



# General Assembly

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**United Nations pension system**

## **Investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase the diversification of the Fund**

### **Report of the Secretary-General**

#### **I. Introduction**

1. The management of the investment of the assets of the United Nations Joint Staff Pension Fund is the fiduciary responsibility of the Secretary-General of the United Nations, who acts in consultation with the United Nations Investments Committee, taking into account the broad policy observations of the General Assembly and the observations and suggestions made from time to time by the United Nations Joint Staff Pension Board on the investments policy. The Investments Committee provides advice on investment strategy. All investments must, at the time of initial review, meet the criteria of safety, profitability, liquidity and convertibility. The Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund has been delegated the responsibility and authority to act on behalf of the Secretary-General in all matters involving the fiduciary duties of the Secretary-General relating to the investment of the assets of the Fund. The Representative is assisted by the staff of the Office of Investment Management.

2. The present report provides information on the management of the investments of the Fund during the biennium period from 1 January 2022 to 31 December 2023 and provides information on items including, but not limited to, investment returns and their diversification.

#### **II. Changes during the biennium**

3. The investment performance for the Fund is reported in United States dollars, both in real and nominal terms, both of which are time-weighted investment returns. The real rate of return is equal to the nominal rate of return minus inflation, as measured by Consumer Price Index (CPI) in the United States of America. The long-

\* [A/79/150](#).



term investment objective of the Fund is to meet or exceed a 3.5 per cent real rate of return without undue risk of losses. The objective is measured on a 15-year basis according to the investment policy statement. The Fund's policy benchmark is used to measure its short-term relative performance based on a 3-year horizon. The policy benchmark return is a weighted average of the strategic target weightings and the benchmark returns for each asset class.

4. As at 31 December 2023, the Fund's market value of assets was \$88.251 billion, compared with \$91.482 billion at the beginning of the biennium. As at 31 December 2023, the Fund successfully exceeded its long-term investment objective of a real rate of return of 3.5 per cent over the past 15, 20, 25, 30 and 50 years. The Fund's nominal return exceeded the return of its policy benchmark in the three-year period ended 31 December 2023.

5. In 2023, the Fund hired an external consultant to perform a comprehensive asset liability management study as part of its quadrennial exercise. The study was conducted based on the actuarial valuation as at 31 December 2021. The primary objective of the study was to assess the impact of key investment and solvency-related decisions on the long-term financial condition and performance of the Fund. The results of the study were combined and analysed by the hired consulting firm, who then presented two options for the new strategic asset allocation. One of the options was chosen by the Representative (see table 1B) on the basis of the consultant's recommendations and the Fund's risk appetite. Following review by the Pension Board of the asset liability management study, the Office of Investment Management started to implement the new strategic asset allocation and its benchmark in February 2024, which was finalized by the end of the first quarter of 2024.

6. The strategic asset allocation in effect at year-end 2023 and the actual portfolio weights as at 31 December 2023 are shown in table 1.A. Table 1.B shows the strategic asset allocation weights as at February 2024.

Table 1.A  
**Strategic asset allocation as at 31 December 2023**

(Percentage)

<i>Asset class</i>	<i>SAA weight</i>	<i>Policy benchmark weight<sup>a</sup></i>	<i>Portfolio weight</i>
<b>Public equity and private equity</b>	<b>60</b>	<b>60.8</b>	<b>60.1</b>
Global equities	53	52.2	51.5
Private equity	7	8.6	8.6
<b>Real assets</b>	<b>9</b>	<b>8.2</b>	<b>8.2</b>
Real estate	8	7.7	7.7
Infrastructure	1	0.4	0.4
<b>Fixed income</b>	<b>29</b>	<b>29.0</b>	<b>30.0</b>
Core fixed income	28	28.0	28.9
Non-core bonds	1	1.0	1.1
<b>Cash</b>	<b>2</b>	<b>2.0</b>	<b>1.7</b>
<b>Total</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>

Source: Compiled by Pension Fund staff using data from the independent master record keeper (Northern Trust).

Abbreviation: SAA: strategic asset allocations.

<sup>a</sup> The calculation of the policy benchmark weights is adjusted for the private markets asset classes (real estate, private equity, infrastructure, etc.). The policy benchmark weights correspond to the last end-of-month weights for the private markets asset classes (private equity, real estate and real assets). The structural difference in those private markets asset classes (difference between the strategic asset allocation weights and the end-of-month weights) is added back to the strategic asset allocation global equities weight. Private market valuations are available on a three-month lag owing to the nature of that asset class.

Table 1.B  
**Strategic asset allocation, February 2024**

(Percentage)

<i>Asset class</i>	<i>SAA weight</i>
<b>Public equity and private equity</b>	<b>50</b>
Global equities	43
Private equity	7
<b>Real assets</b>	<b>10</b>
Real estate	8.5
Infrastructure	1.5
<b>Fixed income</b>	<b>39</b>
Core fixed income	35
Non-core bonds	4
<b>Cash</b>	<b>1</b>
<b>Total</b>	<b>100</b>

*Abbreviation:* SAA: strategic asset allocations.

7. As at 31 December 2023, the allocation to global equities was 51.5 per cent, compared with the policy benchmark weight of 52.2 per cent, representing an underweight of 0.7 per cent. Investments in private equity, real estate and infrastructure were 8.6 per cent, 7.7 per cent and 0.4 per cent, respectively.

8. As at 31 December 2023, 30.0 per cent of the Fund's assets was invested in global fixed income, representing an overweight of 1.0 per cent versus the policy benchmark weight. The cash allocation was 1.7 per cent, that is, 0.3 per cent below the policy benchmark weight.

9. The Office of Investment Management continued to maintain International Organization for Standardization (ISO) certifications for information security (ISO 27001:2013) and business continuity (ISO 22301:2019) in 2022 and 2023 through an annual certification process, which significantly improved the reliability, scalability, security and maintainability of the Office's technology infrastructure through a migration to industry standard and cloud platforms. The information security function was enhanced with the implementation of a security scorecard to strengthen cybersecurity oversight of tier 1 vendors. Annual business impact analyses were conducted in 2022 and 2023. Tabletop exercises were also held for combined Pension Administration and Office of Investment Management functions as well as for the Business Continuity and Disaster Recovery Working Group. Annual training sessions on information security and business continuity awareness are also being carried out diligently.

