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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Executive Board – Seventy-Eighth Session

Rome, 9-10 April 2003

REPORT ON IFAD'S INVESTMENT PORTFOLIO FOR 2002

ADDENDUM

1. The new investment policy that was decided in December 2001 included the lowering of the ratio of equities from 45% to 10% of the total investment portfolio, while avoiding losses to the extent possible.

2. From August 2001 onwards, the number of equities mandates was reduced from seventeen to two mandates, whose market value at 31 December 2002 amounted to USD 199.3 million. The transition was effected in two ways:

(a) by the outright sale of eight equities mandates, without incurring any loss on the sales;

(b) by the consolidation into two mandates of eight of the remaining nine equities mandates, whose managers had shown a pattern of underperformance against their benchmarks, and of one retained mandate.

3. Table 1 of this Addendum shows the cumulative movements on equities from October 1997, when the funding of equities mandates began, to 31 December 2002, distinguishing between outright sales of mandates, and those mandates that have been consolidated and effectively form part of the equities portfolio at 31 December 2002, thus achieving the new 10% level of equities.

Table 1: Cumulative Movements on Equities to 31 December 2002
(USD million equivalent)

Equities Mandate	Year of Funding	Date of Sales/Consolidation	Initial Funding	Cumulative Gross Income (Loss)	Exchange Adjustments	Total
Total equities mandates sold	1997-2000	Aug 2001-Oct 2002	533.4	61.0	(59.7)	534.7
Total sales			**533.4**	**61.0**	**(59.7)**	**534.7**
Total consolidated equities mandates	1999-2000	September 2002	332.6	(166.0)	3.9	170.5
Retained equities mandate	1999	NA	31.1	2.1	0.1	33.3
Total consolidated and retained equities mandates			**363.7**	**(163.9)**	**4.0**	**203.8**
Grand Total			**897.1**	**(102.9)**	**(55.7)**	**738.5**

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4. In addition, Table 2 of this Addendum shows expenses – comprising management fees, custodian charges and withholding tax relating to the equities portfolio – for each year from 1997 to 2002, and income attributable to the equities portfolio from securities lending and commission recapture, resulting in the net income (net loss) attributable to each year. These net amounts are also included in Table 2, Net Investment Income by Asset Class, in document EB 2003/78/R.5.

Table 2: Cumulative Net Income on Equities to 31 December 2002
(USD million equivalent)

Year	Gross Income (Loss)	Income from Securities Lending and Commission Recapture	Fees, Charges and Taxes	Net Income (Loss)
1997	(8.7)	-	(0.2)	(8.9)
1998	(17.7)	0.1	(1.0)	(18.6)
1999	236.2	0.1	(4.8)	231.5
2000	(136.1)	0.1	(7.8)	(143.8)
2001	(93.8)	0.7	(7.1)	(100.2)
2002	(82.8)	0.3	(3.9)	(86.4)
Cumulative	**(102.9)**	**1.3**	**(24.8)**	**(126.4)**

5. Table 3 of this Addendum shows the application of the dividends received in 2002, proceeds of equities mandates sold, and of the holdings that were consolidated in 2002, which amounted, in total, to USD 738.5 million as of 31 December 2002.

Table 3: Application of Amounts to 31 December 2002
(USD million equivalent)

Equities Mandate	Year of Funding	Date of Sales/Consolidation	Dividends Repatriated in Cash in 2002	Sales Proceeds Received in Cash	Consolidated Equities Holdings	Total
Total equities mandates sold	1997-2000	Aug 2001 - Oct 2002	3.2	531.5	-	534.7
Total sales			**3.2**	**531.5**	**-**	**534.7**
Total consolidated equities mandates	1999-2000	September 2002	1.4	-	169.1	170.5
Retained equities mandate	1999	NA	3.1	-	30.2	33.3
Total consolidated and retained equities mandates			**4.5**	**-**	**199.3**	**203.8**
Grand Total			**7.7**	**531.5**	**199.3**	**738.5**