

Document:	EB 2009/96/R.32
Agenda:	14(c)(i)
Date:	23 April 2009
Distribution:	Public
Original:	English

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Enabling poor rural people  
to overcome poverty

## **Report on IFAD's investment portfolio for 2008**

Executive Board — Ninety-sixth Session  
Rome, 29-30 April 2009

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For: **Information**

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# Report on IFAD's investment portfolio for 2008

## I. Executive summary

1. During 2008, IFAD's prudent investment policy and high-quality instruments contributed to protecting the investment portfolio from the turmoil in the global financial markets. The financial crisis triggered a flight-to-quality and worked in favour of the performance of IFAD's investments.
2. The value of the investment portfolio in United States dollar terms decreased by US\$22,549,000 equivalent, from US\$2,501,060,000 equivalent at 31 December 2007 to US\$2,478,511,000 equivalent at 31 December 2008. The main factors for this decrease were net disbursement outflows and foreign exchange movements, which were partially offset by the net investment income.
3. The investment portfolio's rate of return for 2008 is 5.41 per cent – which is substantially higher than the policy target return of 3.5 per cent – and the net investment income amounted to US\$126,623,000 equivalent.<sup>1</sup>

## II. Introduction

4. This report on IFAD's investment portfolio covers the year ended 31 December 2008 and includes comparative figures, where applicable, for the year ended 31 December 2007.
5. This report also incorporates data from IFAD's securities lending cash collateral reinvestment, whereas in previous reports, only securities lending income data were presented. Any unrealized gains/losses pertaining to the cash collateral reinvestment are included in table 2.
6. The report consists of the following sections: market conditions; asset allocation; investment income; rate of return; composition of the portfolio; securities lending cash collateral; liquidity level in IFAD's investment portfolio; and risk measurement.

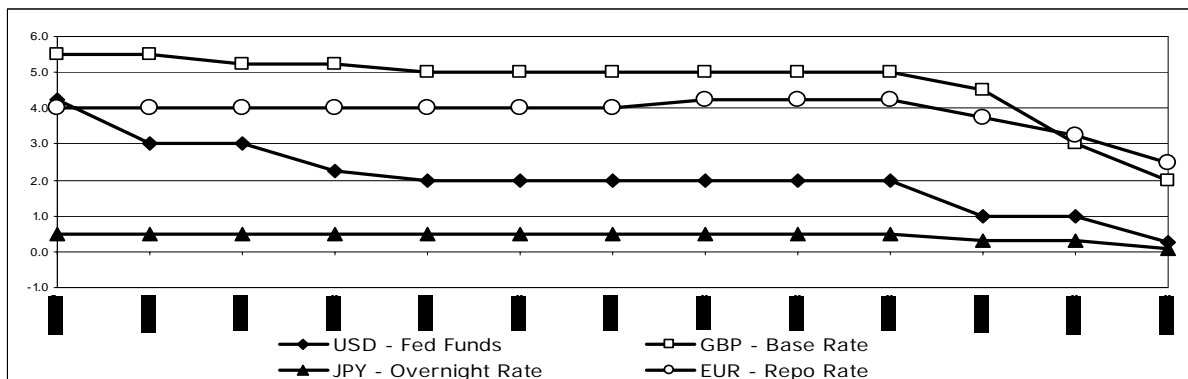
## III. Market conditions

7. The following charts show trends for the countries whose currencies make up the valuation basket for special drawing rights (SDRs): Eurozone countries, Japan, the United Kingdom and the United States.
8. Chart 1 shows the evolution of central bank interest rates for SDR countries for 2008. The Federal Reserve Bank of the United States decreased the federal funds rate seven times in 2008, progressively from 4.25 per cent to 0.25 per cent, to counter the financial crisis triggered by the housing market crisis. The European Central Bank (ECB) raised its refinancing rate once to counter inflationary pressures, from 4.00 per cent to 4.25 per cent. In the second half of 2008, the ECB joined other central banks in easing monetary policy to stimulate the Eurozone economy, by decreasing its refinancing rate three times from 4.25 per cent to 2.50 per cent. Similarly, the Bank of England decreased its base rate five times, from 5.50 per cent to 2.00 per cent, while the Bank of Japan decreased its target rate twice, from 0.50 per cent to 0.10 per cent.

