UNJSPF
United Nations Joint Staff Pension Fund

UNJSPF INVESTMENTS OVERVIEW

June 2018

Member Organizations:

EPPO FAO IAEA ICGEB ICCROM ICAO ICC IFAD ILO IMO IOM IPU
ISA ITU ITLOS STL UN UNESCO UNIDO UNWTO WHO WIPO WMO

LONG-TERM INVESTMENT GOALS

- Meet or exceed the following objectives:
  - USD 3.5% annualized real rate of return over the long-term (15 years or longer)
  - Policy Benchmark Return over the short-term (3 years)

- Real rate of return is calculated by deducting US Consumer Price Inflation from the nominal return for a given year
  - Example: 6.5% nominal return – 3% US CPI = 3.5% real return

- 3.5% real return has been achieved over time (over last 5, 15, 20, 25 and 50 year periods; only exception is last 10 years due to 2008 Global Financial Crisis)

- The Investment Portfolio underperformed the Policy Benchmark over the last 3 years, but has broadly met the Policy Benchmark over longer periods (considering that Policy Benchmark does not currently reflect impact of investing in tobacco or armaments companies).

- Fund invests globally (Africa, Asia, Europe, Latin America and Caribbean, and North America) in Developed, Emerging, and Frontier Markets

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ASSET ALLOCATION – POLICY AND ACTUAL

ASSET CLASSES	SAA (Range) (%)	TAA Range (%)	POLICY (%)	ACTUAL as of 31 Dec 2017 (%)
Global Equities	58 (50 - 69)	52 - 64	58	61.98
Real Assets	9 (3 - 10)	4 - 10	9	6.54
Alternative Investments	5 (0 - 10)	2 - 8	5	3.55
Subtotal (Equities and Equity-like Assets)	-	-	*72*	*72.07*
Global Fixed Income	26.5 (19 - 26.5)	22 - 31	26.5	24.54
Cash & Short-term	1.5 (0 - 6)	0 - 6	1.5	3.40
Subtotal (Cash and Fixed Income)	-	-	*28*	*27.94*
TOTAL	-	-	100	100

Source: Independent Master Record Keeper, Northern Trust;
Note: Numbers may not add up due to rounding.

1. SAA or Strategic Asset Allocation represents long-term asset allocation targets and ranges effective 01 Aug 2015, based on the ALM study.
2. TAA or Tactical Asset Allocation represents near-term asset allocation ranges.
3. Global Equities includes Public Equity, including Real Estate Investment Trusts (REITs), Minimum Volatility Equity and Green Equity strategies.
4. Real Assets includes Real Estate, Infrastructure, and Timberland.
5. Alternative Strategies includes Private Equity and a modest allocation to Real Return Funds.

PERFORMANCE -- AS OF 31 DECEMBER 2017

- For **Calendar Year 2017**, the Fund returned **18.61%** vs. **18.14%** for the Policy Benchmark, an outperformance of 47 bps
- For **Calendar Year 2017**, the Fund's Real Rate of Return was **16.5%** vs. **3.5%** for the Real Rate of Return target, an outperformance of **13.0%**
- The Market Value of Assets as of 31 December 2017 is USD **64.14** billion
- IMD added USD **9.7** billion in Market Value of Assets, the biggest increase ever in the history of UNJSPF
- IMD managed its active risk-taking during 2017 prudently, taking into account both the overall risk of our Investment Portfolio vis-à-vis the liabilities, and the comparative advantages and skills-set of our investment teams.

