



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
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**REPORT ON IFAD'S INVESTMENT PORTFOLIO FOR
THE FIRST QUARTER OF 2001**

I. INTRODUCTION

1. The following report on IFAD's investment portfolio covers the three-month period ending 31 March 2001 and includes comparative figures for the year ended 31 December 2000 and for earlier years.

2. The report includes sections on the following topics: asset allocation, investment income and performance.

II. ASSET ALLOCATION

3. Table 1 shows, *inter alia*, the actual allocation of the investment portfolio among various asset classes as compared to the policy allocation. In the first quarter of 2001 there were no transfers between portfolios due to asset allocation. However, the allocation to overall fixed-interest instruments increased by some 5% compared to the policy allocation as a result of positive performance, while the allocation to equities fell as a result of negative performance.

Table 1: Summary of Movements in Cash and Investments – First Quarter 2001
(USD '000)

	Internally Managed Portfolio	Global Government Bonds	Diversified Fixed-Interest	Equities	Overall Portfolio
Opening balance (1 January 2001)	33 902	887 924	205 541	940 824	2 068 191
Gross investment income	445	18 478	6 419	(82 926)	(57 584)
Securities lending income	-	63	-	136	199
Fees, charges and taxes	(32)	(514)	(289)	(1 834)	(2 669)
Net investment income/(loss)	413	18 027	6 130	(84 624)	(60 054)
Transfers due to allocation	-	-	-	-	-
Transfers due to expenses	(2 222)	296	279	1 647	-
Transfers between portfolios	(2 222)	296	279	1 647	-
Other net flows	(24 703)	-	-	-	(24 703)
Movements on exchange	(640)	(42 528)	41	(38 577)	(81 704)
Closing balance (31 March 2001)	6 750	863 719	211 991	819 270	1 901 730
Actual allocation (%)	0.4	45.4	11.1	43.1	100.0
Policy allocation (%)	5.0	40.0	10.0	45.0	100.0
Difference in allocation (%)	(4.6)	5.4	1.1	(1.9)	-

III. INVESTMENT INCOME

4. Table 2 shows investment income for the four major asset classes. Aggregate net investment income in the first quarter of 2001 amounted to a loss of USD 60 054 000 equivalent. Fixed-income investments continued to perform well. Equities were affected by further negative performance as uncertainty about the prospects for the global economy continued.

Table 2: Net Investment Income
(USD '000 equivalent)

	1st Quarter 2001	2000	1999	1998	1997
Internally managed portfolio	413	3 654	3 114	4 834	18 633
Global government bonds	18 027	74 625	(43 977)	195 506	154 228
Diversified fixed-interest	6 130	17 615	3 832	6 130	-
Equities	(84 624)	(143 744)	231 500	(18 571)	(8 921)
Overall portfolio	(60 054)	(47 850)	194 469	187 899	163 940

5. Table 3 shows net income for the various sectors for the fixed-interest portfolio for the first quarter of 2001. All sectors of the portfolio showed positive returns for the period under review and outperformed their respective benchmarks.

Table 3: Investment Income on the Fixed-Interest Portfolio – First Quarter 2001
(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	445	10 635	3 846	14 926
Dividend income from equities	-	-	-	-
Realized capital gains	-	8 055	487	8 542
Unrealized capital gains	-	(212)	2 086	1 874
Subtotal: Gross investment income	445	18 478	6 419	25 342
Securities lending income	-	63	-	63
Investment manager fees	-	(378)	(205)	(583)
Custody fees	(19)	(84)	(56)	(159)
Financial advisory and other investment management fees	-	(79)	(18)	(97)
Taxes	-	-	-	-
Other investment expenses	(13)	27	(10)	4
Net investment income	413	18 027	6 130	24 570
Gross rate of return (1st quarter)	1.40	2.08	3.12	2.27
Benchmark rate of return (1st quarter)	0.96	1.99	3.08	2.17
Out/(under) performance (1st quarter)	0.44	0.09	0.04	0.10

6. Table 4 shows the net loss for the various mandates of the equities portfolio for the first quarter of 2001. All equity mandates were affected negatively by economic conditions and market sentiment and therefore performed negatively. North American equities in particular were affected by continued negative performance in technology as well as most other sectors. A similar development took place in the global and European equities mandates. A less negative, but still volatile and mixed performance was shown by the Japanese, Australasian and emerging markets mandates. The economic recovery in Latin America had a positive, offsetting impact on the performance of the emerging markets.

