



UNITED NATIONS
GENERAL
ASSEMBLY



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ADVISORY COMMITTEE
ON ADMINISTRATIVE AND BUDGETARY QUESTIONS

INVESTMENT OF UNITED NATIONS FUNDS

Report by the Secretary-General.

1. The funds under the management and responsibility of the Secretary-General fall under the following categories:

- (i) Working Capital Fund and surplus money on general account;
- (ii) Contributions made by Member Nations to the Technical Assistance Programme;
- (iii) United Nations International Children's Emergency Fund;
- (iv) Joint Staff Pension Fund;
- (v) Other trust funds.

2. Working Capital Fund and surplus money on general account

The practice has been continued of investing such funds in short-term United States Treasury securities for the maximum maturity of one year, particularly United States Treasury Bills maturing within 90 or 91 days. Investment in these securities has the advantage of ensuring liquidity of funds and an even spreading of maturity dates.

Contributions are paid by Member Nations at various intervals. Funds in excess of the current cash requirements are immediately invested,

Compared with the year 1951, when the income earned was \$111,388.70, 1952 earnings have been somewhat higher than was expected, namely \$130,128.68. 1953 earnings are expected to reach approximately \$100,000. Interest earned for the first four months amounts to \$18,931.73.

The figure of \$130,128.68 earned in 1952 although showing an improvement on 1951 is still below the maximum of 1950 (\$199,578.56). The reason for the decrease in comparison with 1950 is to be found in the heavy borrowing by the general fund from the Working Capital Fund particularly in the first half of the year. The slight improvement on 1951 is caused by a higher rate of interest earned on all United States Government securities.

3. Contributions received from Member Nations for Technical Assistance Programme in U. S. dollars, in excess of current needs, have continued to be invested in United States Government short-term securities. As of 1 May 1953, \$5,500,000 were invested in United States Treasury Bills and Notes, the latter bearing interest at $2 \frac{1}{8}$ per cent. During the year 1952, a total of \$114,667.16 was earned on the dollar funds, showing a substantial improvement on the preceding year when the interest collected was \$86,621.54. It is hoped that for 1953 the figure of \$120,000 can be reached, if the present satisfactory schedule of payment is observed, though in certain instances dollar funds have had to be temporarily exchanged in other currencies pending the receipt of contributions in those currencies.

The arrangements reported last year were continued in France where a yield slightly superior to 3 per cent is now obtained on the balances deposited with the bank. In actual practice, funds are maintained completely liquid. A total of 7,328,895 French francs has been earned during 1952 as a result of these arrangements, showing an improvement of approximately

1,000,000 French francs on the previous ^{year's} earnings. Since the beginning of 1953, 356,300 French francs were earned on the Technical Assistance French franc balances.

As regards the investment of Technical Assistance sterling balances held in London, the interest earned amounts to the equivalent of \$10,959.84 on the basis of 2 per cent annually, credited twice a year. A similar arrangement has been concluded with Belgian banks, resulting in a total of \$829.35 accrued in 1952 and \$740.66 from January through 30 April 1953.

The total amount of interest collected for all currencies used for Technical Assistance in 1952 is \$147,396.05.

4. United Nations International Children's Emergency Fund

The same policy has been applied to the excess UNICEF funds. Earnings for this fund have been as follows:

1951.....	\$348,471.64
1952.....	\$297,091.16

5. The Joint Staff Pension Fund now totalling approximately \$30,000,000 is accruing at the rate of approximately \$550,000 a month. It has been invested in accordance with the general principles recommended by the Investment Committee and the Investment Advisory Board. The last report ...of the Committee is attached herewith for reference.

In its 1951 report, the Investment Committee recommended a change in the policy of the Fund, namely the purchase of stock to supplement income and, additionally, to provide a hedge against inflation. The Joint Staff Pension Board's approval having been secured, and an Investment Advisory Board having been appointed by the Secretary-General, the first purchase of common stock

for the United Nations Joint Staff Pension scheme was effected on 18 June 1952. The Investment Advisory Board believed that since the stock buying programme had been somewhat delayed it would be advisable, in order to reach the goal of 5 per cent fixed for the first year, to increase the monthly amount of current cash accruing to the Fund applicable to the purchase of equities. In line with this policy, approximately 21 per cent of the United States dollar receipts of the Fund since June 1952 have been invested in securities, representing 5.05 per cent of the total as of 31 March 1953.