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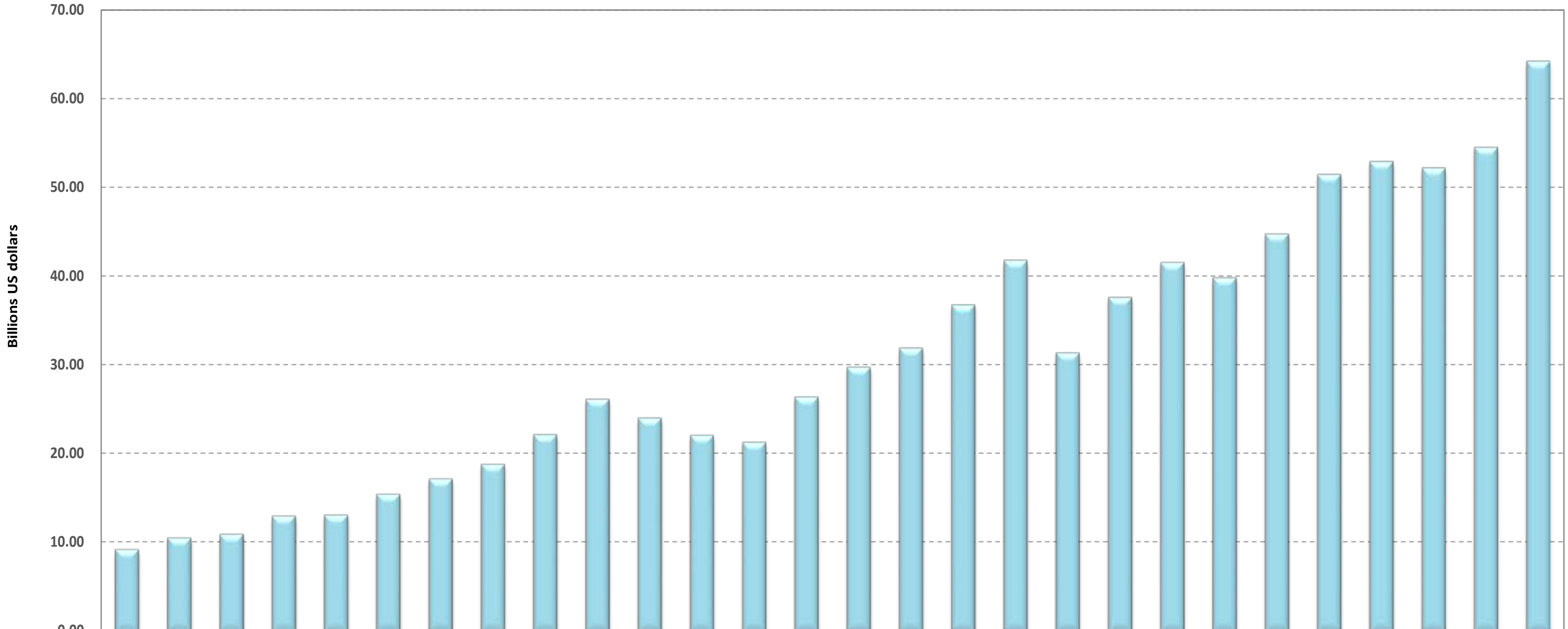
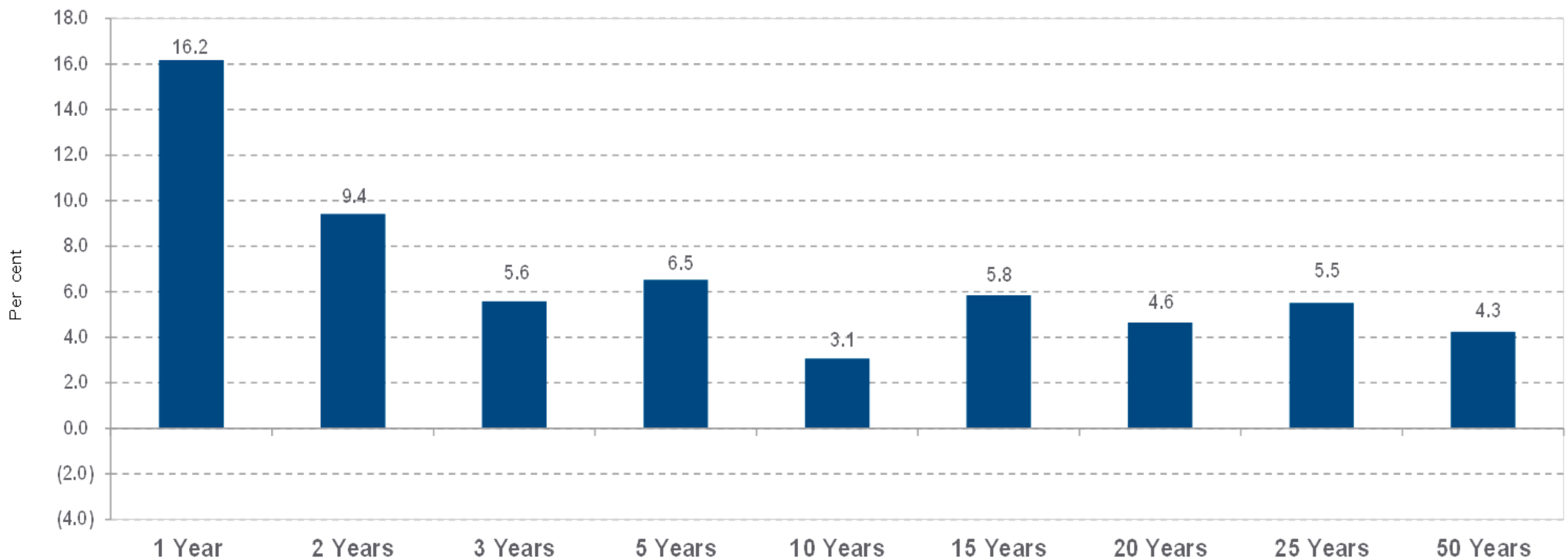
MARKET VALUE OF ASSETS, 1990 TO 2017



