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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 investments 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 observations on broad policy 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. The first full-time representative of the Secretary-General took office in October 2014. The representative 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, including representing the Secretary-General at meetings of the Investments Committee of the Fund, the Board and other meetings where investment matters pertaining to the Fund are being discussed. The representative is assisted by the staff of the Investment Management Division. All investments must, at the time of initial review, meet the criteria of safety, profitability, liquidity and convertibility.

2. In paragraph 7, section VIII of its resolution 68/247 B of 9 April 2014, the General Assembly requested the Secretary-General to provide information on the performance of his representative in discharging his or her responsibilities. Accordingly, the present report includes, but is not limited to, information related to the performance of the representative of the Secretary-General, which is assessed

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through the representative's Compact with the Secretary-General, covering programmatic objectives and managerial targets.

3. Please note that prior versions of the present report reviewed the fiscal biennium period, which ends on 31 March. The present report has been prepared on a calendar year biennium basis in order to be consistent with the reporting dates used for the Fund's financial statements and investment performance reports.

4. The present report gives information on the management of the investments of the Fund during the calendar biennium period. The report covers the period from 1 January 2014 to 31 December 2015 and provides information on items including, but not limited to, investment returns, diversification of investments and development-related investments of the Fund.

II. Changes during the biennium

5. Market value of assets. During the biennium ending 31 December 2015, the Fund's market value of assets increased to US$ 52,114 million on 31 December 2015 from US$ 51,366 million on 1 January 2014, an increase of US$ 748 million, or approximately 1.5 per cent.

6. Investment performance for the Fund is reported 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 United States CPI.

7. Real returns as at 31 December 2015. The long-term investment return objective, defined as the required actuarial assumption, is currently a 3.5 per cent real rate of return. For the biennium period ending 31 December 2015, the Fund had an annualized real return of 0.3 per cent. For the calendar year ending 31 December 2014, the real return was 2.4 per cent, and for the calendar year ending 31 December 2015, the real return was -1.7 per cent. The Fund successfully met or exceeded its long-term investment real rate of return objective of 3.5 per cent over the past 3, 15, 20, 25 and 50 years. For the 50-year period, the Fund exceeded its 3.5 per cent objective by 40 basis points, with a real rate of return of 3.9 per cent.

8. Nominal returns as at 31 December 2015. For the biennium period ending 31 December 2015, the Fund had an annualized nominal return of 1.1 per cent, underperforming the policy benchmark return of 1.3 per cent by 21 basis points for the biennium. The main drivers of the 21 basis points of underperformance were a relatively short duration position in fixed income and the strengthening of the United States dollar over the two-year period along with negative stock selection in global equities in 2014. For the calendar year ending 31 December 2014, the Fund's nominal return was 3.2 per cent, underperforming the policy benchmark return of 3.7 per cent by 50 basis points. For the calendar year ending 31 December 2015, the Fund's nominal return was -1.0 per cent, outperforming the policy benchmark return of -1.10 per cent by 10 basis points. The Fund's nominal return exceeded the return of its policy benchmark over the past 1, 3, 10 and 15 years. Over the last 15 years, the Fund achieved an annualized nominal return of 5.6 per cent, outperforming the 5.1 per cent return of the policy benchmark by 50 basis points.

9. The policy benchmark is a weighted average of the target weightings and the benchmarks for each asset class. The policy benchmark is a measure of near-term performance, while the long-term investment objective of the Fund is its actuarial

return assumption (currently a 3.5 per cent real rate of return). The policy benchmark at the beginning of the biennium was comprised of 60 per cent Morgan Stanley Capital International (MSCI) All Country World Index (ACWI), 31 per cent Barclays Capital Global Aggregate (BCGA) Bond Index, 6 per cent National Council of Real Estate Investment Fiduciaries (NCREIF) Open End Diversified Core Equity Index (real assets) and 3 per cent Bank of America Merrill Lynch 91-day Treasury bill. The cash and short-term benchmark was updated as at 1 January 2015 from being 100 per cent Bank of America Merrill Lynch 91-day Treasury bill to becoming 50 per cent 91-day United States Treasury bill and 50 per cent 0-to-1 year euro; and the policy benchmark was updated accordingly as at 1 January 2015. The Fund's policy benchmark was updated as at 1 August 2015, subsequent to conclusion of the asset liability management study and consistent with the adoption of the new strategic asset allocation. The policy benchmark as at 1 August 2015 was comprised of 58 per cent MSCI ACWI, 26.5 per cent BCGA Bond Index, 9 per cent NCREIF Open End Diversified Core Equity Index, 5 per cent MSCI ACWI plus 200 basis points (alternative investments), and 1.5 per cent of 50 per cent 90-day United States Treasury bill and 50 per cent 0-to-1 year euro.

10. An asset liability management study was concluded in 2015. As a result, the Fund's strategic asset allocation was updated in 2015. The Fund's Investment Policy Statement was amended in 2015 to include the new strategic asset allocation.

11. The strategic asset allocation includes the target weightings and ranges for each asset class. The strategic asset allocation target weightings represent the asset mix, which is considered to have the optimal likelihood of achieving the Fund's 3.5 per cent real return objective over the long term. Table 1 shows the changes to the strategic asset allocation that occurred during 2015.

Table 1
Strategic asset allocation
(Per cent)

	Prior to 1 August 2015			*As at 1 August 2015*		
Asset classes	*Minimum*	*Target*	*Maximum*	*Minimum*	*Target*	*Maximum*
Global equity	50	60	70	50	58	69
Real assets	3	6	9	3	9	10
Alternative investments	Prior to 1 August 2015, the Fund had an allocation to alternative investments, but it was not explicitly identified in the strategic asset allocation.			0	5	10
Global fixed income	24	31	38	19	26.5	37
Cash and short-term	0	3	6	0	1.5	6
Total		**100**			**100**	

12. The Fund's asset allocation as at 31 December 2015 appears in table 2. The Fund's asset class weightings as at 31 December 2015 (in the far right column of table 2) are relatively close to the target weightings in the new strategic asset allocation, owing to periodic rebalancing. Table 2 also includes the Fund's tactical asset allocation. The tactical asset allocation represents the near-term ranges for each asset class, which are narrower than the strategic asset allocation ranges. The

tactical asset allocation ranges are reviewed with the Investments Committee on a quarterly basis.

Table 2
Asset allocation as at 31 December 2015
(Per cent)

Asset classes	*Strategic asset allocation* Minimum	Target	Maximum	*Tactical asset allocation* Near-term minimum	Near-term maximum	*Actual 31 December 2015*
Global equity	50	58	69	58	64	62.19
Real assets	3	9	10	5	7	6.57
Alternative investments	0	5	10	2	4	3.4
Global fixed income	19	26.5	37	22	28	24.15
Cash and short-term	0	1.5	6	1	6	3.61
Total		**100**				**100**

13. The new target weightings for each asset class are expected to be achieved over the next four years, as the Fund typically conducts an asset liability management study at four-year intervals. The Fund is already relatively close to the new target weightings, but it will take time to achieve the new, modestly higher targets for alternative investments and real assets.

14. As at 31 December 2015, the allocation to global equity was 62.19 per cent compared with a target of 58 per cent. This overweight in global equity is temporary owing to the current underweight positions in alternative investments and real assets. Allocations to real assets and alternative investments were 6.6 per cent and 3.5 per cent as at 31 December 2015, compared with new target levels of 9 per cent and 5 per cent, respectively. Alternative investments and real assets are equity-like asset classes, and global equity is serving as a temporary substitute for these asset classes until the targets in those two asset classes are achieved. The combined target weighting for global equity, alternative investments and real assets is equal to 72 per cent. The combined weighting of these three equity-oriented asset classes as at 31 December 2015 was 72.24 per cent, which was very close to the combined target of 72 per cent.

15. Global equity allocation during the biennium. As at 31 December 2015, 62.19 per cent of the Fund was allocated to global equity and the benchmark was MSCI ACWI. North America was modestly overweighted relative to other regions within the MSCI ACWI benchmark, and this position contributed favourably to performance for the period. Exchange traded funds continued to be used periodically to gain quick access to certain markets. In December 2014, the Fund initiated investment in two low carbon exchange traded funds, which were designed to closely track the performance of the Fund's benchmark for global equity, MSCI ACWI.

16. Global fixed income allocation during the biennium. As at 31 December 2015, 24.15 per cent of the Fund was allocated to global fixed income, and the weighting remained close to that level throughout the biennium. It was close to the minimum end of the allowable range for the global fixed income and considerably below the 31 per cent target weighting for that asset class, based upon the strategic asset

allocation, which was in place at the beginning of the biennium. Effective 1 August 2015, the new target for global fixed income became 26.5 per cent as a result of the asset liability management study. The reduced weighting to global fixed income reflects a consensus view that interest rates would be relatively low when compared to historic levels. This same view drove a decision to maintain a lower duration during the biennium than that of the benchmark, BCGI Bond Index. As at 31 December 2015, the global fixed income portfolio was overweight relative to its benchmark in United States dollar, Canadian dollar, Mexican peso, Swedish krona, Norwegian krone, Polish zloty, Singapore dollar, Australian dollar, South Korean won and Malaysian ringgit. The portfolio was underweight in Japanese yen, the euro and the British pound.

17. Real assets allocation during the biennium. As at 31 December 2015, 6.6 per cent of the Fund was allocated to real assets. Commercial real estate markets experienced an acceleration in investment activity. During the biennium ending 31 December 2015, the Investment Management Division made 22 real estate commitments totalling US$ 1.18 billion, Japanese yen (JPY) 10 billion, 80 million pound sterling (GBP) and EUR 125 million. These consisted of eight commitments in the United States totalling US$ 625 million, two in Japan, one US$ 50 million and one JPY 10 billion, four in Asia totalling US$ 225 million, two in the United Kingdom totalling GBP 80 million, five in Europe totalling JPY 125 million and $250 million and one in India for US$ 30 million. It also made one infrastructure commitment of US$ 75 million. Real estate investments totalled US$ 2.51 billion as at 1 January 2014, or 4.3 per cent of the Fund. As at 31 December 2015, real estate investments totalled US$ 3.37 billion, or 6.5 per cent of the Fund. The real assets portfolio, including investments in real estate, infrastructure and timberlands, had increased to US$ 3.5 billion as at 31 December 2015, or 6.6 per cent of the Fund. The strategic asset allocation, which was implemented on 1 August 2015, has a target weighting of 9 per cent for real assets, so the allocation will be increased gradually over time.