10. In 2023, the Office of Investment Management began to pilot the trading of a range of derivative instruments in line with General Assembly resolution [75/246](#), to effectively manage the Fund's investments and address the increasing complexity of the global capital markets environment. In particular, the Office trades to-be-announced securities, which enhance the efficiency of trade execution and broader portfolio management within securitized investments. In the light of this development and the progress that the Office is currently making with respect to the finalization of legal documents that underpin effective hedging and leveraged position-taking across various investments and assets, the appropriate course of action would be to conclude

the piloting of such instruments in 2024 and operationalize them on a business-as-usual modality.

11. In 2022, the Office of Investment Management completed the implementation of a private markets platform and related services for administering the alternative investment portfolio, which has significantly automated treasury management functions, centralized document management and enhanced the process for management fees verification. In addition, successful implementation of the platform and related services was instrumental in the implementation of three audit recommendations pertaining to the alternative investment portfolio.

12. During the biennium 2022–2023, the Office of Investment Management conducted over 40 desktop operational due diligence reviews to assist portfolio managers in the selection of alternative investments. The reviews were focused on operational aspects of the target funds, including wiring instruction validation processes, reporting capabilities and the understanding of the audit and internal control environments of the target funds.

13. As at 31 December 2023, the Fund had received tax rulings confirming its tax-exempt status in 35 jurisdictions, in conformity with the Convention on the Privileges and Immunities of the United Nations. As part of the tax exemption application process, the Fund is also requesting, where applicable, that the exemption extend to all taxes related to securities transactions, including securities transaction taxes and stamp duty. The exemption is granted either as a relief at source or via a reclaim process. Under the reclaim process, the Fund received \$49.7 million during the biennium 2022–2023 and is working towards reclaiming tax receivable amounting to \$101.9 million as at 31 December 2023.

### III. Economic review

14. The United States economy achieved a rate of real gross domestic product (GDP) growth of 2.5 per cent in 2023, compared with 1.9 per cent in 2022. Consumer prices rose 4.1 per cent in 2023, compared with 8.0 per cent in 2022. The unemployment rate increased, ending the year at 3.7 per cent, compared with 3.5 per cent in the prior year. Labour force participation at the end of 2023 stood at 62.5 per cent, increasing slightly from 62.3 per cent at the end of 2022. The effective federal funds rate stood at 5.03 per cent at year-end 2023, compared with 1.68 per cent at year-end 2022.

15. Eurozone GDP grew at a rate of 3.4 per cent in 2022, while the United Kingdom of Great Britain and Northern Ireland achieved a GDP growth rate of 4.3 per cent. Nevertheless, economic conditions in Europe were challenging in 2022 as the conflict between the Russian Federation and Ukraine caused an extraordinary surge in energy prices, and inflation remained high from ongoing pandemic disruptions. Industrial production weakened further. In 2023, eurozone GDP grew at a rate of 0.4 per cent, while United Kingdom GDP grew at the rate of 0.1 per cent. Economies in southern Europe performed better than those in northern Europe. The European Central Bank and the Bank of England hiked interest rates in 2022 and 2023. Equity markets declined in 2022 but rebounded strongly in 2023 as inflation seemed to have peaked.

16. Real GDP growth in Japan accelerated from 1 per cent in 2022 to 1.9 per cent in 2023, as the economy belatedly recovered from the pandemic. The yen depreciated 18.4 per cent, which was one factor that led to core CPI (excluding food and energy) reaching a 40-year high, increasing from minus 1.1 per cent in 2022 to 3.7 per cent by the end of 2023. Real GDP in Australia continued to slow, from 3.7 per cent in 2022 to 1.8 per cent in 2023, due to supply chain disruptions, labour market

constraints and high interest rates. Real GDP in Singapore also continued to decelerate, from 3.6 per cent in 2022 to 1.0 per cent in 2023, as the global economy slowed. Real GDP in Hong Kong, China, contracted by 3.5 per cent in 2022 due to ongoing pandemic disruptions but recovered in 2023, growing 4.4 per cent, as tourism and consumption rebounded.

17. Emerging markets have shown resilience amid elevated global interest rates, partly owing to reforms, domestic consumption and healthy balance sheets. Growth prospects in Latin America, in particular in Brazil and Mexico, have improved because of nearshoring trends and an increase in foreign direct investment, as companies adjust their global supply chain strategies. Despite initial concerns, emerging market stocks rallied in 2023, reflecting robust performance with a total return of 9.23 per cent. That figure, however, masks significant differences between economies such as India (20.65 per cent), Republic of Korea (23.84 per cent) and Taiwan Province of China (31.43 per cent) on one hand, and China (minus 11.80 per cent) on the other. Emerging markets demonstrated resilience and adaptability despite initial concerns of a global economic slowdown. The recovery in China, however, lacked sustained momentum after an initial bounce in the fourth quarter of 2022 and the first quarter of 2023. A key driver of emerging market performance was exports, which in turn were heavily influenced by economic conditions in the United States and the monetary policy of the Federal Reserve Bank of New York. Assuming no recession and a gradual loosening of monetary policy, emerging market equities are likely to perform well. The geopolitical environment, however, may introduce volatility in the markets.

18. During the biennium ended December 2023, yields in global bond markets generally rose strongly, albeit with significant volatility amid the post-pandemic reopening and the related recovery in global demand and trade activity. In addition, high and rising inflation meant that interest rates rose significantly. In the United States, the Federal Reserve raised the federal funds rate from 0.125 per cent in March 2022 to 5.375 per cent in July 2023 but has held rates steady since then. Treasury yields also rose as investors anticipated a response from the Federal Reserve. The yield on the benchmark 10-year treasury note rose from 1.51 per cent at the beginning of the period to 3.88 per cent at the end of December 2023. Meanwhile, yields on emerging markets debt also experienced large increases during the review period, although yield volatility was significantly more pronounced compared with developed markets. Nevertheless, emerging market economies have recorded robust improvements in their macroeconomic fundamentals and thus have continued to attract positive investor flows and sentiment.

19. Foreign exchange markets experienced substantial volatility, driven mainly by steady increases in interest rates (the benchmark policy rate, the federal funds rate) by the Federal Reserve Bank in the United States due to higher inflation data (CPI) in 2022. As a result of concerns and signs of disinflation, market prices were adjusted in line with expectations of aggressive interest rate cuts in 2023, leading to a weakening of the dollar. The value of the dollar relative to a basket of the currencies of the other countries in the Group of Seven (the United States Dollar Index) had increased by about 26 per cent from its low in 2021, peaking in October 2022 at levels not seen in more than 10 years. The Index closed the biennium at almost 13 per cent higher than its value at the beginning of the biennium but at 11 per cent lower than the peak reported in October 2022. Emerging market currencies experienced similar weakness in relation to the dollar (minus 20 per cent) from 2021 to October 2022 and ended the biennium nearly 10 per cent weaker than at the beginning of the biennium.