The accrued earnings collected in 1952 on this Fund were \$665,324.40, representing an average yield of 2.85 per cent. This figure compares with 2.69 and 2.59, respectively, in the two preceding years, thus meeting the minimum 2.50 per cent actuarial requirement of the Fund. From 1 January through 31 March 1953, the total amount of earnings collected for the Joint Staff Pension Fund amounts to \$69,738.

6. Other Trust funds include the Library Endowment and International Press House Fund. There has been no change since the last report was made with respect to the manner under which these funds are administered. The securities of the Library Endowment Fund amounting to \$541,825.86 as of 1 May 1953 are still being held in banks in Stockholm and New York. The International Press House Fund consists of two gold bars presently held in London, having the weight of 726,804 fine ounces, valued at \$25,340.

Depending on the final disposition of this fund now under review by the Legal Department, it is possible that these two gold bars will be disposed of in order to be invested according to the general recommendation which the Investment Committee has made for other funds. Inquiries are presently under way as to the possibilities of sale of these gold bars and the transfer of the proceeds to the United States.

REVIEW OF INVESTMENT OF SPECIAL FUNDS

A. Library Endowment Fund

The condition of this fund is unchanged from a year ago. The total fund of a little over \$500,000.00 is invested entirely in Government Bonds of several different countries. The present investments are satisfactory with two small exceptions. One of these, the German External Loan, appears likely to resume interest payments on a modified basis within a reasonable time, and it is the view of the Committee that this investment should be held for the time being at least.

As to the bonds of the Greek Refugee Loan, these bonds have a book value of \$4,200.00; current market quotations would produce a figure slightly less than this sum. Within the past year, market prices have been somewhat higher. It is the recommendation of your Committee that these bonds be watched.

B. International Press House Fund

The investment of this fund has for some years consisted of two gold bars which are held in London, having a value at \$35.00 per ounce or \$25,458.00. This gold is held at a small cost for its custody and, of course, produces no revenue. The continued holding of this gold would appear to be largely a policy question. While recommending the question to the competent authority, whoever they are, it is the opinion of the Committee that if the fund shall not be used for some time it ought to be invested according to the general recommendation which the Committee has made for other funds.

SPECIAL RESERVE FUND

In its report a year ago, the Committee recommended the advisability of establishing a reserve fund as a protection against possible losses through investments or otherwise. It is the Committee's understanding that this recommendation has now been approved that it is the intention to establish a reserve as funds may become available for that purpose. The principal source of this fund would, of course, be possible profits that might be taken upon the sale or exchange of securities. Reference was also made in the report of a year ago of the possibility of establishing a reserve utilizing the interest income above the 2 1/2% required actuarial rate. Following last year's report, no recommendation is made at this time.

CONCLUSION

Perhaps the most important change within the past year with respect to the investment fund was the decision to invest to a limited extent in equity securities. Following the recommendations of your Committee, an Advisory Committee was appointed to be concerned solely with equity investments. The members of this Committee are:

Dr. William Frazier, Treasurer, Congregational Church Boards
 Mr. McAllister Lloyd, President Teachers Insurance and
 Annuity Association
 Mr. Richard H. Mansfield, a Director of the Chase Bank
 Mr. David Rockefeller, President of the Rockefeller Institute,
 Vice President and Treasurer of the
 Carnegie Endowment Fund.

This Committee has held five meetings since its appointment and has performed its duties faithfully and well with the result that there has been acquired since this programme was initiated common stocks at a cost of nearly one and half million. This represents almost 5% of the total fund and the yield upon this portion of the fund is almost 4.8% or about 75% larger than upon the bond investments and is therefore assisting materially in building up the income. * The Committee has carefully reviewed this programme with the Advisory Committee and is in agreement with the programme now being carried out which, it is contemplated will increase the proportion of the equity to approximately 10% within the current year. These investments are being made in approximately equal amounts each month as funds become available so that the prices at which they are acquired will be substantially equal to the average price through the year.

The Committee wishes to acknowledge with thanks the cooperation it has received from your Treasurer, Mr. Noël Monod, who acted as Secretary of the Committee and also for the cooperation of his staff in respect of services rendered.

It is recommended that the next meeting of the Committee be held sometime in the month of April 1954, the exact date to be determined later.

Respectfully submitted,

Ivar Rooth

Leslie K. Bounds

Jacques Ruoff