



**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Executive Board – Sixty-Ninth Session**

Rome, 3-4 May 2000

**REPORT ON IFAD'S INVESTMENT PORTFOLIO FOR THE  
FIRST QUARTER OF 2000**

**I. INTRODUCTION**

1. The following report on IFAD's Investment Portfolio covers the three-month period ending 31 March 2000 and includes comparative figures for the year ending 31 December 1999.

**II. HIGHLIGHTS**

2. The economic climate was generally benign for investments in the first quarter of 2000. However, inflation caused some concern and triggered off interest rate hikes that are likely to continue into the latter part of the year.

3. Fixed-income investments performed reasonably well, showing an average gross rate of return of 1.62% and reflecting a underperformance relative to the benchmark of 36 basis points.

4. Equities also performed reasonably well with the exception of the emerging markets portfolio which strongly underperformed the benchmark and brought down the overall gross rate of return for the equities portfolio to 1.76%, reflecting an underperformance of 53 basis points.

5. In aggregate net investment income amounted to USD 39 148 000 equivalent, representing an average rate of return of 1.55% (annualized 6.20%) compared with 8.78% in 1999, and an average underperformance against the benchmark of 38 basis points (1999 outperformance of 64 basis points).

6. The amount of the investment portfolio decreased from the equivalent of USD 2 331 030 000 at 31 December 1999 to the equivalent of USD 2 313 959 000 at 31 March 2000, mainly due to exchange movements resulting from the appreciation of the United States dollar against the other currencies included in the SDR valuation basket.

7. The diversification programme proceeded with the funding of the first tranche of the global equities mandates in the amount of USD 126 191 000 equivalent.



### III. ECONOMIC BACKGROUND

8. In the United States, growth in real Gross Domestic Product (GDP) is forecast to register a rate of growth of 5% in the first quarter of 2000 after a remarkable 7.3% growth in the fourth quarter of 1999. The consensus forecast for 2000 has been revised to 4.5%. Surging retail sales due to strong consumer demand and corporate investments have prompted upward revisions, despite important offsetting factors such as the record trade deficit. Overall inflation has been pushed up by higher oil prices, but recent data also shows a trend of rising core inflation.

9. The United States Federal Reserve increased the overnight lending rate twice in the first quarter, by 25 basis points each time, bringing the cumulative increase to 125 basis points from the low of June 1999. The Federal Reserve is expected to continue the monetary tightening over the course of the year in order to moderate economic activity.

10. In Japan the economy is expected to recover from the temporary growth pause in the last two quarters of 1999, when GDP declined. Business activity was seen to be accelerating in the first quarter, but a notable recovery in private consumption is not expected until later in the year.

11. The Bank of Japan has kept the official discount rate unchanged at 0.5%. There are increasing expectations about an end to this near-zero interest rate policy, but a modest tightening is not anticipated before towards the end of the year.

12. The outlook continues to be favourable in the euro zone and growth forecasts show a slight upward revision (consensus forecast 2000, 3.1%). Growth is expected to continue on a broad base across countries and sectors, supported by falling unemployment, the weakness of the currency and the prevailing monetary policy.

13. Overall, euro zone inflation is expected to peak in the Spring and then fall for the rest of the year as the impact from oil prices fades. However, core inflation is forecast to rise during the year due to the ongoing weakness of the euro and higher commodity prices.

14. The European Central Bank increased the official overnight rate twice in the first quarter, each time by 25 basis points. The central bank is expected to move from the current monetary policy, which is intended to stimulate the economy, towards a more restrictive policy during the year.

15. In the United Kingdom, the economy is expected to continue to grow with a somewhat upward revised rate (consensus forecast 2000, 3.2%). The relatively stable outlook incorporates a growing imbalance between domestic and external demand, due to the pound sterling's ongoing strength. Moreover, inflation shows two trends, with low inflation expected for internationally- traded goods while prices in the service sector are under pressure from both labour and housing markets. Recent data shows that wages are rising at their fastest rate for almost eight years, while the unemployment rate is at a 20-year low of 4%.

16. The Bank of England raised the bank rate twice in the first quarter, each time by 25 basis points. The recent labour market data may add pressure to raise interest rates to cool the economy.

17. Global growth rates have been revised upwards across all regions (key forecasts for 2000 indicate a rate of growth of 3.5-4.1%). Large upward revisions have been made for the United States, emerging European markets (forecast 2000, 5.4%), Latin America (forecast 2000, 4.3%) and Emerging Asia (forecast 2000, 6.6%).

18. Annex I shows a summary of the evaluation of central bank and government-controlled interest rates for countries whose currencies are included in the SDR valuation basket.



19. Annex II illustrates the end-of-the-month exchange rates for the United States dollar against the four currencies in the SDR valuation basket. The United States dollar strengthened against the other three currencies during the course of the first quarter of 2000.

#### IV. FINANCIAL MARKETS

20. Annex III shows the evolution of short and long-term interest rates for the countries whose currencies are included in the SDR valuation basket.

21. Long-term interest rates in the United States fell significantly, mainly as a reaction to the United States Treasury's announcement of its buyback programme of long-dated government bonds. Also in the euro zone, long-term interest rates have been falling despite stronger economic data and prospects for rising inflation. The ease in oil price pressures in March and speculation about the effect of prolonged growth on future debt supply supported falling interest rates. Also in the United Kingdom, the lack of supply of long-term government bonds contributed to the falling interest rates. In addition, the pound sterling's appreciation fuelled some expectations that the central bank might defer further monetary tightening over the next few months. In Japan, however, long-interest rates rose somewhat, mainly due to concerns over Moody's debt rating review, depreciation of the yen, continued supply pressures and the possibility that the central bank may end its near-zero rate policy.

22. Except for Japan, short-term interest rates rose as a result of monetary tightenings and fears of future tightenings.

23. Annex IV shows bond market returns for countries included in the J.P. Morgan Global Government Bond Traded Index. The benchmark includes both coupon and capital gains and losses, in line with market practice. The Japanese bond market performed slightly negatively; all other markets registered positive returns, reflecting the development of long-term interest rates.

24. Annex V 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 as well as mortgage, corporate and emerging market bonds denominated in United States dollars, and is used as a benchmark for IFAD's diversified fixed-interest portfolio. The market for diversified fixed-interest bonds slightly outperformed the global government bond markets, due to the generally more muted bond markets outside the United States.

25. Annex VI shows the development of the six equity markets in which IFAD has invested: Japan, Asia and Australasia (excluding Japan), emerging markets, North America, Europe and global equities. Global equity markets generally posted positive returns in the first quarter, although the market development showed more volatility compared to the constant upward trend in the last quarter of 1999. In the United States, investors were much focused on the technology sector until mid-March, when the focus was shifted from the 'new economy' to 'old economy' stocks. Equity markets in Europe and Japan showed similar behaviour. Emerging markets generally rose on improved global growth prospects. Asian equity markets showed a mixed performance.

#### V. INVESTMENT INCOME AND STRATEGY

26. Net investment income for the first quarter of 2000 amounted to USD 39 148 000 equivalent (1999 – USD 194 469 000). 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 income are provided in Tables 4 and 8 for fixed-interest and equities investments, respectively.

