower-than-expected growth in inventories accounted for the slower-than-expected growth. However the United States' economy is still driven by strong consumer demand and all signs point to stronger growth in the second half of 1999 and in 2000.

5. As evidenced by two consecutive quarters of positive growth, Japan's economy is now emerging from a long period of declining growth. The many government initiatives - budgetary spending, banking reforms, special help for small and medium-sized firms – have begun to restore consumer and business confidence.

6. Among the major economies, the Euro area is likely to register the strongest growth in 2000. The breadth of the recovery within the Euro area is supported by continued strong economic data. Both business confidence and export orders have been rising strongly, helped in part by the Euro’s 8% decline against the United States dollar in 1999.

7. In the United Kingdom, GDP rose to a higher-than-expected 0.5% in the second quarter due to rising consumer spending. Reports on housing markets and consumer confidence supported the expectation of an economic recovery. Even so, the United Kingdom is likely to be one of Europe’s slowest expanding economies in 1999 with predicted growth around 1% compared with an average 2% in the Euro area.

8. Despite natural disasters in Greece, Taiwan and Turkey, many Asian and emerging markets continued to report improving economic data in the form of rising GDP accompanied by rising employment figures. Asia continued to lead this trend followed by Eastern Europe and, lastly, Latin America, where economic difficulties are expected to persist over the medium term.

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 has been gradually falling in the Euro area and in the United Kingdom, which is now registering its lowest unemployment levels in nearly 20 years. In the United States, unemployment is at a 29-year low while Japan’s figures are at their highest level for the past 50 years. In continental Europe, the decline in unemployment is expected to continue, while forecasts predict some increase in the United Kingdom, United States and, in particular, Japan over the medium term.

Inflation

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

12. The inflation outlook remains relatively benign in the United States, despite higher prices for oil and other industrial commodities. The main risk continues to relate to the tight labour market and the potential for accelerating wage pressures.

13. The inflation outlook in the Euro area is also benign thanks to increasing price transparency, competition and deregulation. Wage pressures are expected to be moderated by increased labour market flexibility. Inflationary pressures are expected to remain subdued also in the United Kingdom.

14. In Japan, despite an exceptional rise in inflation during the month of August due to prices of fresh food, there are downward price pressures from the large output gap and the strongly strengthening yen, which should make imports of many goods cheaper.

Monetary Policies

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

16. As widely anticipated, in August 1999, the United States Federal Reserve raised its overnight bank lending rate by 25 basis points for the second time this year, bringing the rate to 5.25% per

annum. According to the central bank, the monetary easing required in the latter part of 1998 to address the financial market turmoil was no longer necessary as the financial markets were functioning more normally. This was coupled with strong domestic demand, firming foreign economies and very tight labour markets.

17. In September 1999, the Bank of England unexpectedly raised interest rates by 25 basis points to 5.25% per annum in order to ease the threat that surging house prices and the lowest unemployment in two decades would boost inflation. The United Kingdom has a lower unemployment rate than most other European nations and the economy is thus more likely to generate inflation as economic growth accelerates.

18. The official Euro overnight rate remained at 2.5% per annum, while Japan's official discount rate was unchanged at 0.5 % per annum.

Exchange Rates

19. 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.

20. During the third quarter, the Euro, Japanese yen and British pound sterling appreciated against the United States dollar. The Japanese yen appreciated by 12% on the basis of signs of economic recovery and the expectation of capital repatriation by Japanese investors. The British pound sterling and the Euro appreciated by 4% and 3%, respectively.

Fiscal Policy

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

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

B. Financial Markets

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

24. Short-term interest rates rose in the United States and the United Kingdom in response to central bank tightenings. In the Euro zone and Japan, short-term rates remained stable in the third quarter.

25. Fears about monetary tightenings initially caused rising bond yields in the United States. By the end of the quarter, yields were falling because of capital inflows from a weak United States equity market. Despite signs of economic recovery, Japanese bond yields also fell on the back of capital inflows, due to the strengthening yen. Meanwhile yields rose steadily in the Euro area due to strong economic data and fears of monetary tightening. In the United Kingdom, yields rose due to the unexpected monetary tightening in September 1999.

26. 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. Performance was mixed during the third quarter, as

indicated by the differences in development of bond yields. The Japanese bond market was the best performing market, followed by Australia, the United States and Canada. European markets generally performed weakly.

27. 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 Salomon 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 that the dollar-based diversified fixed-interest market performed well due to the falling yields in August, while the global government bond market deteriorated slightly because of rising yields in Europe.

28. 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. Japan was the only major developed market performing positively in the third quarter. The strong returns were due to continued signs of economic recovery. In the United States in particular and in Europe, equity markets performed weakly due to fears of monetary tightenings. Also in many Asian and emerging markets, sentiment was dampened by United States' monetary tightening and possibilities of a further rise, together with uncertainty over political events in several countries.

III. RATE OF RETURN AND INVESTMENT STRATEGY

Overall Portfolio Performance

29. Investment income for the third quarter of 1999 amounted to a loss of USD 36 331 000 equivalent which, added to income for the first six months of USD 71 887 000 equivalent, amounted to USD 35 556 000 equivalent for the first nine 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 and equities investments, respectively.

Table 1: Investment Income
(USD '000 equivalent)

	3rd Quarter Fixed-Interest	3rd Quarter Equities Portfolio	3rd Quarter Overall Portfolio	2nd Quarter 1999	1st Quarter 1999	Year to date 1999	1998
Interest from fixed-income investments and bank accounts	22 464	242	22 706	22 422	23 162	68 290	112 668
Dividend income from equities	-	2 053	2 053	2 417	1 999	6 469	5 654
Realized capital gains	(13 992)	8 520	(5 472)	(385)	10 780	4 923	40 846
Unrealized capital gains	(16 575)	(36 409)	(52 984)	24 332	(8 472)	(37 124)	36 111
Subtotal: Gross investment income	**(8 103)**	**(25 594)**	**(33 697)**	**48 786**	**27 469**	**42 558**	**195 279**
Securities lending income	119	41	160	166	137	463	905
Custody fees	(512)	(177)	(689)	(656)	(331)	(1 676)	(1 469)
Investment management fees	(857)	(1 006)	(1 863)	(1 697)	(1 573)	(5 133)	(6 132)
Financial advisory fees	(101)	(35)	(136)	(147)	-	(283)	(138)
Taxes	(3)	(22)	(25)	(215)	-	(240)	(129)
Other investment expenses	(96)	15	(81)	(52)	-	(133)	(417)
Net investment income	**(9 553)**	**(26 778)**	**(36 331)**	**46 185**	**25 702**	**35 556**	**187 899**

30. 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 – Third Quarter 1999
(USD '000 equivalent)

	Fixed-Interest Portfolio	Equities Portfolio	Overall Portfolio
Opening balance (30 June 1999)	1 650 319	573 093	2 223 412
Transfers between portfolios	(61 177)	61 177	-
Other net flows	(30 189)	-	(30 189)
Gross investment income	(8 103)	(25 594)	(33 697)
Securities lending income	119	41	160
Fees, charges and taxes	(1 569)	(1 225)	(2 794)
Movements on exchange	46 612	14 901	61 513
Closing balance (30 September 1999)	1 596 012	622 393	2 218 405

31. The overall rate of return on the portfolio, net of management and custodian fees, for the third quarter of 1999 was negative: -1.63%. Taking account of the rate of return of 3.26% for the first six months of 1999, this results in a return for the first nine months of 1999 of 1.57% (annualized 2.10%) compared with 8.5% in 1998. Returns in the third quarter were affected by weak performance in the fixed-interest sector and a moderate correction in the equity markets.

32. The performance of the various sectors of the investment portfolio is measured against pre-assigned 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 underperformance of 89 basis points for the third quarter of 1999 compared with an overall underperformance of 16 basis points in the first six months of 1999. This results in an overall underperformance of 109 basis points for the first nine 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 – Third Quarter 1999

	Rate of Return %		Out/(Under)
Portfolio	**Portfolio**	**Benchmark**	**Performance**
Total fixed-interest	(0.50)	(0.12)	(0.38)
Total equities	(4.21)	(1.95)	(2.26)
Overall portfolio gross rate of return	(1.51)	(0.62)	(0.89)
Less management fees, etc.	(0.12)	(0.12)	0.00
Overall portfolio net rate of return	(1.63)	(0.74)	(0.89)
Year to date 1999 net rate of return	1.57	2.66	(1.09)
Year 1998 net rate of return	8.50	6.97	1.53

33. The fixed-interest portfolio consists of the internally-managed, global bonds and diversified fixed-interest portfolios. In aggregate, the loss for the third quarter of 1999 amounted to USD 9 553 000, as shown in Table 4.

