

INVESTMENT POLICY



Investment Management Division, United Nations Joint Staff Pension Fund

March 2014

Approved by:



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Date

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Preface to the February 2014 Edition

This edition of the Investment Policy is a living document and will be continuously updated, amended and enhanced.

I wish to express my gratitude to the valuable advice of the Investments Committee, the Pension Board and the Asset and Liability Monitoring Committee as well as my appreciation to IMD staff members who have contributed their time and effort to its successful completion.

Gina Casar
*Representative of the Secretary-General
for the investments of the Fund*

New York, March 2014

TABLE OF ACRONYMS	
ACABQ	Advisory Committee on Administrative and Budgetary Questions
ADR	American Depositary Receipt
ALM	Asset Liability Management
BCP	Business Continuity Planning
BoA	United Nations Board of Auditors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COSO	Committee of Sponsoring Organizations
ERM	Enterprise Risk Management
ETF	Exchange Traded Funds
GICS	Global Industry Classification Standard
GIPS	Global Investment Performance Standards
GDR	Global Depositary Receipt
IC	United Nations Investments Committee
IMD	Investment Management Division
ISS	Information Systems Section
MRK	Master Record Keeper
NT	Northern Trust
OIOS	United Nations Office of Internal Oversight Services
REITs	Real Estate Investment Trust
RSG	Representative of the Secretary-General
SAA	Strategic Asset Allocation
SLA	Service-level Agreement
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TAA	Tactical Asset Allocation
UN	United Nations
UNJSPB	United Nations Joint Staff Pension Board
UNJSPF	United Nations Joint Staff Pension Fund or The Fund
VaR	Value at Risk

Introduction

1. The Regulations of the United Nations Joint Staff Pension Fund (UNJSPF or the Fund) provide that the investment of the assets of the Fund will be decided upon by the Secretary-General. The Secretary-General has delegated the responsibility for overseeing this task to a senior United Nations official, designated as the Representative of the Secretary-General for the Investments of the United Nations Joint Staff Pension Fund (RSG). The Secretary-General's representative is assisted by the Investment Management Division (IMD).
2. The original investment policy and procedures of IMD were published in January 1990 and amended periodically. In 2002-2003, a major review was undertaken to reflect the changes in the procedures that have taken place over the years. Another update was carried out in January 2006 and in December 2009. The current Investment Policy was restructured in February 2014 for purposes of clarity and organization.
3. In this most recent version, the Investment Policy has been expanded and presented as a document itself, while the investment procedures have been separated into a manual mirroring the updated risk manual. This Investment Policy provides an overview of strategies to be followed in the management of investments. The Investment Procedures and the Risk Manual documents reflect the procedures and controls that are intended to be the basic reference for all those engaged in the investment process.
4. The Director of IMD is responsible for implementing amendments to the Investment Policy, Investment Procedures and Risk Manual, as approved by the Representative of the Secretary-General. Amendments may be proposed at any time as necessary.
5. The staff members of IMD perform important and sensitive work in the management of the assets of the United Nations Joint Staff Pension Fund. Adherence to the policies, procedures and practices contained in this Policy as well as in the Investment Procedures and Risk Manual will help to ensure that the investment goals and objectives set out in the applicable regulations and policies established for the Fund are met.
6. The Investment Management Division (IMD) of the United Nations Joint Staff Pension Fund (UNJSPF) recognizes that it has a fiduciary obligation to deliver the highest possible return on its investments to the Fund's participants and beneficiaries. As part of an international organization committed to social progress, better living standards and human rights and as a founding signatory to the United Nations supported Principles for Responsible Investment (PRI) Initiative and in association with the United Nations Global Compact (UNGC) and the UNEP Finance Initiative (UNEP FI) - IMD acknowledges its responsibility to society.