	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	2016	2017
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	54.43	64.14

From independent Master Record Keeper : Northern Trust.
Numbers are preliminary and are subject to change.

LONG-TERM REAL RETURNS VERSUS OBJECTIVE

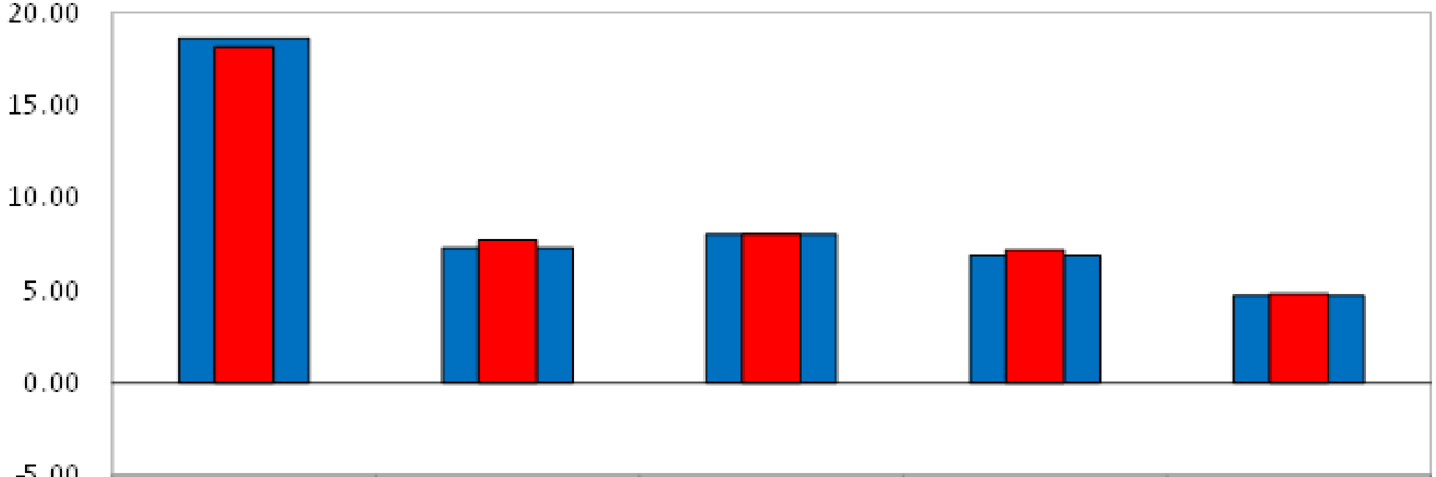


	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years	25 Years	50 Years
UN Nominal Return %	18.6	11.7	7.3	8.0	4.7	8.1	6.9	7.9	8.5
US CPI	2.1	2.1	1.6	1.4	1.6	2.1	2.1	2.2	4.1
UN Real Return (Inf. Adj.) %	16.2	9.4	5.6	6.5	3.1	5.8	4.6	5.5	4.3