## IV. Diversification

20. The Fund's policy of broad diversification of its investments by type of asset class, currency and geographical area continues to be a reliable strategy for improving its risk-return profile over the long term.

### By asset class

21. The target strategic asset allocation that was in effect at year-end 2023 was composed of the following target weightings by asset class: 53 per cent for equities, 29 per cent for fixed income, 8 per cent for real estate, 1 per cent for infrastructure, 7 per cent for private equity and 2 per cent for cash. At the end of 2022, global equities were slightly below the policy benchmark weight (50.6 per cent for the portfolio, compared with 50.9 per cent for the policy benchmark). At the end of 2023, global equities were below the policy benchmark (51.5 per cent for the portfolio, compared with 52.2 per cent for the policy benchmark). On 31 December 2022, the weight for fixed income was 28.2 per cent, below the policy benchmark of 29 per cent. On 31 December 2023, the weight for fixed income was 30 per cent of the Fund, compared with the policy benchmark weight of 29 per cent. Exposure to real estate was 9.2 per cent of the Fund on 31 December 2022 and 7.7 per cent as at 31 December 2023. As at 31 December 2022, the Fund's private equity weight was 8.4 per cent of the Fund, and it was 8.6 per cent at the end of 2023. Exposure to infrastructure remained marginal, with a total exposure of 0.5 per cent of the total portfolio as at 31 December 2022 and 0.4 per cent as at 31 December 2023. Cash and short-term investments represented 3.2 per cent of the Fund on 31 December 2022 and 1.7 per cent at the end of the biennium. The Fund and its investment portfolios are rebalanced periodically throughout the year to adhere closely to the policy benchmark weights for each asset class.

### By currency

22. As at 31 December 2023, the Fund was diversified in terms of currencies. In total, the Fund's direct investments across all asset classes included 35 currencies; 75.6 per cent of the investments were in United States dollars and 24.4 per cent were in other currencies. The global equity portfolio invested in 31 different currencies through direct investments, 65.0 per cent of which were in United States dollars and 35.0 per cent were denominated in other currencies. The fixed income portfolio was invested in 22 different currencies through direct investments, 95.3 per cent of which were in United States dollars and 4.7 per cent were in other currencies. There was a moderate increase in terms of United States dollar exposure compared with the previous biennium, with approximately 78.7 per cent invested in dollars.

### By geography

23. The proportion of the total Fund, based on market value across all asset classes, that is invested in enterprises domiciled in North America increased to 74.86 per cent in December 2023 from 67.82 per cent in December 2021. However, investments in enterprises domiciled in Europe decreased to 10.98 per cent from 12.15 per cent. Investment in entities domiciled in Asia and the Pacific increased to 5.44 per cent from 5.11 per cent. Investments in enterprises domiciled in emerging markets decreased to 8.72 per cent from 14.92 per cent. In terms of the number of countries, as at 31 December 2023, the Fund had investments in enterprises domiciled in 72 countries and regions,<sup>1</sup> including both direct and indirect investments in both developed and developing countries. The Fund had direct investments in a total of 49

<sup>1</sup> Regions are geographical entities that are not States Members of the United Nations.

countries, including direct fixed income investments in 21 countries and direct equity investments in 46 countries. Indirect investments in additional countries were made through international institutions and externally managed funds in emerging and frontier markets, as well as through private market investments (private equity, real estate, real assets).

## V. Investments in developing countries

24. The Office of Investment Management remained compliant with the requests of the General Assembly in its resolution [36/119 A–C](#) to increase the geographical diversification of the Fund's investments in developing countries, including investments in emerging and frontier markets. Investments by the Fund in emerging markets are an important part of the Fund's strategy, owing to long-term growth opportunities in these markets. The Fund's developing market investments are made wherever they are consistent with the best economic interests of the Fund's participants and beneficiaries, considering the Fund's four main criteria for investment: safety, profitability, liquidity and convertibility.

25. Direct and indirect investments in enterprises domiciled in developing countries amounted to \$7.705 billion as at 31 December 2023, compared with \$13.657 billion as at 31 December 2021. Companies in the public equity portfolio generated 27.1 per cent of their total revenue in emerging markets.

26. Tables 2, 3 and 4 show the countries and regions where the enterprises in the Fund's portfolio are domiciled.

Table 2  
**Total Fund: countries and regions of investments**

Countries/regions <sup>a</sup>	31 December 2023		31 December 2022	
	Market valuation	Percentage	Market valuation	Percentage
North America				
Canada	1 302 097 541	1.48	1 432 891 429	1.84
United States	64 758 346 124	73.38	55 264 728 488	70.92
<b>Subtotal, North America</b>	<b>66 060 505 671</b>	<b>74.86</b>	<b>56 697 776 687</b>	<b>72.76</b>
Europe				
Austria	15 387 908	0.02	22 367 514	0.03
Belgium	118 904 269	0.13	112 892 108	0.14
Denmark	476 664 407	0.54	411 629 604	0.53
Finland	114 316 581	0.13	124 247 024	0.16
France	1 312 266 124	1.49	1 147 450 851	1.47
Germany	1 494 323 818	1.69	1 319 899 577	1.69
Ireland	85 861 389	0.10	140 036 149	0.18
Italy	489 208 423	0.55	386 788 053	0.50
Netherlands (Kingdom of the)	598 916 076	0.68	564 335 411	0.72
Norway	145 373 057	0.16	134 327 009	0.17
Portugal	21 066 926	0.02	21 323 051	0.03
Spain	528 135 026	0.60	435 274 680	0.56
Sweden	568 713 010	0.64	540 287 568	0.69
Switzerland	1 165 915 712	1.32	1 093 158 063	1.40