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

|  | 1st Quarter<br>2000 Fixed-<br>Interest<br>Portfolio | 1st Quarter<br>2000<br>Equity<br>Portfolio | 1st Quarter<br>2000<br>Overall<br>Portfolio | 1999           |
|--|---|--|---|----------------|
| Interest from fixed-interest investments and bank accounts | 16 442  | 294  | 16 736                                      | 90 253         |
| Dividend income from equities                              | -   | 2 865                                      | 2 865                                       | 8 684          |
| Realized capital gains                                     | (29 543)  | 22 708                                     | (6 835)                                     | 3 861          |
| Unrealized capital gains                                   | 34 681  | (5 546)                                    | 29 135                                      | 101 272        |
| <b>Subtotal: Gross investment income</b>                   | <b>21 580</b>                                       | <b>20 321</b>                              | <b>41 901</b>                               | <b>204 070</b> |
| Securities lending income                                  | 47  | 21   | 68  | 539            |
| Investment manager fees                                    | (715)   | (1 247)                                    | (1 962)                                     | (7 192)        |
| Custody fees   | (164)   | (436)                                      | (600)                                       | (1 870)        |
| Financial advisory and other investment management fees    | (101)   | (60)                                       | (161)                                       | (508)          |
| Taxes  | (6)   | (51)                                       | (57)  | (286)          |
| Other investment expenses                                  | (42)  | 1  | (41)  | (284)          |
| <b>Net investment income</b>                               | <b>20 599</b>                                       | <b>18 549</b>                              | <b>39 148</b>                               | <b>194 469</b> |

27. Movements affecting the overall portfolio during the first quarter of 2000 are shown in Table 2. During the quarter, USD 126 191 000 equivalent was transferred from the fixed-interest portfolio to the equities portfolio. Further details of movements in cash and investments are provided in Tables 5 and 9 for fixed-interest and equities investments, respectively.

**Table 2: Movements in Cash and Investments – First Quarter 2000**  
(USD '000 equivalent)

|  | Fixed-Interest<br>Portfolio | Equities<br>Portfolio | Overall<br>Portfolio |
|--|-----------------------------|-----------------------|----------------------|
| Opening balance (31 December 1999)             | 1 535 904                   | 795 126               | 2 331 030            |
| Transfers between portfolios due to allocation | (126 191)                   | 126 191               | -                    |
| Transfers between portfolios due to expenses   | (3 089)                     | 3 089                 | -                    |
| Other net flows                                | (23 279)                    | -                     | (23 279)             |
| Gross investment income                        | 21 580                      | 20 321                | 41 901               |
| Securities lending income                      | 47                          | 21                    | 68                   |
| Fees, charges and taxes                        | (1 028)                     | (1 793)               | (2 821)              |
| Movements on exchange                          | (25 169)                    | (7 771)               | (32 940)             |
| Closing balance ( 31 March 2000)               | 1 378 775                   | 935 184               | 2 313 959            |

28. After taking investment expenses into account, including fees for custody and investment management, the overall rate of return of the portfolio for the first quarter of 2000 was 1.55% (annualized 6.20%), compared with 8.78% in 1999. The fixed-interest and equities markets both contributed positively during the quarter.

29. The performance of the various mandates of the investment portfolio is measured against preassigned independent benchmarks indicating the return that may be expected through passive management of defined sectors of the market. Table 3 compares the return of each major section of the portfolio with the appropriate benchmark rate of return. Table 3 shows an overall underperformance of 38 basis points for the first quarter of 2000 (1999 – outperformance 66 basis points). This information is presented graphically in Annex VII.

**Table 3: Overall Performance Compared with Benchmarks – First Quarter 2000**

| Portfolio                                      | Rate of Return % |           | Out/(Under) Performance |
|--|------------------|-----------|-------------------------|
|  | Portfolio        | Benchmark |                         |
| Total fixed-Interest                           | 1.62             | 1.93      | (0.31)                  |
| Total equities                                 | 1.76             | 2.29      | (0.53)                  |
| Overall portfolio gross rate of return         | 1.67             | 2.05      | (0.38)                  |
| Less expenses                                  | (0.12)           | (0.12)    | 0.00                    |
| Overall portfolio net rate of return           | 1.55             | 1.93      | (0.38)                  |
| C.f. 1999 overall portfolio net rate of return | 8.78             | 8.12      | 0.66                    |

**Fixed-Interest Portfolio**

30. The fixed-interest portfolio consists of three sub-portfolios: the internally-managed portfolio, the externally-managed global fixed-interest portfolio and the diversified fixed-interest portfolio.

31. In aggregate, the gain from fixed-interest investments for the first quarter of 2000 amounted to USD 20 599 000 equivalent, as shown in Table 4.

**Table 4: Investment Income on Fixed-Interest Portfolio – First Quarter 2000**  
(USD '000 equivalent)

|  | Internally<br>Managed<br>Portfolio | Global<br>Fixed-<br>Interest<br>Portfolio | Diversified<br>Fixed-<br>Interest<br>Portfolio | Total Fixed-<br>Interest<br>Portfolio |
|--|------------------------------------|---|--|---------------------------------------|
| Interest from fixed-interest investments and bank accounts | 576                                | 12 738                                    | 3 128  | 16 442                                |
| Dividend income from equities                              | -                                  | -   | -  | -                                     |
| Realized capital gains                                     | -                                  | (28 478)                                  | (1 065)  | (29 543)                              |
| Unrealized capital gains                                   | -                                  | 32 144                                    | 2 537  | 34 681                                |
| <b>Subtotal: Gross investment income</b>                   | <b>576</b>                         | <b>16 404</b>                             | <b>4 600</b>                                   | <b>21 580</b>                         |
| Securities lending income                                  | -                                  | 47  | -  | 47                                    |
| Investment manager fees                                    | -                                  | (506)                                     | (209)  | (715)                                 |
| Custody fees   | (20)                               | (82)                                      | (62)   | (164)                                 |
| Financial advisory and other investment management fees    | -                                  | (86)                                      | (15)   | (101)                                 |
| Taxes  | -                                  | (2)                                       | (4)  | (6)                                   |
| Other investment expenses                                  | (9)                                | (23)                                      | (10)   | (42)                                  |
| <b>Net investment income</b>                               | <b>547</b>                         | <b>15 752</b>                             | <b>4 300</b>                                   | <b>20 599</b>                         |

32. Movements affecting the total fixed-interest portfolio during the first quarter of 2000 are shown in Table 5.

**Table 5: Movements in the Fixed-Interest Portfolio – First Quarter 2000**  
(USD '000 equivalent)

|  | Internally<br>Managed<br>Portfolio | Global Fixed-<br>Interest<br>Portfolio | Diversified<br>Fixed-Interest<br>Portfolio | Total Fixed-<br>Interest<br>Portfolio |
|--|------------------------------------|--|--|---------------------------------------|
| Opening balance (31 December 1999)             | 70 279                             | 1 254 266                              | 211 359                                    | 1 535 904                             |
| Transfers between portfolios due to allocation | 67 208                             | (193 399)                              | -  | (126 191)                             |
| Transfers between portfolios due to expenses   | (3 902)                            | 627                                    | 186  | (3 089)                               |
| Other net flows                                | (23 279)                           | -                                      | -  | (23 279)                              |
| Gross investment income                        | 576                                | 16 404                                 | 4 600                                      | 21 580                                |
| Securities lending income                      | -                                  | 47                                     | -  | 47                                    |
| Fees, charges and taxes                        | (29)                               | (699)                                  | (300)                                      | (1 028)                               |
| Movements on exchange                          | 389                                | (25 619)                               | 61   | (25 169)                              |
| Closing balance ( 31 March 2000)               | 111 242                            | 1 051 627                              | 215 906                                    | 1 378 775                             |