Table 4: Fixed-Interest – Investment Income – Third Quarter 1999
(USD '000 equivalent)

	Internally Managed Portfolio	Global Fixed-Interest Portfolio	Diversified Fixed-Interest Portfolio	Total Fixed-Interest Portfolio
Interest from fixed-interest investments and bank accounts	684	18 674	3 106	22 464
Dividend income	-	-	-	-
Realized capital gains/(losses)	-	(13 087)	(905)	(13 992)
Unrealized capital gains/(losses)	-	(15 413)	(1 162)	(16 575)
Subtotal: Gross investment income	**684**	**(9 826)**	**1 039**	**(8 103)**
Securities lending income	6	98	15	119
Custody fees	(28)	(420)	(64)	(512)
Investment management fees	-	(653)	(204)	(857)
Financial advisory fees	(5)	(83)	(13)	(101)
Taxes	-	-	(3)	(3)
Other investment expenses	(90)	(3)	(3)	(96)
Net investment income	**567**	**(10 887)**	**767**	**(9 553)**

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

Table 5: Movements in the Fixed-Interest Portfolio – Third Quarter 1999
(USD '000 equivalent)

	Internally Managed Portfolio	Global Fixed-Interest Portfolio	Diversified Fixed-Interest Portfolio	Total Fixed-Interest Portfolio
Opening balance (30 June 1999)	89 459	1 355 028	205 832	1 650 319
Transfers between portfolios	7 499	(68 942)	266	(61 177)
Other net flows	(30 189)	-	-	(30 189)
Gross investment income	684	(9 826)	1 039	(8 103)
Securities lending income	6	98	15	119
Fees, charges and taxes	(123)	(1 159)	(287)	(1 569)
Movements on exchange	207	46 365	40	46 612
Closing balance (30 September 1999)	**67 543**	**1 321 564**	**206 905**	**1 596 012**

35. 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 – Third Quarter 1999

	Rate of Return %		Out/(Under)
Portfolio	**Portfolio**	**Benchmark**	**Performance**
Internally-managed portfolio	0.88	0.90	(0.02)
Global fixed-interest	(0.74)	(0.30)	(0.44)
Diversified fixed-interest	0.50	0.70	(0.20)
Total fixed-interest	(0.50)	(0.12)	(0.38)
Year to date 1999 rate of return	(2.53)	(1.20)	(1.33)
Year 1998 rate of return	11.52	10.23	1.29

36. The fixed-interest portion of the portfolio continued to perform poorly in the third quarter of 1999. The external managers entrusted with global fixed-interest mandates continued to underweight the Japanese bond market which, despite signs of economic recovery, was the best performing bond market due to capital inflows, especially from domestic investors. Most government fixed-interest managers had a shorter duration than the benchmark, but they generally suffered from having a long duration in the Euro area where bond yields were rising significantly due to signs of economic recovery and fears of monetary tightenings.

37. The diversified fixed-interest managers underperformed slightly due to overweighting corporate bonds against United States government bonds while spreads were widening to some extent.

Equities Portfolio

38. In aggregate, the loss attributable to the equities portfolio for the third quarter of 1999 amounted to USD 26 778 000, as illustrated in Table 7.

Table 7: Equities – Investment Income Third Quarter 1999
(USD '000 equivalent)

	Japanese Equities	Asian and Australasian Equities	Emerging Markets Equities	North American Equities	European Equities	Currency Overlay	Total
Interest income	-	26	53	8	31	124	242
Dividend income	324	487	426	534	282	-	2 053
Realized capital gains/(losses)	1 005	3 830	(1 779)	5 434	30	-	8 520
Unrealized capital gains/(losses)	8 831	(5 230)	(18 147)	(18 972)	(2 891)	-	(36 409)
Subtotal: Gross investment income	**10 160**	**(887)**	**(19 447)**	**(12 996)**	**(2 548)**	**124**	**(25 594)**
Securities lending income	8	7	8	12	5	1	41
Total fees, charges and taxes	(173)	(200)	(370)	(305)	(148)	(29)	(1 225)
Custody fees	(35)	(30)	(35)	(51)	(23)	(3)	(177)
Investment management fees	(131)	(157)	(327)	(250)	(116)	(25)	(1 006)
Financial advisory fees	(7)	(6)	(7)	(10)	(4)	(1)	(35)
Taxes	-	(7)	(23)	6	2	-	(22)
Other investment expenses	-	-	22	-	(7)	-	15
Net investment income	**9 995**	**(1 080)**	**(19 809)**	**(13 289)**	**(2 691)**	**96**	**(26 778)**

39. Movements affecting the equities portfolio during the third quarter of 1999 are shown in Table 8.

Table 8: Movements in the Equities Portfolio – Third Quarter 1999
(USD '000 equivalent)

	Japanese Equities	Asian and Australasian Equities	Emerging Market Equities	North American Equities	European Equities	Currency Overlay	Total
Opening balance (30 June 1999)	118 210	100 262	116 936	170 586	56 879	10 220	573 093
Transfers between portfolios	165	186	361	20 299	40 138	28	61 177
Gross investment income	10 160	(887)	(19 447)	(12 996)	(2 548)	124	(25 594)
Securities lending income	8	7	8	12	5	1	41
Total fees, charges and taxes	(173)	(200)	(370)	(305)	(148)	(29)	(1 225)
Exchange gains/(losses)	13 645	(1 574)	997	-	2 428	(595)	14 901
Closing Balance (30 September 1999)	**142 015**	**97 794**	**98 485**	**177 596**	**96 754**	**9 749**	**622 393**

40. 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 – Third Quarter 1999

	Rate of Return %		Out/(Under)
Portfolio	**Portfolio**	**Benchmark**	**Performance**
Equities Japan	8.59	6.70	1.89
Equities Asia and Australasia (excluding Japan)	(0.88)	(4.00)	3.12
Equities Emerging Markets	(16.60)	(1.20)	(15.40)
Equities North America	(6.81)	(6.67)	(0.14)
Equities Europe	(3.57)	(2.34)	(1.23)
Total Equities	(4.21)	(1.95)	(2.26)
Year to date 1999 rate of return	21.51	22.40	(0.89)
Year 1998 rate of return	(7.05)	(10.03)	2.98

41. Overall, the equity section of the portfolio underperformed in the third quarter. Only the Japanese and Asian and Australasian portfolios outperformed, the latter largely due to strong stock selection in India, the mandate's strongest performing market this quarter. The emerging market portfolio showed a notable underperformance, reversing the first six months' outperformance. The emerging market portfolio lacked exposure to two of the mandate's strongest performing markets this quarter - Greece and India - while at the same time overweighting took place in some of the quarter's negatively performing markets such as Hong Kong, Indonesia, Malaysia, Singapore and Thailand. The European and the North American portfolios underperformed largely due to industry selection.

IV. COMPOSITION OF THE PORTFOLIO

General

42. As of 30 September 1999, the Fund's investment portfolio amounted to USD 2 218 405 000 equivalent (30 June 1999 – USD 2 223 412 000 equivalent), excluding amounts subject to restriction provided by donors for participation in specific IFAD projects and activities. During the third quarter

of 1999, prior to taking account of movements in exchange rates, the amount of the portfolio decreased by USD 66 520 000 equivalent, (the first six months 1999 showed an increase of USD 49 765 000 equivalent), as indicated in Table 10.