Countries/regions <sup>a</sup>	31 December 2023		31 December 2022	
	Market valuation	Percentage	Market valuation	Percentage
United Kingdom	2 501 320 162	2.83	2 423 627 974	3.11
Luxembourg	29 244 492	0.03	23 446 727	0.03
Monaco	16 902 202	0.02	36 255 049	0.05
Cyprus	1 588 179	0.00	1 467 908	0.00
<b>Subtotal, Europe</b>	<b>9 686 292 736</b>	<b>10.98</b>	<b>8 941 310 150</b>	<b>11.47</b>
Europe emerging markets				
Czechia	53 165 906	0.06	39 363 401	0.05
Slovakia	544 669	0.00	695 419	0.00
Hungary	57 895 632	0.07	42 029 280	0.05
Greece	40 371 142	0.05	36 411 123	0.05
Latvia	4 823 348	0.01	6 400 458	0.01
Poland	187 990 114	0.21	150 998 415	0.19
Türkiye	32 073 444	0.04	19 904 374	0.03
Russian Federation	203 967 466	0.23	156 949 092	0.20
Kazakhstan	65 658 143	0.07	50 850 751	0.07
Romania	20 040 243	0.02	14 624 339	0.02
Serbia	0	0.00	1 570 999	0.00
Georgia	0	0.00	730 301	0.00
Ukraine	0	0.00	754 517	0.00
Guernsey <sup>a</sup>	8 911 284	0.01	5 569 768	0.01
Jersey <sup>a</sup>	14 620 427	0.02	15 611 867	0.02
Albania	49 798	0.00	51 122	0.00
Bulgaria	801 566	0.00	794 864	0.00
Republic of Moldova	3 231 315	0.00	3 336 240	0.00
Montenegro	1 187 650	0.00	1 348 140	0.00
Lithuania	0	0.00	1 960 219	0.00
Belarus	0	0.00	738 381	0.00
Armenia	0	0.00	840 454	0.00
Estonia	3 133 733	0.00	3 071 045	0.00
<b>Subtotal, Europe emerging markets</b>	<b>698 465 881</b>	<b>0.79</b>	<b>554 604 568</b>	<b>0.71</b>
Asia and the Pacific emerging markets				
China	2 139 457 601	2.42	2 431 374 285	3.12
India	834 669 148	0.95	678 695 248	0.87
Indonesia	207 286 573	0.23	171 572 441	0.22
Republic of Korea	962 898 466	1.09	1 025 597 278	1.32
Malaysia	176 033 338	0.20	161 139 547	0.21
Philippines	87 334 567	0.10	84 340 639	0.11
Taiwan Province of China <sup>a</sup>	782 289 000	0.89	670 569 349	0.86
Viet Nam	17 419 723	0.02	19 270 803	0.02
Thailand	161 566 728	0.18	160 267 364	0.21
<b>Subtotal, Asia and the Pacific emerging markets</b>	<b>5 368 955 143</b>	<b>6.08</b>	<b>5 402 826 954</b>	<b>6.93</b>



Countries/regions <sup>a</sup>	31 December 2023		31 December 2022	
	Market valuation	Percentage	Market valuation	Percentage
<b>Asia and the Pacific</b>				
Australia	1 198 481 661	1.36	1 436 718 239	1.84
Japan	3 249 177 345	3.68	2 976 989 190	3.82
New Zealand	37 908 447	0.04	28 269 532	0.04
Singapore	313 788 827	0.36	425 942 939	0.55
<b>Subtotal, Asia and the Pacific</b>	<b>4 799 356 279</b>	<b>5.44</b>	<b>4 867 919 900</b>	<b>6.25</b>
<b>Africa</b>				
South Africa	231 888 702	0.26	225 064 362	0.29
Nigeria	15 694 455	0.02	15 480 120	0.02
Cameroon	3 686 248	0.00	4 148 621	0.01
Kenya	0	0.00	260 785	0.00
Mauritius	61 997	0.00	59 895	0.00
Tunisia	2 544 561	0.00	4 525 812	0.01
Egypt	3 784 304	0.00	5 418 256	0.01
Gabon	0	0.00	1 147 164	0.00
Ghana	0	0.00	884 865	0.00
Mozambique	0	0.00	505 758	0.00
Angola	0	0.00	228 156	0.00
Ethiopia	0	0.00	561 252	0.00
Benin	0	0.00	768 588	0.00
<b>Subtotal, Africa</b>	<b>257 660 266</b>	<b>0.29</b>	<b>259 053 634</b>	<b>0.33</b>
<b>Latin America and the Caribbean</b>				
Brazil	385 133 295	0.44	330 719 644	0.42
Chile	48 777 483	0.06	46 043 468	0.06
Colombia	31 845 853	0.04	18 985 194	0.02
Mexico	281 218 464	0.32	254 507 493	0.33
Peru	39 858 136	0.05	34 606 046	0.04
Bermuda <sup>a</sup>	17 862 664	0.02	24 677 362	0.03
Cayman Islands <sup>a</sup>	2 443 438	0.00	2 893 236	0.00
Dominican Republic	0	0.00	1 524 786	0.00
Puerto Rico <sup>a</sup>	14 103 328	0.02	13 857 037	0.02
Argentina	2 064 237	0.00	4 245 729	0.01
Virgin Islands (United States) <sup>a</sup>	14 044 556	0.02	9 389 984	0.01
Trinidad and Tobago	0	0.00	1 232 849	0.00
Grenada	0	0.00	1 121 139	0.00
El Salvador	0	0.00	449 654	0.00
Uruguay	296 035	0.00	1 222 118	0.00
Venezuela (Bolivarian Republic of)	0	0.00	489 368	0.00
Suriname	0	0.00	1 419 472	0.00
Paraguay	0	0.00	488 741	0.00
Honduras	0	0.00	402 642	0.00

Countries/regions <sup>a</sup>	31 December 2023		31 December 2022	
	Market valuation	Percentage	Market valuation	Percentage
Jamaica	0	0.00	533 897	0.00
Costa Rica	0	0.00	504 430	0.00
<b>Subtotal, Latin America and the Caribbean</b>	<b>837 647 489</b>	<b>0.95</b>	<b>749 314 289</b>	<b>0.96</b>
Middle East				
Israel	120 419 271	0.14	118 931 675	0.15
Jordan	0	0.00	567 064	0.00
Kuwait	20 486 160	0.02	0	0.00
Qatar	35 249 941	0.04	35 063 725	0.04
United Arab Emirates	104 839 369	0.12	88 406 006	0.11
Saudi Arabia	206 942 678	0.23	185 003 898	0.24
Pakistan	0	0.00	204 300	0.00
Uzbekistan	0	0.00	951 498	0.00
<b>Subtotal, Middle East</b>	<b>487 937 419</b>	<b>0.55</b>	<b>429 128 165</b>	<b>0.55</b>
Other <sup>b</sup>				
International	54 245 217	0.06	22 242 711	0.03
<b>Subtotal, other</b>	<b>54 245 217</b>	<b>0.06</b>	<b>22 242 711</b>	<b>0.03</b>
<b>Total Fund</b>	<b>88 251 066 102</b>	<b>100.00</b>	<b>77 924 177 059</b>	<b>100.00</b>

Source: Compiled by Pension Fund staff using data from the independent master record keeper (Northern Trust) and the Private i platform.