A. INVESTMENT POLICY

7. The purpose of this Policy is to set forth the principles which shall guide the Representative of the Secretary-General for Investments of the UNJSPF and the Investment Management Division, in accordance with their respective roles in the management of the investments of the UNJSPF. These principles shall describe both the risk parameters and the return objectives which form the basis of the Fund's investment policy. This statement should be reviewed and approved by the RSG on a periodic basis considering the advice of the Investment Committee, in light of the observations and suggestions provided by the Pension Board, and considering the results of the ALM studies

B. PURPOSE OF THE FUND

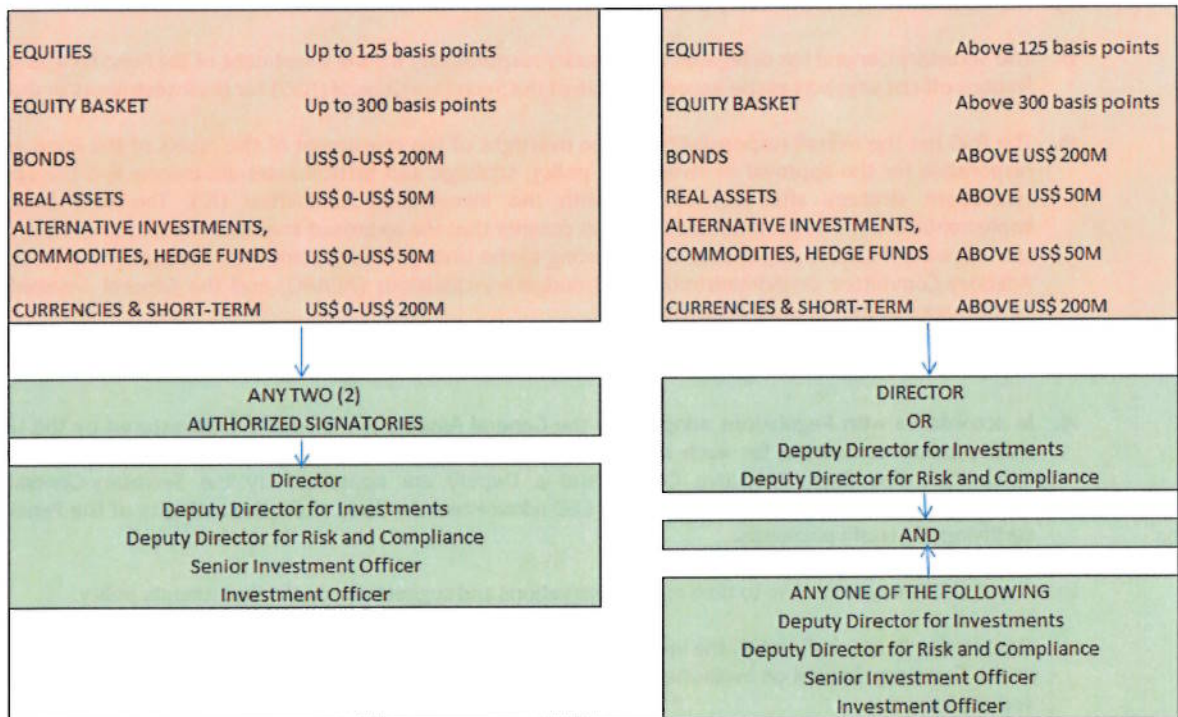
8. Pursuant to the Regulations of the United Nations Joint Staff Pension Fund, the UNJSPF is a fund established by the General Assembly of the United Nations to provide retirement, death, disability and related benefits for the staff of the United Nations and the other organizations admitted to membership in the Fund.
9. Under the authority of the Pension Board, the Fund is entrusted to provide retirement, death, disability and other benefits and related services to its participants, retirees and beneficiaries. To meet its long-term commitments, the Fund must ensure an adequate level of investment return on its assets while mindful of the approved risk tolerance philosophy and the requirements posed by its liabilities. It must also ensure that all of its activities reflect the best conditions of security, accountability, social responsibility and sustainable development while operating in full compliance with the highest standards of quality, efficiency, competence, and integrity.

C. INVESTMENT GOALS

10. In order to ensure effective realization of its purpose as stated herein above, the long-term objectives of the Fund will be:
- a. to preserve the principal of the Fund in real terms;
 - b. to obtain optimal return without undue risk as defined in the risk appetite statement and risk tolerance;
 - c. to diversify the portfolio with respect to the asset type, currency and geography.