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

**Table 6: Fixed-Interest Performance Compared with Benchmarks – First Quarter 2000**

| Portfolio                      | Year to date 2000 |           |             |
|--------------------------------|-------------------|-----------|-------------|
|                                | Rate of Return %  |           | Out/(Under) |
|                                | Portfolio         | Benchmark | Performance |
| Internally-managed portfolio   | 0.95              | 1.03      | (0.08)      |
| Global fixed-interest          | 1.68              | 2.04      | (0.36)      |
| Diversified fixed-interest     | 2.18              | 2.19      | (0.01)      |
| Total fixed-interest           | 1.62              | 1.93      | (0.31)      |
| C.f. 1999 total fixed-interest | (1.85)            | (0.81)    | (1.04)      |

34. As indicated in Table 6, the overall return for the fixed-interest portfolio was 1.62%. This is compared to the aggregate benchmark return of 1.93%, resulting in an underperformance of 31 basis points for the total fixed-interest portfolio.

35. The fixed-interest underperformance was mainly due to the global fixed-interest portfolio. The global fixed-interest portfolio underperformed mainly due to the portfolio's low duration compared to the benchmark, as indicated in Table 7. The low duration had a negative impact especially in the United States, where long-term interest-rates fell significantly during the quarter.

**Table 7: Duration of the Global Fixed-Interest and the Diversified Fixed-Interest Portfolio**

|                                      | 31 March 2000 | 31 December 1999 |
|--------------------------------------|---------------|------------------|
| Global fixed interest portfolio      | 5.28          | 5.30             |
| Global fixed interest benchmark      | 5.97          | 5.84             |
| Diversified fixed interest portfolio | 5.36          | 5.21             |
| Diversified fixed interest benchmark | 5.18          | 5.09             |

## Equities Portfolio

36. The equities portfolio comprised seven externally-managed sub-portfolios by the end of the first quarter of 2000. These were Japanese equities, Asian and Australasian equities, emerging market equities, North American equities, European equities, a currency overlay mandate and global equities.

37. The aggregate net income attributable to the equities portfolio for the first quarter of 2000 amounted to a gain of USD 18 549 000 equivalent. The income by sub-portfolios is shown in Table 8.

**Table 8: Investment Income on Equities – First Quarter 2000**  
(USD '000 equivalent)

|  | Japanese Equities | Asian and Australasian Equities | Emerging Markets Equities | Currency Overlay | North American Equities | European Equities | Global Equities | Total         |
|--|-------------------|---------------------------------|---------------------------|------------------|-------------------------|-------------------|-----------------|---------------|
| Interest from fixed-interest investments and bank accounts | -                 | 44                              | 54                        | 131              | 12                      | 7                 | 46              | 294           |
| Dividend income from equities                              | 448               | 595                             | 666                       | -                | 534                     | 348               | 274             | 2 865         |
| Realized capital gains                                     | 7 509             | 4 702                           | 495                       | -                | 7 522                   | 1 900             | 580             | 22 708        |
| Unrealized capital gains                                   | (8 464)           | (7 408)                         | (11 198)                  | -                | 7 275                   | 6 887             | 7 362           | (5 546)       |
| <b>Subtotal: Gross investment income</b>                   | <b>(507)</b>      | <b>(2 067)</b>                  | <b>(9 983)</b>            | <b>131</b>       | <b>15 343</b>           | <b>9 142</b>      | <b>8 262</b>    | <b>20 321</b> |
| Securities lending income                                  | 12                | 1                               | -                         | -                | 8                       | -                 | -               | 21            |
| Investment manager fees                                    | (200)             | (178)                           | (351)                     | -                | (256)                   | (154)             | (108)           | (1 247)       |
| Custody fees   | (16)              | (43)                            | (194)                     | (8)              | (51)                    | (28)              | (96)            | (436)         |
| Financial advisory and other investment management fees    | (12)              | (8)                             | (8)                       | (1)              | (15)                    | (10)              | (6)             | (60)          |
| Taxes  | -                 | (6)                             | (10)                      | -                | -                       | (26)              | (9)             | (51)          |
| Other investment expenses                                  | -                 | 1                               | -                         | -                | -                       | -                 | -               | 1             |
| <b>Net investment income</b>                               | <b>(723)</b>      | <b>(2 300)</b>                  | <b>(10 546)</b>           | <b>122</b>       | <b>15 029</b>           | <b>8 924</b>      | <b>8 043</b>    | <b>18 549</b> |

38. Movements affecting the equities portfolio during the first quarter of 2000 are shown in Table 9. A total of USD 126 191 000 equivalent was transferred from the fixed-interest portfolio in order to fund the first tranche of the global equities mandate.

**Table 9: Movements in the Equities Portfolio – First Quarter 2000**  
(USD '000 equivalent)

|  | Japanese Equities | Asian and Australasian Equities | Emerging Markets Equities | Currency Overlay | North American Equities | European Equities | Global Equities | Total   |
|--|-------------------|---------------------------------|---------------------------|------------------|-------------------------|-------------------|-----------------|---------|
| Opening balance (31 December 1999)             | 177 606           | 120 632                         | 122 115                   | 9 866            | 220 374                 | 144 533           | -               | 795 126 |
| Transfers between portfolios due to allocation | -                 | -                               | -                         | -                | -                       | -                 | 126 191         | 126 191 |
| Transfers between portfolios due to expenses   | 216               | 228                             | 1 920                     | 9                | 314                     | 192               | 210             | 3 089   |
| Gross investment income                        | (507)             | (2 067)                         | (9 983)                   | 131              | 15 343                  | 9 142             | 8 262           | 20 321  |
| Securities lending income                      | 12                | 1                               | -                         | -                | 8                       | -                 | -               | 21      |
| Fees, charges and taxes                        | (228)             | (234)                           | (563)                     | (9)              | (322)                   | (218)             | (219)           | (1 793) |
| Movements on exchange                          | 128               | (2 197)                         | (2 162)                   | 90               | -                       | (3 883)           | 253             | (7 771) |
| Closing balance (31 March 2000)                | 177 227           | 116 363                         | 111 327                   | 10 087           | 235 717                 | 149 766           | 134 697         | 935 184 |

39. The performance of the equities portfolio by type of mandate is presented in Table 10. This information is presented graphically in Annex IX.