<sup>a</sup> Indicates regions (either territories, dependencies or provinces of States Members of the United Nations).

<sup>b</sup> Contains positions in development financial institutions that cannot be categorized into one specific country.

Table 3  
Pension Fund investments in developed markets as at 31 December 2023

Country or region	Equity		Fixed income		Private equity	Real estate	Real assets
	Direct	Indirect	Direct	Indirect			
Australia	✓				✓	✓	✓
Austria	✓	✓			✓		
Belgium	✓	✓			✓	✓	
Canada	✓	✓			✓	✓	
Denmark	✓	✓			✓	✓	
Finland	✓	✓			✓	✓	
France	✓	✓			✓	✓	✓
Germany	✓	✓			✓	✓	✓
Ireland	✓	✓			✓	✓	
Israel	✓		✓		✓		
Italy	✓	✓			✓	✓	
Japan	✓	✓			✓	✓	
Netherlands (Kingdom of the)	✓	✓			✓	✓	
New Zealand	✓				✓		
Norway	✓	✓			✓	✓	

Country or region	Equity		Fixed income		Private equity	Real estate	Real assets
	Direct	Indirect	Direct	Indirect			
Portugal	✓				✓	✓	
Singapore	✓	✓			✓	✓	
Spain	✓	✓			✓	✓	✓
Sweden	✓	✓			✓	✓	✓
Switzerland	✓	✓			✓	✓	
United Kingdom	✓	✓			✓	✓	✓
United States	✓	✓	✓	✓	✓	✓	✓

Note: Classification based on Morgan Stanley Capital International definition of developed markets.

Table 4

**Pension Fund investments in emerging markets as at 31 December 2023**

Country or region <sup>a</sup>	Equity		Fixed income		Private equity	Real estate	Real assets
	Direct	Indirect	Direct	Indirect			
Albania						✓	
Argentina					✓	✓	
Bermuda <sup>a</sup>					✓		
Brazil	✓		✓		✓	✓	
Bulgaria						✓	
Cameroon					✓		
Cayman Islands <sup>a</sup>					✓		
Chile	✓		✓		✓		
China	✓		✓		✓	✓	
Colombia	✓		✓				
Cyprus					✓		
Czechia			✓		✓		
Egypt			✓				
Estonia					✓		
Greece	✓	✓			✓	✓	✓
Guernsey <sup>a</sup>					✓		
Hungary	✓		✓		✓	✓	
India	✓				✓	✓	✓
Indonesia	✓		✓		✓		
Jersey <sup>a</sup>					✓		✓
Kazakhstan	✓				✓		
Republic of Korea	✓		✓		✓	✓	✓
Kuwait	✓						
Latvia						✓	
Luxembourg					✓		
Malaysia	✓		✓		✓		
Mauritius					✓		
Mexico	✓		✓		✓	✓	✓
Republic of Moldova						✓	

Country or region <sup>a</sup>	Equity		Fixed income		Private equity	Real estate	Real assets
	Direct	Indirect	Direct	Indirect			
Monaco						✓	
Montenegro						✓	
Nigeria					✓		
Peru	✓		✓				✓
Philippines	✓		✓		✓		
Poland	✓		✓		✓	✓	
Puerto Rico <sup>a</sup>					✓		
Qatar	✓						
Romania			✓		✓	✓	
Russian Federation	✓		✓		✓	✓	
Saudi Arabia	✓						✓
Slovakia						✓	
South Africa	✓		✓		✓		
Taiwan Province of China <sup>a</sup>	✓				✓		
Thailand	✓		✓		✓		
Tunisia					✓		
Türkiye	✓		✓		✓	✓	
United Arab Emirates	✓				✓		✓
Uruguay					✓		
Viet Nam					✓		
Virgin Islands (United States) <sup>a</sup>						✓	

*Note:* The decision to classify a country as an “emerging market” in this table is based on the classification of that country either as an “emerging market” or “frontier market” in the Morgan Stanley Capital International Index or by its lack of inclusion in the Morgan Stanley Capital International Index universe of developed markets, emerging markets and frontier markets.

<sup>a</sup> Indicates regions (either territories, dependencies or provinces of States Members of the United Nations).

## VI. Investment returns

### A. Performance

27. The performance numbers were calculated by a third-party master record keeper, Northern Trust, in accordance with the Global Investments Performance Standards methodology, which are ethical standards for calculating and presenting investment performance based on the principles of fair representation and full disclosure. They are voluntary industry standards that provide transparency and global comparability in a world where regulations and market practices differ significantly from jurisdiction to jurisdiction. The Global Investments Performance Standards are developed, maintained and promoted through the collaboration of individual volunteers from the investment community, the Chartered Financial Analyst Institute and Global Investments Performance Standards sponsors in over 40 markets. An increasing number of asset owners around the world are in compliance with those Standards. The main benefits of such compliance are to help to ensure that the asset owner’s investment performance is complete and presented fairly, regardless of whether assets are managed internally, externally or both. Compliance with the Standards also requires the establishment of robust investment performance policies and procedures, and allows an asset owner to be confident that the data being presented to the oversight body is consistent and transparent. Compliance by the

Office of Investment Management with the Standards will be verified annually by an independent and accredited third-party. Verification provides assurance on whether the asset owner's policies and procedures related to total Fund maintenance, as well as the calculation, presentation and distribution of performance, have been designed in compliance with the Global Investments Performance Standards and have been implemented on an asset owner-wide basis. The Fund has claimed compliance with the Standards for the past four years (2020–2023).

28. During the biennium ended 31 December 2023, the Fund's market value of assets decreased to \$88.251 billion as at 31 December 2023 from \$91.482 billion as at 31 December 2021, a decrease of \$3.23 billion, or approximately 3.5 per cent cumulative in nominal value.

29. The Fund successfully met or exceeded its long-term real rate of return objective of 3.5 per cent over the 15-, 20-, 25-, 30- and 50-year periods ended 31 December 2023. For the 50-year period, the Fund exceeded its 3.5 per cent objective by 94 basis points, with a real rate of return of 4.47 per cent.

30. For the biennium ended 31 December 2023, the Fund had an annualized nominal return of minus 1.51 per cent, underperforming the policy benchmark return of minus 1.48 per cent by three basis points. Over the past three years, the Fund has achieved an annualized nominal return of 2.90 per cent, outperforming the 2.63 per cent return of the policy benchmark by 27 basis points. Over the past 15 years, the Fund has achieved an annualized nominal return of 7.49 per cent, underperforming the 7.68 per cent return of the policy benchmark by 19 basis points.

