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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 and reviews the investments of the Fund at its quarterly meetings. All investments must, at the time of initial review, meet the criteria of safety, profitability, liquidity and convertibility. A new Representative of the Secretary-General for the investment and assets of the Fund was appointed by the Secretary-General and took office in July 2020. He 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 gives information on the management of the investments of the Fund during the biennium 2018–2019, as well as information on items including, but not limited to, investment returns, diversification of investments and development-related investments of the Fund. The report also contains a request that the General Assembly give its approval to the Secretary-General, as fiduciary for the investment of the assets of the Fund, to engage in borrowing for the limited purpose set out in paragraphs 42 and 43 below.

* Reissued for technical reasons on 9 October 2020.
** A/75/150.

II. Changes during the biennium

3. During the biennium ended 31 December 2019, the Fund's market value of assets increased $7,833 million. As at 31 December 2019, the Fund successfully met or exceeded its long-term investment real rate of return objective of 3.5 per cent in United States of America dollars over the past 1, 2, 3, 5, 10, 15, 25 and 50 years. The Fund's nominal return exceeded the return of its policy benchmark in 2018 but trailed the policy benchmark in 2019.

4. The investment performance for the Fund is reported in United States dollars, in both 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 the United States consumer price index. The long-term investment objective of the Fund is its actuarial return assumption (3.5 per cent real rate of return) and 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 is a weighted average of the strategic target weightings and the benchmarks for each asset class. The Fund's current policy benchmark was updated on 1 October 2019, after the approval of the asset liability management study and the new investment policy statement.

5. In a joint effort between the Pension Administration and the Office of Investment Management, an asset liability management working group was created and chaired by the Director of the Office of Investment Management to conduct an asset liability management study in 2019, supported by a duly procured asset liability management consultant and in close consultation and collaboration with the Investments Committee, Fund Solvency and Assets and Liability Monitoring Committee and the Committee of Actuaries. The terms of reference of the statement of work of the asset liability management study were prepared in close consultation with the Fund Solvency and Assets and Liability Monitoring Committee. That extensive process started in the fourth quarter of 2018 and was completed by the end of June 2019, and presented to the Pension Board by the asset liability management working group, the Fund Solvency and Assets and Liability Monitoring Committee, the Investments Committee and the Committee of Actuaries at a meeting in Nairobi in July 2019. It was endorsed by all the Committees and approved by the Pension Board. The asset liability management study resulted in the new strategic asset allocation and policy benchmark, and was reflected in the updated investment policy statement. The Representative of the Secretary-General approved the statement in August 2019 after consulting with the Pension Board that the investment policy matters conformed to article 19 of the Rules and Regulations of the Fund. The Office of Investment Management is very grateful to all the important stakeholders for the constructive and collaborative process of presenting an in-depth asset liability management study and best-in-class statement. The (ex ante) risk and return profile of the new policy benchmark was better in comparison with the previous such study from 2015, and proved itself during the unprecedented market volatility in the first quarter of 2020 as a result of the coronavirus disease (COVID-19) crisis. The new policy benchmark returned -12.9 per cent whereas, if the old policy benchmark had still been in use, it would have returned -13.5 per cent, a lower performance of 64 basis points, or approximately $460 million. The new fixed income index (Bloomberg Barclays Enhanced Liquidity Index) outperformed the old fixed income index (Bloomberg Barclays Global Aggregate) by 2.7 per cent (2.4 per cent versus -0.3 per cent), or approximately $560 million. Both the new policy benchmark and the new fixed-income benchmark performed according the design of the asset liability management study, that is, an improvement of the risk/return profile compared with the old policy benchmark and fixed-income benchmark.

6. The Office of Investment Management greatly reduced the uncompensated (non-United States dollar) currency risk to 30 per cent as at 31 December 2019, from 44 per cent as of the end of 2017, on the basis of the recommendations of the Board of Auditors and the currency management study, as presented to the Pension Board in the asset liability management study in 2019. The Fund's assets still have enough currency exposure in the global equity portfolio to greatly match the implicit currency risk embedded in the liabilities resulting from the two-track feature, as was analysed thoroughly for the first time in the history of the Fund in the study.

7. The Fund's asset allocation as at 31 December 2019 was relatively close to the policy benchmark weight, as shown in table 1 below.

Table 1
Asset allocation as at 31 December 2019
(Percentage)

Asset class	*Minimum*	*Target (SAA)*	*Maximum*	*Benchmark weight*[a]	*Portfolio weight*
Global equities	30	45	60	57.8	59.0
Private equity	4	9	15	4.9	4.9
Real estate	5	12	15	7.0	7.0
Real assets[b]	–	4	5	0.3	0.3
Growth assets	39	70	95	70	71.2
Global fixed income	10	29	40	29.0	27.9
Cash and equivalents	–	1	10	1.0	0.9
Non-growth assets	10	30	50	30	28.8
Total		**100**		**100**	**100**

Source: Independent Master Record Keeper, Northern Trust.
Note: Numbers may not add up due to rounding.
Abbreviation: SAA, strategic asset allocations.

[a] The calculation of the policy benchmark will be adjusted for the structural underweights in private markets asset classes (real estate, private equity, infrastructure, timber, etc.) during the build-out period. The policy benchmark weights correspond to the last end-of-month weights for the private asset classes (private equity, real estate and real assets). The structural underweight in those private asset classes (difference between the strategic asset allocations weights and the end-of-month weights) is added back to the strategic asset allocations global equities weight. Private market valuations are available on a three-month lag owing to the nature of that asset class.

[b] Real assets include positions in infrastructure, timber and commodities.

8. As at 31 December 2019, the allocation to global equities was 59.0 per cent, compared with a policy benchmark weight of 57.8 per cent, representing an overweight of 1.2 per cent. Investments in private equity, real estate and real assets were 4.9 per cent, 7.0 per cent and 0.3 per cent, respectively, which correspond to the new policy benchmark weights (see note a to table 1, above). Private market investments are equity-like asset classes; global equities serves as a temporary substitute for those asset classes until the target strategic asset allocations in the above three asset classes are achieved over the next few years, as was explained in the asset liability management study.

9. As at 31 December 2019, 27.9 per cent of the Fund's assets was invested in global fixed income, an underweight of 1.1 per cent versus the policy benchmark weight. The cash allocation was 0.9 per cent, that is, 0.1 per cent below the policy benchmark weight.

10. The Office of Investment Management successfully made significant reductions to vacancies during the biennium. As at 31 December 2019, there were seven vacancies, of which two were professional posts and five general service posts.

11. The Information and Communications Technology (ICT) section made progress with the implementation of the target operating model, which has provided substantial benefits and resulted in further enhancements to the Office of Investment Management's technology and operations infrastructure. The business applications of the Office provide for the ongoing services of electronic trading platforms that cover the entire investment cycle, which guarantee high availability, security, efficiency and transparency for all of the processes that support the management and investment of all assets of the Fund (i.e. portfolio management, trading, compliance, confirmation and affirmation of trades, settlement and reconciliation). In addition, market data provides real-time access to multiple exchanges, benchmark indices, credit rating agencies and financial data for all asset classes, countries, currencies and instruments. The Operations and Investment Systems Section staff improved the capabilities of the Office of Investment Management by implementing electronic trading platforms and transaction cost analyses; in addition, a trading turret system, research management system for broker voting, notes and research and a vault for compliance were also implemented. Requests for proposals for new system implementations were successfully completed for alternative systems, including a risk and performance system and an integrated buy-side asset management system. The Office of Investment Management's ICT infrastructure and security provide for ongoing infrastructure and security services, including email services, hosting data centres and disaster recovery, network and communications, cybersecurity and operations resilience, risk management, and business continuity. The Information Systems Section staff also significantly improved the reliability, scalability, security and maintainability of the Office's infrastructure by migrating to industry standards and cloud platforms. Migration to the Microsoft Office 365 cloud, along with the implementation of Microsoft SharePoint and Teams, as well as intrusion prevention systems (Checkpoint), advanced threat protection (Microsoft), a new Office website launch and electronic signatures (Adobe) have been completed. Information security is being enhanced with the implementation of a security operations centre and annual penetration tests. Business continuity preparedness enabled the Office of Investment Management to transition seamlessly to the remote working environment, facilitated by the collaboration tools available, business continuity awareness training and mandatory work-from-home testing conducted by the entire Office of Investment Management. Thanks to those improvements, the Office could work entirely remotely during the COVID-19 crisis.