**Table 10: Equities Performance Compared with Benchmarks – First Quarter 2000**

| Portfolio   | Rate of Return % |           | Out/(Under) Performance |
|---|------------------|-----------|-------------------------|
|   | Portfolio        | Benchmark |                         |
| Japanese equities                                 | (0.29)           | (0.80)    | 0.51                    |
| Asian and Australasian equities (excluding Japan) | (1.73)           | (2.15)    | 0.42                    |
| Emerging markets equities                         | (8.18)           | 0.49      | (8.67)                  |
| North American equities                           | 6.96             | 5.50      | 1.46                    |
| European equities                                 | 6.34             | 3.50      | 2.84                    |
| Global equities (first tranche funded 2/2000)     | 6.55             | 5.60      | 0.95                    |
| Total equities                                    | 1.76             | 2.29      | (0.53)                  |
| C.f. 1999 total equities                          | 49.71            | 44.07     | 5.64                    |

40. As indicated in Table 10, the overall return on the equity portfolio was 1.76% in the first quarter of 2000. This is compared to the aggregate benchmark return of 2.29%, resulting in an underperformance of 53 basis points for the total equities portfolio.

41. With the exception of the emerging markets equities, all other equity mandates showed an outperformance against their benchmarks. The emerging market portfolio underperformed mainly due to underweighting India, one of the quarter's best performing markets, while overweighting the underperforming Singapore and Thailand markets. Stock selection contributed negatively, especially in Mexico and South Africa. The portfolio's cautious exposure to Internet-related stocks also had a negative impact during most of the quarter.

## VI. COMPOSITION OF THE PORTFOLIO

42. As of 31 March 2000, the Fund's investment portfolio amounted to USD 2 313 959 000 equivalent (31 December 1999 – USD 2 331 030 000 equivalent), excluding amounts subject to restriction provided by donors for participation in specific IFAD projects and activities. During the first quarter of 2000, prior to taking account of movements on exchange rates, the amount of the portfolio increased by USD 15 869 000 equivalent (1999 – USD 116 659 000), as indicated in Table 11.

**Table 11: Analysis of Cash Flows in the Overall Portfolio**  
(USD '000 equivalent)

|                                       | 1st Quarter 2000 | 12 Months to<br>31 December 1999 |
|---------------------------------------|------------------|----------------------------------|
| Opening balance                       | 2 331 030        | 2 268 295                        |
| Net investment income                 | 39 148           | 194 469                          |
| Other net flows                       | (23 279)         | (77 810)                         |
| Increase, prior to exchange movements | 15 869           | 116 659                          |
| Exchange movements                    | (32 940)         | (53 924)                         |
| Closing balance                       | 2 313 959        | 2 331 030                        |

### Composition of the Portfolio by Instrument

43. IFAD's portfolio is divided into fixed-interest and equities portfolios. Table 12 provides an analysis of the instruments found in each of the main sections of the investment portfolio.

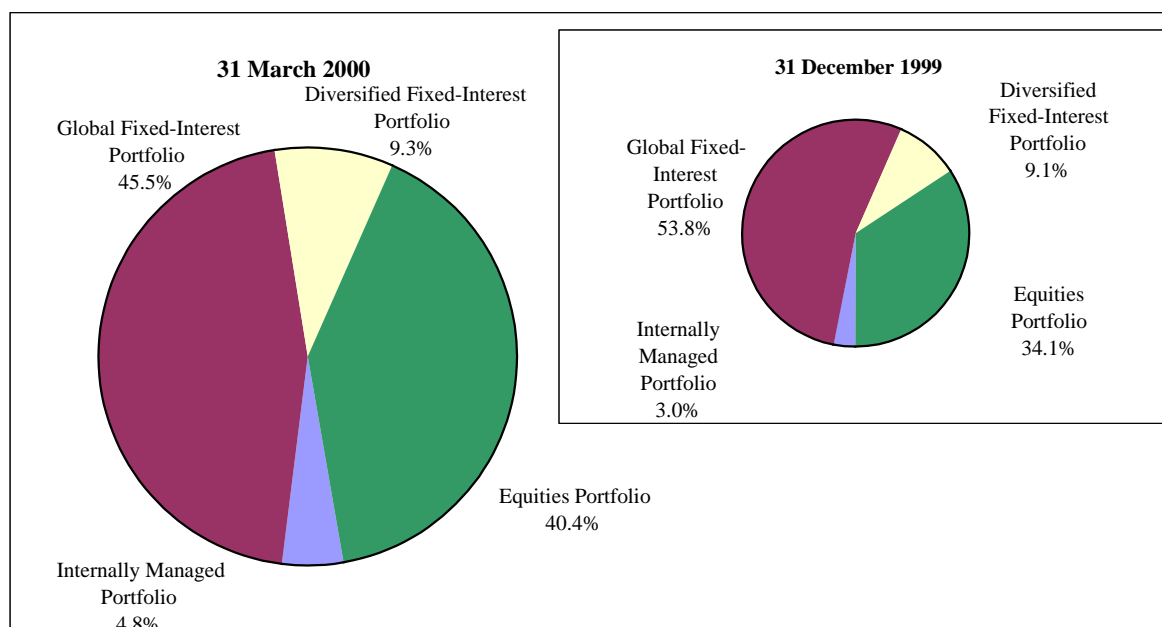


**Table 12: Analysis of the Portfolio by Type of Mandate and by Instrument at 31 March 2000**  
(USD '000 equivalent)

| Instruments                | Total Fixed-Interest Portfolio 31.3.2000 | Total Equities Portfolio 31.3.2000 | Overall Portfolio 31.3.2000 | Overall Portfolio 31.12.1999 |
|----------------------------|--|------------------------------------|-----------------------------|------------------------------|
| Cash                       | 96 172                                   | 5 795                              | 101 967                     | 71 889                       |
| Time deposits              | 250 820                                  | 15 974                             | 266 794                     | 171 868                      |
| Global government bonds    | 916 750                                  | -                                  | 916 750                     | 1 171 821                    |
| Emerging market bonds      | 39 547                                   | -                                  | 39 547                      | 35 182                       |
| Mortgage-backed securities | 46 405                                   | -                                  | 46 405                      | 60 760                       |
| Asset-backed securities    | 3 000                                    | -                                  | 3 000                       | 2 999                        |
| Corporate bonds            | 65 810                                   | 151                                | 65 961                      | 70 041                       |
| Equities                   | 0  | 914 429                            | 914 429                     | 770 369                      |
| Futures                    | 617                                      | -                                  | 617                         | 48                           |
| Options                    | (127)                                    | -                                  | (127)                       | (30)                         |
| Open trades                | (61 393)                                 | (3 107)                            | (64 500)                    | (52 838)                     |
| Accrued interest income    | 20 354                                   | 1                                  | 20 355                      | 27 437                       |
| Dividends receivable       | 0  | 1 941                              | 1 941                       | 577                          |
| Non-convertible currencies | 820                                      | -                                  | 820                         | 907                          |
| <b>Total</b>               | <b>1 378 775</b>                         | <b>935 184</b>                     | <b>2 313 959</b>            | <b>2 331 030</b>             |
| <b>Percentage</b>          | <b>59.6%</b>                             | <b>40.4%</b>                       | <b>100.0%</b>               | <b>100.0%</b>                |

44. An analysis of the portfolio by type of mandate is to be found in Figure 1.

**Figure 1: Analysis of the Portfolio by Type of Mandate**





## VII. DIVERSIFICATION OF THE INVESTMENT PORTFOLIO

45. For background information on the diversification process, attention is invited to document EB 2000/69/R.3 “Report on IFAD’s Investment Portfolio for 1999”.