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<sup>1</sup> The investment return of 5.41 per cent is the audited figure released by the Global Custodian after the issue of the 2008 consolidated financial statements in which the net return is quoted as an estimated 5.45 per cent. Please also refer to note 4 of the 2008 consolidated financial statements (document EB 2009/96/R.38/Rev.1).

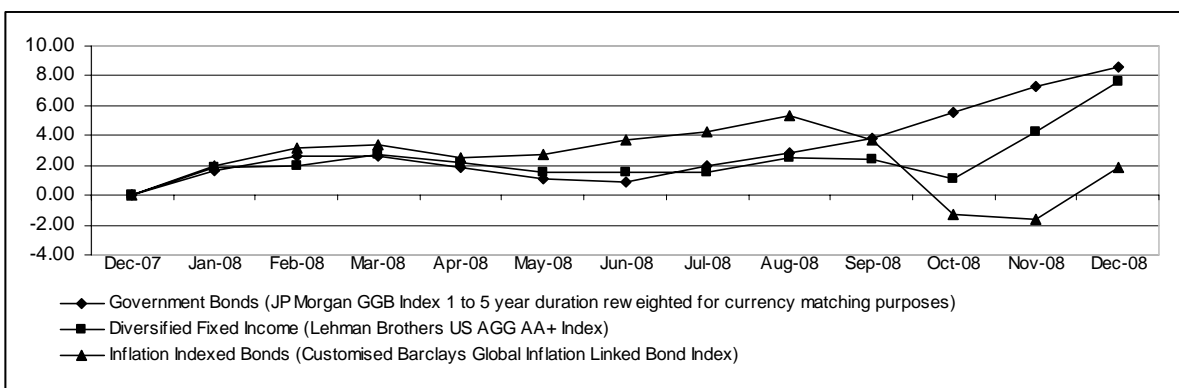
**Chart 1**  
**Central Bank interest rates**



Source: Bloomberg

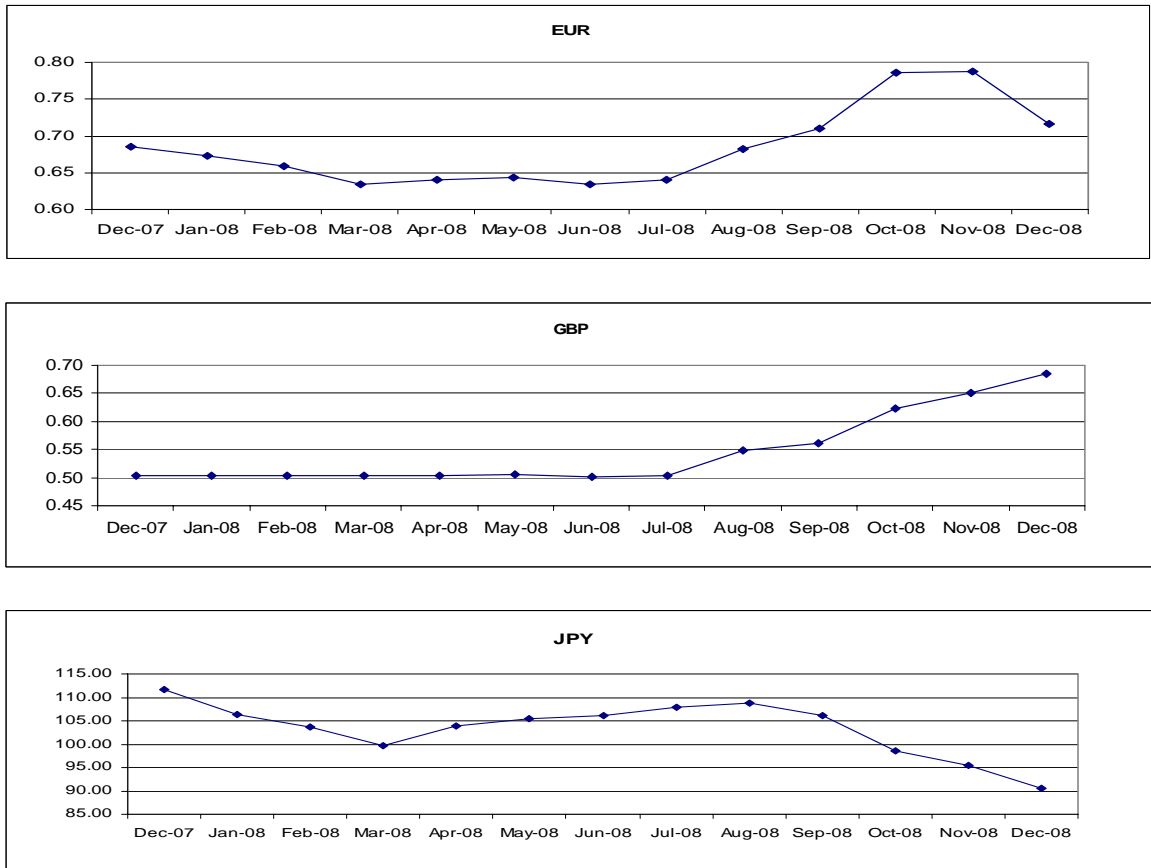
9. Chart 2 shows the cumulative performance in 2008 of fixed-income markets where IFAD's investment portfolio was invested and managed. Each line represents one of the benchmark indexes used by IFAD for global government bonds, diversified fixed-interest bonds and inflation-indexed bond portfolios. Fixed-interest markets showed a very positive performance particularly during the fourth quarter of the year, benefiting from investors' flight-to-quality that followed the credit market turmoil. The global government and diversified fixed-interest bond markets recorded the highest performance during the fourth quarter, together with a strong rally in December from the inflation-indexed bonds market.