31. Total equities gave a return of minus 20.78 per cent in 2022 and 24.33 per cent in 2023, for an annualized performance of minus 0.76 per cent over the biennium. Total fixed income gave a return of minus 11.28 per cent in 2022 and 5.57 per cent in 2023, for an annualized performance of minus 3.22 per cent over the biennium. Real estate performance was 2.55 per cent in 2022 and minus 7.46 per cent in 2023, for an annualized performance of minus 2.58 per cent over the biennium. Private equity performance was minus 4.62 per cent in 2022 and 6.81 per cent in 2023, for an annualized performance of 0.93 per cent over the biennium. Real assets performance was 4 per cent in 2022 and 4.27 per cent in 2023, for an annualized performance of 4.14 per cent over the biennium. Cash investments gave a return of 1.45 per cent in 2022 and 5.06 per cent in 2023, for an annualized performance of 3.24 per cent over the biennium.

32. Figures I and II display the real returns over the 50-year period and on a 10-, 15- and 30-year rolling basis. Figures III, IV.A and IV.B contain a comparison of nominal performance and the policy benchmark on a yearly (fiscal year) and trailing basis. All the data in the aforementioned figures were made available by the independent master record keeper.

Figure I  
**Pension Fund real and nominal returns to 31 December 2023**

(Percentage)

	1 year	3 years	5 years	10 years	15 years	20 years	30 years	40 years	50 years
United Nations nominal return	13.6	2.9	8.0	5.9	7.5	6.6	7.1	8.6	8.5
United States consumer price index	3.4	5.6	4.1	2.8	2.6	2.6	2.5	2.8	3.9
Real return (adjusted for inflation)	9.9	-2.6	3.7	3.1	4.8	3.9	4.5	5.7	4.5

*Note:* Nominal returns are annualized. Figures for nominal returns and consumer price index are geometrically linked. Real returns are calculated using a geometric difference.

Figure II  
Ten-, fifteen- and thirty-year rolling real returns to 31 December 2023

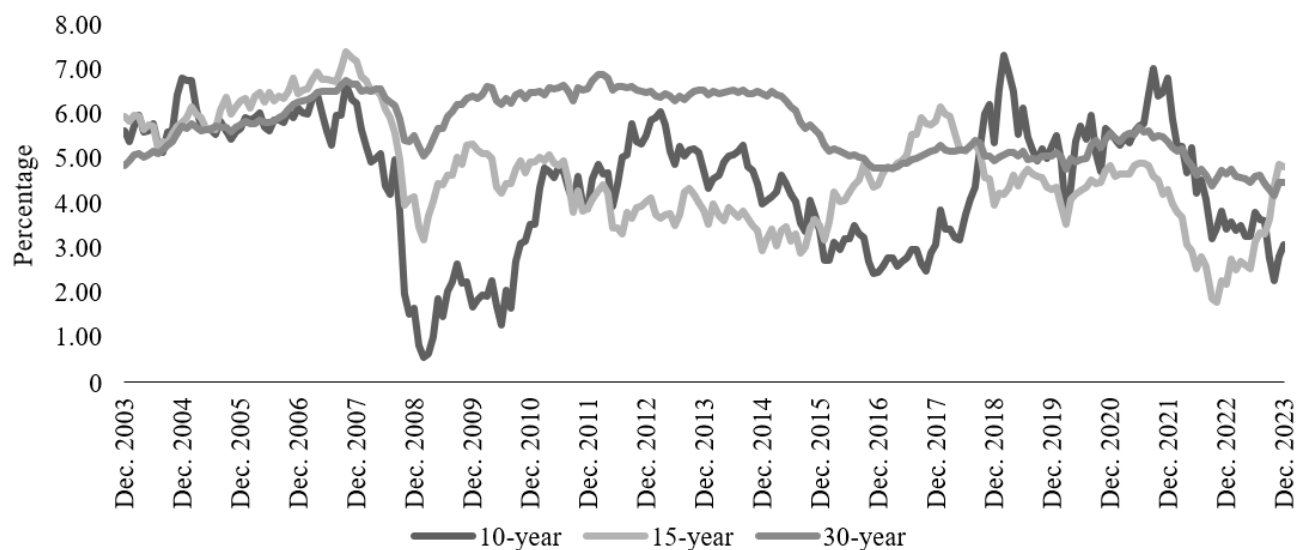
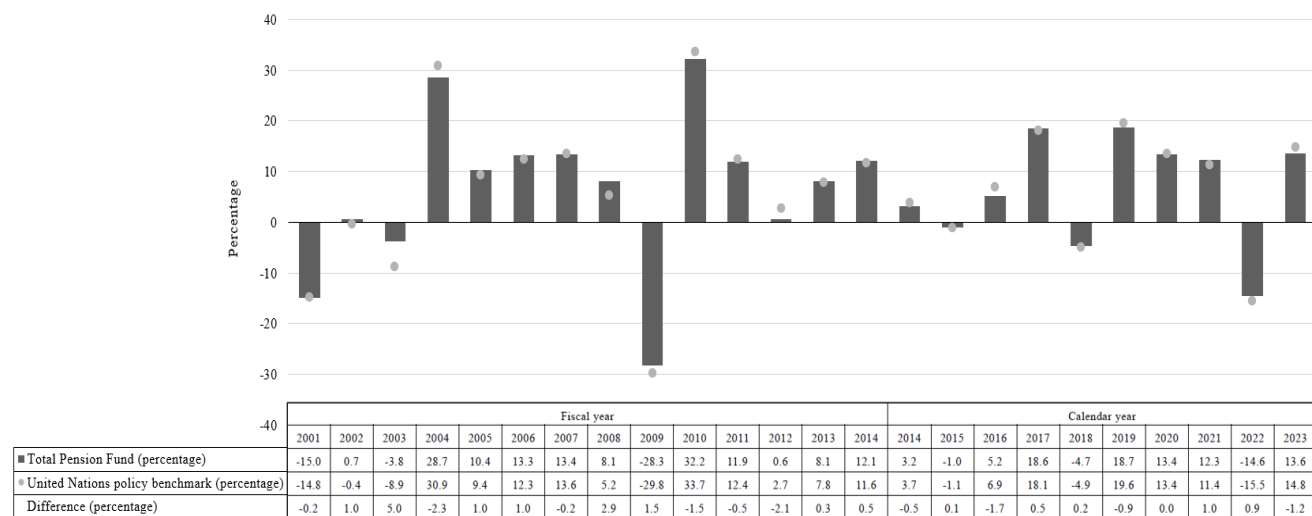


Figure III  
Pension Fund long-term rates of return versus policy benchmark

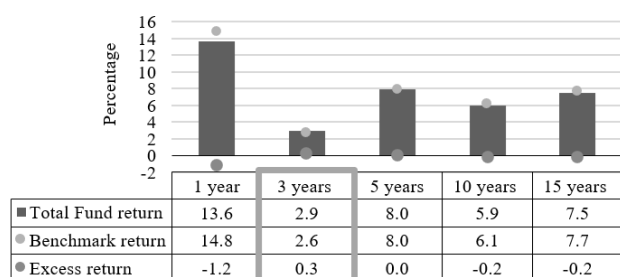


Note: Fiscal year refers to the period ended 31 March of the indicated year.