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

	3rd Quarter 1999	First six months 1999	Year to date 1999	12 Months to 31 December 1998
Opening balance	2 223 412	2 268 295	2 268 295	2 150 730
Net Investment income	(36 331)	71 887	35 556	187 899
Other net outflows	(30 189)	(22 122)	(52 311)	(138 775)
Increase, (decrease) prior to exchange adjustments	(66 520)	49 765	(16 755)	49 124
Exchange movement	61 513	(94 648)	(33 135)	68 441
Closing balance	2 218 405	2 223 412	2 218 405	2 268 295

Composition of the Portfolio by Instrument

43. 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 Instruments as at 30 September 1999 (USD '000 equivalent)

Instruments	Total Fixed-Interest Portfolio 30.09.99	Total Equities Portfolio 30.09.99	Overall Portfolio 30.09.99	Overall Portfolio 30.06.99	Overall Portfolio 31.12.98
Cash	45 381	2 682	48 063	53 549	60 848
Time deposits	163 816	25 742	189 558	289 338	201 442
Treasury bills	-	-	-	-	173
Global government bonds	1 254 888	-	1 254 888	1 205 411	1 545 332
Emerging market bonds	32 073	-	32 073	22 883	13 603
Mortgage-backed securities	83 700	-	83 700	169 823	90 440
Asset-backed securities	-	-	-	-	1 965
Corporate bonds	58 788	-	58 788	49 127	52 698
Equities	-	598 756	598 756	543 205	324 500
Futures	3	-	3	365	422
Options	-	-	-	12	-
Open trades	(69 568)	(5 822)	(75 390)	(142 683)	(64 082)
Accrued interest income	26 087	2	26 089	23 949	33 593
Dividends receivable	-	1 033	1 033	572	407
Non-convertible currencies	844	-	844	7 861	6 954
Total	**1 596 012**	**622 393**	**2 218 405**	**2 223 412**	**2 268 295**
Percentage	71.9%	28.1%	100.0%	100.0%	100.0%

V. DIVERSIFICATION OF THE INVESTMENT PORTFOLIO

44. During the third quarter of 1999, the funding of the North American large capitalization equities value mandate was completed by the transfer of USD 20 million to that mandate.

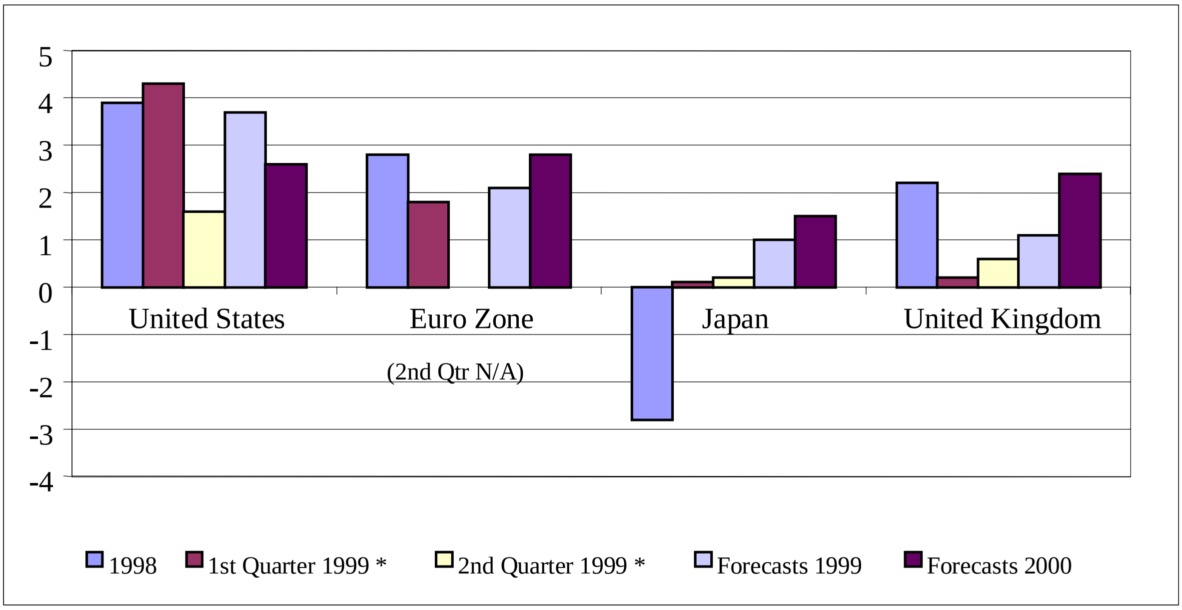
45. A Pan-European equities mandate was partly funded by the transfer of two tranches each of USD 20 million to that mandate in August and September 1999.

46. The selection process for managers for global equities mandates, amounting in aggregate to USD 360 million, was completed in July 1999 and work has been initiated on negotiating the requisite Investment Management Service Agreements.

47. Of the amount of USD 1 000 million originally allocated for investments in the equities markets, USD 940 million had been allocated to specific mandates by the end of September 1999. Of this, some USD 540 million had been funded, leaving an outstanding balance of USD 460 million that is expected to be funded over the course of the next 12 months.

48. In addition, as of the same date, mandates for diversified fixed income and for currency overlay had been fully funded in the amount of USD 200 million and USD 10 million, respectively.

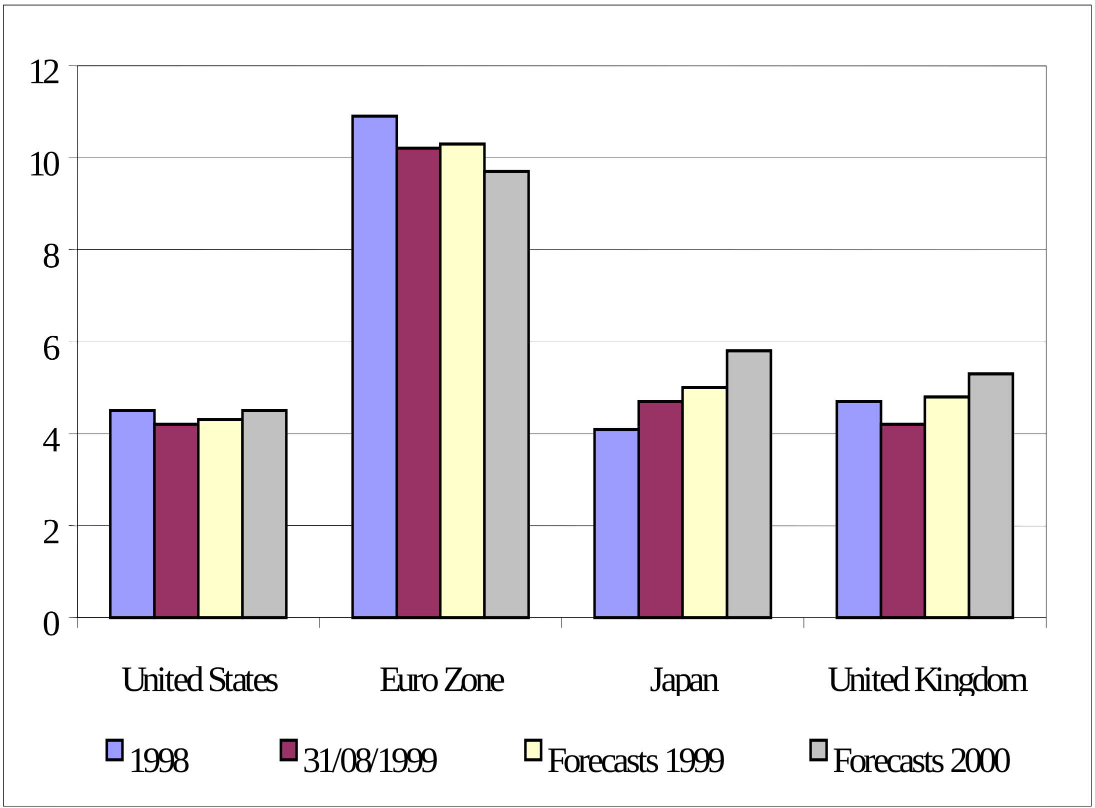
PERCENTAGE CHANGE IN REAL GDP



* Percentage change between the current quarter and the previous quarter.

