Investment Management of Trust Funds and Financial Intermediary Funds

WORLD BANK GROUP

Contents

Introduction

For over 40 years, development partners have entrusted the World Bank with the financial management of their contributions to World Bank Group trust funds and financial intermediary funds (FIFs). These resources are aligned with the World Bank Group's mission to end extreme poverty and promote shared prosperity in a sustainable way. Trust funds and FIFs allow for the scaling up of activities, notably in situations affected by fragility, conflict and violence; provide immediate assistance in response to the pandemic, natural disasters and other emergencies; and pilot innovations that may be later mainstreamed into the World Bank's lending operations.

The World Bank as trustee receives and invests development partner contributions to trust funds and FIFs, until funds are disbursed to final recipients for implementation of development activities. These investment management services aim to preserve development partner funds and enhance their value. The portfolio of trust funds and FIFs has grown over the years due to an increase in development partner contributions, and investment returns. As of June 30, 2021, the amount of liquid assets held by trust funds and FIFs stood at $33.8 billion.

This brochure provides information on the World Bank's investment management services for development partners. The Trust Funds and Partner Relations Department (DFTPR) within the World Bank's Development Finance Vice Presidency (DFi) serves as the liaison between development partners and external/internal clients on investment strategy, policy, and program management, as well as financial and risk management oversight for trust funds and FIF assets managed by the World Bank Treasury.

The World Bank Treasury (TRE) has substantial expertise in asset and liability management and a global reputation as a prudent and innovative borrower, investor, and risk manager. In managing funds for development partners, the World Bank follows a well-defined investment process, applying a conservative risk approach with ongoing oversight through the World Bank's financial governance structure.

In recent times, the asset management industry has witnessed a tectonic shift towards sustainable and responsible investing. Asset owners and managers are striving to make their portfolios sustainable and climate friendly. In that context, and in cognizance of the Environmental, Social and Governance (ESG) aspirations of its stakeholders, starting July 2019, the World Bank Treasury has started incorporating ESG factors into the investment decision making process by adopting ESG Integration as the default ESG strategy for all the portfolios managed by the World Bank Treasury.

Sound investment management is an integral part of the value process to ensure timely availability of development partner funds for their intended purposes. As such, preservation of capital has historically been the primary objective when investing development partner financial resources. Beyond this objective, the World Bank Treasury seeks to prudently add value by judiciously employing appropriate investment strategies within an efficient, flexible, industry leading investment platform. This allows investment management of trust funds and FIFs in a way that accommodates the varying investment requirements and risk tolerances of its development partners, thus providing opportunities for enhancement of investment returns.

The investment portfolios of trust funds and FIFs managed by the World Bank has recorded comparable returns to the benchmarks with similar risk profiles over the past decade. The World Bank has been able to enhance investment returns over and above the primary capital preservation objective for the investment portfolios of trust funds and FIFs. This has been achieved through an effective asset allocation process and active management by the World Bank Treasury. Over the past 5 years , the total investment income generated for the trust funds and FIFs is $2.67 billion while the incremental investment income for the portfolios earned over their respective benchmarks is more than $400 million.

We trust that you will find this brochure informative.

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[1] As of June 30, 2021.
[2] Refer to the summaries of each Model Portfolio at the back of this booklet for benchmark information.

Background

The World Bank Treasury has extensive experience in managing and investing development partner financial resources. The World Bank has mobilized and managed development partner contributions since 1960 when the International Development Association (IDA) was created to support the poorest countries through interest free and long maturity loans. Since the 1980s, development partners have also provided bilateral aid resources and other contributions through trust funds managed by the World Bank, and over the past two decades, have engaged the World Bank as trustee for FIFs. In this trustee function for FIFs, the World Bank takes on different financial management and advisory roles, while project implementation and oversight in developing countries is carried out by the implementing entities of the respective FIFs.

All trust funds and FIF assets administered by the World Bank are maintained in a commingled investment portfolio (the “Pool”). To accommodate varying investment horizons and risk tolerances of individual trust funds and FIFs, the Pool comprises of sub-portfolios, called model portfolios, in which trust funds and FIFs liquid assets can be invested.

Trust Funds & FIFs - Assets Under Management

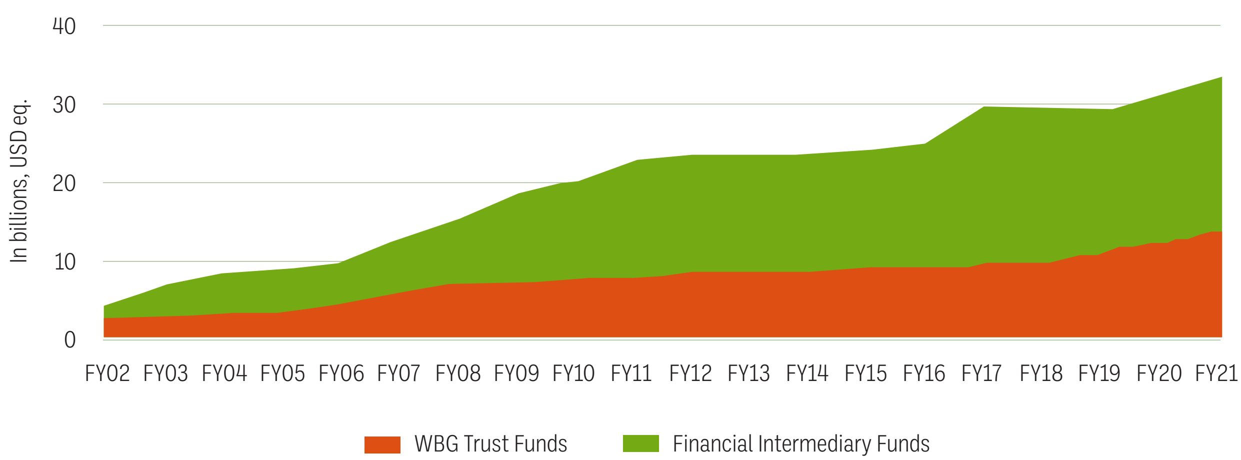
The World Bank receives contributions from development partners and disburses such funds to final recipients for development activities following established processes. The World Bank Treasury invests these resources in the international capital markets until funds are disbursed to final recipients for development projects. Such investment services aim to preserve development partner funds and enhance their value.