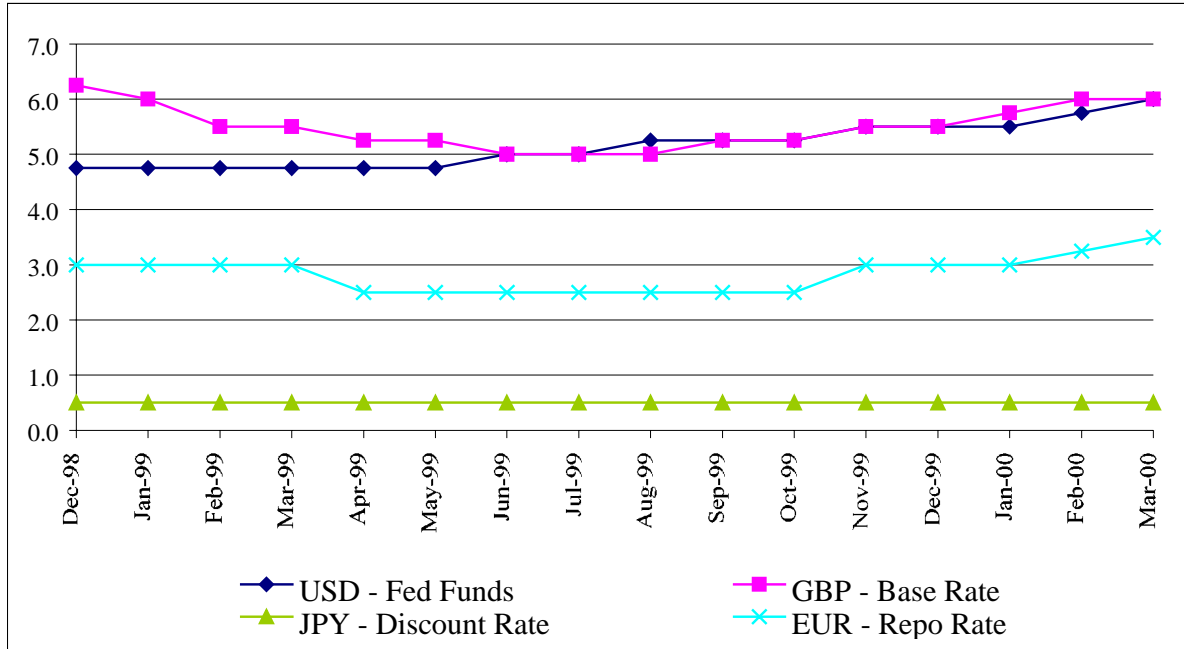
46. During the course of the first quarter of 2000, two global government bond portfolios were liquidated for an amount of USD 193.4 million equivalent. The proceeds were used partly for the funding of the first tranche of the global equities mandate in the amount of USD 126.2 million equivalent, which took place on 1 February 2000, and partly to provide liquidity for loan and grants disbursements.

47. Work is currently under way to identify a manager for a Pan-European small and medium capitalization equities mandate in the amount of USD 60 million equivalent, which is expected to be funded during the course of 2000.



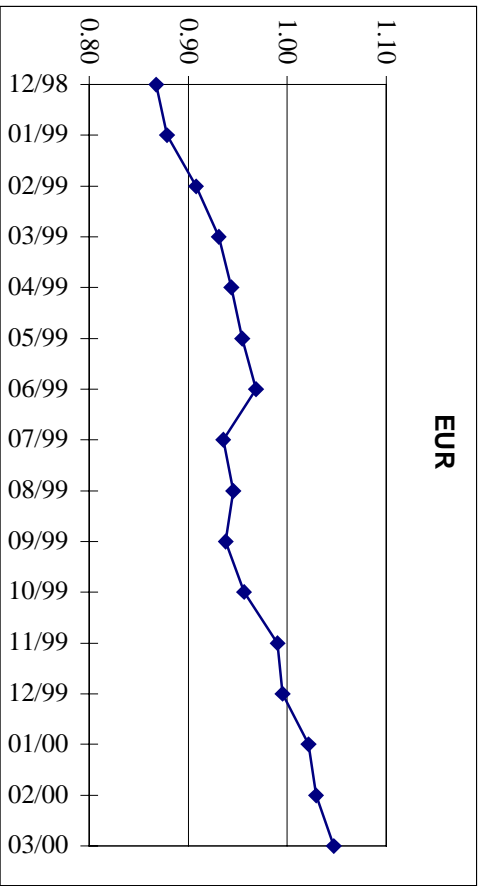
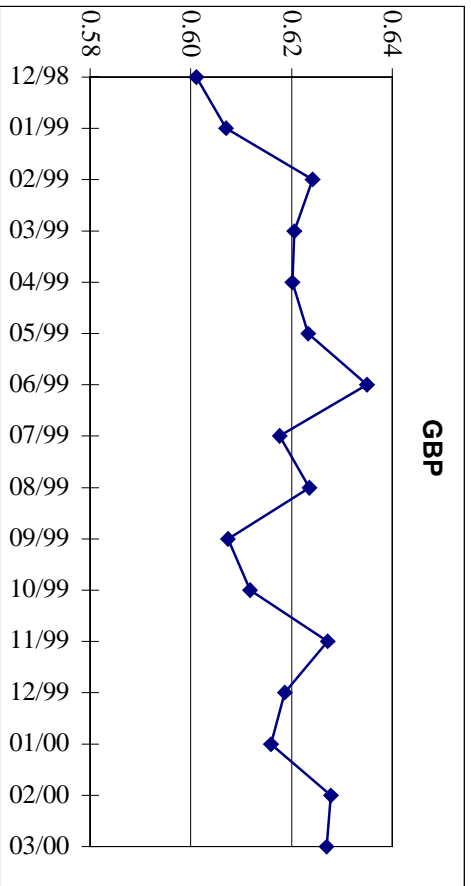
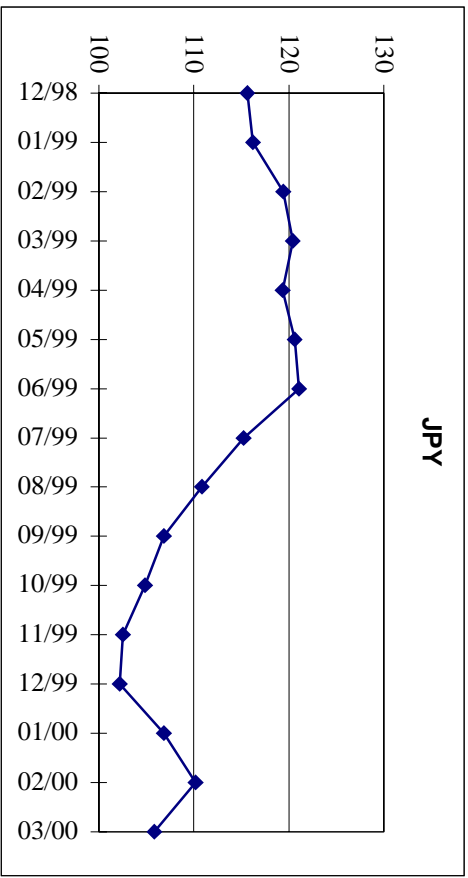
ANNEX I