**Chart 2**  
**Fixed-interest market developments in 2008**  
(Percentage in local currency terms)



10. Chart 3 illustrates month-end exchange rates for the United States dollar against the three other SDR composite currencies, specifically the pound sterling (GBP), euro (EUR) and Japanese yen (JPY). In the second half of the year, the volatile foreign exchange markets saw a depreciation of the euro and the pound sterling against the United States dollar, while the Japanese yen appreciated.

**Chart 3**  
**Value of US\$ versus other SDR currencies at month-end exchange rates**



Source: Bloomberg

#### IV. Asset allocation

11. Table 1 shows the movements affecting the value of investments within the portfolio by asset class in 2008 and compares the portfolio's year-end asset allocation with the policy allocation.

Table 1  
**Movements affecting the asset allocation within the portfolio in 2008**  
 (Thousands of United States dollars equivalent)

	Operational cash <sup>a</sup>	Short-term tactical instruments <sup>b</sup>	Held-to-maturity	Government bonds	Diversified fixed-interest bonds	Inflation-indexed bonds	Total
<b>Opening balance (1 January 2008)</b>	<b>169 519</b>	<b>40 351</b>	<b>427 968</b>	<b>1 067 800</b>	<b>425 185</b>	<b>370 237</b>	<b>2 501 060</b>
Investment income <sup>c</sup>	6 270	1 180	17 569	87 971	18 737	13 172	144 899
Transfers due to allocation	70 746	(43 997)	(22 083)	-	(53)	(4 613)	-
Transfers due to expenses/income	1 024	9	(679)	(704)	27	323	-
Net disbursement <sup>d</sup>	(102 513)	-	-	-	-	-	(102 513)
Movements on exchange	(8 427)	2 457	(15 623)	(69 007)	(107)	25 772	(64 935)
<b>Closing balance by portfolio (31 December 2008)</b>	<b>136 619</b>	<b>-</b>	<b>407 152</b>	<b>1 086 060</b>	<b>443 789</b>	<b>404 891</b>	<b>2 478 511</b>
Actual asset allocation (percentage)	5.5	-	16.4	43.8	17.9	16.4	100.0
Investment policy asset allocation <sup>e</sup>	5.5	-	16.4	43.3	14.8	20.0	100.0
<b>Difference in asset allocation (percentage)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.5</b>	<b>3.1</b>	<b>(3.6)</b>	<b>-</b>

<sup>a</sup> Cash and time deposits held with banks, readily available for disbursing loans, grants and administrative expenses.