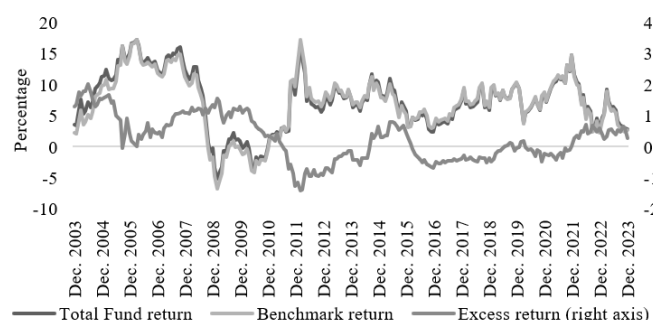
Figures IV.A and IV.B

**Pension Fund nominal return versus the benchmark**

A. Nominal returns, various periods through 31 December 2023

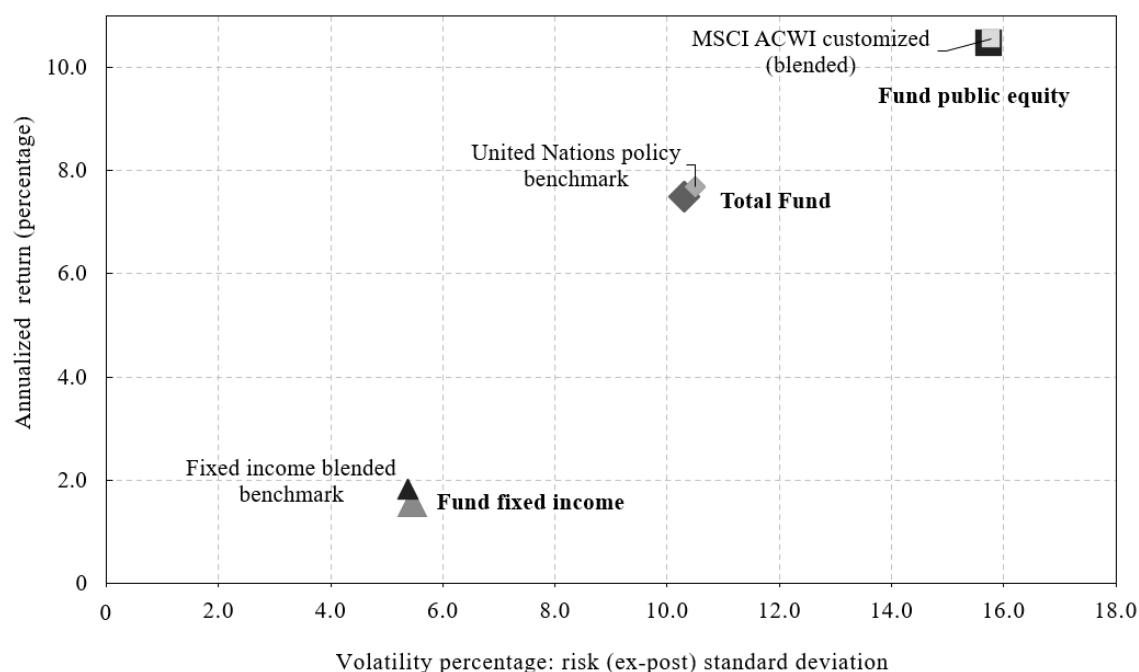


B. Three-year rolling nominal returns

**B. Fifteen-year risk/return profile**

33. Over the past 15 years, the Fund's annualized return of 7.5 per cent was lower than the benchmark's return of 7.7 per cent. Its volatility of 10.3 per cent was lower than the benchmark's volatility of 10.5 per cent (see figure V). The Fund had a well-diversified portfolio across asset classes and securities.

Figure V

**Fifteen-year risk/return profile versus indices, 31 December 2023**

Abbreviations: ACWI: All Country World Index; MSCI: Morgan Stanley Capital International.

34. Within asset classes, the Fund's public equity portfolio return of 10.5 per cent slightly underperformed the Morgan Stanley Capital International All Country World Index customized (blended) return of 10.6 per cent, and the Fund's public equity portfolio had a better risk profile (15.6 per cent) compared with its benchmark (15.8 per cent). The Fund's fixed income portfolio, with a 15-year return of 1.6 per

cent, underperformed the fixed income blended benchmark of 1.8 per cent and had higher volatility (5.5 per cent, compared with 5.4 per cent).

## VII. Responsible investment strategy

35. In 2022 and 2023, the Office of Investment Management pursued the integration of environmental, social and governance factors into its investment process, in line with the key milestones that were reached in 2020 and 2021. The main focuses of the biennium were climate; environmental, social and governance integration; stewardship; and impact investing.

36. The Fund's focus on integration of climate considerations was a response to the material risk that climate change represents to the Fund's investments and was in line with the goals of the Secretary-General. The Office of Investment Management is on track to reach the 40 per cent carbon reduction target that it has set for its equities, corporate bonds and non-listed real estate portfolios. Progress has also been made in engagement and financing of transition efforts. In 2024, the Office will set a new carbon reduction target to be reached by 2030, in line with the recommendations of the Net-Zero Asset Owner Alliance convened by the United Nations.

37. The recommendations of the Task Force on Climate-related Financial Disclosures have been widely adopted and enable stakeholders to understand the impact that global organizations have on climate. The Office of Investment Management published its first report on implementation of those recommendations in 2022, followed by a second report in 2023. These reports serve to outline climate-related governance, strategy, risk management, metrics and targets adopted by the Fund. In 2023, the asset liability management study included climate considerations for the Fund's asset allocation. From 2024 onward, the Office will continue to publish information related to climate-related risks and opportunities, following the International Financial Reporting Standards S2 guidelines, which effectively replace the Task Force's reporting framework.