18. Alternative investments allocation during the biennium. As at 31 December 2015, 3.48 per cent of the Fund was allocated to alternative investments. During the biennium, the Fund’s alternative investments included allocations to private equity, the All Weather Fund and commodities. As at 31 December 2015, the Fund had commitments of US$ 3.0 billion to 36 private equity funds managed by 29 distinct managers. During calendar year 2015, the Fund committed US$ 485 million to five private equity funds. Approximately US$ 448 million was invested and US$ 145 million was distributed to the Fund during the period from 1 January to 31 December 2015. The fair market value of the Fund’s private equity portfolio as at 31 December 2015 was US$ 1.3 billion. Approximately US$ 1.8 billion represents unfunded commitments expected to be deployed in the next four to five years. As at 31 December 2015, the Fund’s private equity allocation by market value stood at 2.4 per cent of the Fund’s 31 December 2015 total market value; the internal rate of return for the Fund’s private equity portfolio was 8.3 per cent. The Fund’s private equity portfolio outperformed the public equities benchmark by 370 basis points and marginally outperformed the private equity benchmark by 40 basis points. The Investment Management Division anticipates making annual private equity commitments of approximately US$ 800 million +/- US$ 200 million. It holds since 2012 US$ 500 million in the All Weather Fund, a risk balanced, long-only asset allocation strategy. The central tenet of the All Weather Fund beta strategy is to

capture the risk premium embedded across asset classes while minimizing risk owing to shifts in the economic environment. All Weather Fund diversifies itself beyond simple equity and bonds by investing in equities, commodities, global debt, currencies and derivatives. For the biennium period, the All Weather Fund generated an annualized return of 0.2 per cent net of fees. For calendar year 2015, the All Weather Fund generated a return of -6.8 per cent return net of fees, and for calendar year 2014, the All Weather Fund generated a return of 7.7 per cent return net of fees. The Fund's small allocation to commodities funds underperformed during the biennium, as that was a difficult period for commodities. The Fund's allocation to commodities is meant to provide a means of hedging against inflation risk. For the biennium ending 31 December 2015, the Fund's investment in commodities returned -24.4 per cent, slightly better than the Bloomberg Commodity index benchmark return of -24.6 per cent. All commodities funds experienced negative returns during the period, with the decline in oil prices being the major contributing factor. The strategic asset allocation, which was implemented on 1 August 2015, has a target weighting of 5 per cent for alternative investments, so the allocation will be increased gradually over time with an emphasis on private equity.

19. Cash and short-term allocation during the biennium. The cash and short-term benchmark was updated as at 1 January 2015 from being 100 per cent Merrill Lynch 91-day Treasury bill to becoming 50 per cent 90-day United States Treasury bill and 50 per cent 0-to-1 year euro in order to reflect the global nature of investments in this asset class. On 1 August 2015, the new strategic asset allocation resulted in a change in the target weighting for cash and short-term from 3 per cent to 1.5 per cent of Fund assets. As at 31 December 2015, the allocation to cash and short-term represented 3.6 per cent of the Fund's assets.

20. Since the establishment of the Investment Management Services (now the Investment Management Division, in 1983 and until recently, the Fund's assets were managed largely with input from non-discretionary advisers. In response to a request by the General Assembly and in consultation with the Investments Committee, the Investment Management Division reduced the number of external non-discretionary advisers, resulting in cost reductions for the Fund. During the biennium, the fixed income adviser, the European equity adviser (BNP Paribas), the Asia Pacific equity adviser (Nikko AM) and the North American equity adviser (Argus) were terminated, resulting in savings of approximately $4.1 million per annum. The Investment Management Division has maintained the non-discretionary advisers for global strategy (Franklin Templeton), global emerging markets (Nikko AM and BNP Paribas), real assets (Townsend), and private equity (StepStone), taking into account the limitation of internal resources. The Investment Management Division will continue to review the advisers' performance to assess whether or not further reductions are appropriate.

21. Twenty new posts were added to the Investment Management Division during the biennium. As at 31 December 2015, 12 of the new posts were filled, including the new full-time representative of the Secretary-General post. As at 31 December 2015, there were 25 vacancies in the Division, of which 3 were temporarily filled. Of the 22 unfilled posts, 8 were new posts and 14 were existing posts.

22. For the calendar year ending 31 December 2014, the transactional volume totals were: $15.1 billion for equity, $4.8 billion for fixed income and $4.2 billion for foreign exchange transactions. For the calendar year ending 31 December 2015,

the transactional volume totals were $10.1 billion for equity, $4.9 billion for fixed income and $5.3 billion for foreign exchange.

23. Investment Management Division Operations and the Information Systems Section staff successfully implemented 11 projects in 2014-2015: (a) establishment of the Middle Office operations and the implementation of the interface between OMGEO Central Trade Manager and OASYS covering international and domestic equities to the old Charles River trade order management system in the last quarter of 2014; (b) decommissioning of the Murex back office system in January 2015; (c) amendment of the Northern Trust global custody contract in March 2015 to enable automated trade order entry system that provided a better and secure method to deliver instructions for benefit payments, foreign exchange transactions, and capital calls to real asset and alternative asset fund managers; (d) implementation of the upload of the master record-keeper's general ledger feed to the Fund's Oracle Financial Accounting System in July 2015, which replaced the old Lawson Accounting System; (e) implementation of the upgrades to Bloomberg PORT, portfolio and risk analysis functions in April 2014; (f) implementation of HOLT investment analytical tool in February 2014; (g) upgrades of Microsoft Windows 2013 operating system, messaging system, e-mail and active directory, security management and file sharing systems; (h) implementation of OMGEO's disaster recovery site in Geneva; (i) migration of SWIFTAlliance Gateway, SWIFTNet Link and Hardware Security Modules (HSMs) to SWIFT Gateway in the cloud, Alliance Remote Gateway (ARG); (j) upgrade of Wilshire-Abacus legacy portfolio measurement and accounting system; and (k) upgrade of all Investment Management Division desktop computers to Microsoft Windows 7 Operating System and Microsoft Office 2013.

24. Several initiatives were also under way in 2015, which are scheduled for completion in 2016, including: (a) the implementation of phase 1 of the Bloomberg Asset and Investment Manager trade order management system to replace all of the functions provided by the old Charles River trade order management system, Wilshire-Abacus and SWIFT Alliance, as well as cash projections and reconciliation; (b) the iNeed service desk tool, which is aligned with the United Nations enterprise service desk solution that reports and tracks issues and incidents to resolution; and (c) the issuance of a request for information for a data hub.

25. The Investment Management Division Information and Communications Technology Steering Committee was formed in November 2014 to direct the development and the execution of the Division's information and communication strategies, standards and policies.

26. KPMG LLP continues in its capacity as the Fund's global tax adviser to assist the Fund in its tax recovery efforts. As at 31 December 2015, the Fund had received tax rulings confirming its tax-exempt status in 25 jurisdictions, in conformity with the Convention on the Privileges and Immunities of the United Nations. Relief from tax at 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. Under the reclaim process, in addition to China, the Fund has now started to receive withholding tax refunds from the Russian Federation where KPMG has assisted in developing a procedure for the Fund to reclaim taxes previously withheld. Refunds received as at 31 December 2015 amounted to $1.6 million in China and

$0.4 million in the Russian Federation. As part of the tax exemption application process, the Fund is also requesting that the exemption extend to all taxes, including securities transaction taxes. This has been confirmed in South Africa and refunds of historically withheld South African transactions tax of $0.2 million are in progress to be reclaimed. A key focus for KPMG going forward is its interaction with the French tax authority to finalize the exemption from securities transaction taxes, and the United Kingdom tax authority in an effort to obtain formal confirmation that United Kingdom stamp duties do not apply to the Fund. In practical terms, this formal recognition would result in a reclaim of $20.6 million in the United Kingdom and of $4.1 million in France as at 31 December 2015, and avoidance of these taxes going forward. KPMG has also been providing key assistance with advising on alternative structuring options, in order to ensure that the Fund's tax-exempt status is applied to its indirect investment via funds and other investment vehicles. That has achieved tax savings of approximately $1.2 million.

27. During the seventieth session of the General Assembly, the Advisory Committee on Administrative and Budgetary Questions recommended that the Investment Management Division develop a comprehensive anti-fraud policy, and a draft was commenced, with adoption expected in 2016. Many of the elements of the draft policy are already captured in other policies and procedures of the Investment Management Division.

III. Economic review

28. During the biennium ending December 2015, the United States economy continued to sluggishly grow while the Canadian economy weakened further.

29. For the 2014 calendar year, the United States economy achieved a rate of real (inflation adjusted) gross domestic product (GDP) United States growth of 2.4 per cent on an average annual basis, versus 3.1 per cent in the prior year. After weather-related weakness in the first quarter of 2014 (GDP declined 2.1 per cent), growth rebounded strongly through the remainder of the calendar year as nearly all measures of real economic activity exhibited improving trends. The rate of nominal economic expansion remained at a below average trend owing to the persistence of low inflation as the United States GDP price deflator increased only 1.5 per cent during the year. The rate of unemployment continued to decline significantly on strong non-farm payroll growth and ended the year at a post-financial crisis low of 5.7 per cent, versus 7.0 per cent at the end of 2013. Consumer spending (GDP personnel consumption expenditures) remained strong through the period, advancing by 2.8 per cent, on average, on significantly improved consumer confidence levels.