12. The ICT Steering Committee starting meeting on a monthly basis and was expanded in size given the impact and significance of technology projects and initiatives across the Office of Investment Management. Great strides were also made in information technology staffing for the Operations and Investment Systems Section team: a senior information systems officer was appointed to head the group, and other recruitments were completed for a programme management officer and eight other positions. The project management oversight charter was finalized, the Information Technology Change Advisory Board was established and all 36 recommendations of the Office of Internal Oversight Services relating to information technology were closed, along with three Board of Auditors recommendations.

13. In October of 2018, the Office of Investment Management completed the transition from two to one single global custodian and master record keeper. The decision to transition to a single custodian model was driven by the following main issues:

(a) The Board of Auditors recommended the use of the Continuous Linked Settlement Bank to mitigate the risk of settlement failure for transactions. Using the dual custodian model, the possibility of settling foreign exchange transactions through the Bank was considered to be limited because of the low volume due to splitting and SWIFT message types used. The adoption of one global custodian facilitated the Continuous Linked Settlement Bank settlement and resolved the audit observation;

(b) Operational and investment processes, such as corporate action selections, were currently handled in separate online platforms provided by each custodian, depending on which custodian was holding the underlying security. The need to access multiple platforms to perform those tasks was time-consuming and increased the probability of human error by continuously switching between web-service platforms, therefore jeopardizing the efficiency and effectiveness of the Fund's Office of Investment Management operations;

(c) In addition to the abovementioned issues, the Office of Investment Management was also required to provide the master record keeper with a copy of all investment transactions, either by manually duplicating information or automatically through SWIFT messages. That process was subject to potential settlement duplications by the global custodian providing master record keeper services.

14. In 2019, to support the change in the new fixed-income benchmark, the operations team opened accounts in more than 13 emerging markets and supported foreign exchange and securities trading in those markets. The team also established temporary overnight coverage to support trade settlements in Asian market (e.g. Government of India bonds) and launched a "stock connect" programme between Chinese mainland and Hong Kong, SAR by establishing a relationship with the bank HSBC to implement China A-shares trading and settlement via a special segregated account structure. In 2018, the Office of Investment Management approved the change in default commission rates applicable to global equities, which streamlined and substantially lowered the existing broker commission rates and information, as was initiated by the Director of the Office of Investment Management to reduce brokerage fees.

15. In 2018, the Office of Investment Management also entered into a commission-sharing agreement programme with Westminster Research Associates. The programme allowed the Office to access third-party research that will add value to its investment process by crediting a portion of broker commission on securities transactions to be used for the provision of qualifying research requested by the Office (compliant with the stricter European MiFID II regulations).

16. The Office of Investment Management has a global tax adviser to assist the Fund in its tax recovery efforts. As at 31 December 2019, the Fund had received tax rulings confirming its tax-exempt status in 34 jurisdictions, in conformity with the Convention on the Privileges and Immunities of the United Nations. Relief from tax at the source is the best solution because it eliminates the risk of adverse currency fluctuations or foregone income when cash is withheld from the Fund. It also reduces the administrative burden of filing for refunds of withholding tax. 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 transaction, including securities transaction taxes and stamp duty. Under the reclaim process, the Fund received $43.3 million during the biennium 2018–2019 and had tax receivable of $51.0 million as at 31 December 2019. In addition, as at 31 December 2019, the Fund was pursuing the recovery of $7.4 million historical American depositary receipts tax withheld in Brazil, Chile, Israel and the Russian Federation.

17. The Office of Investment Management procured a consultant to develop a five-year strategic plan and implementation road map. Part of the statement of work was to synthesize staffing-related findings of peer benchmarking analysis conducted as

part of the Office's strategic planning exercise. The analysis was derived from a detailed dataset of global institutional investor peers provided by CEM Benchmarking. The analysis concluded that the Office's staffing levels were considerably below the peer benchmark. To deliver on its vision of becoming a "best-in-class" institutional investor and meeting the complex challenges faced by the external investing environment, the Office had begun refining its strategy and exploring what capabilities and resourcing would be needed to execute successfully in the light of increased complexity and a go-forward strategy. Top-down benchmarks indicate that the Office had 25 to 40 fewer staff relative to the current-state benchmark, and the gap to peers was expected to expand by an incremental 20 staff by 2023 given projected increases in assets under management and anticipated changes in the Fund's asset allocation.

III. Economic review

18. During the biennium ended 31 December 2019, both the United States and Canadian economies continued to expand. The US economy achieved a rate of real (inflation-adjusted) gross domestic product (GDP) growth of 2.3 per cent on an annual basis in 2019, compared with 2.9 per cent in the prior year. The rate of United States nominal economic expansion declined to an average annual rate of 4.1 per cent, compared with 5.4 per cent in the prior year. The rate of United States unemployment continued to decline, ending the 2019 year with a post-financial crisis low of 3.7 per cent, compared with a 3.9 per cent rate in the prior year.

19. Economic conditions in Europe were weak during the biennium ended 31 December 2019, with signs of stabilization and some gradual improvement in labour markets, and industrial production and GDP at low levels. The European Central Bank continued with its stimulus policies, including record low interest rates, purchases of sovereign debt and the lending programme. Equity markets declined in 2018 but rebounded in 2019, reacting favourably to the reduction in macro risks and supportive monetary policy. The equity markets, measured in local currency terms, were positive during the biennium.

20. In 2019, the Japanese economy delivered real GDP growth of 0.7 per cent, decelerating from 0.8 per cent growth in 2018. Weak exports due to the slowdown of global economies, especially in China, and sluggish consumption owing to the consumption tax hike, contributed to the deceleration. The core consumer price index (excluding fresh foods) reached 0.9 per cent in 2018, followed by 0.7 per cent in 2019, continuing to be well below the Bank of Japan's 2 per cent target despite its effort to further raise inflation expectations.

21. Economic growth in emerging markets slowed down in 2019 to 4.0 per cent, from 4.8 per cent in 2018. Emerging markets in Asia continued to lead, with a growth of 5.1 per cent (versus 5.9 per cent in 2018), followed by emerging markets in Europe at 2.1 per cent (from 3.2 per cent in 2018), while Latin America lagged, with a positive growth of just 0.5 per cent (from 1.5 per cent in 2018). Looking at the entire emerging markets corporate universe, sales dropped 3 per cent in 2019, compared with a growth of 3 per cent in 2018. Earnings fell 11 per cent, having risen 8 per cent in 2018. Emerging market equities, however, performed well in 2019, with a total return in United States dollars of 18.4 per cent, having fallen 14.6 per cent in 2018. Markets were volatile, with growing concerns about geopolitical tensions on the one hand and continued optimism on the other regarding structural growth in areas such as technology, as well as ample liquidity.

22. During the biennium ended December 2019, yields in bond markets ended lower across the globe, including in Europe, Japan, the United Kingdom of Great Britain

and Northern Ireland and the United States, as well as in emerging markets. Bond yields experienced volatility throughout the biennium as the market digested geopolitical risks, growth optimism and trade talks expectations, changes in central bank communications, and expectations of the continued use of the fiscal policy. During the latter part of the 2019 economic slowdown, the realization of a trade deal between China and the United States started to be a main driver for bond market stability. In the United States, 10-year Treasury yields ended 49 basis points down at 1.92 per cent, from 2.41 per cent, while in emerging markets government index bond yields closed at 4.29 per cent during the period, up by 98 basis points. Yields remained negative in Japan and across Europe, including euro and non-euro countries, owing to low inflation and central bank policies.

23. Foreign exchange markets were also volatile over the period, but the United States dollar, after an initial correction in early 2018, steadily appreciated throughout the rest of the biennium. This was due to the expectation of Federal Reserve rate hikes and pro-growth policies from the administration. Even when the Federal Reserve put rate hikes on hold in December 2018, the United States dollar kept appreciating against most currencies. As measured by the dollar index spot price, over the biennium the United States dollar appreciated by approximately 4.4 per cent.

IV. Diversification

24. The Fund's policy of broadly diversifying its investments by currency, type of asset classes and geographical area continues to be a reliable strategy for improving the risk-return profile of the Fund over the long term. The Fund is unique among major pension funds in its commitment to diversifying its portfolio on a fully global basis.