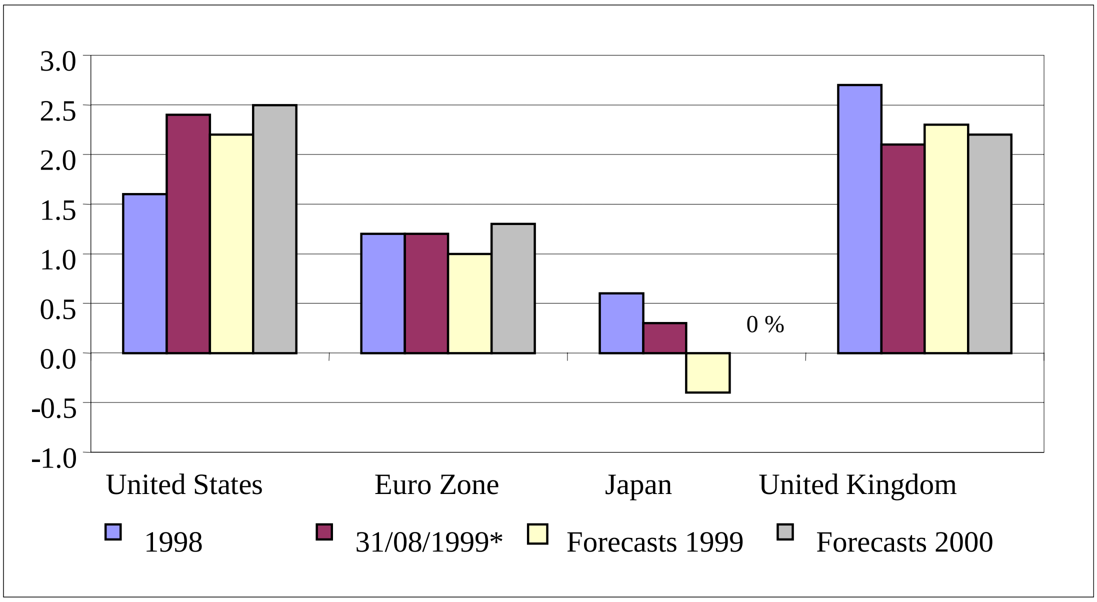
Sources: International Monetary Fund (IMF) World Economic Outlook, October 1999. Figures for 1st and 2nd Quarter 1999 by Bloomberg.

UNEMPLOYMENT RATE - PERCENTAGE OF LABOUR FORCE



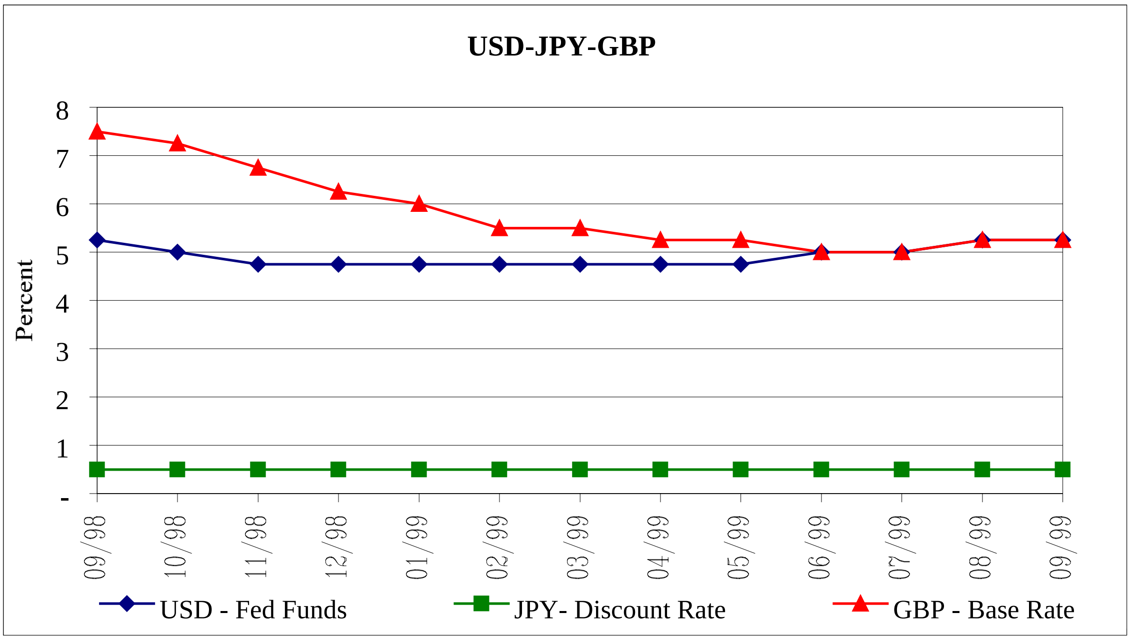
Sources: IMF World Economic Outlook October, 1999. Estimates for 31/08/1999 by Bloomberg.

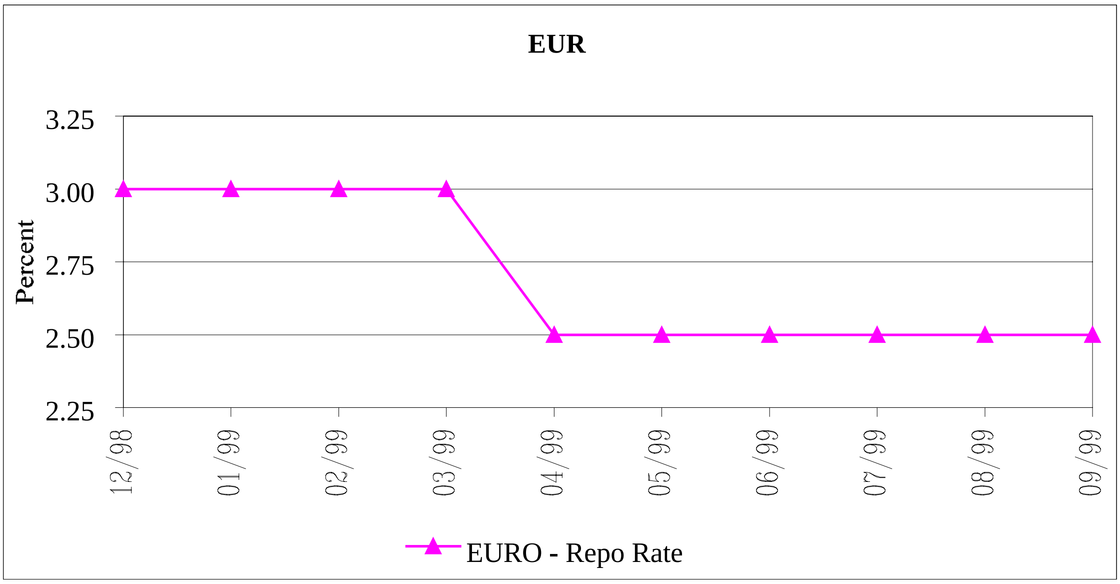
CONSUMER PRICE INDEX – ANNUALIZED RATES



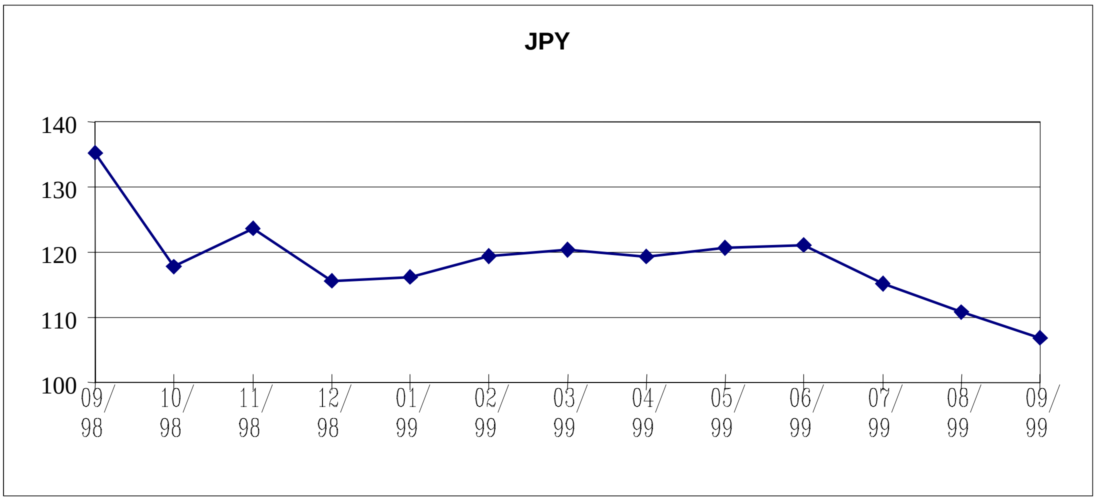
* Percentage change in 12 months.
Sources: IMF World Economic Outlook, October 1999. Estimates for 31/08/1999 by Bloomberg.