30. For the 2015 calendar year, the United States economy achieved a rate of real (inflation adjusted) GDP growth of 2.4 per cent on an average annual basis, equal to that of the prior year. Nominal GDP growth was 3.4 per cent on an average annual basis, reflecting relatively slow economic expansion in a low price inflation environment. That is well below past economic recovery periods, where nominal growth typically ranged from 4 to 6 per cent. The United States GDP price deflator averaged 1.1 per cent in 2015 (1.5 per cent in prior year), reflecting lower energy and commodity prices and subdued global real economic activity. The rate of unemployment continued to decline on consistent non-farm payroll growth ending

the year at a post-financial crisis low of 5.0 per cent (versus 5.7 per cent at the end of 2014). Consumer spending (GDP personnel consumption expenditures) remained relatively strong through the period, advancing by 3.1 per cent owing to the favourable employment situation and a continuing improvement in consumer confidence levels. Private investment (residential and non-residential) also advanced strongly, contributing to overall growth. While automobile industry sales and production are in a mature late-cycle phase, the United States housing market continues to exhibit a mid-cycle recovery in sales and construction amid relatively stable and affordable home prices. The collapse in global energy prices continued through 2015. Energy prices declined more than 70 per cent from peak levels in 2014 until the end of 2015. United States production supply growth from shale oil exploration has yet to be fully rationalized by the energy market. The economic implications of this price action, along with other commodity price weakness, are complex. Consumers generally benefited, but energy and many energy-related businesses remained under pressure. A return to policy "normalization" will continue to be subject to considerable debate and interpretation over the visible future. An indication of this is the recent reversal by the Federal Reserve, as reflected in its decision to increase the Federal Funds rate in mid-December.

31. For the 2014 calendar year, the Canadian economy experienced modest GDP growth, owing to weakening global demand, depressed commodity prices (energy and materials) and restrained trade activity. Real economic growth advanced by 2.4 per cent in 2014, which was ahead of a 2.0 per cent gain in 2013 but was largely inventory related. Low inflation and concern over the trend in business investment caused the Bank of Canada to reduce policy rates in early 2015 from 1.0 per cent to 0.75 per cent. The unemployment rate has declined to a post-recession low level of 6.6 per cent (versus 7.2 per cent at the end of 2013). The Canadian dollar continued its multi-year weakening from post-crisis strength. The Canadian dollar ended the 2014 year at 1.16 or about 9.4 per cent lower on a year-over-year basis.

32. For the 2015 calendar year, the Canadian economy experienced decelerating GDP growth owing to weakening global economic activity, depressed commodity prices (energy and materials) and restrained trade activity. Real economic growth was 1.0 per cent in 2015 on an average annual basis versus 2.5 per cent in 2014. The 2015 GDP was relatively low, as would be expected in a post-crisis period. Persistently low inflation and sluggish trends in business conditions caused the Bank of Canada to reduce policy rates by 0.25 per cent two times in 2015 (January and July). Rates moved from 1.0 per cent to 0.5 per cent during 2015. The Canadian dollar continued its multi-year weakening from post-crisis strength, ending 2015 at 1.38, or about 19 per cent weaker on a year-over-year basis when compared to the strong trend in United States dollars.

33. In the low economic growth environment for the biennium ending December 2015, the United States equity market (as represented by the S&P 500 Index, total return basis) managed to achieve about a 10.6 per cent return and the Canadian equity market (as represented by the TSX Index, total return basis) suffered a decline of approximately 4.5 per cent.

34. Economic conditions in Europe improved during the biennium ending 31 December 2015, with signs of stabilization and some gradual improvement in labour markets, auto sales and GDP. The European Central Bank continued with its stimulus policies, including record low interest rates, purchases of sovereign debt,

and the lending programme. Equity markets reacted favourably to the reduction in macro risks and supportive monetary policy, and were further buoyed by the measured improvement of economic data in the region. The equity markets, measured in local currency terms, were strong during the biennium. Forecasts call for positive GDP growth in the euro zone, although at a low level.

35. During the earlier part of the period under review, the Japanese economy suffered from a consumption tax increase from 5 per cent to 8 per cent implemented in April 2014, resulting in consumption weakness. However, a surprise second quantitative easing by the Bank of Japan in October 2014 led to a sharp depreciation of the Japanese yen, and that, as well as a significant fall in oil prices, supported corporate earnings. Despite the weak Japanese yen, much-expected recovery in export did not materialize throughout the biennium owing to weak demand in Asia. Inflation expectation continued to fall and the core consumer price index (CPI excluding fresh food but including energy) remained well below the Bank of Japan's 2 per cent target. As a result, Prime Minister Abe postponed the implementation of the planned second consumption tax increase (from 8 per cent to 10 per cent) from October 2015 to April 2017.

36. During the period under review, the Australian economy continued to be under pressure from substantial cuts to capital expenditure in the mining, oil and gas industries. However, the labour market remained unexpectedly strong owing to the booming housing market and a surge in tourist arrival from Asia. As a result, the Reserve Bank of Australia cut its policy interest rate only twice (by 50 basis points in total) during the biennium under review.

37. Decreased tourism activity and spending by Chinese visitors and a significant drop in exports negatively affected the Hong Kong and Singapore economies. Various measures to cool down the heated residential properties market by the Governments started working in both countries, which should continue to have a negative impact on the economies.

38. During the biennium ending December 2015, economic growth in emerging markets fell to the weakest levels since the early days of the global financial crisis in 2009, weighed down by the economic slowdown in China, weak global trade, a collapse in commodity prices, a stronger United States dollar and unexpected devaluation of the Chinese renminbi. These difficult market conditions were exacerbated by a rise in geopolitical tensions, election year uncertainties (Brazil, India, Indonesia, Turkey, etc.), the debt situation of some European Union member States and concern over the timing of Federal Reserve interest rate hikes. Major central banks responded with unprecedented monetary policy measures through quantitative easing to stimulate economic growth.

39. China achieved annual GDP growth of 7.3 per cent in 2014 and 6.9 per cent in 2015 with low inflation, as the CPI rose 1.5 per cent and 1.6 per cent, respectively. The People's Bank of China reduced bank reserve requirements and cut interest rates in response to decelerating economic growth. The reform of State-owned enterprises continued to be a key area of focus, along with the transformation of China into an economy more driven by domestic consumption. The launch of Shanghai-Hong Kong Stock Connect gave foreign investors unprecedented access to invest in the A-share market and was an important step forward for China to achieve a more open capital account. For India, GDP growth accelerated to 7.2 per cent in 2015, from 6.4 per cent in 2013. The CPI has improved to lower levels with a

5.61 per cent growth rate in 2015 compared to 9.5 per cent in 2013. The election of a new government lay the foundation for much needed structural reforms to encourage greater investment and release the growth potential of the Indian economy. India implemented key reforms, including the Coal Bill and an increase in foreign direct investment limits for rail, road and defence. The export-dependent Republic of Korea continued to experience poor growth owing to the weak global economy, with GDP rising by a relatively low 3.3 per cent in 2014 and 2.6 per cent in 2015. In addition to weak global demand, a strong Korean won and a weak Japanese yen during the review period further contributed to the sluggish export performance. The Bank of Korea responded by maintaining an easy monetary policy.

40. In Latin America, Brazil was in a recession, with GDP declining by -0.7 per cent in 2014 and -5.9 per cent in 2015. The Brazilian economy was impacted by falling Chinese demand for commodities, while a high inflation rate of more than 10 per cent and the weak Brazilian real prevented the central bank from easing more aggressively. Given the period of political uncertainty during that time, the economy was further impacted with the need to reduce the budget deficit with fiscal tightening measures. The Mexican economy experienced solid GDP growth of 2.6 per cent in 2014 and 2.4 per cent in 2015, led by strong domestic demand driven by rising remittances, job creation, real wage gains and historically low inflation as the CPI fell to 2.1 per cent in 2015 versus 4.0 per cent in 2013. However, Banco de Mexico raised interest rates for the first time since 2008, in line with the Federal Reserve rate hike and to limit inflationary pressures owing to the depreciation of the Mexican peso.

41. The economic performance of Eastern European countries was negatively impacted by geopolitical tensions and falling commodity prices during the biennium ending December 2015. Russian Federation GDP growth decelerated to 0.2 per cent in 2014 and contracted by -3.8 per cent in 2015, owing to the collapse in oil prices, a sharp decline in imports and exports, a falling rouble and elevated borrowing costs. In Turkey, despite election uncertainty, GDP growth remained robust at 5.7 per cent in 2015, driven by strong private and public consumption and higher fixed capital formation. Poland’s GDP growth accelerated to 4.3 per cent in 2015 from 3.3 per cent in 2014 driven mainly by domestic demand, while the conservative Law and Justice party won the October 2015 elections promising greater welfare benefits. South Africa’s economy remained depressed, as GDP growth fell from 1.5 per cent in 2014 to 0.5 per cent in 2015. Downward pressure on economic growth came from persistent energy shortages, a large budget deficit, weak domestic demand, falling business and consumer confidence, plunging commodity prices and the worst drought in more than 20 years.

42. During the biennium, yields in the global bond markets continued to fall to historically low levels. Global growth forecasts were continually revised down, commodity prices fell and concerns remained about low inflation and central banks were vocal about policy changes. While emphasizing that monetary policy remained accommodative, the Federal Reserve increased the Federal Funds rate marginally at the end of the period owing to confidence in the United States economic outlook, an improving labour market and belief that the inflation target would be achieved over the medium term. That was in contrast to other global central banks that continued to promote and implement accommodative policies. Investors remain concerned about geopolitical risks, disappointing global growth, low inflation and central bank policies, underpinning a demand for bonds. With that backdrop, global bonds

remain at historically low levels. By the end of 2015, bond yields were negative in Denmark, France, Germany, Japan, Sweden and Switzerland.