By asset class

25. The target strategic asset allocation is composed of the following target weightings by asset class: 45 per cent for equities, 29 per cent for fixed income, 12 per cent for real estate, 4 per cent for real assets, 9 per cent for private equity and 1 per cent for cash and equivalents. The Fund is in the process of gradually building its exposure to private market investments to further optimize its risk-return profile. Most growth will be in private equity, real estate and infrastructure. At the end of calendar year 2018, global equities were slightly below the policy benchmark weight (56.8 per cent for the portfolio, versus 58.0 per cent for the policy benchmark) but, at the end of 2019, global equities were above the policy benchmark (59 per cent for the portfolio versus 57.8 per cent for the policy benchmark). On 31 December 2018, the fixed income weight was 26.5 per cent, in line with the policy benchmark of 26.5 per cent. On 31 December 2019, the weight for fixed income was 27.9 per cent of the Fund (versus the policy benchmark weight of 29 per cent). Exposure to real estate was 6.9 per cent of the Fund on 31 December 2018 and 7.0 per cent as at 31 December 2019. As at 31 December 2018, the Fund's private equity weight was 4.4 per cent, increasing to 4.9 per cent at the end of 2019. Real assets exposure remained marginal, with a total exposure of 0.3 per cent of the total portfolio over the biennium. Cash and short-term investments represented 5.0 per cent of Fund assets on 31 December 2018 and ended the biennium on 31 December 2019 at 0.9 per cent. The Fund and its investment portfolios are rebalanced periodically throughout the year in order to adhere closely to the policy benchmark weights for each asset class.

By currency

26. As at 31 December 2019, the Fund was well diversified in terms of currencies. In total, the Fund's direct investments across all asset classes included 33 currencies,

of which 65.9 per cent were in United States dollars and 34.1 per cent were in non-United States dollar currencies. The global equity portfolio invested in 22 different currencies through direct investments, 59.6 per cent of which were in United States dollars and 40.4 per cent were denominated in non-United States dollar currencies. The fixed income portfolio was invested in 24 different currencies through direct investments, 84.0 per cent of which were in United States dollars and 16.0 per cent were in non-United States dollar currencies. There was a significant increase in terms of United States dollars exposure compared with the previous biennium, with approximately 46 per cent invested in United States dollars. This resulted from a change in the fixed-income benchmark (as part of the asset liability management study), as was analysed in the currency management study to close a Board of Auditors recommendation to reduce uncompensated currency risk.

By geography

27. The proportion of the total Fund, based on market value across all asset classes, that is invested in North America increased to 62.2 per cent in December 2019 from 51.2 per cent in December 2017. Conversely, investments in Europe decreased to 13.7 per cent from 21.7 per cent, and those in Asia and the Pacific region decreased to 6.5 per cent from 12.4 per cent. Investments in emerging markets increased to 17.6 per cent from 14.8 per cent. In terms of the number of countries, as at 31 December 2019, the Fund had investments in 102 countries and seven regions,[1] including direct and indirect investments in developed and developing countries. Direct investments were as follows: a total of 46 countries, with direct fixed-income investments in 31 countries and direct equity investments in 41 countries. Indirect investments in additional countries were made through international institutions, externally managed funds in emerging and frontier markets, as well as through private market investments (private equity, real estate and real assets).

V. Investments in developing countries

28. The Office of Investment Management makes every effort to comply with the requests of the General Assembly in its resolution 36/119 A–C to increase the geographic diversification of the Fund's investments in developing countries. This includes investments in emerging and frontier markets. Investments by the Fund in emerging markets are an increasingly important part of the Fund's strategy, owing to long-term growth opportunities in those 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, taking into account the Fund's four main criteria for investment: safety, liquidity, convertibility and profitability.

29. Direct and indirect investments in developing countries amounted to $10.047 billion at cost (book value) as at 31 December 2019, an increase of approximately 51.8 per cent from $6.62 billion at cost (book value) on 31 December 2017. This was owing to the new strategic asset allocation as of 1 October 2019, resulting from the asset liability management study and the new benchmarks for fixed income and equity, which both contain more exposure to emerging markets.

30. Areas of the Fund's investments are shown in tables 2, 3 and 4 below.

[1] Regions are geographical entities which are not States Members of the United Nations.

Table 2
Total Fund market value of investments by country/area as at 31 December 2019

Country/region[a]	*Market valuation*	*Percentage*
North America		
Canada	1 601 174 305	2.22
United States	43 118 251 712	59.91
Cash and equivalent (external managers)	44 851 556	0.06
North America region	0	0.00
Subtotal, North America	**44 764 277 573**	**62.20**
Europe		
Austria	15 707 726	0.02
Belgium	148 235 355	0.21
Denmark	338 378 267	0.47
Euro	2 082 661	0.00
Finland	100 711 481	0.14
France	1 565 997 780	2.18
Germany	1 450 522 424	2.02
Ireland	123 656 664	0.17
Italy	354 177 436	0.49
Netherlands	551 988 200	0.77
Norway	127 637 920	0.18
Portugal	18 469 913	0.03
Spain	453 168 389	0.63
Sweden	458 226 917	0.64
Switzerland	1 129 708 123	1.57
United Kingdom	2 988 438 501	4.15
Luxembourg	9 377 077	0.01
Monaco	13 357 829	0.02
Cash and equivalent (external managers)	20 448 154	0.03
Europe Region	0	0.00
Subtotal, Europe	**9 870 290 818**	**13.71**
Europe emerging markets		
Czechia	66 629 418	0.09
Hungary	67 404 050	0.09
Greece	26 873 538	0.04
Latvia	11 188 503	0.02
Poland	350 715 102	0.49
Turkey	104 092 612	0.14
Russian Federation	782 415 087	1.09
Kazakhstan	16 868 034	0.02
Romania	26 612 804	0.04
Serbia	3 189 336	0.00
Slovenia	993 633	0.00

Country/region[a]	Market valuation	Percentage
Bosnia And Herzegovina	456 013	0.00
Georgia	2 381 950	0.00
Ukraine	5 313 194	0.01
Guernsey[a]	3 753 444	0.01
Jersey[a]	39 290 314	0.05
Albania	106 962	0.00
Bulgaria	891 867	0.00
Croatia	2 983 690	0.00
Republic of Moldova	4 616 141	0.01
Montenegro	2 611 215	0.00
Lithuania	2 466 928	0.00
Belarus	595 542	0.00
Subtotal, Europe emerging markets	**1 522 449 379**	**2.11**
Asia and the Pacific emerging markets		
China	3 895 678 563	5.41
India	807 844 984	1.12
Indonesia	168 191 090	0.23
Republic of Korea	1 216 526 533	1.69
Malaysia	392 463 822	0.55
Philippines	166 098 802	0.23
Taiwan Province of China[a]	529 173 170	0.74
Viet Nam	16 215 540	0.02
Thailand	504 679 442	0.70
Bangladesh	2 359 569	0.00
Pakistan	2 005 163	0.00
Sri Lanka	401 431	0.00
Subtotal, Asia and the Pacific emerging markets	**7 701 638 110**	**10.70**
Asia and the Pacific		
Australia	1 372 877 526	1.91
Japan	3 046 715 523	4.23
New Zealand	19 078 371	0.03
Singapore	219 296 720	0.30
Marshall Islands	3 899 997	0.01
Subtotal, Asia and the Pacific	**4 661 868 137**	**6.48**
Africa		
South Africa	389 698 934	0.54
Nigeria	30 279 002	0.04
Cameroon	4 299 030	0.01
Zimbabwe	456 435	0.00
Namibia	5 698 845	0.01
Zambia	1 803 756	0.00
Senegal	2 351 945	0.00