D. INVESTMENT AUTHORITY

11. General authority for managing the investments of the Fund has been delegated to the RSG for the Investments of the Fund and his/her agents, the Director and Investment Officers of IMD. The Director for Investments may sign any and all investment transactions for equities, fixed income and short-term instruments, as authorization for such transactions are delegated by the RSG. Approved list of Real Assets investments shall remain under the authorization of the RSG. In the absence of the Director, the Deputy Director for Investments or the Deputy Director for Risk and Compliance or the Officer-in-Charge at IMD may sign on his/her behalf for the investment transactions.
12. For all purchases and sales of securities, including equities, fixed income, real assets, alternative investments, commodities, hedge funds, currencies, and short-term investments, the following authorization level applies:



I. GOVERNING BODIES

I.1 General Assembly

13. The General Assembly at its first session in 1946 adopted a resolution whereby the fiduciary responsibility for the investment of the assets of the Fund was entrusted to the Secretary-General of the United Nations. This fiduciary responsibility was further confirmed in 1948 when the General Assembly approved and adopted the Rules and Regulations of the UNJSPF.
14. The General Assembly may from time to time adopt resolutions on general investment policy as long as these resolutions are not conflicting with the fiduciary responsibility of the Secretary-General. These resolutions for example have established that the investments of the Fund should abide with criteria of **safety, profitability, liquidity** and **convertibility**. All past General Assembly resolutions have confirmed the Secretary-General's fiduciary responsibility which requires that all investment decisions taken must be in the best interests of the Fund.

I.2 Secretary-General

15. According to art 19 of the Regulations of the UNJSPF, the investment of the assets of the Fund shall be decided upon by the Secretary-General after consultation with an Investments Committee and in the light of observations and suggestions made from time to time by the Board on the investments policy.
16. The Secretary-General shall arrange for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which shall be open to examination by the Board.

I.3 Representative of the Secretary-General

17. The Secretary-General has delegated the fiduciary responsibility for the investment of the Fund to a senior United Nations official who acts as the Representative of the Secretary-General (RSG) for the investments of the UNJSPF.
18. The RSG has the overall responsibility for the oversight of the investment of the assets of the Fund and is also responsible for the approval of investment policy, strategic and tactical asset allocations and the appropriate investment strategy after consultation with the Investments Committee (IC). The RSG oversees the implementation of investments decisions and ensures that the approved investment policy and asset allocation are followed. He/she is responsible for reporting to the United Nations Joint Staff Pension Board (UNJSPB), the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the General Assembly on the performance of the Fund's investments.

I.4 United Nations Joint Staff Pension Board

19. In accordance with Regulations adopted by the General Assembly, the Fund is administered by the UNJSPB, a staff pension committee for each member organization and a secretariat to the Board and to each such committee. The Chief Executive Officer and a Deputy are appointed by the Secretary-General on the recommendation of the Pension Board. The CEO administers the Fund under the authority of the Pension Board certifying all benefit payments.
20. The UNJSPB may from time to time make observations and suggestions on the investments policy.
21. The Pension Board shall review the investments of the Fund at its regular sessions with a view to rendering advice to the Secretary-General on investment policy as to its adequacy and consistency with the Fund's mission, goals and objectives.

I.5 Investments Committee

The United Nations Investments Committee (IC) provides advice to the Secretary-General on investment strategy and reviews the investments of the Fund at its quarterly meetings. The IC advises on long-term investment policy, asset allocation and strategy, diversification by type of investment, currencies and economic sector, and other matters, which in the view of the Committee, should be brought to the attention of the Secretary-General or on which the latter may deem the advice of the Committee desirable. As per article 20 of the regulations of the UNJSPF, the IC shall consist of nine members appointed by the Secretary-General after consultation with the Board and the ACABQ, subject to confirmation by the General Assembly.

I.6 Investment Management Division

22. The staff of IMD is responsible for the day to day management of the Fund's investments. They implement the approved investment policy and ensure that the portfolio conforms to the approved asset allocation, analyzes the financial markets, make sales and purchase recommendations of securities and evaluates the returns achieved within the allocated risk budget. IMD formulates investment policy for a long-term investment horizon and makes certain that the investments of the Fund conform to the approved policy and the Rules and Regulations of the Fund. IMD ensures that performance and portfolio risk analyses reports are accurate and up-to-date and arranges for the maintenance of appropriate and accurate accounts on the Fund's investments.

II. GOVERNING REGULATIONS

23. The following regulations of the UNJSPF shall govern the management of the assets and investments of the Fund:

II.1 Article 17 - Assets of the Fund

24. The assets of the Fund shall be derived from:

- (a) The contributions of the participants;
- (b) The contributions of the member organizations;
- (c) The yield from the investments of the Fund;
- (d) Deficiency payments, if any, under article 26; and
- (e) Receipts from any other source.