IV. Diversification

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

44. Diversification by asset class. After review of the asset liability management study and consultations with the Investments Committee, the policy asset mix is defined as the long-term strategic asset allocation. The strategic asset allocation was updated in 2015, after conclusion of the asset liability management study. The current policy asset mix is composed of the following target weightings by asset class: 58 per cent for equities, 26.5 per cent for fixed income, 9 per cent for real assets, 5 per cent for alternative strategies and 1.5 per cent for cash and short-terms. The strategic asset allocation in 2014 was composed of 60 per cent equities, 31 per cent fixed income, 6 per cent real assets and 3 per cent in cash and short-terms. The Fund is in the process of gradually building its exposure to alternative investments and real assets to further enhance the Fund's risk-return profile. Most of this growth will be in private equity and real estate. The Fund is in a transitional period, since establishing an investment exposure to those asset classes takes time. At the end of calendar years 2014 and 2015, equities were above the strategic asset allocation policy allocation. At the end of 2014, the equity weighting was 63.4 per cent and the strategic asset allocation target for equity was 60 per cent. At the end of 2015, the equity weighting was 62.2 per cent and the new strategic asset allocation target weighting was 58 per cent. On 31 December 2014, the bond weighting was 24.6 per cent compared to a target of 31 per cent and near the 24 per cent level, which was the low end of the range for fixed income. During 2015, the target weighting for fixed income was reduced from 31 per cent to 26.5 per cent of the Fund. By the end of 2015, bonds represented 24.1 per cent of assets. Exposure to real assets increased from 5.4 per cent of the Fund on 31 December 2014 to 6.6 per cent as at 31 December 2015. The new target weighting for real assets is 9 per cent of the Fund. As at 31 December 2015, the private equity asset class had 36 active partnerships across different strategies, totalling 2.3 per cent of the Fund. Cash and short-term investments represented 3.7 per cent of Fund assets on 31 December 2014 and ended the biennium on 31 December 2015 at 3.6 per cent. The Fund and its investment portfolios are rebalanced periodically throughout the year in order to more closely approximate the strategic asset allocation target weightings for each asset class. The tactical asset allocation represents the near-term ranges for each asset class, which are narrower than the strategic asset allocation ranges. These ranges are reviewed with the Investments Committee on a quarterly basis.

45. Diversification by currency. As at 31 December 2015, the Fund was well diversified in terms of currency. In total, the Fund's direct investments across all asset classes included 24 currencies, of which 61.5 per cent were in United States dollars and 38.5 per cent were in non-United States dollar currencies. The global equity portfolio invested in 21 different currencies through the direct investments, 60.2 per cent of which were in United States dollars and 39.8 per cent were

denominated in non-United States dollar currencies. The fixed income portfolio was invested in 14 different currencies through direct investments, 53.5 per cent of which were in United States dollars and 46.5 per cent were in non-United States dollar currencies.

46. Diversification by geography. The proportion of the total Fund, across all asset classes, that is invested in North America increased to 53.9 per cent in December 2015 from 50.1 per cent in January 2014. Investments in Europe decreased to 22.7 per cent from 24.4 per cent, while in Asia and the Pacific the proportion of investments slightly decreased to 14.8 per cent from 14.9 per cent. In terms of the number of countries, the Fund had investments in over 100 countries, including both direct and indirect investments in both developed and developing countries as at 31 December 2015. Direct investments were as follows: a total of 41 countries, with direct fixed income investments in 27 countries and direct equity investments in 36 countries. Indirect investments in additional countries were made through international institutions, externally managed funds in emerging and frontier markets, and exchange traded funds. Based on categorization by MSCI, public equity includes 23 countries/markets in emerging markets and 24 countries in frontier markets.

V. Investments in developing countries

47. The Investment Management Division makes every effort to comply with General Assembly resolution 36/119 of 10 December 1981 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 and frontier markets are an increasingly important part of the Fund's strategy, owing to long-term growth opportunities in emerging and frontier 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 fully into account the Fund's four main criteria for investment: safety, liquidity, convertibility and profitability.

48. Direct and indirect investments in developing countries amounted to $6.14 billion at cost as at 31 December 2015, an increase of approximately 10 per cent from $5.58 billion at cost on 1 January 2014. In addition to that, the Fund has made commitments for future investments. The Fund had approximately $810 million committed to 11 private equity funds in emerging and frontier markets as at 31 December 2015.

49. Areas of the Fund's investments are shown in the tables 3, 4 and 5.

Table 3
Total Fund: Countries/areas of investments[a]

Market value as at 31 December 2015
(In millions of United States dollars)

Countries/areas	*Total*	*Percentage*
Australia	1 144.1	2.20
Austria	14.0	0.03
Belgium	153.5	0.29
Brazil	183.2	0.35
Canada	1 892.7	3.63
Chile	57.1	0.11
China	1 436.9	2.76
Colombia	37.9	0.07
Denmark	220.3	0.42
Estonia	34.5	0.07
Finland	246.7	0.47
France	1 854.7	3.56
Germany	1 746.5	3.35
Greece[b]	0.1	0.00
India	283.2	0.54
Indonesia	63.1	0.12
Ireland	186.2	0.36
Israel[b]	1.8	0.00
Italy	428.3	0.82
Japan	3 449.6	6.62
Korea (Republic of)	737.9	1.42
Malaysia	231.0	0.44
Mexico	585.6	1.12
Netherlands	560.4	1.08
New Zealand	16.4	0.03
Norway	231.3	0.44
Philippines	81.0	0.16
Poland	574.1	1.10
Qatar	19.0	0.04
Russian Federation	126.1	0.24
Singapore	220.4	0.42
South Africa	137.7	0.26
Spain	543.9	1.04
Sweden	652.5	1.25
Switzerland	1 056.5	2.03
Thailand	54.9	0.11
Turkey	49.6	0.10
United Arab Emirates	8.0	0.02
United Kingdom	2 653.6	5.09
United States	26 068.5	50.02

Countries/areas	Total	Percentage
Africa region	199.3	0.38
Asia region	420.3	0.81
Emerging markets region	176.7	0.34
Europe region	474.6	0.91
Frontier region	25.2	0.05
International region[c]	1 488.2	2.86
Middle East region	59.8	0.11
Multinational agencies region	1 104.4	2.12
North America region	123.2	0.24
Total	**52 114.5**	**100.00**

Note: Total value includes cash holdings by currency of country/region.

[a] Country of investment is generally based on domicile of issuer. Convertible securities are classified by security into which they are convertible.

[b] Countries with investments that have less than 0.01 per cent of the Total Fund.

[c] International refers to investments in international development institutions; such as the World Bank, etc. Emerging markets and euro funds are invested in a number of countries under the particular area or currency.

Table 4
United Nations Joint Staff Pension Fund Investments in developed markets[a]

	Equities		Fixed income	
Countries	31 December 2013	31 December 2015	31 December 2013	31 December 2015
Australia	✓	✓	✓	✓
Austria	✓	✓	✓	–
Belgium	✓	✓	✓	✓
Britain	✓	✓	✓	✓
Canada	✓	✓	✓	✓
Denmark	✓	✓	–	✓
Finland	✓	✓	✓	✓
France	✓	✓	✓	✓
Germany	✓	✓	✓	✓
Ireland	✓	✓	✓	✓
Israel	✓	✓	–	–
Italy	✓	✓	–	✓
Japan	✓	✓	✓	✓
Netherlands	✓	✓	✓	✓
New Zealand	✓	✓	✓	✓
Norway	✓	✓	✓	✓
Portugal	–	–	–	–
Singapore	✓	✓	✓	✓
Spain	✓	✓	✓	✓
Sweden	✓	✓	✓	✓

Countries	Equities		Fixed income	
	31 December 2013	*31 December 2015*	*31 December 2013*	*31 December 2015*
Switzerland	✓	✓	✓	✓
United States	✓	✓	✓	✓
Total	**21**	**21**	**18**	**19**

[a] Classification based on MSCI definition of developed markets.

Table 5
United Nations Joint Staff Pension Fund equity and fixed income investments in emerging markets

	Equities[a]		*Country/area*	*Fixed income*	
	31 December 2013	*31 December 2015*		*31 December 2013*	*31 December 2015*
Argentina	–	–	Albania	–	✓
Bahrain	✓	✓	Angola	✓	✓
Botswana	✓	✓	Argentina	✓	✓
Brazil	✓	✓	Armenia	✓	✓
Bulgaria	–	–	Azerbaijan	✓	✓
Burkina Faso	–	✓	Bosnia and Herzegovina	✓	✓
Chile	✓	✓	Brazil	✓	✓
China	✓	✓	Cameroon	–	✓
Colombia	✓	–	Chile	–	✓
Congo (Democratic Republic of)	✓	–	China	✓	✓
Côte d'Ivoire	✓	✓	Colombia	✓	✓
Cyprus	–	–	Costa Rica	✓	–
Czech Republic	–	–	Côte d'Ivoire	✓	–
Egypt	✓	✓	Czech Republic	✓	–
Estonia	–	–	Democratic People's Republic of Korea	✓	–
Ghana	✓	✓	Dominican Republic	✓	✓
Greece	–	–	Ecuador	✓	–
Hungary	–	–	Egypt	✓	–
India	✓	✓	El Salvador	✓	✓
Indonesia	✓	✓	Ethiopia	–	✓
Jordan	–	✓	Gabon	–	✓
Kazakhstan	–	–	Georgia	✓	✓
Kenya	✓	✓	Ghana	✓	✓
Kuwait	✓	✓	Grenada	✓	✓
Kyrgyzstan	–	–	Honduras	✓	✓
Lebanon	✓	✓	India	✓	✓
Lithuania	–	–	Indonesia	–	✓
Malawi	✓	✓	Iraq	✓	✓
Malaysia	✓	✓	Jamaica	–	✓
Marshall Islands	–	–	Jordan	✓	✓
Mauritius	✓	✓	Kazakhstan	✓	✓