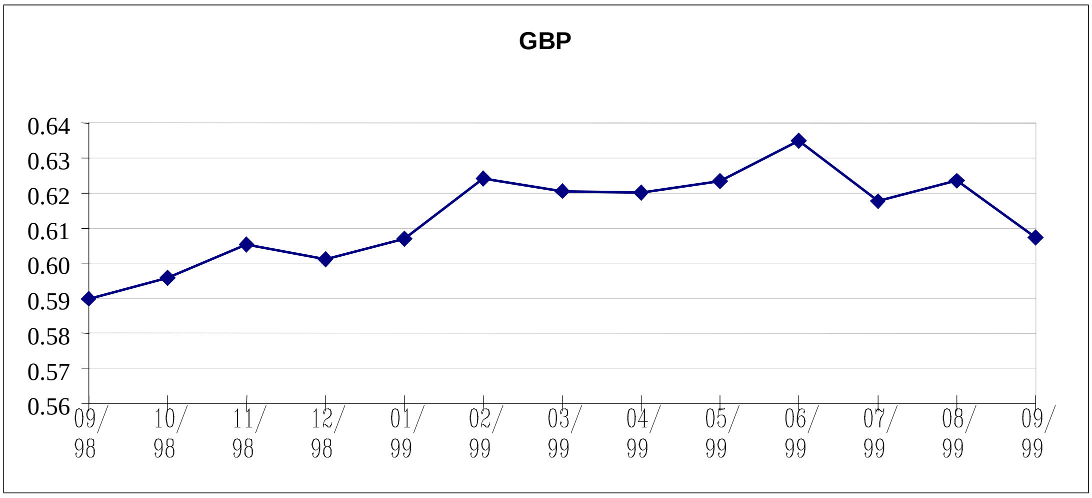
INTEREST RATES – CENTRAL BANKS

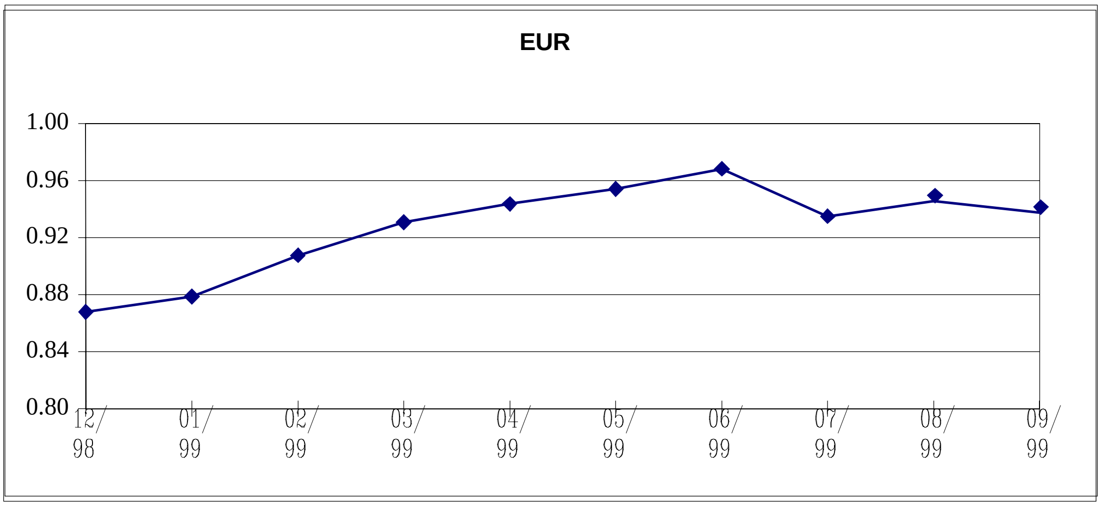




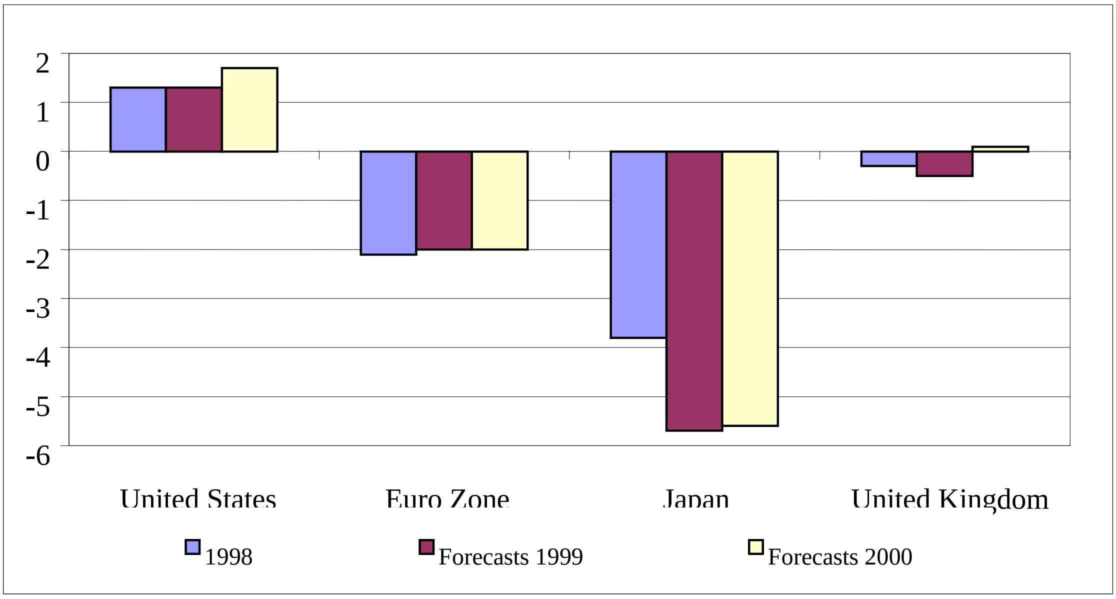
VALUE OF THE UNITED STATES DOLLAR AT IMF MONTH-END EXCHANGE RATES





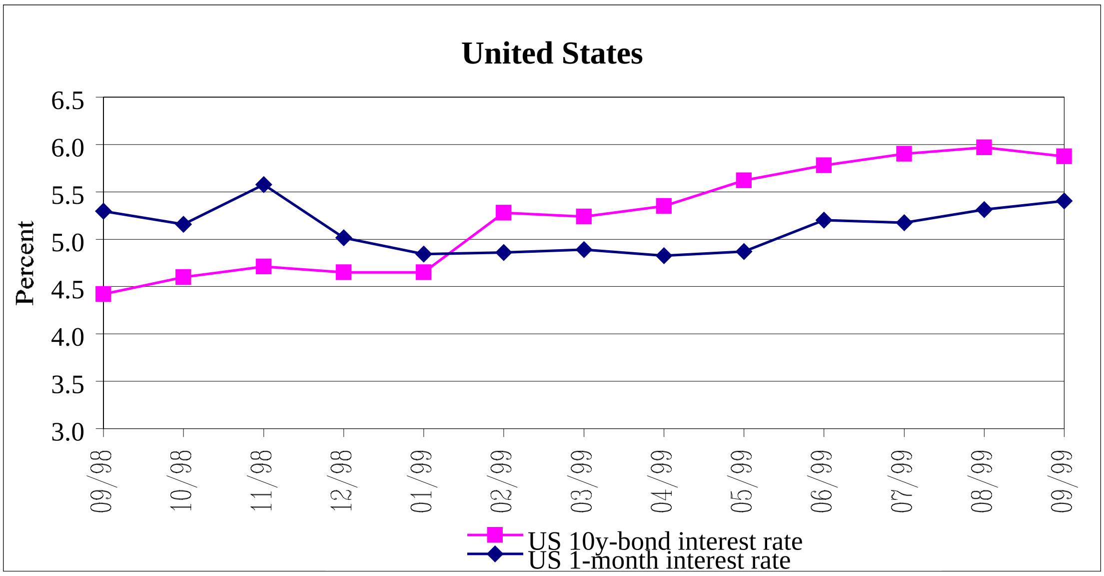


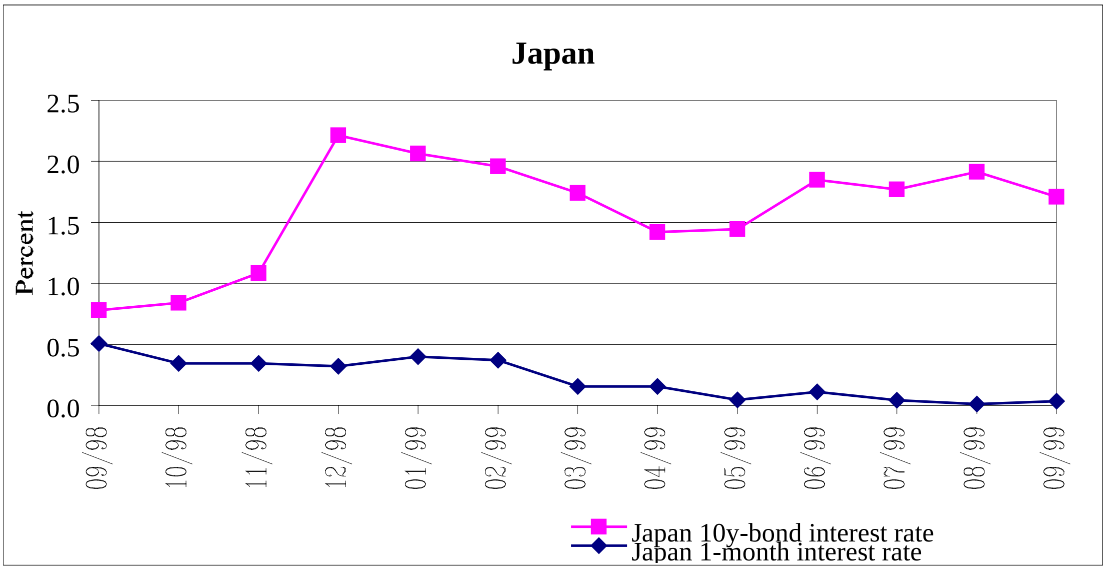
BUDGET DEFICITS – AS PERCENTAGE OF GDP

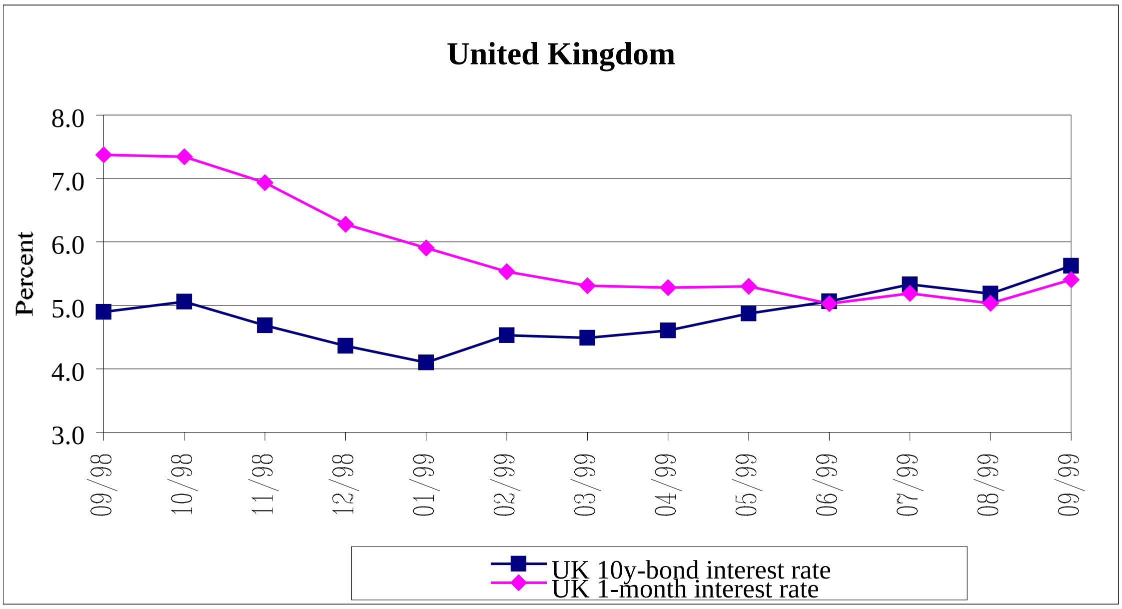


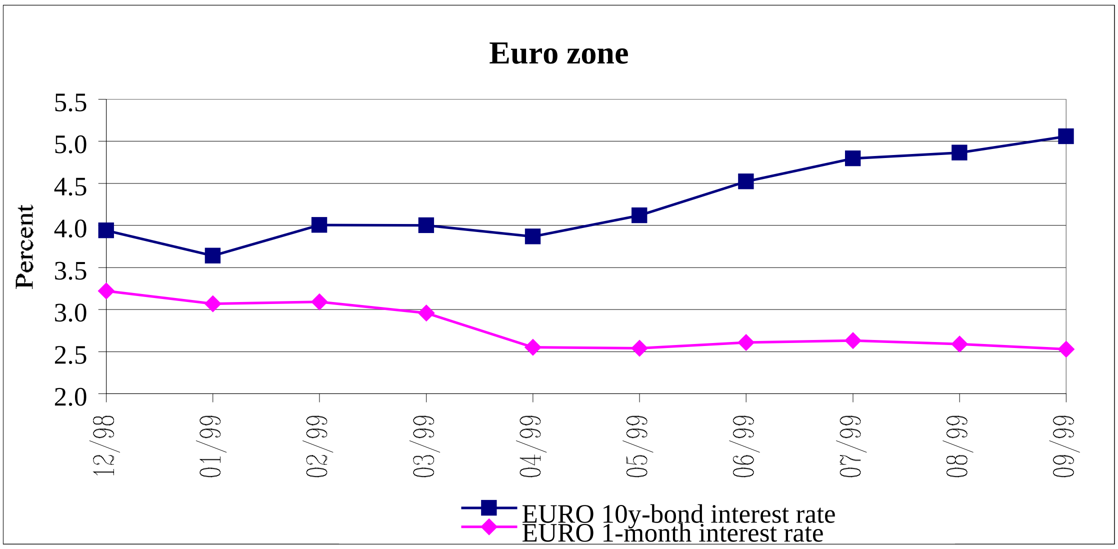
Sources: IMF World Economic Outlook, October 1999. Euro zone figures by Bloomberg/European Commission.