Country/region[a]	Market valuation	Percentage
Kenya	25 673 293	0.04
Mauritius	5 489 651	0.01
Malawi	3 551 616	0.00
Rwanda	865 824	0.00
United Republic of Tanzania	2 569 456	0.00
Botswana	795 985	0.00
Morocco	11 421 775	0.02
Tunisia	14 378 784	0.02
Egypt	63 474 006	0.09
Gabon	972 717	0.00
Ghana	4 920 321	0.01
Uganda	821 235	0.00
Mozambique	1 165 343	0.00
Angola	1 317 163	0.00
Chad	2 325 965	0.00
Ethiopia	775 322	0.00
Regional Africa	0	0.00
Subtotal, Africa	**575 106 404**	**0.79**
Latin America and the Caribbean		
Brazil	1 275 804 240	1.77
Chile	144 408 937	0.20
Colombia	59 023 820	0.08
Mexico	734 152 669	1.02
Peru	131 242 990	0.18
Bermuda[a]	20 612 101	0.03
Cayman Islands[a]	1 411 411	0.00
Dominican Republic	13 359 551	0.02
Puerto Rico[a]	8 988 361	0.01
Argentina	24 075 382	0.03
Virgin Islands (United States)[a]	3 227 163	0.00
Trinidad and Tobago	1 682 192	0.00
Grenada	1 112 558	0.00
El Salvador	1 781 327	0.00
Uruguay	1 798 754	0.00
Venezuela (Bolivarian Republic of)	207 582	0.00
Suriname	520 787	0.00
Subtotal, Latin America and the Caribbean	**2 423 409 827**	**3.37**
Middle East		
Israel	69 514 989	0.10
Bahrain	5 849 793	0.01
Jordan	515 450	0.00
Kuwait	20 413 119	0.03

Country/region[a]	Market valuation	Percentage
Oman	714 358	0.00
Qatar	45 657 822	0.06
United Arab Emirates	88 818 510	0.12
Saudi Arabia	151 275 321	0.21
Iraq	627 437	0.00
Azerbaijan	775 322	0.00
Regional Middle East	0	0.00
Subtotal, Middle East	**384 162 119**	**0.53**
Other[b]		
Emerging markets	0	0.00
International	63 366 026	0.09
Regional Asia	2 963 342	0.00
Regional frontier	0	0.00
Subtotal, Other	**66 329 368**	**0.09**
Total	**71 969 531 734**	**100.00**

Source: *Northern Trust*.

[a] Indicates regions (either territories, dependencies or provinces of States Members of the United Nations).

[b] 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 2019

	Equities		Fixed income				
	Direct	Indirect	Direct	Indirect	Private equity	Real estate	Real assets
Australia	✓		✓		✓	✓	
Austria					✓	✓	
Belgium	✓	✓	✓		✓	✓	
Canada	✓	✓	✓		✓	✓	
Denmark	✓	✓			✓	✓	
Finland	✓				✓	✓	
France	✓	✓	✓		✓	✓	
Germany	✓	✓	✓		✓	✓	✓
Ireland	✓	✓	✓		✓	✓	
Israel	✓	✓	✓		✓		
Italy	✓	✓			✓	✓	
Japan	✓		✓		✓	✓	
Netherlands	✓	✓			✓	✓	
New Zealand	✓				✓		
Norway	✓	✓	✓		✓	✓	
Portugal	✓				✓	✓	
Singapore	✓				✓	✓	
Spain	✓				✓	✓	✓
Sweden	✓	✓	✓		✓	✓	

	Equities		Fixed income				
	Direct	*Indirect*	*Direct*	*Indirect*	*Private equity*	*Real estate*	*Real assets*
Switzerland	✓	✓			✓	✓	
United Kingdom	✓	✓	✓		✓	✓	✓
United States	✓	✓	✓		✓	✓	✓

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

Table 4
Pension Fund investments in emerging markets as at 31 December 2019

	Equity		Fixed income				
	Direct	*Indirect*	*Direct*	*Indirect*	*Private equity*	*Real estate*	*Real assets*
Albania						✓	
Angola				✓			
Argentina	✓			✓	✓	✓	
Azerbaijan				✓			
Bahrain		✓					
Bangladesh		✓					
Belarus				✓			
Bermuda[a]					✓		
Bosnia-Herzegovina				✓			
Botswana		✓					
Brazil	✓		✓	✓	✓	✓	✓
Bulgaria						✓	
Cameroon				✓	✓		
Cayman Islands[a]					✓		
Chad				✓			
Chile	✓		✓	✓	✓		
China	✓				✓	✓	✓
Colombia		✓	✓	✓	✓		✓
Croatia		✓				✓	
Czechia			✓		✓		
Dominican Republic				✓	✓		
Egypt		✓	✓	✓			
El Salvador				✓			
Ethiopia				✓			
Gabon				✓			
Georgia		✓		✓			
Ghana		✓		✓			
Greece	✓	✓			✓	✓	
Grenada				✓			
Guernsey[a]					✓		
Hungary			✓		✓	✓	
India	✓	✓	✓		✓	✓	✓

	Equity		*Fixed income*				
	Direct	*Indirect*	*Direct*	*Indirect*	*Private equity*	*Real estate*	*Real assets*
Indonesia	✓			✓	✓		
Iraq				✓			
Jersey[a]					✓		✓
Jordan		✓		✓			
Kazakhstan		✓		✓	✓		
Kenya		✓		✓	✓		
Kuwait		✓					
Latvia					✓	✓	
Lithuania					✓		
Luxembourg					✓		
Malawi		✓					
Malaysia	✓		✓		✓		
Marshall Islands					✓		
Mauritius		✓			✓		
Mexico	✓		✓	✓	✓	✓	✓
Monaco						✓	
Montenegro						✓	
Morocco		✓					
Mozambique				✓			
Namibia		✓					
Nigeria		✓		✓	✓		
Oman		✓					
Pakistan		✓					
Peru	✓	✓	✓	✓			
Philippines	✓	✓	✓		✓		
Poland	✓		✓		✓	✓	
Puerto Rico[a]					✓	✓	
Qatar	✓						
Republic of Korea	✓		✓		✓	✓	
Republic of Moldova						✓	
Romania		✓	✓		✓	✓	
Russian Federation	✓		✓	✓	✓	✓	
Rwanda		✓					
Saudi Arabia	✓	✓					
Senegal		✓					
Serbia					✓		
Slovenia		✓					
South Africa	✓	✓	✓	✓	✓		
Sri Lanka		✓					
Suriname				✓			
Taiwan Province of China[a]					✓		
United Republic of Tanzania		✓					

	Equity		*Fixed income*				
	Direct	*Indirect*	*Direct*	*Indirect*	*Private equity*	*Real estate*	*Real assets*
Thailand	✓		✓		✓	✓	
Trinidad and Tobago				✓			
Tunisia		✓		✓	✓		
Turkey	✓		✓	✓	✓		
Uganda		✓					
Ukraine				✓		✓	
United Arab Emirates	✓	✓	✓		✓		
Uruguay				✓			
Venezuela (Bolivarian Republic of)				✓			
Viet Nam		✓			✓		
Virgin Islands (United States)[a]							✓
Zambia		✓					
Zimbabwe		✓					

Note: The classification used in the table to identify countries as "emerging markets" are countries classified either as "emerging markets" or "frontier markets" by Morgan Stanley Capital International Index, or countries not belonging to the Morgan Stanley Capital International Index universe of developed markets, emerging markets and frontier markets.

[a] Indicates regions (either territories, dependencies or provinces of States Members of the United Nations).

VI. Investment returns

A. Performance

31. During the biennium ended 31 December 2019, the Fund's market value of assets increased to $71,970 million as at 31 December 2019, from $64,136 million at 31 December 2017, an increase of $7,833 million, or approximately 12.2 per cent.

32. For the biennium ended 31 December 2019, the Fund had an annualized real return of 4.2 per cent. For the year ended 31 December 2018, the real return was minus 6.5 per cent, and for the year ended 31 December 2019, the real return was 16.0 per cent. The Fund successfully met or exceeded its long-term real rate of return objective of 3.5 per cent over the 1-, 2-, 3-, 5-, 10-, 15-, 25- and 50-year period ended 31 December 2019. For the 50-year period, the Fund exceeded its 3.5 per cent objective by 97 basis points, with a real rate of return of 4.5 per cent.

33. For the biennium ended 31 December 2019, the Fund had an annualized nominal return of 6.3 per cent, underperforming the policy benchmark return of 6.6 per cent by 29 basis points. For the year ended 31 December 2018, the Fund's nominal return was minus 4.7 per cent, outperforming the policy benchmark return of minus 4.9 per cent by 19 basis points. The outperformance in calendar year 2018 was attributable primarily to private market investments, which largely outperformed their target benchmark, the Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) Custom + 2 per cent. For the year ended 31 December 2019, the Fund's nominal return was 18.7 per cent, underperforming the policy benchmark return of 19.6 per cent by 89 basis points. The underperformance was the result of three main factors: private market investments; the overweight position in cash; and the transition towards the new fixed-income portfolio resulting from the new fixed-income benchmark. Over the past 15 years, the Fund achieved an annualized nominal return of 6.4 per cent, outperforming the 6.3 per cent return of the policy benchmark by 10 basis points.