<sup>b</sup> Short-term investments in time deposits and commercial papers.

<sup>c</sup> Investment income is further detailed in table 2.

<sup>d</sup> Disbursements for loans, grants and administrative expenses net of cash receipts and encashment of Member State contributions.

<sup>e</sup> The investment policy allocation for the held-to-maturity portfolio is set to match the current 16.4 per cent asset allocation in the investment portfolio.

12. In June and September 2008, transfers in the total of US\$43,997,000 equivalent from the short-term tactical instruments portfolio to the operational cash portfolio, were performed to cover disbursement needs.
13. Coupon income from the held-to-maturity and inflation-indexed bonds portfolios of US\$22,083,000 equivalent and US\$4,613,000 equivalent respectively, was progressively transferred to the operational cash portfolio during 2008.
14. There was a net outflow of US\$102,513,000 equivalent, representing disbursements for loans, grants and administrative expenses net of cash receipts and encashment of Member State contributions.
15. The above movement, combined with an investment income of US\$144,899,000<sup>2</sup> equivalent and negative foreign exchange movements of US\$64,935,000 equivalent, decreased the overall investment portfolio value in United States dollar terms by US\$22,549,000 equivalent during 2008.

## V. Investment income

16. In 2008, the net investment income amounted to US\$126,623,000 equivalent. All realized and unrealized gains and losses are included in the investment income. Table 2 presents a summary of the 2008 investment income broken down by asset class. The government bonds portfolio contributed most to generating the 2008 investment income; specifically due to the high performance of this asset class and its larger allocation in the investment portfolio. The total investment income was slightly higher than 2007 (US\$142,572,000 equivalent) and significantly higher for the same period in 2006 (US\$57,906,000 equivalent).

<sup>2</sup> This figure does not include the unrealized losses from the securities lending cash collateral reinvestment shown in table 2. The reason is that the security lending cash collateral is not related to any asset class within the investment portfolio and therefore its market value change shall not affect the portfolio's asset allocation.

17. Some of the securities in IFAD's investment portfolio are on loan through a subsidiary of the Global Custodian, which acts as an agent for the securities lending transactions. Under this scheme, IFAD receives cash or other securities as collateral, which is held or reinvested by the subsidiary of the Global Custodian for the purpose of generating income to offset the investment expenses, including the custodial fees. IFAD's securities lending income for 2008 was US\$5,285,000 and this amount contributed to the overall investment performance. However, the reinvested value of the securities lending cash collateral was affected by the global financial crisis, which intensified with the collapse of some major financial institutions during the second half of 2008. This impact is shown as unrealized capital losses in table 2 in the column of the "Securities lending cash collateral impact" which amounted to US\$18,276,000<sup>3</sup> as at 31 December 2008.<sup>4</sup> IFAD's net investment income after taking the above unrealized loss into account is US\$126,623,000 as shown in the "Total" column.

Table 2  
**Breakdown of investment income by asset class and the impact of the reinvested securities lending cash collateral in 2008**

(Thousands of United States dollars equivalent)