SHORT AND LONG-TERM INTEREST RATES






United Kingdom
Percent
8.0
7.0
6.0
5.0
4.0
3.0
09/98
10/98
11/98
12/98
01/99
02/99
03/99
04/99
05/99
06/99
07/99
08/99
09/99
UK 10y-bond interest rate
UK 1-month interest rate

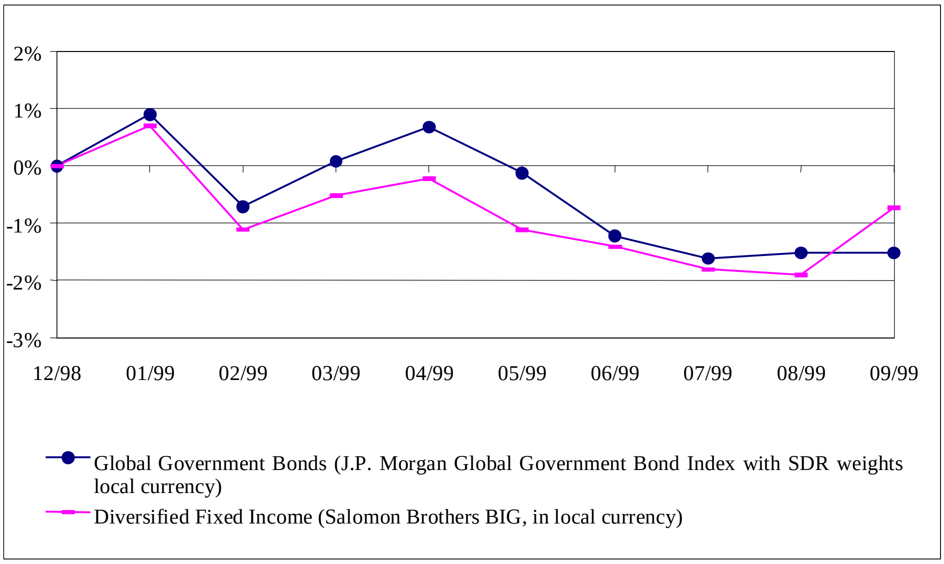

Euro zone
Percent
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
12/98
01/99
02/99
03/99
04/99
05/99
06/99
07/99
08/99
09/99
EURO 10y-bond interest rate
EURO 1-month interest rate