	Equities[a]	
	31 December 2013	31 December 2015
Mexico	✓	✓
Morocco	✓	✓
Namibia	✓	✓
Niger	–	✓
Nigeria	✓	✓
Oman	✓	✓
Pakistan	–	–
Palestine	✓	✓
Panama	–	–
Peru	–	–
Philippines	✓	✓
Poland	✓	–
Qatar	✓	✓
Republic of Korea	✓	✓
Russian Federation	✓	✓
Rwanda	✓	✓
Saudi Arabia	✓	✓
Senegal	–	✓
South Africa	✓	✓
Sri Lanka	–	–
Thailand	✓	✓
Tunisia	✓	✓
Turkey	✓	✓
Turkmenistan	–	–
Uganda	–	✓
Ukraine	–	–
United Arab Emirates	✓	✓
United Republic of Tanzania	✓	✓
Venezuela (Bolivarian Republic of)	–	–
Viet Nam	–	–
Zambia	✓	✓
Zimbabwe	✓	✓
Total	**39**	**41**

	Fixed income	
Country/area	31 December 2013	31 December 2015
Kenya	✓	✓
Mexico	✓	✓
Mongolia	✓	✓
Montenegro	✓	–
Mozambique	✓	✓
Nigeria	✓	✓
Paraguay	✓	✓
Russian Federation	✓	✓
Rwanda	✓	✓
Serbia	✓	–
Seychelles	✓	✓
South Africa	✓	✓
Sri Lanka	✓	✓
Trinidad and Tobago	–	✓
Turkey	✓	✓
Tunisia	✓	✓
Ukraine	✓	✓
Uganda	✓	✓
United Republic of Tanzania	✓	✓
Uruguay	✓	✓
Venezuela (Bolivarian Republic of)	✓	✓
Zambia	–	✓
Total	**44**	**45**

[a] The classification used in this table to identify countries as "emerging markets" follows the established conventions of financial markets.

VI. Investment returns

A. Total return

50. Market value of assets. During the biennium ending 31 December 2015, the Fund's market value of assets increased to $52,114 million on 31 December 2015 from $51,366 million on 1 January 2014, an increase of $748 million, or approximately 1.5 per cent (arithmetic calculation).

51. Investment performance for the Fund is reported 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 United States CPI.

52. Real returns as at 31 December 2015. The long-term investment return objective, defined as the required actuarial assumption, is currently a 3.5 per cent real rate of return. For the biennium period ending 31 December 2015, the Fund had an annualized real return of 0.3 per cent. For the calendar year ending 31 December 2014, the real return was 2.4 per cent, and for the calendar year ending 31 December 2015, the real return was -1.7 per cent. The Fund successfully met or exceeded its long-term investment real rate of return objective of 3.5 per cent over the past 3, 15, 20, 25 and 50 years. For the 50-year period, the Fund exceeded its 3.5 per cent objective by 40 basis points, with a real rate of return of 3.9 per cent.

53. Nominal returns as at 31 December 2015. For the biennium period ending 31 December 2015, the Fund had an annualized nominal return of 1.1 per cent, underperforming the policy benchmark return of 1.3 per cent by 21 basis points for the biennium. The main drivers of the 21 basis points of underperformance were a relatively short duration position in fixed income and the strengthening of the United States dollar over the two-year period, along with negative stock selection in Global Equities in 2014. For the calendar year ending 31 December 2014, the Fund's nominal return was 3.2 per cent, underperforming the policy benchmark return of 3.7 per cent by 50 basis points. For the calendar year ending 31 December 2015, the Fund's nominal return was -1.0 per cent, outperforming the policy benchmark return of -1.10 per cent by 10 basis points. The Fund's nominal return exceeded the return of its policy benchmark over the past 1, 3, 10 and 15 years. Over the last 15 years, the Fund achieved an annualized nominal return of 5.6 per cent, outperforming the 5.1 per cent return of the policy benchmark by 50 basis points.

54. The policy benchmark is a weighted average of the target weightings and the benchmarks for each asset class. The policy benchmark is a measure of near-term performance, while the long-term investment objective of the Fund is its actuarial return assumption (currently a 3.5 per cent real rate of return). The policy benchmark at the beginning of the biennium was comprised of 60 per cent MSCI ACWI, 31 per cent BCGA Bond Index, 6 per cent NCREIF Open End Diversified Core Equity Index (real assets), and 3 per cent Bank of America Merrill Lynch 91-day Treasury bill. The cash and short-term benchmark was updated as at 1 January 2015 from being 100 per cent Bank of America Merrill Lynch 91-day Treasury bill to becoming 50 per cent 91-day United States Treasury bill and 50 per cent 0-to-1 year euro; and the policy benchmark was updated accordingly as at 1 January 2015. The Fund's policy benchmark was updated as at 1 August 2015, subsequent to conclusion of the asset liability management study and consistent with adoption of the new strategic asset allocation. The policy benchmark as at 1 August 2015 was comprised

of 58 per cent MSCI ACWI, 26.5 per cent BCGA Bond Index, 9 per cent NCREIF Open End Diversified Core Equity Index, 5 per cent MSCI ACWI plus 200 basis points (alternative investments), and 1.5 per cent of 50 per cent 90-day United States Treasury bill and 50 per cent 0-to-1 year euro.

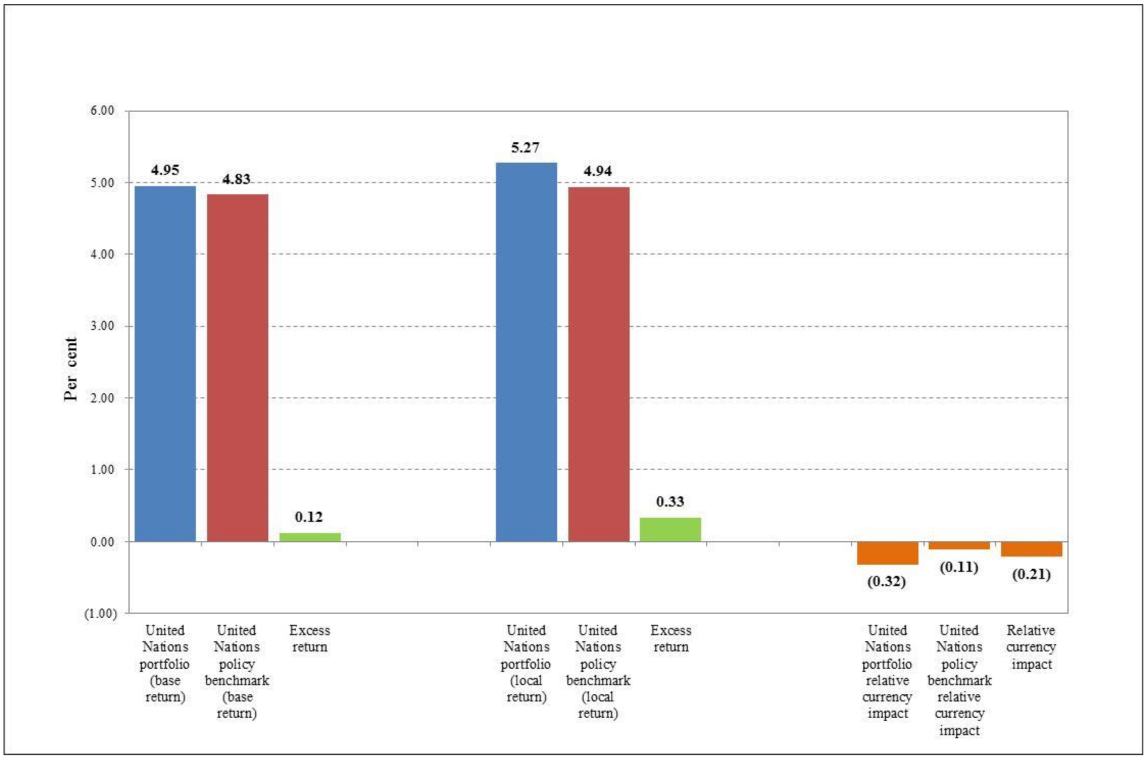
55. Returns by asset class during the biennium. During the biennium, geopolitical uncertainties continued to weigh on the global economy. Commodity prices declined significantly, and speculation related to Central Bank action was a dominant theme. For the year 2014, United States equity returned 12.2 per cent and 1.7 per cent in 2015. Non-United States equity returned -3.6 per cent in 2014 and -3.7 per cent in 2015. Total equities returned 4.5 per cent in 2014 and -0.9 per cent in 2015. United States bonds showed returns of 4.2 per cent in 2014 and 1.1 per cent in 2015. Non-United States bonds returned -5.7 per cent in 2014 and -8.3 per cent in 2015. Real estate performance was 11.6 per cent in 2014 and 10.1 per cent in 2015. Short-term investments returned -4.2 per cent in 2014 and -5.2 per cent in 2015.

56. The rates of return shown in the present report have been calculated by an outside master record-keeper, using a generally accepted method that was elaborated in the report on the management of the investments submitted to the Board at its thirty-fourth session (JSPB/34/R.10). 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.

B. Comparisons of investment returns

57. From a geographic perspective, the Fund is one of the most widely diversified pension funds that maintains its accounts in the United States dollars, while having liabilities in several other currencies. (The Fund has liabilities in 15 currencies, including the United States dollar.) At the end of the period under review, the Fund had 38.5 per cent of its assets denominated in currencies other than the United States dollar. Investment performance is reported in US dollar terms. As at 31 December 2015, the Fund had a negative currency contribution of 3.7 per cent. The negative currency effect was caused by the strength of the United States dollar against other major currencies during the biennium. While the currency effect was a negative contributor to performance for the biennium, currency tends to have a minimal impact on the Fund’s performance over longer periods of time. The figure I chart shows that currency had a relatively small impact on the Fund’s returns for the 10-year period from the first quarter of 2006 to the first quarter of 2016.