	Operational cash	Short-term tactical instruments	Held-to-maturity	Government bonds	Diversified fixed-interest bonds	Inflation-indexed bonds	Subtotal	Securities lending cash collateral impact	Total
Interest from fixed-interest investments and bank accounts	6 378	102	17 401	44 003	19 305	12 900	100 089	-	100 089
Realized capital gains	55	1 397	-	14 154	8 561	7 802	31 969	-	31 969
Unrealized capital gains/(losses)	(22)	(311)	-	29 111	(8 958)	(7 207)	12 613	(18 276)	(5 663)
Amortization/accretion <sup>a</sup>	-	-	(511)	-	-	-	(511)	-	(511)
Income from securities lending	-	-	820	2 883	852	730	5 285	-	5 285
<b>Investment income before fees and taxes</b>	<b>6 411</b>	<b>1 188</b>	<b>17 710</b>	<b>90 151</b>	<b>19 760</b>	<b>14 225</b>	<b>149 445</b>	<b>(18 276)</b>	<b>131 169</b>
Investment manager fees	-	-	-	(1 808)	(812)	(865)	(3 485)	-	(3 485)
Custody fees/bank charges	(146)	(1)	(46)	(128)	(117)	(101)	(539)	-	(539)
Financial advisory and other investment management fees	-	(7)	(95)	(244)	(94)	(87)	(527)	-	(527)
Taxes recoverable	5	-	-	-	-	-	5	-	5
<b>Investment income after fees and taxes</b>	<b>6 270</b>	<b>1 180</b>	<b>17 569</b>	<b>87 971</b>	<b>18 737</b>	<b>13 172</b>	<b>144 899</b>	<b>(18 276)</b>	<b>126 623</b>

<sup>a</sup> A period's amortization amount represents a portion of the difference between the purchase price and the final redemption value of the held-to-maturity investments as per the International Financial Reporting Standards.

<sup>3</sup> As this reinvested cash collateral is marked to market, the unrealized loss of US\$18,276,000 only represents the change in market value of the reinvested cash collateral relative to its book value and will not be realized unless the underlying assets (primarily asset-backed and mortgage-backed securities) are sold before maturity.

<sup>4</sup> The net result of the overall securities lending programme for 2008 is US\$12,991,000, as the cash collateral unrealized loss of US\$18,276,000 is netted against the securities lending income of US\$5,285,000.

## VI. Rate of return

18. The rate of return of IFAD's investment portfolio is calculated in local currency terms without reflecting the impact of foreign exchange movements, which is neutralized through the currency alignment.
19. The portfolio returned a positive 5.41 per cent in 2008, net of investment expenses. This represented a substantially higher rate of return than the annual policy target return of 3.5 per cent.

Table 3  
**Rate of return on IFAD's investments for 2008**  
 (Percentages in local currency terms)

	<i>Rate of return</i>
<b>Gross rate of return</b>	<b>5.60</b>
Less expenses	(0.19)
<b>Rate of return</b>	<b>5.41</b>

## VII. Composition of the portfolio

### A. Composition of the investment portfolio by instrument

20. Table 4 shows the composition of the investment portfolio by instrument as at 31 December 2008 in comparison to 31 December 2007.

Table 4  
**Composition of investment portfolio by instrument**  
 (Thousands of United States dollars equivalent)

	<i>31 December 2008</i>	<i>31 December 2007</i>
Cash <sup>a</sup>	264 255	264 530
Time deposits and other obligations of banks <sup>b</sup>	40 873	85 897
Global government bonds/government agencies	1 780 004	1 686 657
Mortgage-backed securities (MBS) <sup>c</sup>	273 046	284 678
Asset-backed securities (ABS) <sup>c</sup>	10 160	19 108
Corporate bonds	220 719	323 535
Unrealized market value gain/(loss) on forward contracts	26 752	(136)
Unrealized gain on futures	6 530	2 456
Options	122	182
Swaps	(773)	-
<b>Subtotal: cash and investments</b>	<b>2 621 688</b>	<b>2 666 907</b>
Receivables for investments sold	67 388	53 489
Payables for investments purchased	(210 565)	(219 336)
<b>Total</b>	<b>2 478 511</b>	<b>2 501 060</b>

<sup>a</sup> Includes cash in non-convertible currencies amounting to US\$61,000 equivalent (US\$79,000 in 2007).

<sup>b</sup> Includes time deposits in non-convertible currencies amounting to US\$488,000 equivalent (US\$627,000 in 2007).

<sup>c</sup> MBS and ABS in IFAD's investment portfolio require a AAA rating by at least two credit rating agencies (CRAs) and corporate bonds need to be AA- or above. Some securities have been downgraded below these rating requirements due to CRA's aggressive rating reviews accelerated by the weakening economic conditions. IFAD acted immediately to contain the credit exposure by a combination of aggressive monitoring of all security holdings other than government bonds and selling any downgraded securities wherever the market remains reasonably liquid.