II.2 Article 18 - Property in the Assets

25. The assets shall be the property of the Fund and shall be acquired, deposited and held in the name of the United Nations, separately from the assets of the United Nations, on behalf of the participants and beneficiaries of the Fund.

II.3 Article 19 - Investment of the Assets

26. The investment of the assets of the Fund shall be decided upon by the Secretary-General after consultation with an Investments Committee and in light of observations and suggestions made from time to time by the Pension Board on the investments policy.
27. The Secretary-General shall arrange for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which shall be open to examination by the Board.

II.4 Article 20 - Investments Committee

28. The Investments Committee shall consist of nine members appointed by the Secretary-General after consultation with the Board and the ACABQ, subject to confirmation by the General Assembly.

III. INVESTMENT OBJECTIVES

III.1 Investment Philosophy

29. Although the importance of preserving capital is acknowledged, the acceptance of risk is essential if the UNJSPF is to be able to meet its long-term investment goal of a 3.5% real return. The strategic asset allocation will be the major determinant of investment performance.
30. The Strategic Asset Allocation (SAA) is determined by the Representative of the Secretary General for Investments considering the Fund's Mission, approved risk appetite and tolerance, with input from Asset and Liability Management (ALM) studies and the guidance of the Investments Committee. The full ALM study is done every four years with the interim mini ALM study done two years after the full ALM study. The current SAA was

established by the RSG in 2011, after review of projections from the ALM study and in consultation with the Investments Committee.

31. Investment Objectives take into account observations and suggestions made by the General Assembly and the Pension Board, as reviewed and interpreted by the Investments Committee are as follows:
32. *Safety* is achieved by ensuring adequate asset class, geographic, currency, sector and industry diversification, by carefully researching and documenting investment recommendations and constantly reviewing the portfolio in order to take advantage of the unsynchronized economic cycles, market and currency movements. Asset classes are all subject to market risk; security is a relative term.
33. *Profitability* requires that each investment at the time of purchase be expected to earn a positive total return, taking into account potential risk, particularly market risk which is common to all securities of the same general class and commonly can be mitigated but not eliminated by diversification.
34. *Convertibility* is the ability to readily convert investments into liquid currencies. Convertibility facilitates payments in local currencies. The fiduciary responsibility to the Fund's participants mandates that due to the U.S. dollar-based market valuation of the Fund, and the U.S. dollar based appraisal of its actuarial soundness, all investments should be readily and fully convertible into U.S. dollars.
35. *Liquidity* is the ready marketability of the assets in recognized sound, stable and competitive exchanges or markets. Liquidity is required to ensure that the portfolio can be restructured in the shortest possible time in order to enhance total return and/or to minimize potential losses.
36. In establishing liquidity requirements, IMD will take the following factors into consideration:
 - (a) the need for liquidity to meet payroll requirements in an array of currencies
 - (b) the need for funds to take advantage of investment opportunities as they arise
 - (c) the need for funds required for projected cash flows
37. The emphasis on liquidity shall be an investment consideration based on the expected changes in the funding of short-term liabilities. Managing liquidity to meet the Fund's requirements will be met by structuring the investment portfolio to maintain a sufficient allocation of funds in highly liquid securities. IMD will consider an acceptable range of illiquidity to generate a higher return from the approved asset classes.
38. It is noted that there may be attractive investment opportunities which require long-term commitments from the Fund. The Fund may invest in longer-term asset classes, such as alternative investments with the concurrence of the RSG.

III.2 Return Objectives

39. The Fund performance objective is to achieve a 3.5 per cent real rate of return, as adjusted by the US Consumer Price Index.

III.3 Investment Time Horizon

40. The Strategic Asset Allocation (SAA) best meets the Fund's fiduciary responsibility to maximize the return with diversification of risk and return and reflects the Fund's long term investment horizon. Investment strategy decisions for the Fund shall be made based on the long-term horizon.

III.4 Modeling Assumptions and Process

41. In order to establish risk and liquidity parameters for the management of UNJSPF, appropriate financial models should be used by IMD to estimate and calculate risk levels. RiskMetrics is the primary system which shall be used by IMD for the determination of risk, but this software may be supplemented by other systems when IMD considers it useful to do so. In performing stress tests for the UNJSPF IMD will not always assume that normal market conditions will prevail. Periodically, IMD will model extreme or "left tail" scenarios to establish the risk parameters which will guide the management of the Fund.