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

Country	3rd quarter 1999	2nd quarter 1999	1st quarter 1999	First 9 months 1999
Australia	1.49	-1.89	-0.48	-0.91
Belgium	-1.61	-1.53	0.67	-2.48
Canada	0.07	-0.89	0.47	-0.36
Denmark	-1.58	-1.25	1.51	-1.34
Euro zone	-1.48	-1.52	0.55	-2.43
France	-1.51	-1.68	0.41	-2.76
Germany	-1.27	-1.34	0.66	-1.95
Italy	-1.44	-1.60	0.43	-2.59
Japan	1.98	-0.82	3.43	4.61
Netherlands	-1.62	-1.53	0.65	-2.50
Spain	-1.63	-1.48	0.29	-2.81
Sweden	-2.17	-2.86	1.02	-3.99
United Kingdom	-1.72	-1.74	-0.20	-3.63
United States	0.66	-1.00	-1.78	-2.13
GLOBAL	**-0.10**	**-1.25**	**0.20**	**-1.15**

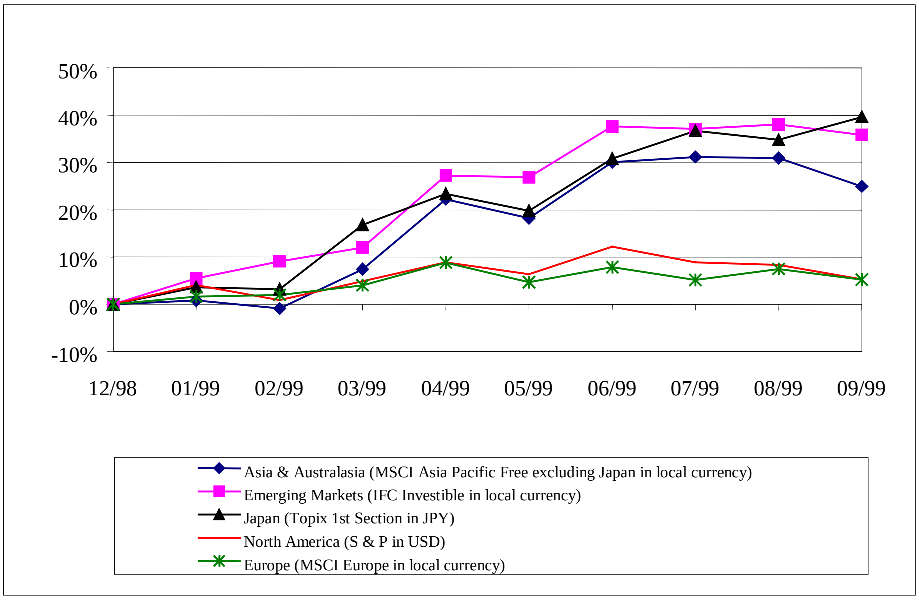
Source: J.P.Morgan

FIXED-INCOME MARKET DEVELOPMENT, YEAR TO DATE 1999
(Monthly data)



Source: State Street Analytics

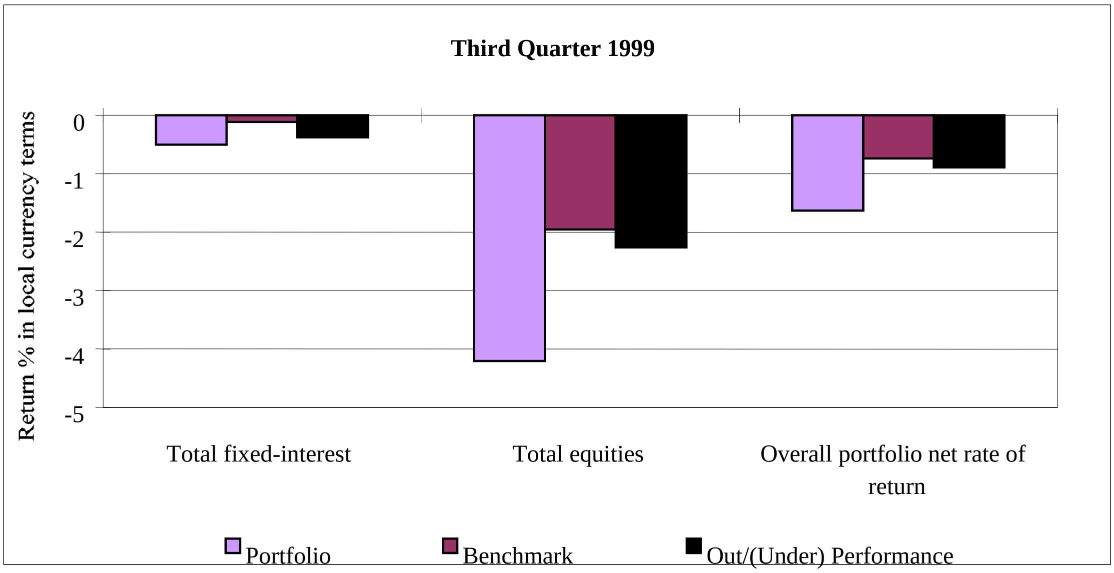
EQUITY MARKET DEVELOPMENT, YEAR TO DATE 1999
(Monthly data)