## B. Composition of the investment portfolio by currency

21. The majority of IFAD's commitments are expressed in special drawing rights. Consequently, the Fund's overall assets are maintained in such a way as to ensure that commitments for undisbursed loans and grants denominated in SDRs are matched, to the extent possible, by assets denominated in the currencies and 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 the same currency.
22. The Executive Board of the International Monetary Fund reviews the SDR valuation basket every five years to determine which currencies should be part of the basket and what their percentage weight should be at the date of reweighting of the basket.
23. The new units for each of the four currencies making up the SDR valuation basket were determined on 30 December 2005 in such a way that the value of the SDR was precisely US\$1.42927, in terms of both the old units and the new units, which became effective on 1 January 2006. The applicable units, together with their weights as at 1 January 2006 and 31 December 2008, are shown in table 5.

Table 5  
Units and weights applicable to SDR valuation basket

Currency	1 January 2006		31 December 2008	
	Units	Percentage weight	Units	Percentage weight
United States dollar	0.6320	43.7	0.6320	41.2
Euro	0.4100	34.3	0.4100	37.1
Yen	18.4000	10.9	18.4000	13.2
Pound sterling	0.0903	11.1	0.0903	8.5
<b>Total</b>		<b>100.0</b>		<b>100.0</b>

24. At 31 December 2008, assets in the form of cash, investments, promissory notes and contribution receivables from Member States under the Fifth, Sixth, Seventh and Eighth Replenishments, net of provisions, amounted to US\$2,796,422,000 equivalent, as summarized in table 6 (compared with US\$3,062,214,000 equivalent at 31 December 2007).

Table 6  
Currency composition of assets in the form of cash, investments and other receivables

(Thousands of United States dollars equivalent)

Currency	Cash and investments	Promissory notes	Contribution receivables from Member States	Total
United States dollar group <sup>a</sup>	1 052 916	81 845	50 023	1 184 784
Euro group <sup>b</sup>	847 180	78 581	42 345	968 106
Yen	337 096	20 054	-	357 150
Pound sterling	240 769	13 952	31 661	286 382
<b>Total</b>	<b>2 477 961</b>	<b>194 432</b>	<b>124 029</b>	<b>2 796 422</b>

<sup>a</sup> Includes assets in Australian, Canadian and New Zealand dollars.

<sup>b</sup> Includes assets in Swiss francs, Swedish kronor, Danish kroner and Norwegian kroner.

25. The alignment of assets by currency group against the SDR valuation basket as at 31 December 2008 is shown in table 7. The balance of commitments denominated in United States dollars at 31 December 2008 amounted to US\$177,811,000 equivalent, composed of the General Reserve (US\$95,000,000) and commitments for grants denominated in United States dollars (US\$82,811,000).

Table 7

**Alignment of assets per currency group with the SDR valuation composition as at 31 December 2008**

(Thousands of United States dollars equivalent)

<i>Currency</i>	<i>Asset amount</i>	<i>Less: commitments denominated in US dollars</i>	<i>Net asset amount</i>	<i>Net asset amount (percentage)</i>	<i>SDR weights (percentage)</i>	<i>Difference (percentage)</i>
US dollar group	1 184 784	(177 811)	1 006 973	38.5	41.2	(2.7)
Euro group	968 106	-	968 106	37.0	37.1	(0.1)
Yen	357 150	-	357 150	13.6	13.2	0.4
Pound sterling	286 382	-	286 382	10.9	8.5	2.4
<b>Total</b>	<b>2 796 422</b>	<b>(177 811)</b>	<b>2 618 611</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>

26. As at 31 December 2008, there was a shortfall in the euro currency group holdings (-0.1 per cent) and in the United States dollar currency group (-2.7 per cent), which was offset by an excess allocation in the pound sterling (+2.4 per cent) and in the Japanese yen (+0.4 per cent).
27. IFAD's Treasury Division has already taken active measures to bring the currency allocation more in line with the SDR basket. In early January 2009, US\$13,396,000 equivalent was converted from pound sterling into United States dollars, thereby reducing the United States dollar currency group shortfall and the pound sterling excess allocation.