III.5 Portfolio Constraints

III.5.a Strategic and Tactical Asset Allocation

42. The strategic asset allocation shall be designed to meet the long-term return objective subject to the risk constraints. This should be reviewed by the RSG after an ALM study is performed (full ALM every four years and mini/interim ALM two years after the full ALM study)
43. The long-term strategic allocation should form the core of the actual portfolio but the Investments Committee recognize that market movements will cause deviations from target allocations to occur, that opportunities will arise from time to time for the Investments Committee and IMD to over and underweight certain asset classes based on fundamental evaluation, and that rebalancing should occur when and if the UNJSPF actual asset allocation has moved outside the target ranges; this will ensure that the Fund does not incur additional risks as a result of having deviated from the long-term strategic asset allocation. It is noted that transaction costs should be assessed by IMD to ensure that such costs do not outweigh the benefits of disciplined rebalancing.
44. The Tactical Asset Allocation (TAA) is reviewed periodically prior to the Investments Committee meeting. IMD recommendations and advisor recommendations are presented to the IC meeting and the RSG finalizes the TAA for the next period in his summary of decisions. The TAA is then shared with the Master Record Keeper for performance and reporting purposes.

III.5.b Special Constraints

45. Pursuant to General Assembly Resolutions 31/197 in 1976 and 32/73 B in 1977, the General Assembly requests the Secretary-General to redouble his efforts in consultation with the Investments Committee, to ensure that, subject to careful observance of the requirements of safety, profitability, liquidity and convertibility, and in strict conformity with the Regulations of the UNJSPF, a larger proportion of the investment of the resources of the Fund is made in developing countries.

III.5.c Restricted/Prohibited Industries

▪ Investments in the tobacco industry

46. Investments in companies that derive any revenue from the production of tobacco and that primarily deal with manufacturing and distribution of tobacco and tobacco related products are prohibited.

▪ Investments in armaments or other military equipments

47. The Fund shall not invest in securities of companies that derive any revenue from the production of military weapons, weapons systems or weapons of mass destruction, including nuclear, chemical or biological weapons, or derive more than 10 per cent of their revenue from the production of customized components for purposes of the production of military weapons, weapons systems or weapons of mass destruction.

III.6 Risk Objectives

48. The Risk objective is to follow the approved UNJSPF Risk Appetite and the Risk Tolerance for investments. In defining and applying, Risk Appetite & Risk Tolerance, IMD follows the COSO ERM framework, which makes the following distinction between Risk Appetite and Risk Tolerance: "Risk appetite is a broad-based description of the desired level of risk that an entity will take in pursuit of its mission. Risk tolerance reflects the acceptable variation in outcomes related to specific performance measures linked to objectives the entity seeks to achieve."
49. Risk Appetite is the willingness of an entity to take on investment risks in order to achieve the necessary rate of return.
50. The Risk Tolerance reflects the acceptable variation in outcomes related to specific performance measures linked to objectives the entity seeks to achieve.

III.7 Disclosure Objectives

51. All service providers which provide performance evaluation reports shall be GIPS compliant and use GIPS compliant performance methodologies.
52. Information about the actual and proposed investments in any company country, currency or geography shall be disclosed on a need to know basis, subject to proper clearance from the Director and the RSG. IMD has to balance the need of being transparent about its investments and maintain confidentiality about its investments to market impact. Any request for investment information from any external entity (other than the RSG, UNJSPF CEO, Auditors, IC members, Pension Board and the ALM Committee) should be vetted by the IMD internal Legal Officer, Risk Group and the Director, obtaining the final approval of the RSG before making the disclosure.
53. Any performance report distributed outside of IMD shall be disseminated in a secure PDF or otherwise inalterable format.
54. Any investment performance of IMD being presented by any other agency other than IMD staff shall be cleared with the Director and the RSG
55. All requests for reports to be distributed outside of IMD shall be directed to the Director and shall be disseminated after the Director's review.