Figure I



58. During the calendar year ending 31 December 2014, the Fund returned 3.2 per cent and underperformed the policy benchmark by 0.5 per cent. The policy benchmark is comprised of 58 per cent MSCI ACWI, 26.5 per cent BCGA Bond Index, 9 per cent NCREIF Open End Diversified Core Equity Index, 5 per cent MSCI ACWI plus 200 basis points (alternative investments), and 1.5 per cent of 50 per cent 90-day United States Treasury bill and 50 per cent 0-to-1 year euro. For the year ending 31 December 2015, the Fund outperformed the policy benchmark with the return of -1.00 per cent by 0.1 per cent. Over the last 15 years, the Fund achieved an annualized return of 5.6 per cent, outperforming the 5.1 per cent return of the policy benchmark by 0.5 per cent.

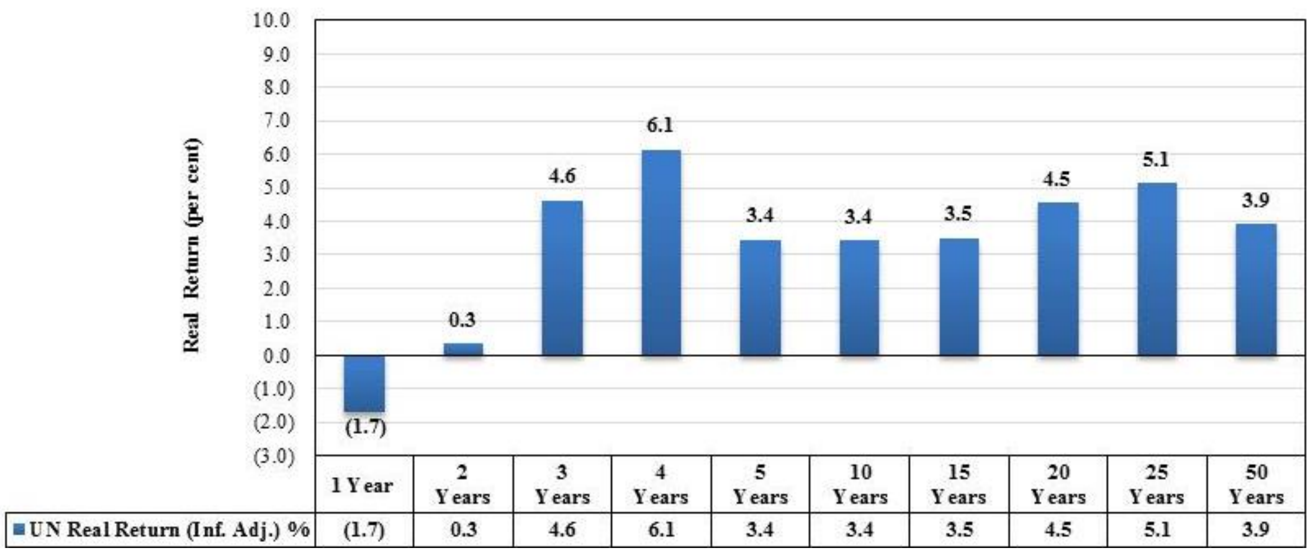
59. Over the last 15 years, MSCI AWCI had a total annualized return of 4.7 per cent, compared with the annualized return of 4.8 per cent achieved by the Fund's equity asset class. During the same period, BCGA Bond Index had annualized returns of 4.8 per cent compared to the annualized return of 5.5 per cent achieved by the Fund's bond portfolio.

60. As at 31 December 2015, the Fund had investments in over 100 countries (including both direct and indirect investments), 7 international/regional institutions and 24 currencies.

C. Long-term rates of return

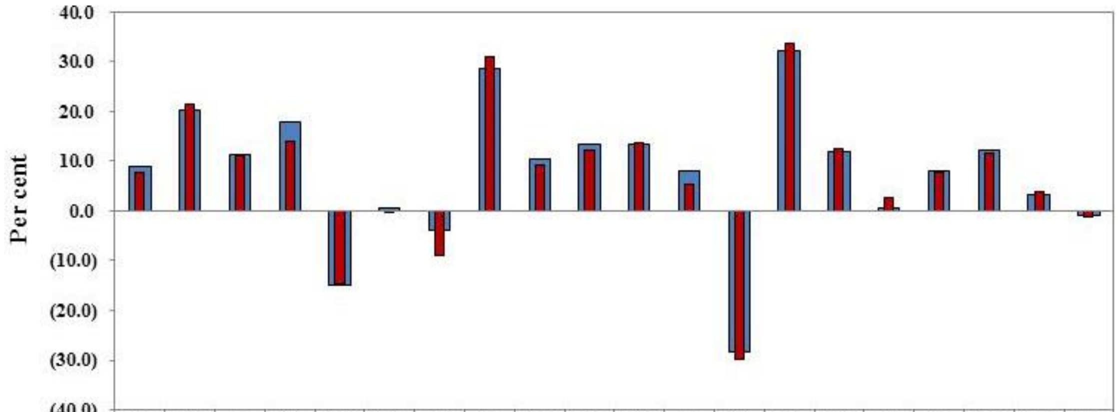
61. The Fund exceeded its 50-year long-term investment objective of a real return (United States CPI inflation adjusted) of 3.5 per cent by 40 basis points with a real rate of return of 3.9 per cent for the 50-year period ending 31 December 2015. Figure II displays the real and nominal returns over the 50-year period, and figure III compares nominal performance to the policy benchmark. Table 6 shows historic returns by asset class. All of the data in the aforementioned table and figures were available by the independent master record-keeper. Historically, equity markets had strong positive returns from 1993 to 2000 but declined sharply in the following three consecutive years. From 2004 to 2008, the equity markets had positive returns. The markets experienced volatility from the third quarter of 2008 until the second quarter of 2012; since then volatility has been below its historical average. For the past two years, 2014 and 2015, the Fund's returns were 3.2 per cent and-1.0 per cent, underperforming the policy benchmark by 0.5 per cent for 2014 and outperforming the policy benchmark by 0.1 per cent in 2015.

Figure II
United Nations Joint Staff Pension Fund real and nominal returns through 31 December 2015



	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	15 Years	20 Years	25 Years	50 Years
United Nations nominal return	(1.0)	1.1	5.7	7.4	5.0	5.3	5.6	6.8	7.6	8.2
United States CPI	0.7	0.7	1.0	1.2	1.5	1.9	2.1	2.2	2.3	4.1
United Nations real return (Inf. Adj.) per cent	(1.7)	0.3	4.6	6.1	3.4	3.4	3.5	4.5	5.1	3.9
United Nations real return minus 3.5 per cent	(5.2)	(3.2)	1.1	2.6	(0.1)	(0.1)	(0.0)	1.0	1.6	0.4

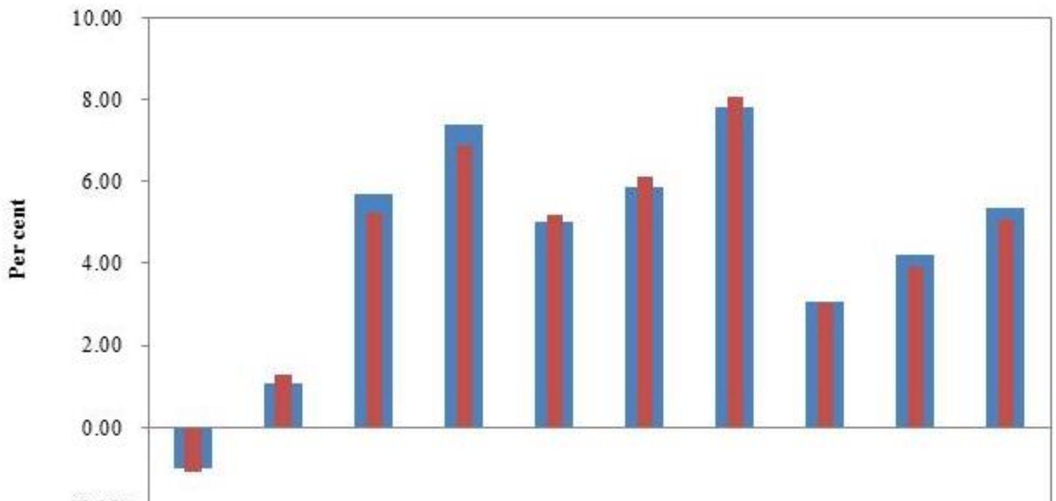
Figure III
United Nations Joint Staff Pension Fund long-term rates of return versus policy benchmark Fiscal year (FY) ending 31 March from 1997 to 2014 and calendar year (CY) 2014, 2015



	FY Mar 1997	FY Mar 1998	FY Mar 1999	FY Mar 2000	FY Mar 2001	FY Mar 2002	FY Mar 2003	FY Mar 2004	FY Mar 2005	FY Mar 2006	FY Mar 2007	FY Mar 2008	FY Mar 2009	FY Mar 2010	FY Mar 2011	FY Mar 2012	FY Mar 2013	FY Mar 2014	CY Dec 2014	CY Dec 2015
UNJSPF return (per cent)	8.9	20.4	11.3	18.0	-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
UN policy benchmark return (per cent)	7.7	21.4	11.1	14.0	-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

62. As figure IV illustrates, the Fund exceeded the policy benchmark in 6 out of the 10-year rolling periods through 31 December 2015.