CENTRAL BANK AND GOVERNMENT-CONTROLLED INTEREST RATES





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

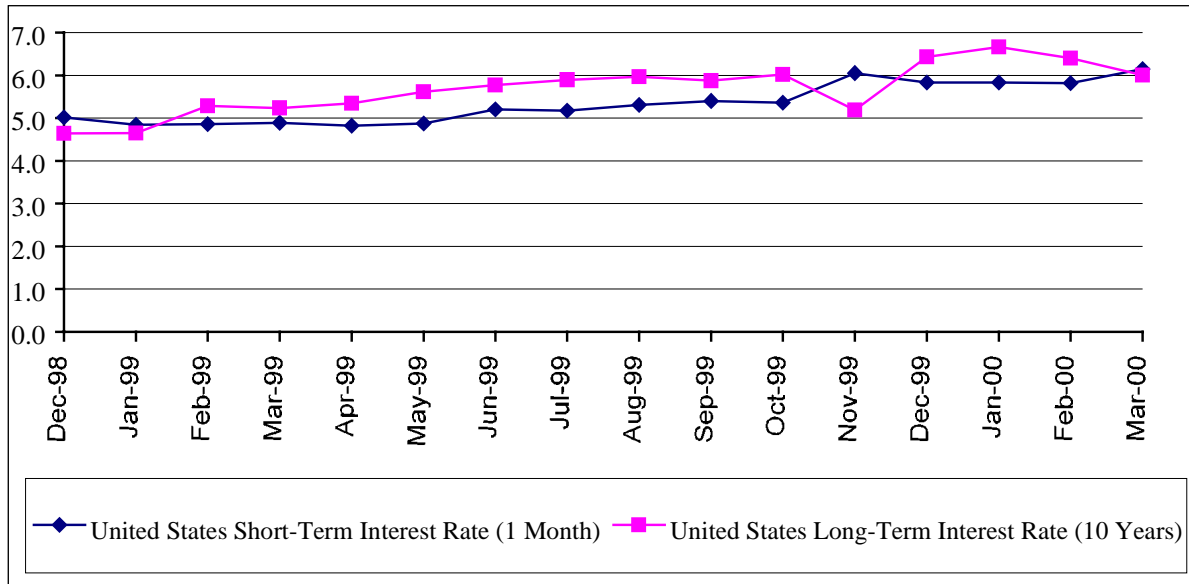


Source: IMF

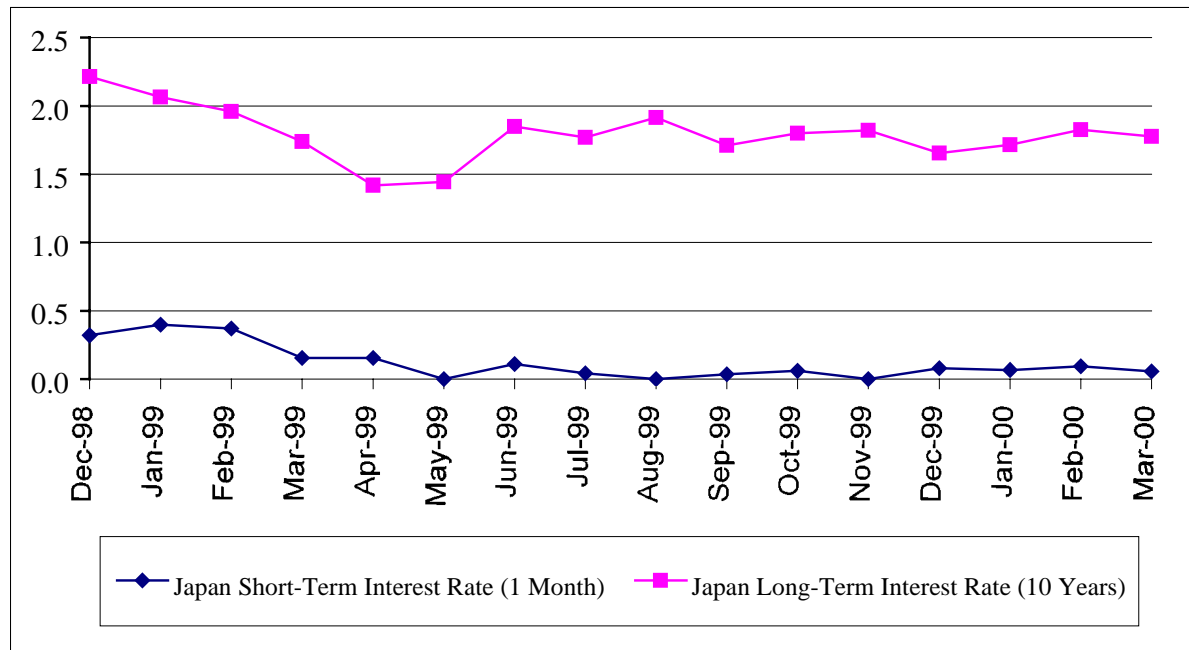
**ANNEX III**

**SHORT AND LONG TERM INTEREST RATES**

**United States**



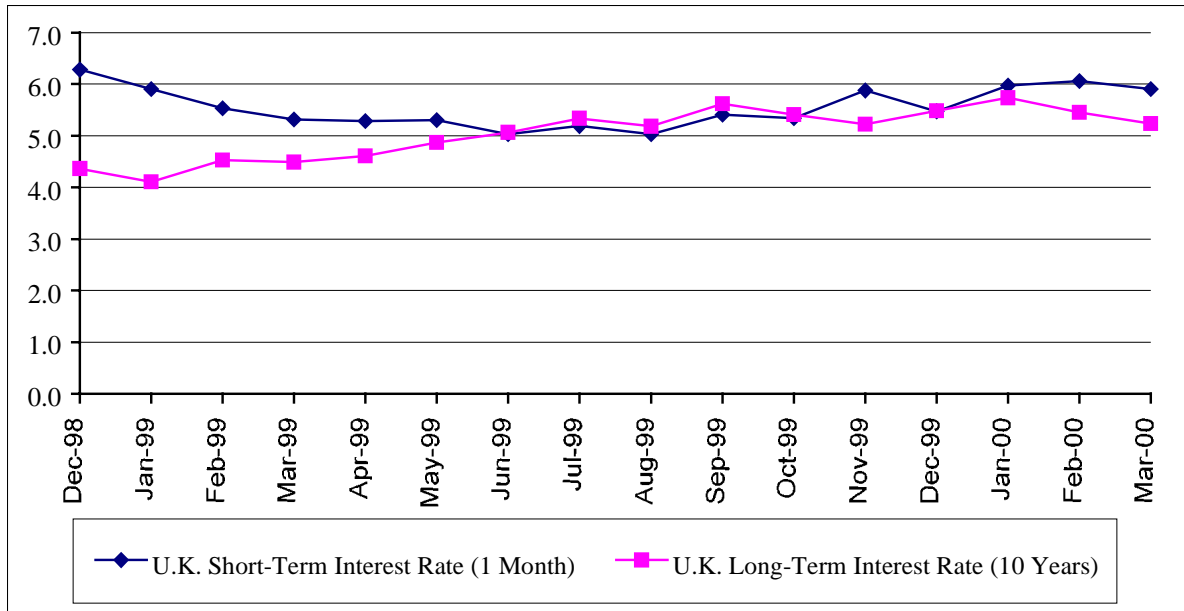
**Japan**



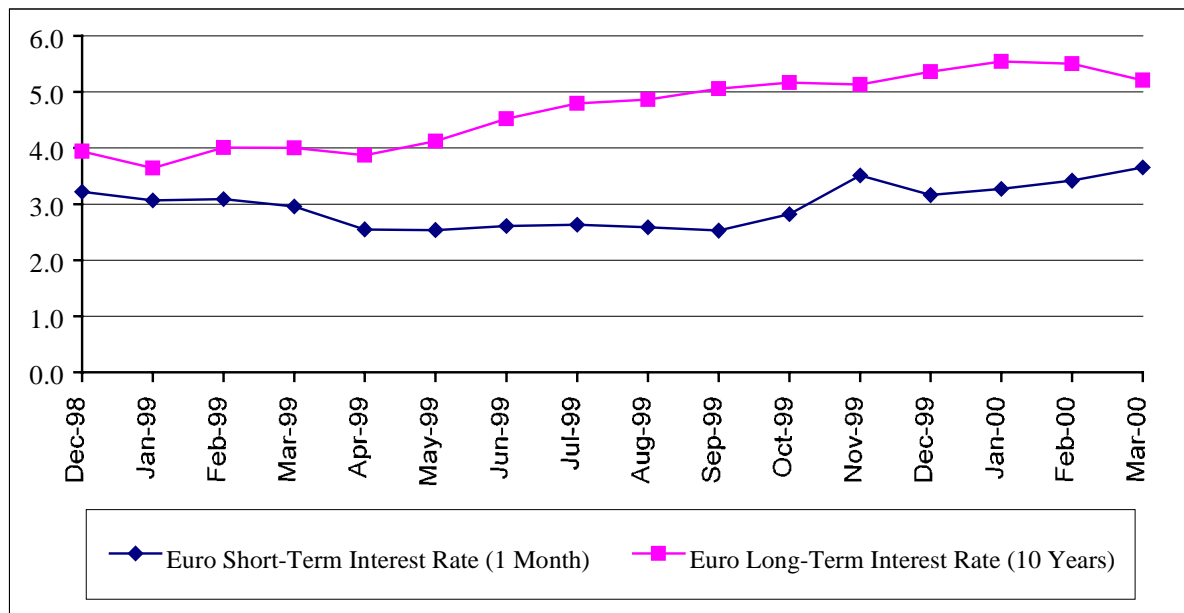
Source: Bloomberg

**ANNEX III**

**United Kingdom**



**Euro Zone**



Source: Bloomberg

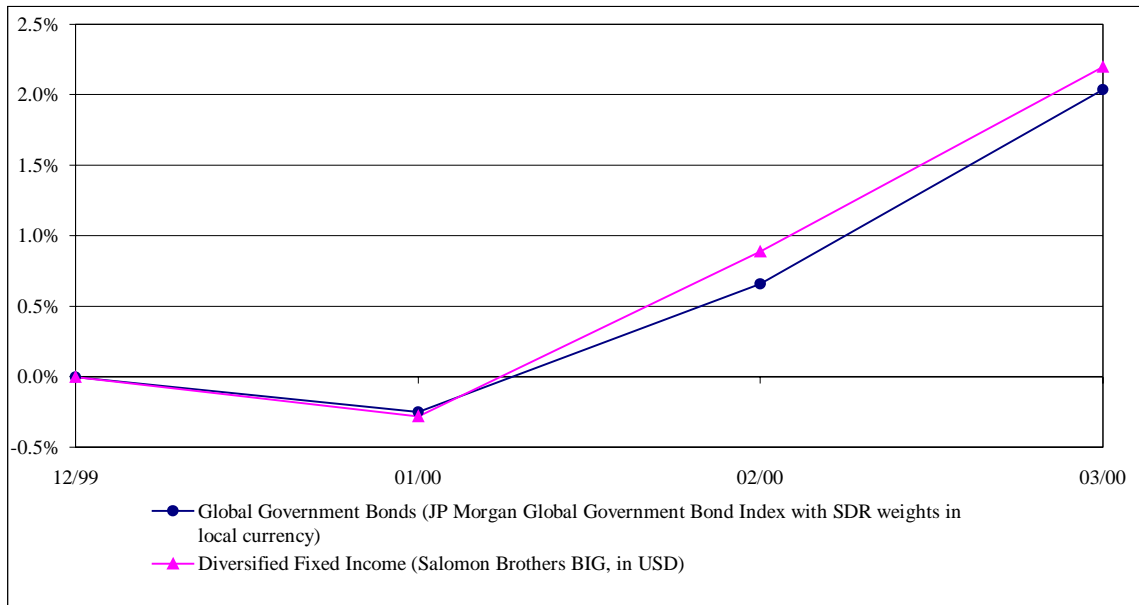


**GOVERNMENT BOND RETURNS PER COUNTRY INCLUDED IN THE J.P.  
MORGAN GOVERNMENT BOND TRADED INDEX  
(Percentage in Local Currency Terms)**

| <b>Country</b> | <b>1st Quarter<br/>2000</b> | <b>1999</b>  |
|----------------|-----------------------------|--------------|
| Australia      | 3.68                        | -2.45        |
| Belgium        | 1.91                        | -2.51        |
| Canada         | 3.42                        | -1.44        |
| Denmark        | 1.53                        | -0.71        |
| Euro zone      | 1.89                        | -2.58        |
| France         | 1.80                        | -2.98        |
| Germany        | 1.88                        | -2.17        |
| Italy          | 1.98                        | -2.75        |
| Japan          | -0.14                       | 5.01         |
| Netherlands    | 2.03                        | -2.58        |
| Spain          | 1.89                        | -2.87        |
| Sweden         | 2.53                        | -2.68        |
| United Kingdom | 2.27                        | -1.33        |
| United States  | 3.97                        | -2.88        |
| <b>Global</b>  | <b>2.16</b>                 | <b>-1.20</b> |