IV. RISK MANAGEMENT

56. The Risk Appetite is the willingness of an entity to take on investment risks in order to achieve the necessary rate of return. In practice, the level of risk will vary according to market conditions. In this context, the UNJSPF Risk Appetite statement defines that the Fund has very low appetite for the risk of losing its long-term sustainability and not being able to meet its long-term financial commitments. In defining Risk Tolerance, IMD follows the UNJSPF Risk Appetite.
57. Among the objectives of an ALM study is to present various hypothetical SAA's and offer a choice of very different risk profiles. Once the SAA has been selected by the RSG in accordance with the UNJSPF Risk Appetite and with the advice of the Investment Committee, IMD will manage the portfolio in accordance to the long term SAA and the Risk Tolerance targets. To maintain proper portfolio risk levels within the SAA, the RSG defines the Risk Tolerance based on the following two limits:
58. Total Portfolio Risk – IMD will monitor and report the total portfolio Value at Risk (VaR), which will express the Fund's exposure to market risk resulting from changes in market prices and realized gains and losses. The RSG approves the specific targets of VaR and will review them periodically by consultation with the Investments Committee.
59. Additionally, for monitoring purposes, IMD will measure and report the acceptable level of active risk expressed as the variation of the Fund investment performance from the Benchmark performance (Tracking Error for Active Risk). IMD will monitor and report risk tolerances (risk corridors) in the form of tracking risk for each component of the total portfolio. The overall risk tolerance of the portfolio has been quantified as 245 bps. This is, in effect, the standard deviation of the difference between the return of the portfolio and the return of the policy benchmark, which is the SAA. Higher tracking risk would mean that portfolio returns could deviate significantly from the expected SAA returns. IMD will update the risk tolerance annually to ensure that current market conditions are incorporated. The performance of the portfolios will be compared with risk corridors, to facilitate monitoring at each quarterly meeting of the Investments Committee.
60. IMD will also determine and monitor Risk Budgets, the objective of which is to allocate risk among asset classes and portfolios, and conduct Risk Monitoring, the objective of which is to ensure realized risk is within the risk tolerance and risk appetite. IMD conducts comprehensive Asset Liability Study periodically to determine its risk strategic asset allocation consistent with the Fund's Risk Appetite and Risk Tolerance.

LONG TERM STRATEGIC ASSET ALLOCATION RECOMMENDATION

Asset Class	Current Strategic Benchmark	Recommendation			
		PCA/EFI(2007) ^a	Mercer(2008) ^b	Hewitt(2011) ^c	B/D
Percent					
Global Equities	60 +/- 10	63.00	59.00	60.00	60 +/- 10
Global Public Equity		60.00 (58.00)	55.00	54.00	55 +/- 10
Global Private Equity		3.00	4.00	6.00	5 +/- 5
Global Fixed Income	31 +/- 7	26.00	24.00	25.00	24 +/- 7
Global Real Assets	6 +/- 3	8.00	14.00	15.00	13 +/- 3
Global Real Estate+ Infrastructure+ Timberland		5.00 (7.00)	10.00	10.00	10 +/- 3
Global Real Return (including Commodities+HFoF)		3.00	4.00	5.00 ^d	3 +/- 3
Cash & Short Term	3 +/- 3	3.00	3.00	0.00	3 +/- 3

a - PCA/EFI/ALM Study - Return Oriented Allocation - April 2007, Prudent Funding option shown in parentheses

b - Mercer proposed Long-term guidelines - April 2008

c - Hewitt Emmiskrupp - ALM Study 2011

d - Hewitt did not include HFoF

IV.1 Risk Budget

Portfolios	Ex-Ante* Risk Tolerance	Risk Tolerance Upper Limit
Total Equities	115	140
North America	85	125
Europe	216	260
Total Asia Pacific	160	195
Asia Pacific Ex Japan	150	236
Japan	200	220
Emerging Markets	450	480
Fixed Income	150	215
Due to Asset Allocation (SAA-TAA)	110	142
Total Fund	245**	280

* Ex-Post realized Risk Tolerance over last 5 years was 158 bps based on data from Independent Master Record Keeper

** Real Estate, Private Equity, Infrastructure and Commodities are benchmarked against cash. This lack of benchmark is overstating the risk tolerance by approximately 47 bps

IV.2 Risk Monitoring

61. IMD monitors risk tolerances for the portfolios and reports to the Investments Committee quarterly.
62. Due to market conditions, and statistical properties of tracking risk, sometimes returns can exceed the risk corridors. IMD has established yellow and red zones for risk corridors. If the portfolio risk has strayed into the red zone for a sustained period, IMD takes immediate action by adjusting the portfolio. IMD rebalances the tactical asset allocation approximately four times a year.