34. Total equities gave a return of minus 9.2 per cent in 2018 and 27.9 per cent in 2019, for an annualized performance of 7.7 per cent over the biennium. The return of total fixed income was minus 1 per cent in 2018 and 6.5 per cent in 2019, for an annualized performance of 2.7 per cent over the biennium. Real estate performance was 10.2 per cent in 2018 and 7.2 per cent in 2019, for an annualized performance of 8.7 per cent over the biennium. Private equity performance was 12.4 per cent in 2018 and 14.7 per cent in 2019, for an annualized performance of 13.4 per cent over the biennium. Real asset performance was minus 5.6 per cent in 2018 and 8.1 per cent in 2019, for an annualized performance of 1.0 per cent over the biennium. The return of investments in cash and equivalents was minus 0.1 per cent in 2018 and 2.0 per cent in 2019, for an annualized performance of 0.9 per cent over the biennium.

35. The performance numbers are calculated by a third-party master record-keeper, using an industry-accepted global investments performance standard methodology. The calculation includes actual income received from dividends and interest, as well as realized capital gains and losses. It also takes into account changes in the market value of the investments and the timing of cash flows.

36. The Fund exceeded its 50-year long-term investment objective of a real return (United States consumer price index inflation adjusted) of 3.5 per cent by 97 basis points, with a real rate of return of 4.5 per cent for the 50-year period ended 31 December 2019. Table 5 and figure I below display the real returns over the 50-year period and on a rolling 15 years basis. Figures II and III contain a comparison of nominal performance and the policy benchmark on a yearly (fiscal year) and trailing basis. Table 6 shows historic returns by asset class. All of the data in the aforementioned table and figures were made available by the independent master record-keeper.

Table 5
Pension Fund real and nominal returns to 31 December 2019
(Percentage)

	1 year	*2 years*	*3 years*	*5 years*	*10 years*	*15 years*	*20 years*	*25 years*	*50 years*
United Nations nominal return (percentage)	18.7	6.4	10.3	6.9	7.1	6.4	5.7	7.6	8.6
United States consumer price index	2.3	2.1	2.1	1.8	1.8	2.0	2.1	2.2	3.9
United Nations real return (percentage)	16.0	4.2	8.0	5.0	5.3	4.3	3.5	5.3	4.5
United Nations real return minus 3.5 per cent	12.1	0.6	4.4	1.5	1.7	0.8	0.0	1.8	1.0

Note: Nominal returns are annualized.
Nominal returns and consumer price index numbers are geometrically linked.
Real returns are calculated using a geometric difference.

Figure I
Rolling 15-year annualized real returns to 31 December 2019

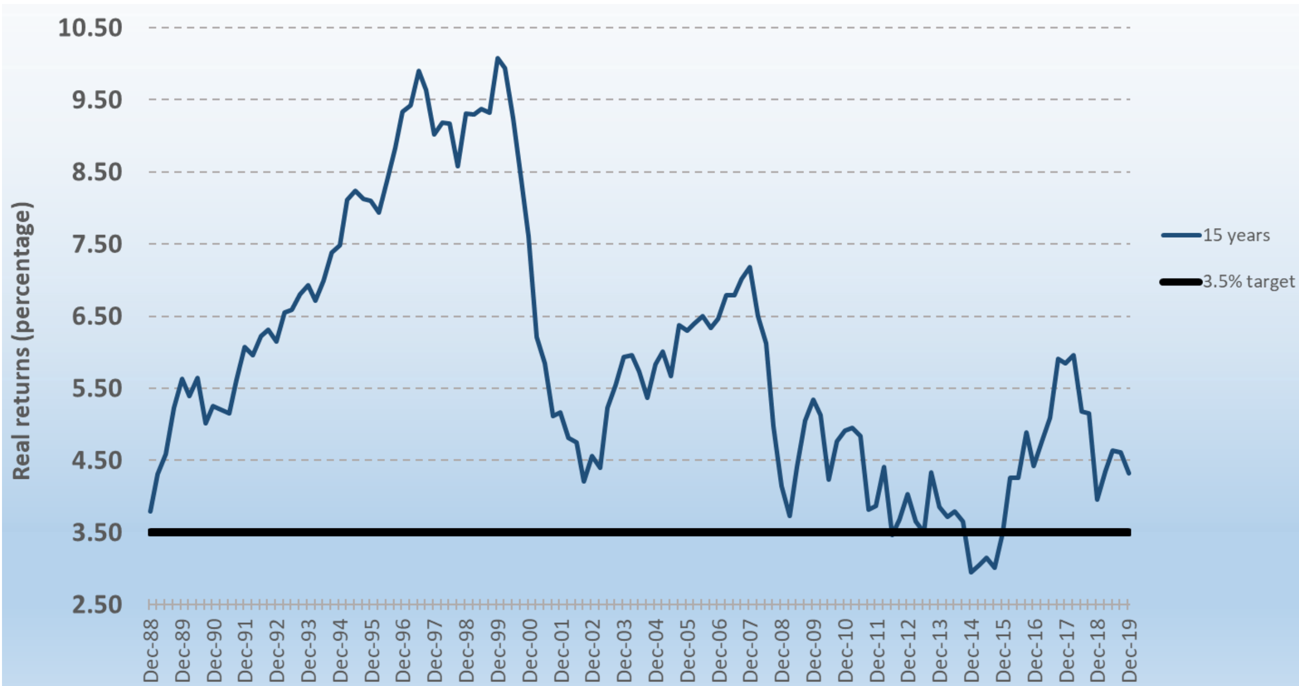
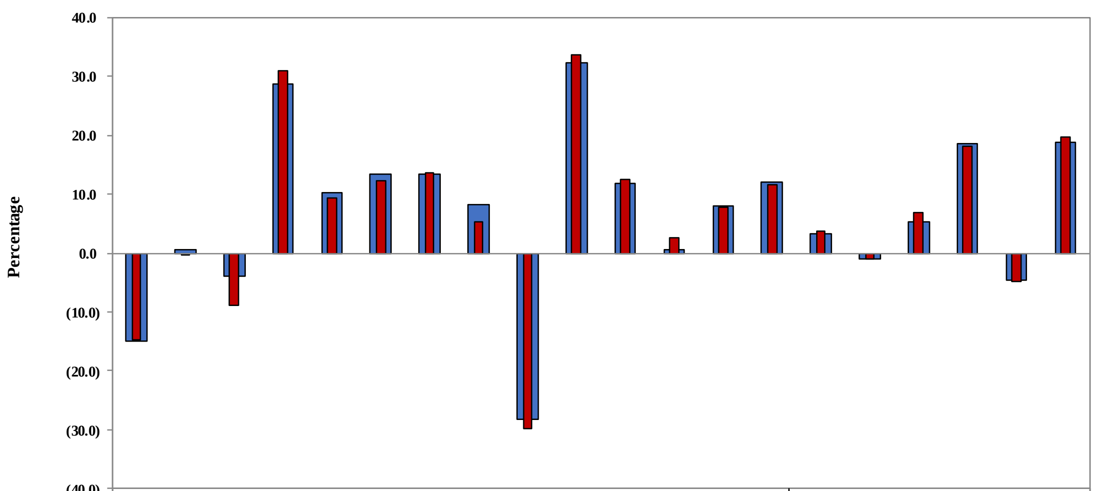