### C. Composition of the investment portfolio by maturity

28. Table 8 provides details on the composition of the overall investment portfolio by maturity as at 31 December 2008 and compares this with the maturity composition at 31 December 2007. The average duration of the overall investment portfolio at 31 December 2008 was 3.0 years, slightly greater than the previous year-end (2.9 years at 31 December 2007).

Table 8

**Composition of the investment portfolio by maturity**

(Thousands of United States dollars equivalent)

<i>Period</i>	<i>31 December 2008</i>		<i>31 December 2007</i>	
	<i>Amount</i>	<i>Percentage</i>	<i>Amount</i>	<i>Percentage</i>
Due in one year or less	321 083	13.0	377 542	15.1
Due after one year through five years	1 542 528	62.2	1 579 607	63.2
Due from five to ten years	238 624	9.6	155 222	6.2
Due after ten years	376 276	15.2	388 689	15.5
<b>Total</b>	<b>2 478 511</b>	<b>100.0</b>	<b>2 501 060</b>	<b>100.0</b>
<b>Weighted average duration</b>		<b>3.0 years</b>		<b>2.9 years</b>

## VIII. Securities lending cash collateral

29. IFAD enters into securities lending transactions on a collateralized basis through a subsidiary of the Global Custodian, which acts as an agent. IFAD lends securities (primarily United States government bonds) in exchange for other securities (primarily Organisation for Economic Co-operation and Development (OECD) country government bonds) or cash collateral. IFAD receives fees from the borrowers for the lending collateralized by other securities, while the cash collateralized lending generates income by reinvesting the cash collateral in the money market and in other high-quality financial instruments. IFAD has a contractual obligation to return the cash collateral to the borrowers and is thus responsible for all the risks and rewards deriving from the cash collateral reinvestment activities.<sup>5</sup>
30. The market value of cash collateral reinvested against securities lent as at 31 December 2008 was US\$455.9 million, with a corresponding liability to the borrowers of US\$474.2 million. The asset class, as well as credit quality compositions of the cash collateral reinvested against securities lent, are shown in table 9. The difference in the collateral reinvested and the corresponding liability is reported as an unrealized gain or loss, as shown in table 2, together with the income from the securities lending activities.

Table 9

### Composition and credit ratings of the cash collateral reinvested against securities lent as at 31 December 2008

(Thousands of United States dollars equivalent)

	AAA	AA	A	BBB	Total	Percentage
Cash	180 856	-	-	-	180 856	39.7
Corporate bonds	20 762	7 816	42 921	2 758	74 258	16.3
Government agencies	54 658	-	-	-	54 658	12.0
Government bonds	22 555	-	-	-	22 555	4.9
Banking industry	-	5 449	7 795	-	13 244	2.9
Mortgage backed securities	12 516	1 464	974	4 110	19 064	4.2
Asset-backed securities	87 280	1 284	678	2 075	91 318	20.0
<b>Total</b>	<b>378 628</b>	<b>16 013</b>	<b>52 368</b>	<b>8 944</b>	<b>455 953</b>	<b>100.0</b>
<b>Composition weight</b>	<b>83.0%</b>	<b>3.5%</b>	<b>11.5%</b>	<b>2.0%</b>	<b>100.0%</b>	<b>-</b>

31. The maturity structure of the cash collateral reinvested against securities lent is shown in table 10.

Table 10

### Maturity structure of the cash collateral reinvested against securities lent, as at 31 December 2008<sup>a</sup>

(Thousands of United States dollars equivalent)

<i>Period due</i>	<i>Amount</i>	<i>Percentage</i>
Due in one year or less	340 125	74.6
Due after one year through two years	76 296	16.7
Due after two years through three years	28 683	6.3
Due after three years through four years	10 849	2.4
<b>Total</b>	<b>455 953</b>	<b>100.0</b>

<sup>a</sup> The maturity structure represents the financial maturities of the reinvested cash collateral, not the legal maturities.