IV.3 ALM Study

63. Full ALM studies are performed every four years. Purpose of the ALM study is to examine the funded status of the fund, examine the return targets and propose a Strategic Asset Allocation consistent with the Fund's Risk Appetite and Risk Tolerance. Processes are being put in place for internally prepared ALM exercises to be

performed jointly with the Fund secretariat every two years to identify emerging trends that might require further study.

IV.4 Liquidity Risk

64. The IMD shall determine the liquidity risk of the strategic asset allocation subject to stress testing in periods of market stress.

V. PERFORMANCE EVALUATION

65. While it is appropriate that the Investments Committee review shorter-term performance of the actual portfolio of the UNJSPF against its strategic benchmark on a yearly basis, the main emphasis should be on the long-term realized real return. As noted above, the UNJSPF has a very long time horizon consistent with its very long term liabilities and performance of the portfolio should be shown over similarly long term periods. Returns are available for up to fifty years and can be split into shorter periods of ten years. Reviewing rolling ten year performance can give the Investments Committee a good sense of medium term trends when assessing the performance results.

VI. ASSET MIX

VI.1 Global Equities

66. Global Equities comprising of mid to large capitalization securities
 - (a) Common or preferred shares of corporations listed or traded on nationally recognized exchanges or over-the-counter markets
 - (b) Convertible Bonds, debentures or preferred shares which are convertible into Corporate Stock
 - (c) Exchange traded funds
 - (d) ADR/GDRs
67. Externally managed Global Equity separate accounts comprising of small capitalization securities.
 - (a) North American Small Cap Portfolio
 - (b) Europe Small Cap Portfolio
 - (c) Japan Small Cap Portfolio
68. Externally managed Emerging Markets equity funds

VI.2 Global Fixed Income

- (a) Sovereign and Supranational Notes, Bonds and Strips
- (b) Government Agencies and Instruments (Discount Notes, Debentures, Mortgage-Backed Securities)
- (c) Corporate Bonds, Notes, Debentures, Asset-Backed Securities, 144A Bonds
- (d) Yankee and Euro Dollar Bonds, Notes, 144A Bonds
- (e) U.S. Non-Agency Mortgage-Backed Securities
- (f) Private Placements
- (g) Externally managed specialty bond funds

Only bonds that have an investment grade credit rating by at least one recognized rating service may be purchased in the portfolio.

The long term fixed income portfolio's allocation to the BBB credit rating band must not exceed the BBB allocation within the prevailing fixed income benchmark by an amount of more than 300 basis points.

VI.3 Global Real Assets

- (a) Private Commingled Real Assets Funds

- (b) Private Commingled Funds investing in timberland, agriculture, infrastructure and power generation
- (c) Publicly traded REITs
- (d) Publicly traded Non-REIT Real Assets Securities
- (e) Infrastructure
- (f) Timberland and Farmland

VI.4 Cash and Short Term Investments

- (a) For investments in short term securities, securities with a minimum quality rating of A3/P3/F3 and above should be purchased in the portfolio. These ratings are equivalent to the minimum investment grade long term investment rating.

FX and Deposits

For investment limits on counterparties for FX and deposits it is proposed that the schedule in the proposal be employed whereby investments limits are based on credit ratings.

Limit Rating	Base Limit	O/N	up to 3 months	3 - 6 months	6 - 9 months	9 - 12 months	FX
	X	2X	X	0.50X	1/3X	0.25X	2X
AAA	150	300	150	75	50	38	300
AAA-	140	280	140	70	47	35	280
AA+	130	260	130	65	43	33	260
AA	120	240	120	60	40	30	240
AA-	110	220	110	55	37	28	220
A+	100	200	100	50	33	25	200
A	80	160	80	40	27	20	160
A-	60	120	60	30	20	15	120
BBB+	40	80	40	0	0	0	80
BBB	20	40	20	0	0	0	40
BBB-	10	20	10	0	0	0	20

VI.5 Alternative Investments

- (a) Private equity (including venture capital, leveraged buyout, mezzanine financing, distressed debt, growth capital, special situations)
- (b) Commodities Funds and Managed Futures
- (c) Hedge Funds as well as Hedge Fund of Funds (diversified by strategy, geography and primary, secondary and co-investments)