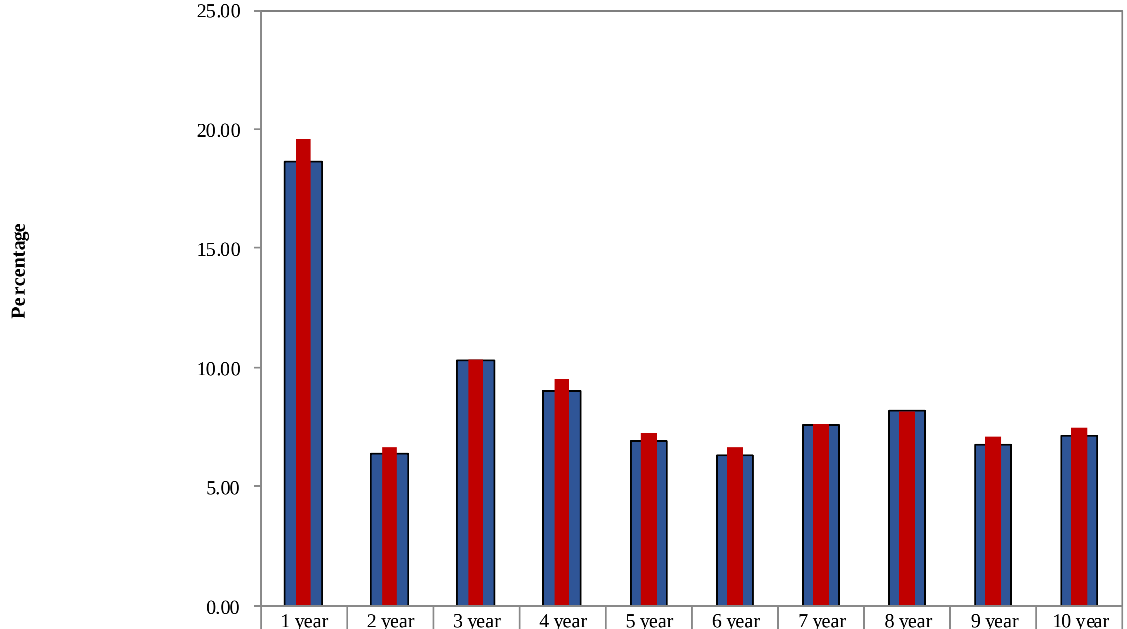
Figure II
Pension Fund long-term rates of return versus policy benchmark, fiscal year ended 31 March from 2001 to 2014 and calendar year from 2014 to 2019



	Fiscal year														Calendar year					
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2014	2015	2016	2017	2018	2019
Pension Fund return (percentage)	-15.0	0.7	-3.8	28.7	10.4	13.3	13.4	8.1	-28.3	32.2	11.9	0.6	8.1	12.1	3.2	-1.0	5.2	18.6	-4.7	18.7
United Nations policy benchmark return (percentage)	-14.8	-0.4	-8.9	30.9	9.4	12.3	13.6	5.2	-29.8	33.7	12.4	2.7	7.8	11.6	3.7	-1.1	6.9	18.1	-4.9	19.6

Figure III

United Nations Joint Staff Pension Fund nominal return versus the benchmark for various periods through 31 December 2019



	1 year	2 year	3 year	4 year	5 year	6 year	7 year	8 year	9 year	10 year
Pension Fund rolling year return (percentage)	18.7	6.3	10.3	9.0	6.9	6.3	7.6	8.2	6.8	7.1
United Nations policy benchmark return (percentage)	19.6	6.6	10.3	9.5	7.3	6.7	7.6	8.2	7.1	7.4

Table 6
Total Fund annual rate of return

Year	Equities				Bonds				Real estate	Real assets[c]	Private equity[d]	Short term	Total Fund	Year
	United States	*Outside United States*	*Total[a]*	*MSCI World Index*	*United States*	*Outside United States*	*Total[b]*	*CWGBI Bond Index*						
1961	18.8	37.8	19.4	–		–	8.0	–	–		–	–	12.7	1961
1962	12.4	0.9	11.7	–	–	–	3.9	–	–		–	–	6.6	1962
1963	-0.6	-16.3	-0.6	–	–	–	5.5	–	–		–	–	4.1	1963
1964	18.2	7.5	17.5	–	–	–	2.1	–	–		–	–	8.2	1964
1965	10.9	8.3	10.4	–	–	–	4.4	–	–		–	–	7.0	1965
1966	4.5	3.2	4.3	–	–	–	-2.1	–	–		–	–	0.7	1966
1967	11.8	-2.3	9.0	–	–	–	4.0	–	–		–	–	7.9	1967
1968	2.9	28.3	7.5	–	–	–	-4.9	–	–		–	–	1.6	1968
1969	13.4	20.1	14.6	–	–	–	2.7	–	–		–	–	9.1	1969
1970	-5.1	-2.2	-4.5	–	–	–	1.4	–	–		–	–	-1.8	1970
1971	13.9	3.3	11.5	9.3	–	–	14.1	–	–		–	8.7	13.5	1971
1972	14.1	34.3	18.3	16.9	–	–	9.4	–	11.6		–	7.2	17.0	1972
1973	5.9	20.8	9.5	13.5	–	–	7.4	–	4.8		–	5.9	8.6	1973
1974	-16.7	-21.5	-18.1	-16.4	–	–	1.9	–	10.2		–	10.7	-13.6	1974
1975	-11.2	11.6	-5.2	-6.1	6.2	14.6	6.6	–	-1.0		–	12.4	0.2	1975
1976	16.4	10.8	14.6	15.6	11.2	1.9	10.0	–	5.2		–	7.7	13.2	1976
1977	-8.3	-3.8	-6.6	-1.0	10.4	15.2	11.1	–	3.7		–	5.2	-0.3	1977
1978	-5.6	20.3	4.2	6.1	5.6	24.4	8.7	–	8.3		–	7.7	6.1	1978
1979	22.4	21.7	22.1	21.3	4.7	12.5	6.6	8.0	16.9		–	8.6	15.1	1979
1980	10.9	-10.3	1.1	-0.2	-9.5	-4.6	-7.6	-13.2	17.4		–	11.8	-0.4	1980
1981	43.2	39.6	41.5	34.8	15.0	9.5	12.5	20.4	14.7		–	15.8	26.6	1981
1982	-17.9	-19.6	-18.8	-15.0	11.1	0.4	6.2	-0.7	17.5		–	18.0	-7.9	1982
1983	40.9	23.6	33.6	31.6	32.5	14.5	24.9	20.5	7.1		–	12.8	27.1	1983
1984	5.1	32.5	15.7	17.3	5.5	12.4	8.7	8.2	13.3		–	13.1	13.0	1984
1985	20.8	-6.8	9.5	7.2	17.9	-8.2	4.5	5.5	13.5		–	3.6	8.1	1985
1986	35.0	58.5	43.4	56.0	54.3	50.3	51.2	48.7	10.8		–	7.0	41.5	1986
1987	21.6	43.9	30.0	43.2	9.1	32.6	22.6	17.4	12.7		–	12.0	24.7	1997

	Equities				Bonds									
Year	United States	Outside United States	Total[a]	MSCI World Index	United States	Outside United States	Total[b]	CWGBI Bond Index	Real estate	Real assets[c]	Private equity[d]	Short term	Total Fund	Year
1998	-12.2	2.2	-4.7	5.8	3.3	20.2	12.7	11.4	9.2		–	7.7	3.1	1988
1989	13.2	10.0	11.3	13.6	2.1	-5.5	-2.4	0.4	8.2		–	10.4	5.9	1989
1990	21.5	13.2	16.6	-2.3	10.5	2.9	6.2	3.1	12.3		–	9.7	11.6	1990
1991	8.9	1.2	4.5	3.2	12.5	17.4	15.0	16.2	5.1		–	13.1	8.9	1991
1992	11.3	0.1	4.9	-0.5	13.7	14.0	14.0	14.0	-4.1		–	6.5	7.6	1992
1993	17.3	6.7	11.2	12.7	15.9	17.7	16.9	19.0	-6.6		–	7.5	11.6	1993
1994	-2.7	24.4	12.4	14.0	3.4	10.1	7.7	6. 8	0.5		–	3.0	9.7	1994
1995	11.1	6.5	8.1	9.8	2.9	18.6	12.9	12.1	0.0		–	5.0	8.7	1995
1996	30.2	15.1	20.5	20.6	8.0	3.3	5.1	5.3	10.4		–	4.1	14.6	1996
1997	18.9	7.2	11.6	9.8	6.2	2.5	3.6	1.2	8.6		–	4.4	8.9	1997
1998	45.4	15.4	27.3	32.4	10.6	4.3	7.0	5.4	18.9		–	7.0	20.4	1998
1999	18.4	9.7	13.9	13.0	4.8	9.0	6.5	10.0	4.8		–	9.9	11.3	1999
2000	17.5	39.9	28.5	21.6	3.1	(5.7)	(2.5)	(0.3)	11.7		–	3.0	18.0	2000
2001	(17.2)	(30.3)	(24.2)	(25.1)	13.0	(4.2)	2.0	(1.7)	11.3		–	4.2	(15.0)	2001
2002	2.8	(6.1)	(1.3)	(4.2)	4.9	2.1	3.1	0.5	8.4		–	3.5	0.7	2002
2003	(23.9)	(21.7)	(23.1)	(24.2)	15.9	34.9	28.4	25.2	8.5		–	11.1	(3.8)	2003
2004	29.3	56.5	42.5	43.9	6.8	19.4	15.7	13.5	23.9		–	8.1	28.7	2004
2005	6.3	16.9	11.8	11.1	1.2	10.5	7.8	5.5	15.8		–	2.5	10.4	2005
2006	13.1	28.8	21.3	18.6	2.4	(4.4)	(2.8)	(2.0)	30.5		–	2.9	13.3	2006
2006				20.3 MSCI ACWI[e]				(2.6) BCGA[f]			–		12.3 60/31[g]	2006
2007	9.5	20.5	15.7	16.4 MSCI ACWI[e]	7.1	9.1	8.4	8.1 BCGA[f]	24.5		–	5.5	13.4 60/31[g]	2007
2008	(0.6)	3.9	3.4	(0.7) MSCI ACWI[e]	8.3	18.4	15.1	15.3 BCGA[f]	9.0		–	8.3	8.1 60/31[g]	2008
2009	(34.6)	(45.1)	(41.0)	(42.7) MSCI ACWI[e]	(1.4)	(12.6)	(8.6)	(4.9) BCGA[f]	(22.9)		–	3.9	(28.3) 60/31[g]	2009
2010	42.6	62.2	54.1	56.3 MSCI ACWI[e]	5.9	16.7	10.8	10.2 BCGA[f]	(17.4)		–	(2.7)	32.2	2010
Mar 2011	15.0	13.1	13.8	14.6 MSCI ACWI[e]	5.4	10.3	8.2	7.2 BCGA[f]	12.6		–	1.3	11.9	Mar 2011