Table 4: Investment Income on the Equities Portfolio – First Quarter 2001
(USD '000 equivalent)

	Japanese Equities	Asian and Australasian Equities	Emerging Markets Equities	Currency Overlay	North American Equities	European Equities	Global Equities	Total Equities Portfolio
Interest from fixed-interest investments and bank accounts	-	47	172	129	6	27	12	393
Dividend income from equities	443	617	358	-	588	452	669	3 127
Realized capital gains	(145)	429	(3 527)	-	(771)	(2 452)	(8 635)	(15 101)
Unrealized capital gains	(558)	(6 627)	543	-	(26 872)	(19 320)	(18 511)	(71 345)
Subtotal: Gross investment loss	(260)	(5 534)	(2 454)	129	(27 049)	(21 293)	(26 465)	(82 926)
Securities lending income	5	19	1	-	79	4	28	136
Investment manager fees	(144)	(144)	(253)	-	(297)	(204)	(246)	(1 288)
Custody fees	(13)	(43)	(101)	(7)	(82)	(58)	(108)	(412)
Financial advisory and other investment management fees	(11)	(8)	(7)	(1)	(19)	(17)	(20)	(83)
Taxes	-	(19)	(14)	-	26	(30)	(25)	(62)
Other investment expenses	-	1	(4)	-	-	13	1	11
Net investment income	(423)	(5 728)	(2 832)	121	(27 342)	(21 585)	(26 835)	(84 624)
Gross rate of return (1st quarter)	(0.20)	(5.78)	(2.96)	N/A	(12.48)	(11.38)	(11.92)	(8.82)
Benchmark rate of return (1st quarter)	(0.03)	(5.05)	(5.06)	N/A	(11.40)	(9.60)	(9.72)	(7.82)
Out/(under) performance (1st quarter)	(0.17)	(0.73)	2.10	N/A	(1.08)	(1.78)	(2.20)	(1.00)

IV. PERFORMANCE

7. The performance of the various mandates of the investment portfolio is measured against pre-assigned independent benchmarks, indicating the return that would be expected through passive management of defined sectors of the market. The principal indexes used are the JP Morgan Global Government Bonds Index and the Morgan Stanley Capitalization Index for Global Equities.

8. As shown in Table 5, there was an overall negative rate of return of -2.94% in the first quarter, reflecting an underperformance of 43 basis points against the benchmark. The quarter's overall underperformance was due to the underperformance in equities.

Table 5: Overall Performance Compared with Benchmarks – First Quarter 2001

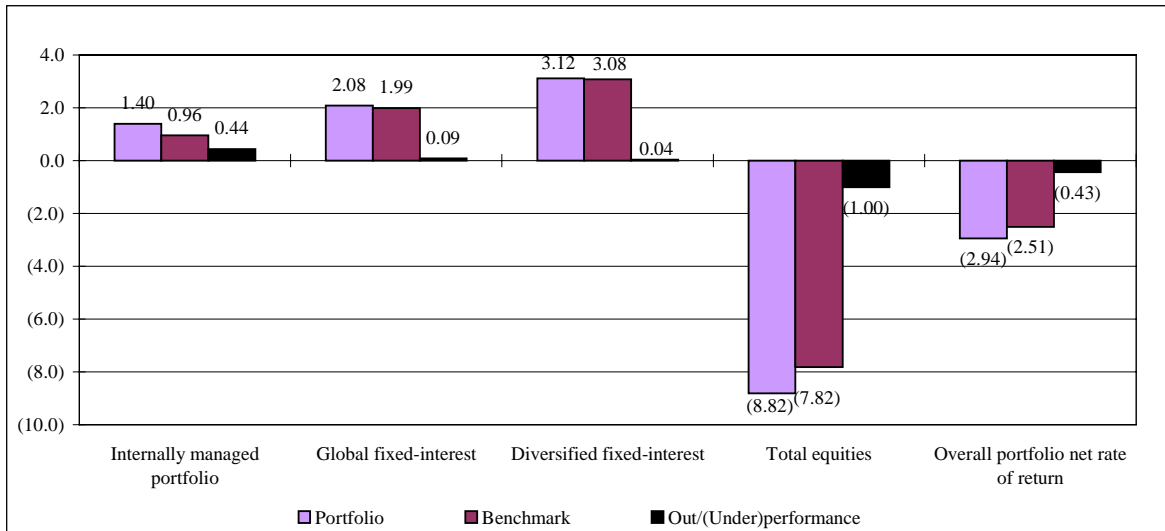
Portfolio	First Quarter 2001		
	Rate of Return %		Out/(Under) Performance
	Portfolio	Benchmark	
Internally managed portfolio	1.40	0.96	0.44
Global fixed-interest	2.08	1.99	0.09
Diversified fixed-interest	3.12	3.08	0.04
Total equities	(8.82)	(7.82)	(1.00)
Overall portfolio gross rate of return	(2.82)	(2.39)	(0.43)
Less expenses	(0.12)	(0.12)	0.00
Overall portfolio net rate of return	(2.94)	(2.51)	(0.43)

9. Details of the performance of the three-month period to 31 March 2001 are presented in the form of graphs in Annex I.



PERFORMANCE – FIRST QUARTER 2001

OVERALL PORTFOLIO



EQUITIES PORTFOLIO