Excess Return (3.5%)	12.7	5.9	2.1	3.0	(0.4)	2.3	1.1	2.0	0.8

Note:
Nominal returns are annualized and for 2017 the nominal returns are preliminary.
Nominal returns and the US – CPI are rounded off to the single decimal point.
Real returns are calculated using a geometric difference.
Real returns are subject to change for the 2018 calendar year and annual report. Final Audited performance numbers will be available around mid-March 2018.
(Data from independent Master Record Keeper – Northern Trust).

INVESTMENT PERFORMANCE VERSUS POLICY BENCHMARK

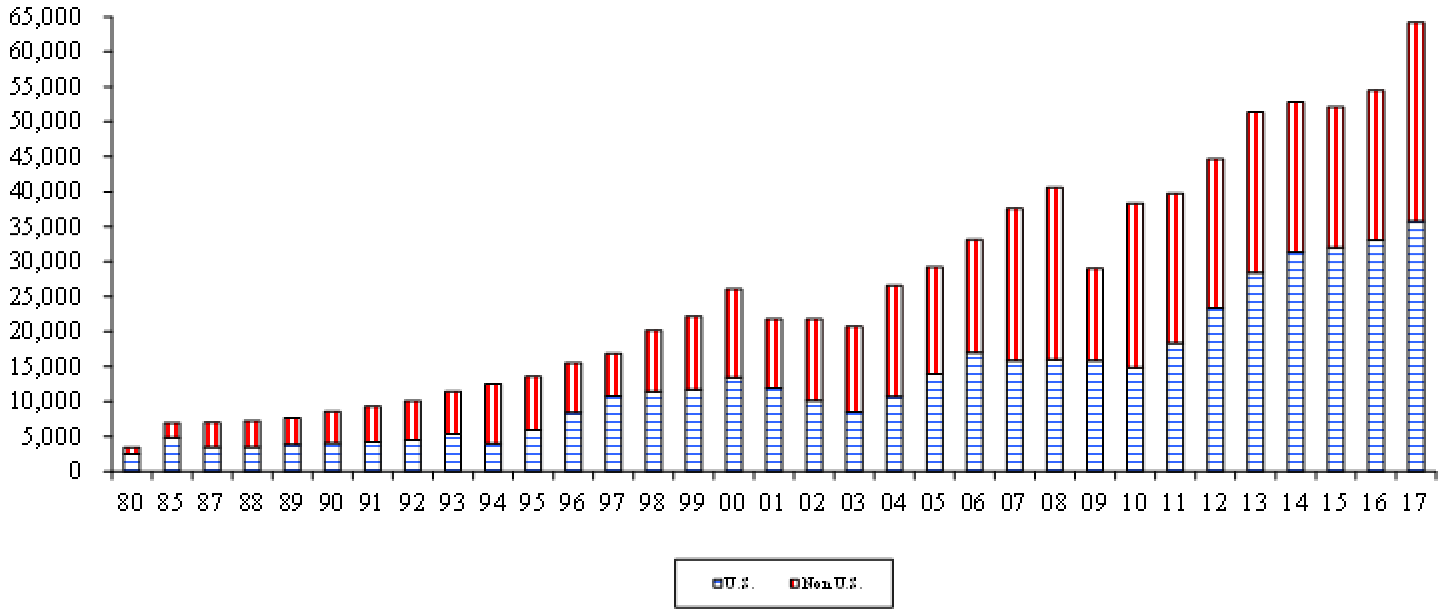
As of **31 December 2017**:



	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr
Total Fund	18.61	7.29	8.04	6.89	4.73
UN Policy benchmark	18.14	7.69	8.02	7.19	4.82
Difference	0.47	-0.40	0.02	-0.30	-0.09

SOURCE: Independent Master Record Keeper, Northern Trust

GEOGRAPHICAL DIVERSIFICATION, TOTAL FUND
US AND NON-US INVESTMENTS AS OF 31 DEC 2017 (USD MILLIONS)



SOURCE: Independent Master Record Keeper, Northern Trust

OUR APPROACH TO SUSTAINABLE INVESTING

- IMD’s approach to Sustainable Investing is aligned with our fiduciary duty and responsibility, and integrates material ESG considerations throughout the investment decision-making process.

- IMD believes that portfolios which take into account material ESG metrics have the potential to provide returns that are superior to those of conventional portfolios, while exhibiting lower risk over the long-term.

- The key fiduciary objective is not to forgo financial returns for the sake of immediate impact, but to be an investor with profitable and sustainable long-term impact.

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INTEGRATING SUSTAINABLE INVESTING INTO ALL ASSET CLASSES

- IMD holistically integrates ESG metrics into the investment process.
- For internally managed equity and fixed income, IMD has implemented a robust process, tailored around PRI's recommendations
- IMD's external advisors for private markets integrate a comprehensive analysis of ESG issues into their due diligence process
- Engagement through encouragement, NGO collaboration, and proxy voting
- IMD sustainable investment approach has been recognized by:
  - PRI: A+
  - AODP: AAA
  - Bretton Woods responsible asset allocator: IMD in the global top 25

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OUR 2018 -19 SUSTAINABLE INVESTING STRATEGY

- Publish Annual Sustainable Investment Report beginning from 2018;
- Scale ESG integration across IMD technology platform, capture impact of all material data, and improve overall internal knowledge base;
- Partner with Sustainable Leadership Funds to allocate investments to “best in class” sustainable strategies;
- Implement customized MSCI All Country Benchmark to account for exclusion of armaments and tobacco companies;
- Collaborate with UNEP FI, UNGC and PRI to foster further incorporation of Sustainable Investment principles in our investment process;
- Explore Green Real Estate Index (GRESB) benchmark reporting for core real estate assets;
- Partner with NGOs and institutional investors to further promote sustainable investing stewardship and engagements.

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UNJSPF INVESTMENTS -- KEY ACHIEVEMENTS -- CY2017

- Outperformed both its Policy Benchmark and the 3.5% real return target
- Recruited 15 new IMD staff members and filled all management positions
- Strengthened its approach to Sustainable Investing; becoming a recognized leader in incorporating Environmental, Social and Governance (ESG) metrics and Sustainable Development Goals (SDG) into our investment process
- Piloted enhanced investment process in Global Emerging Markets portfolio
- Implemented new risk limits for Fixed Income portfolio
- Implemented enhanced Risk & Performance reporting
- Completed Information and Communications Technology (ICT) target operating model study
- Completed custodian RFP and moved to one custodian / Master Record Keeper

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UNJSPF INVESTMENTS -- GOALS FOR 2018

- Ensure that investment return during 2018 meets or exceeds Policy Benchmark
- Ensure that the 15-year average return continues to exceed Long-Term Objective of 3.5% in USD terms
- Further strengthen our approach to Sustainable Investing
- Rebuild trust and credibility by communicating proactively with all UNJSPF stakeholders (internal and external)
- In compliance with regulations and rules (“in control”)
    - Working on the implementation of 40 OIOS and 20 BoA recommendations
- Responsible stewardship of financial and human resources
- Further strengthen and institutionalize our investment, risk management, and operational processes, including our technology and systems infrastructure
- Work as one team

DISCLAIMER

Real Assets and Private Equity returns are reported on a lagged-quarter basis