	Equities				Bonds									
Year	*United States*	*Outside United States*	*Total*[a]	*MSCI World Index*	*United States*	*Outside United States*	*Total*[b]	*CWGBI Bond Index*	*Real estate*	*Real assets*[c]	*Private equity*[d]	*Short term*	*Total Fund*	*Year*
Dec 2011	(0.9)	(14.1)	(8.6)	(6.9) MSCI ACWI[e]	7.0	2.1	4.1	5.6 BCGA[f]	12.9	(5.5)	(9.6)	0.4	(3.9)	Dec 2011
Dec 2012	15.8	17.9	16.8	16.8 MSCI ACWI[e]	3.9	9.6	7.2	4.3 BCGA[f]	9.7	3.2	1.4	1.5	12.7	Dec 2012
Dec 2013	33.1	17.1	24.8	23.4 MSCI ACWI[e]	(1.9)	(1.3)	(1.6)	(2.6) BCGA[f]	11.3	(8.1)	4.1	(1.2)	15.5	Dec 2013
Dec 2014	12.2	(3.6)	4.5	4.7 MSCI ACWI[e]	4.2	(5.7)	(1.0)	0.6 BCGA[f]	11.6	(11.9)	12.1	(4.2)	3.2	Dec 2014
Dec 2015	1.7	(3.7)	(0.9)	(1.8) MSCI ACWI[e]	1.1	(8.3)	(3.4)	(3.1) BCGA[f]	10.1	(12.5)	5.0	(5.2)	(1.0)	Dec 2015
Dec 2016	10.9	3.6	7.5	8.5 MSCI ACWI[e]	(0.4)	(2.4)	(-1.4)	2.1 BBCGA[h]	9.2	5.8	11.0	(0.4)	5.2	Dec 2016
Dec 2017	22.0	28.1	24.8	24.6 MSCI ACWI[e]	3.5	11.8	7.5	7.4 BBCGA[h]	10.8	9.2	18.3	5.1	18.6	Dec 2017
Dec 2018	(4.7)	(14.1)	(9.2)	(8.7) MSCI ACWI (Blended)[i]	0.6	(2.3)	(1.0)	(1.2) BBCGA[h]	10.2	-5.6	12.4	(0.1)	(4.7)	Dec 2018
Dec 2019	31.8	22.8	27.9	27.4 MSCI ACWI ESG Custom[j]	7.2	5.8	6.5	7.1 FI Blended[k]	7.2	8.1	14.7	2.0	18.7	Dec 2019

Note: Return percentages are based on market value from 31 March 1962 to 31 March 2011, and 31 December 2011 to 31 December 2019. Figures are rounded off to a single decimal place.

Abbreviations: ACWI, All Country World Index; BBCGA, Bloomberg Barclays Capital Global Aggregate; BCGA, Barclays Capital Global Aggregate; CWGBI, Citigroup World Government Bond Index; ESG, environmental, social and governance; MSCI, Morgan Stanley Capital International.

[a] Equities total is total public equity, which includes all internally and externally managed equity portfolios.

[b] The proportion of bonds held outside the United States was not significant prior to 1975.

[c] Real assets began in 2010. First reported calendar performance is 2011.

[d] Private equity first began in 2010, and the first reported calendar performance is 2011.

[e] MSCI ACWI consists of 23 developed and 26 emerging markets, as at 31 December 2019.

[f] Effective 3 November 2008, the bond index name was changed from Lehman Brothers Global Aggregate to BCGA.

[g] 60/31 is a policy benchmark with an allocation of 60 per cent in equities, 31 per cent in bonds, 6 per cent in real estate and 3 per cent in cash and short-term investments.

[h] Effective 24 August 2016, the bond index name was changed from BCGA to BBCGA.

[i] For the calendar year 2018, the MSCI ACWI blended equity benchmark corresponds to the MSCI ACWI benchmark for the first nine months and to the MSCI ACWI ESG Custom benchmark for the last three months.

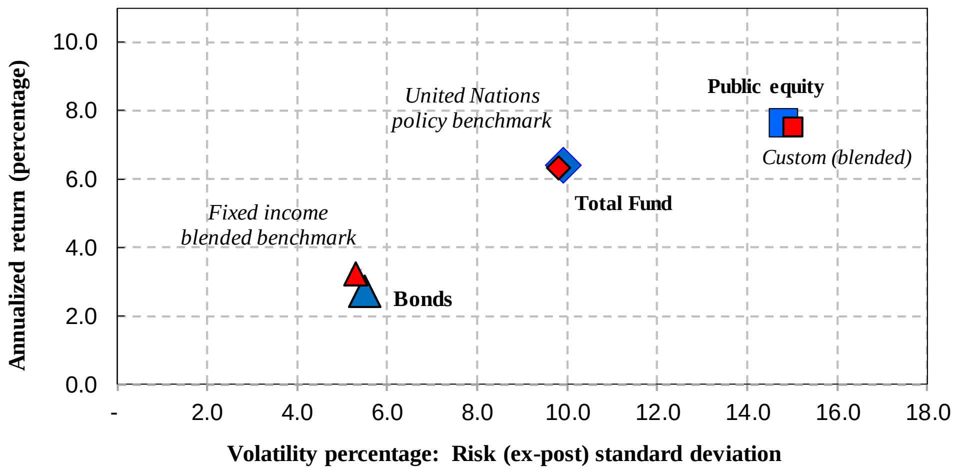
[j] Corresponds to the MSCI ACWI from which tobacco and armaments securities are excluded.

[k] Comprises the Bloomberg Global Aggregate until 30 September 2019. From 1 October 2019, the Bloomberg Barclays Enhanced Liquidity Index is used.

B. Fifteen-year risk/return profile

37. Over the past 15 years, the Fund's annualized return of 6.4 per cent was higher than the benchmark's return of 6.3 per cent. Its volatility of 9.9 per cent was almost in line with the benchmark's volatility of 9.8 per cent (se figure IV). The Fund had a well-diversified portfolio across asset classes and securities.

Figure IV
Fifteen-year risk/return profile versus indices, 31 December 2019



38. Within asset classes, the Fund's equity portfolio return of 7.6 per cent slightly outperformed the MSCI ACWI Custom (blended) return of 7.5 per cent, and the Fund's equity portfolio had a better risk profile (14.8 per cent) compared with its benchmark (15.0 per cent).The bond portfolio, with a 15-year return of 2.7 per cent, underperformed the fixed income blended benchmark of 3.2 per cent, and had higher volatility (5.5 per cent versus 5.3 per cent).