### FIXED-INCOME MARKET DEVELOPMENT FIRST QUARTER 2000 (Monthly Data)

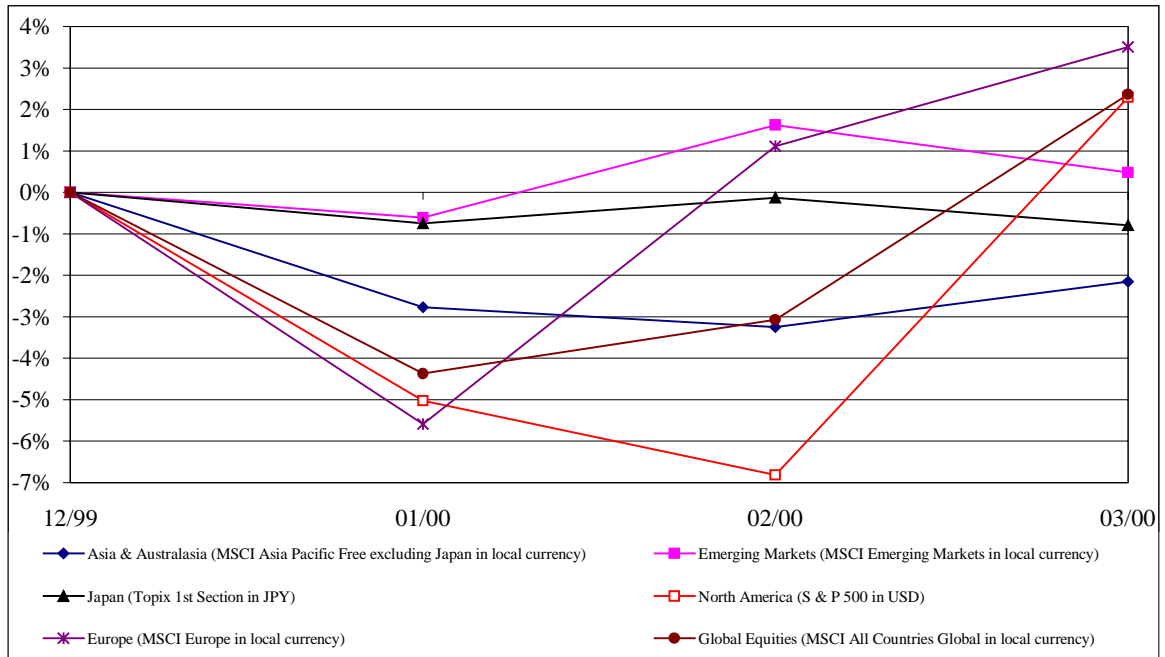


Source: State Street Analytics





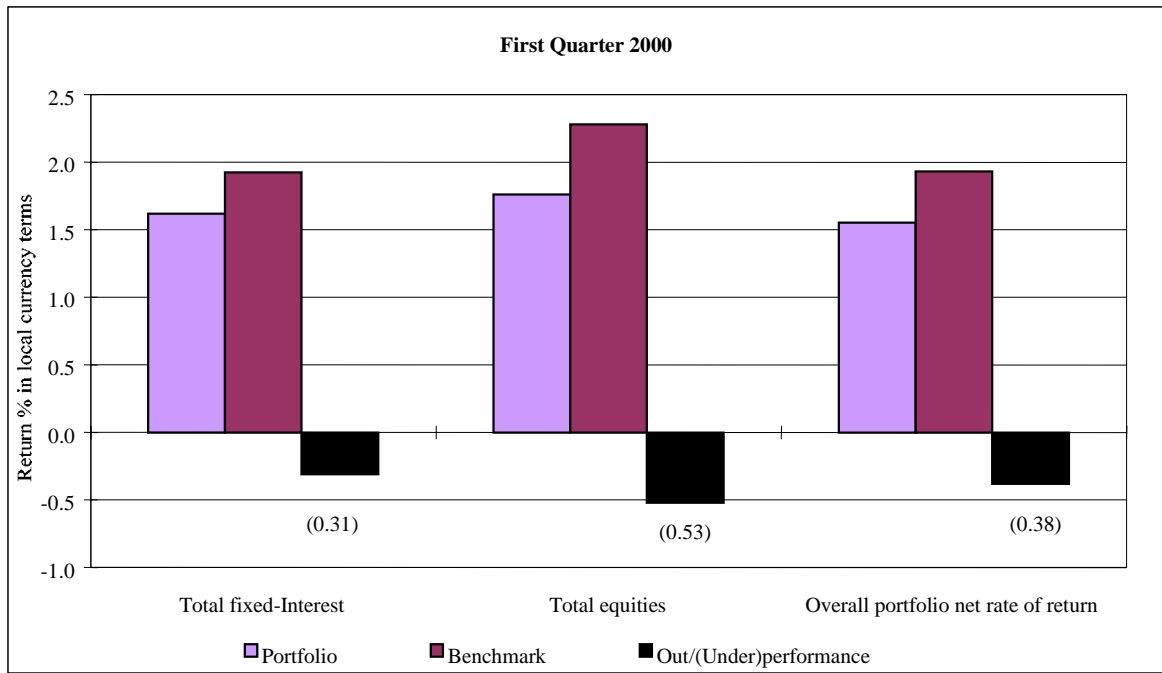
### EQUITY MARKET DEVELOPMENT FIRST QUARTER 2000 (Monthly Data)



Source: State Street Analytics

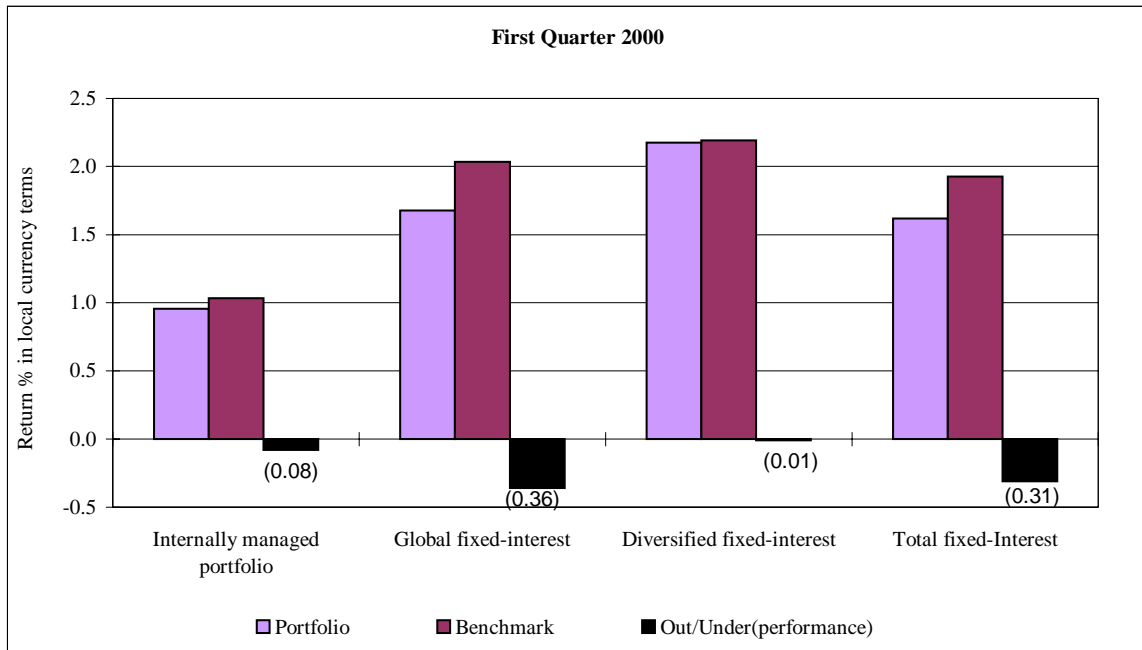


### PERFORMANCE – OVERALL PORTFOLIO





### PERFORMANCE – FIXED-INTEREST PORTFOLIO





### PERFORMANCE – EQUITIES PORTFOLIO