Figure IV



	1 Year	2 Year	3 Year	4 Year	5 Year	6 Year	7 Year	8 Year	9 Year	10 Year
UNJSPF Rolling Year Return (per cent)	-1.0	1.1	5.7	7.4	5.0	5.9	7.8	3.1	4.2	5.3
UN Policy Benchmark Return (per cent)	-1.1	1.3	5.2	6.9	5.2	6.1	8.1	3.0	3.9	5.1

Table 6
Total Fund: annual total rate of return

	Equities				*Bonds*							
Year	*United States*	*Outside United States*	*Total*	*MSCI World Index*[a]	*United States*	*Outside United States*	*Total*[b]	*SBGWBI Bond Index*[c]	*Real estate*	*Short term*	*Total Fund*	*Year*
1961	18.8	37.8	19.4	–		–	8.0	–	–	–	12.7	1961
1962	12.37	0.87	11.65	–	–	–	3.91	–	–	–	6.61	1962
1963	(0.60)	(16.34)	(0.59)	–	–	–	5.49	–	–	–	4.07	1963
1964	18.18	7.48	17.45	–	–	–	2.12	–	–	–	8.24	1964
1965	10.89	8.30	10.44	–	–	–	4.41	–	–	–	6.98	1965
1966	4.53	3.22	4.31	–	–	–	(2.14)	–	–	–	0.66	1966
1967	11.76	(2.32)	8.98	–	–	–	3.97	–	–	–	7.91	1967
1968	2.86	28.30	7.46	–	–	–	(4.89)	–	–	–	1.60	1968
1969	13.35	20.07	14.64	–	–	–	2.66	–	–	–	9.09	1969
1970	(5.10)	(2.18)	(4.49)	–	–	–	1.41	–	–	–	(1.75)	1970
1971	13.94	3.31	11.46	9.28	–	–	14.10	–	–	8.73	13.53	1971
1972	14.13	34.30	18.33	16.92	–	–	9.41	–	11.58	7.15	16.98	1972
1973	5.85	20.77	9.49	13.47	–	–	7.40	–	4.78	5.92	8.55	1973
1974	(16.70)	(21.48)	(18.10)	(16.40)	–	–	1.92	–	10.18	10.70	(13.55)	1974
1975	(11.20)	11.60	(5.16)	(6.09)	6.20	14.63	6.55	–	(1.03)	12.35	0.18	1975
1976	16.37	10.76	14.58	15.59	11.22	1.91	10.02	–	5.16	7.70	13.16	1976
1977	(8.25)	(3.75)	(6.62)	(0.95)	10.40	15.20	11.06	–	3.70	5.20	(0.26)	1977
1978	(5.60)	20.31	4.16	6.11	5.62	24.39	8.72	–	8.25	7.67	6.12	1978
1979	22.36	21.67	22.07	21.27	4.70	12.50	6.63	8.04	16.86	8.56	15.07	1979
1980	10.89	(10.31)	1.08	(0.18)	(9.53)	(4.64)	(7.63)	(13.16)	17.42	11.75	(0.39)	1980
1981	43.19	39.60	41.45	34.80	14.99	9.45	12.51	20.38	14.71	15.76	26.60	1981
1982	(17.88)	(19.64)	(18.77)	(15.00)	11.08	0.40	6.20	(0.69)	17.51	17.95	(7.85)	1982
1983	40.91	23.60	33.55	31.60	32.53	14.54	24.89	20.54	7.07	12.76	27.05	1983
1984	5.08	32.46	15.66	17.30	5.46	12.42	8.67	8.20	13.33	13.07	13.01	1984
1985	20.75	(6.82)	9.54	7.20	17.86	(8.22)	4.53	5.50	13.47	3.62	8.09	1985
1986	34.95	58.48	43.44	56.02	54.30	50.33	51.21	48.70	10.75	6.95	41.52	1986
1987	21.63	43.88	30.01	43.22	9.14	32.63	22.59	17.42	12.67	11.97	24.69	1997
1998	(12.18)	2.15	(4.74)	5.81	3.26	20.24	12.65	11.42	9.19	7.67	3.10	1988
1989	13.20	10.00	11.30	13.56	2.10	(5.50)	(2.40)	0.36	8.20	10.40	5.90	1989
1990	21.54	13.21	16.57	(2.30)	10.47	2.93	6.20	3.12	12.31	9.72	11.56	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

	Equities				*Bonds*							
Year	*United States*	*Outside United States*	*Total*	*MSCI World Index*[a]	*United States*	*Outside United States*	*Total*[b]	*SBGWBI Bond Index*[c]	*Real estate*	*Short term*	*Total Fund*	*Year*
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[d] MSCI ACWI				-2.6[e] BCGA			12.3* *60/31	2006
2007	9.4	20.6	15.7	16.4 MSCI ACWI	7.1	9.4	8.4	8.1 BCGA	24.0	5.5	13.4* *60/31	2007
2008	-0.6	5.9	3.4	-0.7 MSCI ACWI	8.3	18.4	15.1	15.3 BCGA	9.0	8.3	8.1* *60/31	2008
2009	-34.6	-45.1	-41.0	-42.7 MSCI ACWI	-1.4	-12.6	-8.6	-4.9 BCGA	-22.9	3.9	-28.3 *60/31	2009
2010	42.6	62.2	54.1	56.3 MSCI ACWI	5.9	16.7	10.8	10.2 BCGA	-17.4	-2.7	32.2	2010
2011	14.9	13.1	13.8	14.6 MSCI ACWI	5.4	10.3	8.2	7.1 BCGA	12.5	1.3	11.9	2011
2012	6.7	-7.3	-1.2	-0.2 MSCI ACWI	6.9	3.1	4.6	5.3 BCGA	10.8	1.2	0.6	2012
2013	12.6	9.1	10.8	11.2 MSCI ACWI	3.5	2.7	2.9	1.3 BCGA	7.4	1.3	8.1	2013
2014	12.2	(3.6)	4.5	4.7 MSCI ACWI	4.2	(5.7)	(1.0)	0.6 BCGA	11.6	(4.2)	3.2	2014
2015[f]	1.7	(3.7)	(0.9)	(1.8) MSCI ACWI	1.1	(8.3)	(-3.4)	(3.1) BCGA[e]	10.1	(5.2)	(1.0)	2015

[a] MSCI indices provide exhaustive equity market coverage for over 75 countries in the developed, emerging and frontier markets, applying a consistent index construction and maintenance methodology.

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

[c] Citigroup World Government Bond Index (CWGBI) consists of 18 major bond markets; effective 2006 the Bond Index was changed to BCGA.

[d] MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices.

[e] BCGA; effective 3 November 2008 bond index name change from Lehman Brothers Global Aggregate to Barclays Capital Global Aggregate (BCGA).

[f] Effective 1 January 2015, the cash and short-term benchmark was updated from being 100 per cent Bank of America Merrill Lynch 91-day Treasury bill to becoming 50 per cent 91-day United States Treasury bill and 50 per cent 0-to-1 year euro in order to reflect the global nature of investments in this asset class.

Table 7
Total Fund: annual rates of return based on market value
Percentages for selected periods ending 31 December 2015[a]

	2015	*2014*	*2013*	*2012*	*2011*	*2010*	*5 years through 2015*	*10 years through 2015*	*15 years through 2015*	*20 years through 2015*	*25 years through 2015*	*50 years through 2015*
Equities												
United States equities	1.7	12.2	33.1	15.8	-0.9	14.1						
Equities outside United States	-3.7	-3.6	17.1	17.7	-14.4	11.1						
Total equities	**-0.9**	**4.5**	**24.8**	**16.7**	**-8.6**	**12.3**						
Bonds												
United States dollar bonds	1.1	4.2	-1.9	3.9	7.0	6.8						
Non-United States dollar bonds	-8.3	-5.7	-1.3	9.6	2.1	7.4						
Total bonds	**-3.4**	**-1**	**-1.6**	**7.2**	**4.1**	**7**						
Real estate	10.1	11.6	11.3	9.7	12.9	7.7						
Short-term investments	-5.2	-4.2	-1.2	1.5	0.4	2.4						
Total Fund	**-1.0**	**3.2**	**15.5**	**12.7**	**-3.9**	**10.3**	**5.0**	**5.3**	**5.6**	**6.8**	**7.6**	**8.2**
Benchmark	**-1.1**	**3.7**	**13.5**	**12.1**	**-1.4**	**10.9**						
United States CPI	0.7	0.8	1.5	1.7	3.0	1.5						
Real rate of return (Inflation adjusted return based on United States CPI)	**-1.7**	**2.4**	**13.8**	**10.8**	**-6.9**	**8.7**	**3.4**	**3.4**	**3.5**	**4.5**	**5.1**	**3.9**

[a] Best available data through the 50-year period from the independent master record-keeper.

D. 15-year risk/return profile

63. Over the past 15 years, the Fund's annual return of 5.6 per cent was higher than the benchmark's return of 5.1 per cent. The Fund's volatility of 10.3 per cent was in line with the benchmark's volatility. The Fund had a well-diversified portfolio across asset classes and securities.

64. Within asset classes, the Fund's equity portfolio return of 4.8 per cent outperformed the MSCI ACWI return of 4.7 per cent, and the Fund's equity portfolio had a better risk profile (15.7 per cent) compared to that of MSCI ACWI (16.1 per cent). The bond portfolio, with a 15-year return of 5.5 per cent, outperformed the BCGA Bond Index return of 4.8 per cent, but it had higher volatility (6.5 per cent) compared to the BCGA Bond Index (5.7 per cent).