Table 7
Development-related investments
Book value[a] at 31 December 2018 and 31 December 2019
(Thousands of United States dollars)

	Total 2019	*Total 2018*
Africa		
Egypt	30 084	0
South Africa	296 162	140 902
Regional funds	128 812	126 022
Subtotal	**455 058**	**266 924**
Development institutions	0	58 715
Subtotal, Africa	**455 058**	**325 639**
Asia		
China	2 123 644	1 651 030
Taiwan Province of China	595 316	296 326
India	623 161	254 393
Indonesia	158 446	94 763

	Total 2019	*Total 2018*
Kuwait	0	0
Malaysia	361 823	120 928
Philippines	136 920	32 411
Qatar (Middle East)	52 102	33 803
Republic of Korea	937 660	780 028
Saudi Arabia	147 844	74 174
Singapore	117 710	189 273
Thailand	468 440	129 050
United Arab Emirates (Middle East)	92 112	128 824
Viet Nam	–	–
Regional funds	383 815	388 261
Subtotal	**6 198 994**	**4 173 262**
Development institutions	2 851	3 616
Subtotal, Asia	**6 201 845**	**4 176 878**
Europe		
Czechia	63 538	52 157
Estonia	–	29 095
Greece	15 326	1 754
Hungary	58 823	16 107
Latvia	–	4 456
Poland	234 475	138 534
Romania	21 167	–
Russian Federation	621 775	178 592
Slovenia	–	17 973
Turkey	92 392	36 632
Subtotal	**1 107 496**	**475 300**
Development institutions	39 762	191 100
Subtotal, Europe	**1 147 258**	**666 400**
Latin America		
Argentina	16 175	0
Brazil	1 081 005	348 302
Chile	110 296	170 846
Colombia	51 880	0
Mexico	661 866	208 873
Peru	120 951	29 493
Subtotal	**2 042 174**	**757 515**
Development institutions	–	110 750
Subtotal, Latin America	**2 042 174**	**868 264**
Other development-related funds		
Fiduciary Emerging Market Bond Fund	33 703	30 177

	Total 2019	Total 2018
Inter-American Development Bank	0	28 257
International Bank for Reconstruction and Development	19 822	201 039
International Finance Corporation	3 628	20 031
International Finance Corporation African Latin American and Caribbean Fund	85 430	88 457
International Finance Corporation Global Infrastructure Fund	27 435	30 648
International Finance Facility for Immunization	–	–
Nordic Investment Bank	0	43 984
Frontier markets	30 806	30 806
Emerging markets minimum volatility	–	–
Emerging market Middle East Fund	–	26 060
Subtotal, other development-related funds	**200 824**	**499 460**
Total	**10 047 158**	**6 536 641**

Note: Book values exclude cash holdings for all countries/regions.

[a] Private equity, real assets and real estate are private market investments and not included in the table. Development-related indirect investments in funds, such as International Finance Corporation, International Finance Corporation Global Infrastructure Fund, International Bank for Reconstruction and Development, Inter-American Development Bank, etc., are included in the table.

VII. Sustainable investment strategy

39. In 2019, the Advisory Committee on Administrative and Budgetary Questions reiterated the recommendation it had made in paragraph 36 of document A/71/621, that the Secretary-General provide the General Assembly with information on the environmental, social and governance investments of the Fund and that those investments should be reported on regularly in the Fund's reports (see A/74/7/Add.14, para. 17). The objective of the Representative of the Secretary-General in his senior manager's compact with the Secretary-General is to improve the Fund's environmental, social and governance profile and to position it as a leader in sustainable investing, without compromising on its return objectives.

40. The Office of Investment Management is pleased to note that it made further progress in 2019 in integrating environmental, social and governance considerations across all asset classes without compromising the Fund's fiduciary duty. The Office's approach to sustainable investing is codified in the new approved investment policy statement and internal governance policies. The Office published its first sustainable investing report in July 2019 and improved communication on its website.

41. The Office of Investment Management announced in September 2019 its decision to divest from investments in publicly traded companies in the coal energy sector by 31 December 2020, and shall not make any new investments in the coal energy sector (thermal coal) across all asset classes.

42. Furthermore, the Office of Investment Management will implement the requirements from the task force on climate-related financial disclosures as part of its role as a standard-setter for the Principles for Responsible Investment. In that respect, the Office will take part of the United Nations-convened Net-Zero Asset Owner Alliance in 2020 to be a leader in sustainable investing.

VIII. Expanded investment strategies

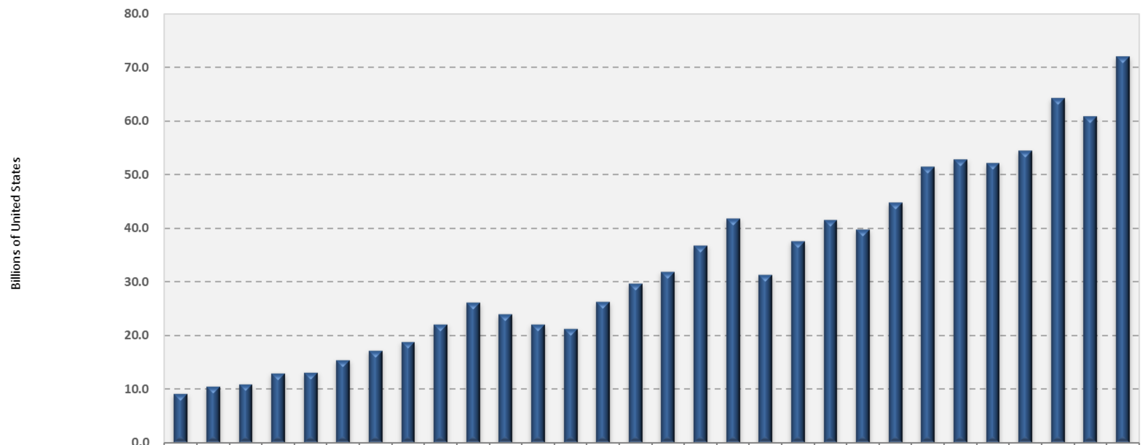
43. The investment policy statement was updated in August 2019, including with the aim to expand the range of instruments available to the Fund to more effectively manage its investments and address the increasing complexity of the global capital markets environment in a phased approach over the medium term. Paragraph 45 of the statement provides that the Office of Investment Management may use exchange-traded futures, swaps and foreign exchange forwards for the purposes of increasing the efficiency and lowering the transaction cost of implementing various investment strategies, as well as for risk management and hedging purposes. In addition, paragraph 42 of the statement states that the Office may establish securities lending programmes and enter into repurchase transactions. It should be noted that the types of instruments referred to above are traded in highly regulated markets and have been commonly relied upon by major financial institutions for decades in the normal course of their ongoing trading activities. However, the use of such instruments would require the Fund to conduct margin trading, which involves a form of borrowing, since at the moment of the agreements, there is clarity on the timing and kind of assets to be exchanged but not necessarily the prices.

44. Accordingly, the Secretary-General requires the authority to engage in borrowing for the limited purpose of performing such transactions and to the extent that such borrowing is required as an adjunct to the securities and instruments otherwise traded or used by the Fund and only for the Fund itself. In that regard, please note that any exposure of the Fund resulting from such borrowing would be adequately covered and collateralized by the assets of the Fund.

IX. Conclusion

45. **The Office of Investment Management achieved strong total returns during the biennium, resulting in record-high market value of assets, as shown in figure V. The Fund's market value of assets increased by approximately $7.83 billion, or approximately 12.2 per cent, from 31 December 2017 to 31 December 2019. The long-term investment returns contributed to the Fund's solvency, which was confirmed by the healthy actuarial valuation completed based on 31 December 2019 numbers, and showed a surplus of $4.2 billion.**

Figure V
Pension Fund, market value of assets, 1990–2019



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Pension Fund, billions of United States dollars	9.1	10.4	10.8	12.9	13.0	15.3	17.1	18.7	22.0	26.0	23.9	22.0	21.2	26.3	29.7

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Pension Fund, billions of United States dollars	31.8	36.7	41.7	31.3	37.5	41.4	39.7	44.7	51.4	52.8	52.1	54.4	64.1	60.8	72.0

46. **The Office of Investment Management made good progress across the board and is taking steps to achieve its goal of becoming a best-in-class global long-term investment institution.**

47. **The Secretary-General requests the General Assembly to authorize him, in carrying out his fiduciary duties relating to the investment of the assets of the Fund, to conduct margin trading for the limited purpose set out in paragraphs 43 and 44, above.**