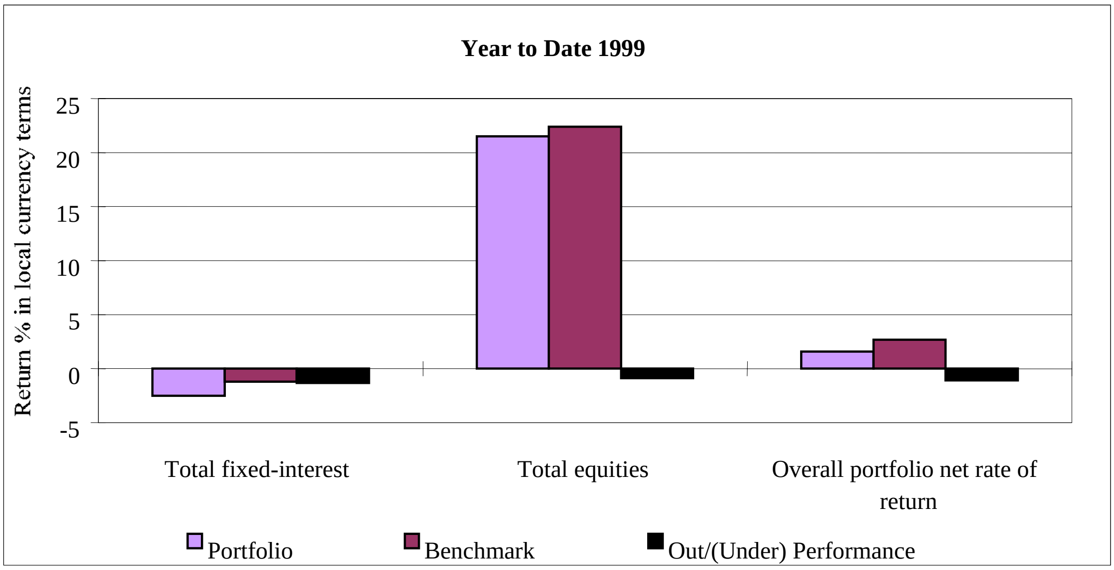


Source: State Street Analytics

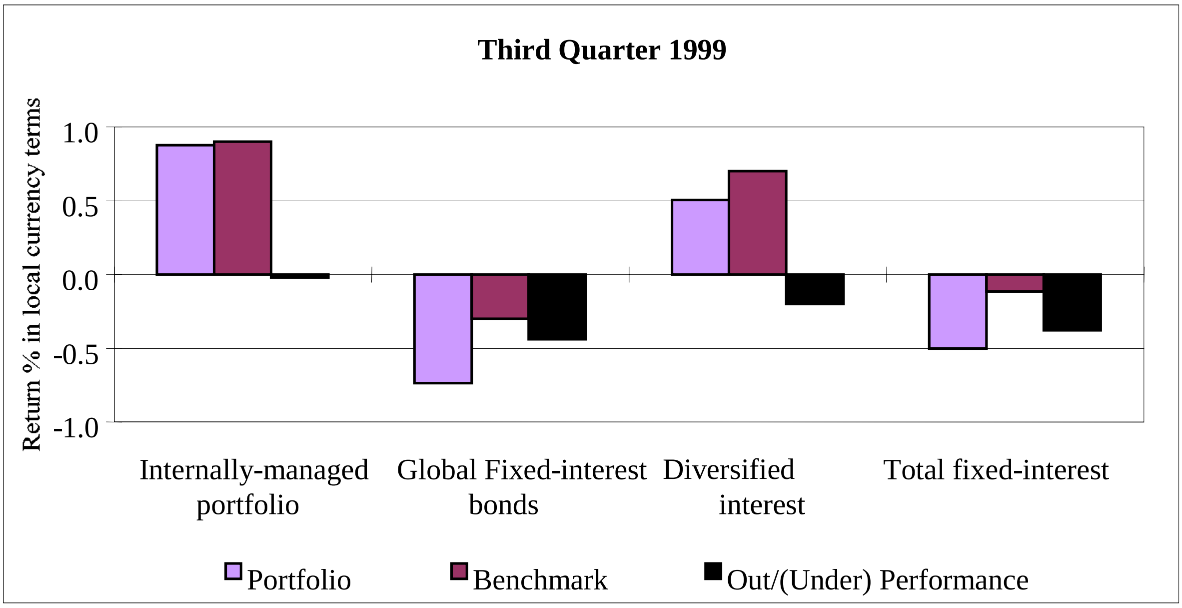
ANNEX XI

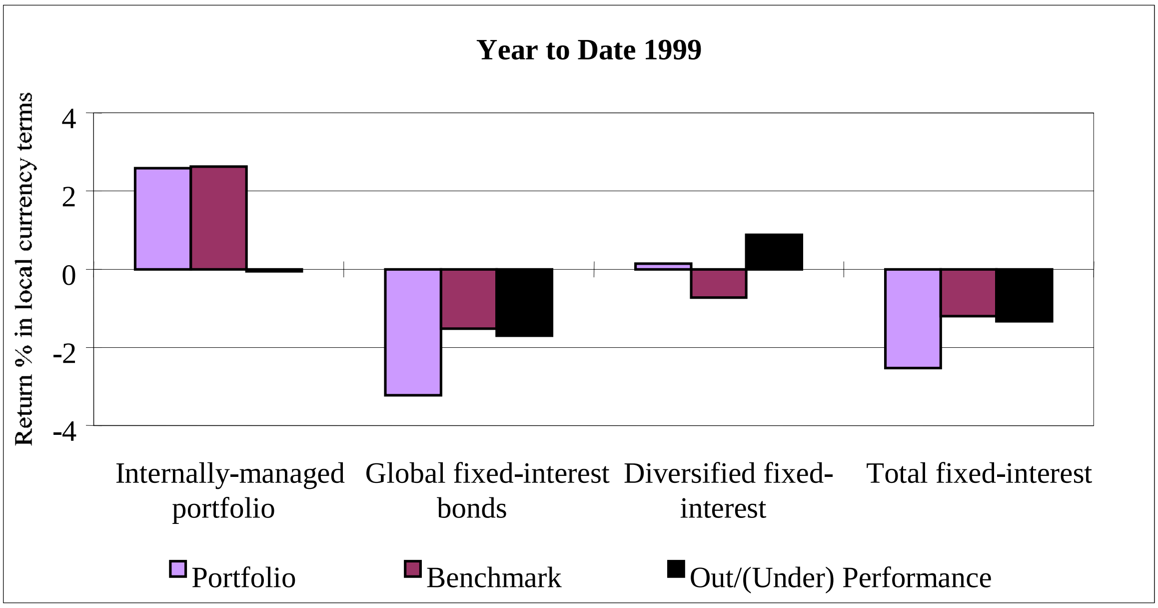
PERFORMANCE – OVERALL PORTFOLIO





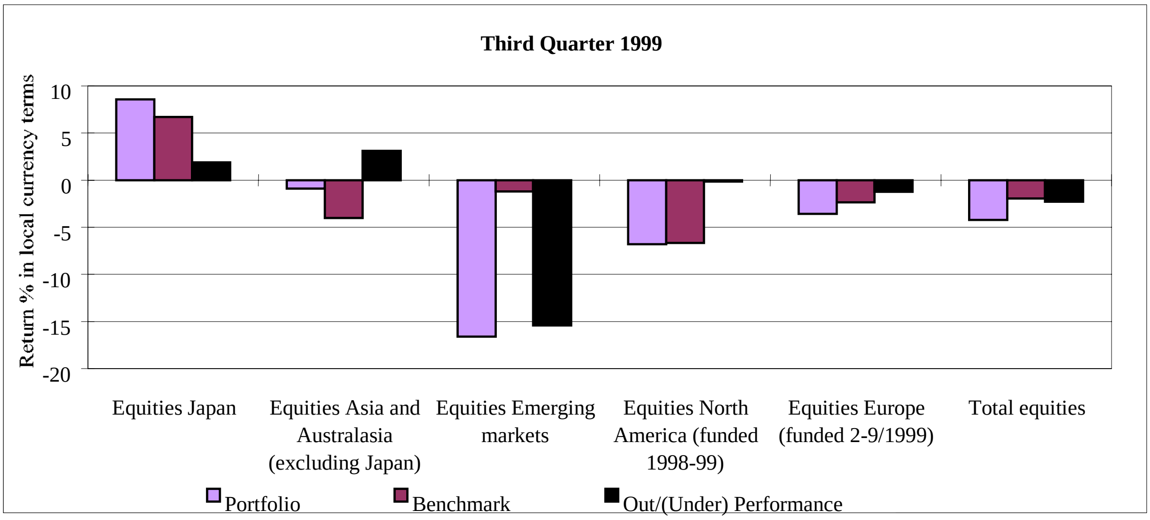
PERFORMANCE – FIXED-INTEREST PORTFOLIO

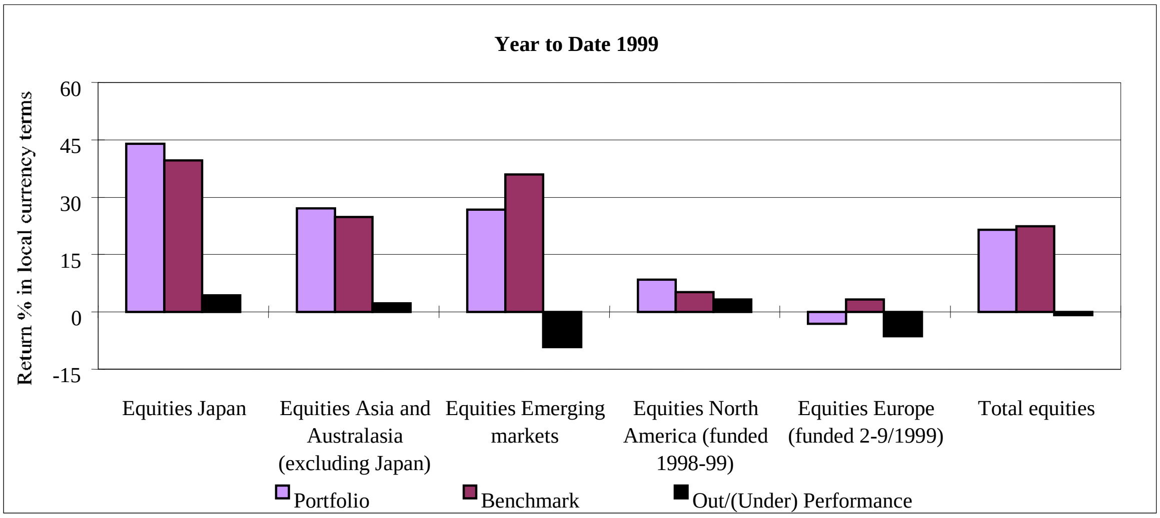




ANNEX XIII

PERFORMANCE – EQUITIES PORTFOLIO





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

Instruments	Internally Managed Portfolio	Global Fixed - interest Portfolio	Diversified Fixed-interest Portfolio	Total Fixed-interest Portfolio 30.09.99
Cash	18 816	11 835	14 730	45 381
Time deposits	47 778	94 698	21 340	163 816
Treasury bills	-	-	-	-
Global government bonds	-	1 193 944	60 944	1 254 888
Emerging market bonds	-	-	32 073	32 073
Mortgage-backed securities	-	-	83 700	83 700
Asset-backed securities	-	-	-	-
Corporate bonds	-	-	58 788	58 788
Equities	-	-	-	-
Futures	-	15	(12)	3
Options	-	-	-	-
Open trades	-	(1 955)	(67 613)	(69 568)
Accrued interest income	105	23 027	2 955	26 087
Dividends receivable	-	-	-	-
Non-convertible currencies	844	-	-	844
Total	**67 543**	**1 321 564**	**206 905**	**1 596 012**
Percentage	3.0%	59.6%	9.3%	71.9%