32. As evident from tables 9 and 10, the reinvested cash collateral is fairly liquid (40 per cent in cash and another 17 per cent in government bonds and agencies), it maintains high quality (83 per cent in triple A) and as much as

<sup>5</sup> The reinvestment income, after being deducted by a rebate paid to the borrowers, will be split between IFAD and the agent (in 2008 the IFAD share was 70 per cent until July and was raised to 80 per cent thereafter).

75 per cent will be redeemed through maturity within one year. This implies that the cash collateral reinvestment will not make any meaningful impact on IFAD's liquidity level, which is already very high relative to the minimum requirement, as reported in section IX.

33. The reporting of the securities lending programme has been adopted for the first time in the 2008 financial statements. Consequently, this information has been included in this report for the first time.

## IX. Liquidity level in IFAD's investment portfolio

34. IFAD's Liquidity Policy, approved by the Executive Board in December 2006, states that IFAD's liquidity ("highly liquid assets")<sup>6</sup> should remain above the level of US\$437 million over the Seventh Replenishment period.
35. Highly liquid assets in IFAD's investment portfolio as at 31 December 2008 amounted to US\$1,222,700,000 equivalent, which comfortably clears the minimum liquidity requirement (table 11).

Table 11

### Liquidity level in IFAD's investment portfolio, as at 31 December 2008

(Thousands of United States dollars equivalent)

	<i>Actuals</i>	<i>Percentage</i>
<b>Highly liquid assets</b>	<b>1 222.7</b>	<b>49.3</b>
Short-term	136.6	5.5
Government securities	1 086.1	43.8
<b>Fairly liquid assets</b>	<b>848.6</b>	<b>34.3</b>
Non-government securities	848.6	34.3
<b>Partially liquid assets</b>	<b>407.2</b>	<b>16.4</b>
Held-to-maturity	407.2	16.4
<b>Total portfolio</b>	<b>2 478.5</b>	<b>100.0</b>

## X. Risk measurement<sup>7</sup>

36. With the exception of operational cash, tactical short-term instruments and held-to-maturity investments, the investment portfolio performance is subject to market movements. Historically, different asset classes have shown different levels of volatility, often referred to as "risk". Volatility is measured in terms of standard deviation of returns from their mean. At 31 December 2008, the standard deviation of IFAD's investment portfolio was 1.75 per cent, compared with 1.91 per cent for the investment policy.<sup>8</sup>
37. Value-at-Risk (VaR) is the measure of risk that IFAD uses to estimate the maximum amount that the portfolio could lose in value over a three-month forward time horizon, with a 95 per cent confidence level.<sup>9</sup> Table 12 shows the VaR of IFAD's investment portfolio and that of the investment policy as at 31 December 2008 and for previous periods.

<sup>6</sup> Defined as being convertible to cash quickly and without significant loss of value.

<sup>7</sup> More comprehensive information pertaining to the Fund's risk management is provided in the 2008 consolidated financial statements in note 4 (document EB 2009/96/R.38/Rev.1).

<sup>8</sup> The security lending cash collateral programme is not factored into this volatility measurement.

<sup>9</sup> The security lending cash collateral programme is not factored into this VaR measurement.

Table 12  
**Value-at-risk (VaR)**  
 (Forecast horizon of three months, confidence level at 95 per cent)

<i>Date</i>	<i>Investment portfolio</i>		<i>Investment policy</i>	
	<i>VaR (Percentage)</i>	<i>Amount (Thousands of US dollars)</i>	<i>VaR (Percentage)</i>	<i>Amount (Thousands of US dollars)</i>
31 December 2008	1.5	36 182	1.6	39 533
30 September 2008	1.4	34 544	1.5	37 012
30 June 2008	1.4	36 300	1.6	41 400
31 March 2008	1.3	35 300	1.5	39 400
31 December 2007	1.3	32 500	1.4	35 000

38. At 31 December 2008, the investment portfolio's VaR was 1.5 per cent, a slight increase from the end of the previous quarter, and slightly below the investment policy VaR of 1.6 per cent. This increase reflects the current more volatile market conditions. It should be noted that the investment policy VaR is based on the policy allocation (see table 1).