38. The Office of Investment Management strengthened its existing responsible investment policy and published its first "Sustainable investing manifest and policy". In that document, the Office's beliefs and principles related to the integration of sustainability into both the investment process and internal processes are set out. In addition, the Office developed a new strategy for environmental, social and governance integration (shifting to an enhanced process and defining objectives for such integration), boosted existing private market techniques for environmental, social and governance integration and initiated a review of environmental, social and governance processes for its fixed income portfolio.

39. In 2022 and 2023, together with its external partners, the Office of Investment Management exercised its right to vote in nearly all meetings where it was allowed to do so (over 99 per cent of meetings for both years) and engaged with more than 560 companies globally on 2,730 environmental, social, governance, strategy, risk and communication issues and objectives each year. This reflects the Office's commitment to be an active owner and influence the companies in which it invests.

40. The General Assembly, through its resolution [76/246](#), requested the Secretary-General to explore impact investing for part of the portfolio. The Office of Investment Management leveraged its existing internal and external resources to develop an impact investing strategy. The Assembly, in its resolution [77/258](#), requested the Secretary-General to continue to explore, in consultation with the Investments Committee and taking into account the observations and suggestions by the Pension Board, impact investing for part of the portfolio, including in developing and



emerging markets, such as Africa and Asia and other regions, bearing in mind the real rate of return target.

41. According to the Global Impact Investing Network, impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Following that definition, the Fund aims to invest a portion of its assets in impact investing solutions. The investments would cover both developed and emerging markets and span across asset classes (private debt and equity, public debt and equity, as well as infrastructure). In 2022 and 2023, the Office of Investment Management developed and adopted an impact investing policy, detailing its definition of impact investing, the impact themes that it would pursue and the best-in-class principles and industry-recognized frameworks (in particular the Sustainable Development Goals) that guided that mandate. The policy also included the governance structure and investment process for the mandate, placing emphasis on its dual objectives (impact and return) as well as on its collaborative nature across business units. Following the establishment of the policy, the Office explored investment opportunities and consulted with various industry actors and stakeholders, including external managers and impact investing advisors and experts, to build greater familiarity with applications of impact investing among industry peers.

42. The Office of Investment Management will seek market returns for its investments (i.e. returns aligned with current returns for its investments in public and private vehicles). Investments will contribute towards the achievement of the Goals. Investments will be monitored according to safety, profitability, liquidity, convertibility and impact criteria, and the impact activities will be reported to the relevant stakeholders.

43. In 2023, the Office of Investment Management conducted market research to explore the impact investing landscape, aiming to understand the array of opportunities available across different asset classes and geographies. The Office explored various environmental and social themes, including climate change, health care and natural resources, to identify areas with significant potential for positive impact. On the basis of that analysis, the Office pinpointed and presented to the Investments Committee a compelling opportunity involving a net-zero real estate fund with a strong focus on decarbonization. In 2023, the Office also launched a search for an external global public equities manager who could target opportunities that exhibit strong alignment with environmental and social themes as well as robust measurability and alignment with the Goals. Moving forward, the Office will actively seek additional opportunities with environmental and social outcomes to further its impact objectives.

## **VIII. Expanded investment strategies**

44. In December 2023, the Office of Investment Management executed its first in-house trade of to-be-announced mortgage-backed securities following the approval by the General Assembly of the use of expanded investment strategies to increase the diversification of the Fund pursuant to Assembly resolutions [75/246](#) and [77/258](#). The Office successfully introduced to-be-announced securities into the investment toolkit to enhance the performance of the fixed income portfolio from a cost, liquidity and risk management perspective, consistent with measures to increase the diversification of the Fund. The notional value of the to-be-announced securities currently stand at \$472 million, from an initial investment of \$14 million. Other instruments included in the expanded investment strategies (i.e. securities lending, repurchase agreements, foreign exchange forwards and swaps and investment in bond (United States treasury)

futures) are all at various stages of development. Roll-out of those investment and hedging instruments is contingent on the development of an appropriate operational design and related infrastructure to ensure strict adherence to existing policies and the accountability framework. Furthermore, implementation of such instruments requires the drafting and negotiation of a significant number of bespoke legal agreements that are both fit for the investment purpose and reflect and protect the status, privileges and immunities of the United Nations, of which the Pension Fund is an integral part.

## **IX. Culture transformation programme**

45. In 2021, the Office of Investment Management partnered with the United Nations System Staff College to tackle organizational health issues and foster improvements. The initial assessment showed a 60 per cent approval rate and served to identify areas that needed enhancement. As a result, Office leadership rolled out three primary strategies, namely: (a) comprehensive coaching for senior managers and teams; (b) continued support for the change agent network; and (c) the launch of an extended leadership team committed to fostering a high-performance culture and promoting close collaboration.

46. In 2023, 76 per cent of staff at the Office of Investment Management described the Office culture as healthy, marking a significant improvement from the 60 per cent rate reported in 2021, at the beginning of the Office's cultural transformation journey.

47. In addition, the Office of Investment Management joined forces with the United Nations System Staff College to offer custom learning programmes and guidance on such topics as ethics, change management and team dynamics. Staff feedback from the leadership culture assessment conducted in 2023 points to significant cultural shifts within the organization. The dedication of senior leadership to actively listen and engage with staff is pivotal in driving the Office's transformation and cultivating an environment where staff voices are recognized and valued.

48. The Office of Investment Management engages the services of CEM Benchmarking, a firm specializing in pension fund benchmarking. A benchmarking study is conducted annually to compare the Fund's cost-effectiveness in managing its assets relative to its industry peers and to reassure participants, retirees, beneficiaries and stakeholders that the Office's operations are effective, efficient, safe, responsible, transparent and transformational. Results have revealed that the Pension Fund performs well compared with its peers.

## **X. Conclusion**

49. As shown in figure VI, the Fund's market value of assets was \$88.251 billion at the end of 2023, compared with \$91.482 billion as of the beginning of the biennium. Notably, as at 31 December 2023 two key metrics were met: (a) the long-term 15-year real rate of return was 4.9 per cent (higher than the goal of 3.5 per cent); and (b) the short term three-year return was at the market benchmark.

50. Despite market volatility, the Fund has maintained long-term investment returns that have resulted in a strong actuarial valuation as at 31 December 2023. The Fund has a funding ratio of 111 per cent and is therefore fully funded.

51. The Secretary-General requests the General Assembly to approve the trading of derivative instruments, enabling the Office of Investment Management to conclude the pilot phase and make such trading fully operational.

Figure VI  
Pension Fund – market value of assets, 1990 to 2023