Figure V

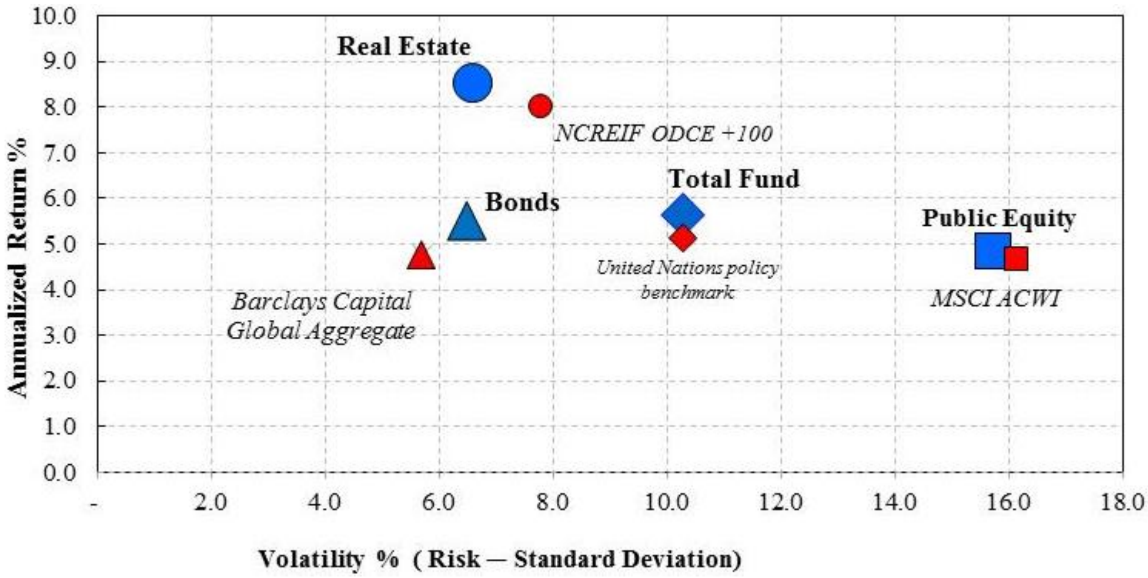


Table 8
Development-related investments[a]

Book value[b] **as at 1 January 2014 and 31 December 2015**
(In thousands of United States dollars)

	Book value		*Market value*	
	Total 1 January 2014	*Total 31 December 2015*	*Total 1 January 2014*	*Total 31 December 2015*
Africa				
Egypt	–	–	–	–
South Africa	181 305	91 000	252 848	137 729
Regional funds	138 270	185 031	175 695	137 469
Subtotal	**319 575**	**276 031**	**428 543**	**275 198**
Development institutions	29 375	54 487	37 554	63 955
Total, Africa	**348 950**	**330 518**	**466 097**	**339 153**
Asia				
China	1 040 421	1 149 594	1 376 617	1 433 899
India	215 528	222 227	254 678	282 674
Indonesia	66 817	85 386	49 226	63 098
Malaysia	372 182	275 735	410 844	214 881
Qatar	–	23 832	–	18 966
Republic of Korea	499 345	671 597	650 461	737 916
Singapore	169 492	212 168	223 495	220 218
Thailand	84 480	68 455	80 403	54 906
United Arab Emirates	–	25 159	–	20 253

	Book value		Market value	
	Total 1 January 2014	*Total 31 December 2015*	*Total 1 January 2014*	*Total 31 December 2015*
Regional funds	154 260	285 287	213 232	368 153
Subtotal	**2 602 525**	**3 019 440**	**3 258 956**	**3 414 964**
Development institutions	55 912	55 912	58 086	52 158
Total, Asia	**2 658 437**	**3 075 352**	**3 317 042**	**3 467 122**
Europe				
Cyprus	–	–	–	–
Turkey	76 933	46 137	74 107	35 643
Regional funds	213 543	432 696	216 995	474 079
Subtotal	**290 476**	**478 833**	**291 102**	**509 722**
Development institutions	342 898	470 656	354 904	431 266
Total, Europe	**633 374**	**949 489**	**646 006**	**940 988**
Latin America				
Argentina	–	–	–	–
Brazil	445 824	335 763	472 781	181 768
Chile	47 649	55 718	57 433	57 087
Colombia	44 519	39 704	37 394	37 854
Mexico	445 295	602 914	542 529	499 379
Venezuela (Bolivarian Republic of)	–	–	–	–
Regional funds	–	–	–	–
Subtotal	**983 287**	**1 034 099**	**1 110 137**	**776 088**
Development institutions	19 965	151 101	24 337	150 104
Subtotal, Latin America	**1 003 252**	**1 185 200**	**1 134 474**	**926 192**
Other development funds				
Inter-American Development Bank	49 766	42 814	50 706	36 964
International Bank for Reconstruction and Development	476 409	249 226	519 989	263 569
International Finance Facility	149 110	47 500	143 387	42 539
International Finance Facility Africa, Latin America and the Caribbean	97 303	119 258	92 978	104 091
International Finance Facility Global Infrastructure	3 953	19 746	3 166	17 682
International Finance Facility for Immunization	24 406	–	23 263	–
iShares MSCI Emerging Markets	47 143	–	46 608	–
iShares MSCI Frontier 100 Index	30 118	30 806	35 629	25 214
Fiduciary Emerging Markets Bond Fund	26 902	26 902	46 689	44 150
Emerging Market Middle East Fund	34 002	34 917	54 466	59 789

	Book value		Market value	
	Total 1 January 2014	*Total 31 December 2015*	*Total 1 January 2014*	*Total 31 December 2015*
Nordic Invest Bank	–	31 896	–	31 130
Subtotal, other development funds	**939 112**	**603 065**	**1 016 881**	**625 128**
Total	**5 583 125**	**6 143 624**	**6 580 500**	**6 298 583**

[a] Book values and market values exclude cash holdings for all countries/regions.
[b] Effective 1 January 2012, all investments of the Fund are designated at fair value through surplus and deficit in accordance with the International Public Sector Accounting Standards.

VII. Environmental, social and governance investments

65. The Investment Management Division has environmental, social and governance investments. The Division has a duty to act in the best economic interest of the Fund's participants and beneficiaries, taking fully into account the Fund's four main criteria for investment: safety, liquidity, convertibility and profitability. When evaluating investment opportunities, environmental, social and governance issues play an important role.

66. The Investment Management Division has restrictions on investments in tobacco and armaments securities. The Division's environmental investments include green bonds and green equity. In December 2014, the Fund initiated investment in two low carbon exchange traded funds, which were designed to closely track the performance of the Fund's benchmark for global equity, MSCI ACWI.

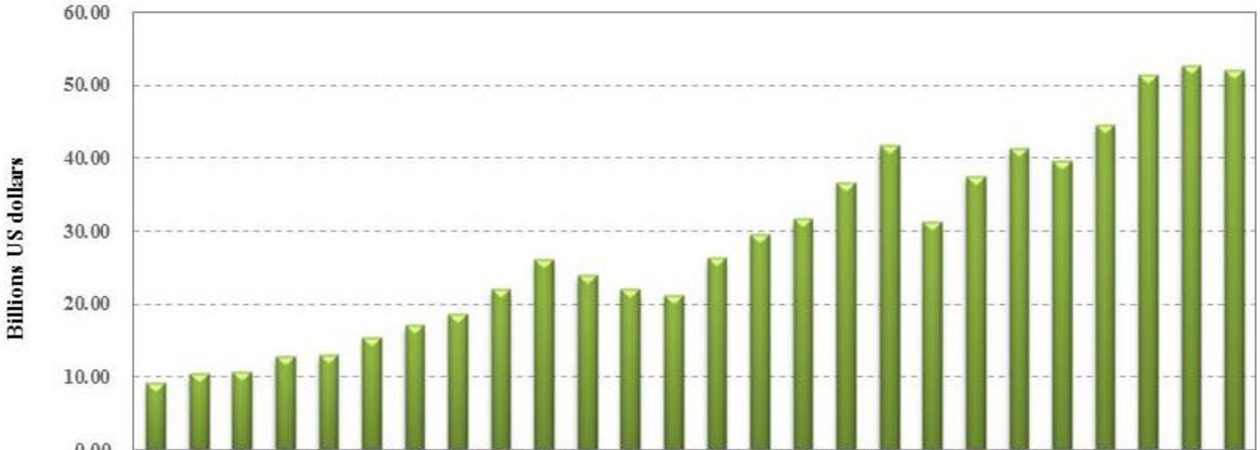
67. The Fund received a ranking of "A" from Principles for Responsible Investing. That was an improvement from a ranking of "B" for the prior year. The Fund received a ranking of "A" from the Asset Owners Disclosure Project. That was an improvement from a ranking of "D" for the prior year. The Asset Owners Disclosure Project measures climate disclosure reporting, while Principles for Responsible Investing has a broader environmental, social and governance focus.

68. Voting rights are valuable assets of the Fund. The Fund's proxy voting policy addresses issues including, but not limited to, environmental, social and governance issues. As a fiduciary, the Fund/Investment Management Division has an obligation to ensure that shares owned by the United Nations Joint Staff Pension Fund are voted in a way that supports the best economic interests of the Fund's participants and beneficiaries over the long term.

VIII. Conclusion

69. The Investment Management Division weathered the market volatility of the calendar biennium by adhering closely to the Fund's strategic asset allocation targets. The Fund's conservative and risk-averse approach resulted in capital preservation during a challenging period of time, as shown in figure VI. The Fund's market value of assets increased by approximately $748 million, or approximately 1.5 per cent, from 1 January 2014 to 31 December 2015.

Figure VI



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
UNJSPF (US$ Billions)	9.11	10.42	10.81	12.88	12.99	15.34	17.07	18.71	22.04	26.04	23.94	21.99	21.19	26.29	29.65	31.82	36.66	41.71	31.29	37.53	41.44	39.75	44.68	51.37	52.82	52.11

70. In seeking potential enhancement of investment returns and further diversification, the Investment Management Division continues to pursue opportunities for investments in private equity and real estate. This is consistent with new strategic asset allocation A, which was adopted subsequent to completion of the asset liability management study in 2015. Because of stronger growth potential, further diversification opportunities in the emerging markets and the frontier markets are being carefully reviewed while considering the four investment criteria: safety, profitability, liquidity and convertibility.

71. Despite the Fund facing market uncertainties during this phase of the global economic recovery, with the support of additional staff and investment tools during the biennium, the Division will be in a position to safeguard the Fund's assets and build a stronger foundation for future years.