The investment portfolios for trust funds and FIFs have seen substantial growth over the past decade with the value of liquid assets increasing from $20.5 billion at the end of June 2010, to $33.8 billion at the end of June 2021.

The growth reflects the development, design, and establishment of tailored financial solutions (including through FIFs) to address global development challenges, and growth in the size of some of these FIFs. The substantial growth in assets under management comes with increased fiduciary responsibilities. The World Bank continuously ensures that robust governance, risk management, and oversight functions are in place for prudent investment management of these funds. World Bank Treasury has adopted enhanced investment strategies and processes to manage the evolving expectations from the development partners.

Trust funds and FIFs receive funds from development partners in multiple currencies. Upon receipt by the World Bank, these funds are typically invested in the currency of eventual disbursements to recipients which is typically the US dollar. As a result, the investment portfolios are predominantly held in US dollars.

Asset Under Management for the Investment Portfolio of TFs and FIFs
Fiscal Year 2002 - 2021



Governance and Oversight

Institutional oversight for programs funded by development partners is provided by the World Bank's Executive Directors (Board), Committees of the Board such as the Audit Committee, the World Bank Group President as well as members of the senior management team. The oversight of the financial management arrangements for the investment portfolios of the trust funds and FIFs are undertaken by the Finance and Risk Committee (FRC), which is chaired by the World Bank Group Chief Financial Officer.

The World Bank Treasury is vested with the responsibility of managing the investment portfolios of trust fund and FIFs in a fiduciary capacity. The provisions of the World Bank's Board approved General Investment Authorizations for the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) also apply to the investment of World Bank administered trust funds and FIFs subject to any specific instructions provided by development partners or governing bodies thereof. This includes for example specification of an expanded range of eligible investments, such as equities.

The investment strategies for trust funds and FIFs are periodically reviewed and approved by the appropriate departments and financial committees, including the Board's Audit Committee which reviews the investment strategies.

In addition, investment policy and asset allocations are assessed in regular management discussions, while investment returns are reported at least monthly. DFi approves the investment benchmarks and conducts regular reviews of the liquidity requirements and allocation of investment balances to specific investment tranches.

Investment Objectives

Preservation of capital is the primary investment objective of the investment Pool, reflecting donor sensitivity to any potential losses of capital that could result from adverse movements in the international capital markets. Cognizant of the fact that individual trust funds and FIFs within the pool might have different investment horizons due to differing liquidity needs and risk tolerances, the World Bank Treasury offers model portfolios with specific investment objectives, investment horizons and risk tolerances. The asset allocations for each model portfolio are designed to achieve these investment objectives.

Each model portfolio seeks to maximize investment returns over distinct investment horizons, which range from daily up to five years.

For example, a model portfolio for longer term investments (5-year investment horizon or greater) is available for trust funds and FIFs that have stable cash flows over that horizon, meaning they may take advantage of a more diversified allocation including an allocation to global developed market equities.

At a Glance

The Investment Portfolios of Trust Funds and FIFs

The World Bank manages the liquid assets of trust funds and FIFs in a single, commingled investment pool which provides several benefits to its participants, such as:

- A selection of model portfolios to accommodate various liquidity needs and risk preferences of different funds, managed within a comprehensive risk management framework.
- Access to a wide variety of investment products and longer maturity investments to enhance returns and investment income over time.
- A cost-effective investment platform resulting in low administrative costs to participants.
- Regular review of liquidity needs across funds to optimize investments over the longer term.

Model Portfolios for Investments of Trust Funds and FIFs

	Model Portfolio 0 *Cash Tranche*	Model Portfolio 1 *Capital preservation over a 1-year horizon*	Model Portfolio 2 *Capital preservation over a 3-year horizon*	Model Portfolio 3[3] *LIBOR based*	Model Portfolio 4[4] *Return Maximization over a 5-year horizon*	Model Portfolio 5[5] *Return Maximization over a 5-year horizon*	Model Portfolio 5s[6] *Return Maximization over a 1-year horizon*
Investment Objective	Enhance returns subject to ensuring timely availability of cash when needed	Enhance returns subject to preservation of capital to a high degree of confidence over a 1-year horizon	Enhance returns subject to preservation of capital to a high degree of confidence over a 3-year horizon	Maximize returns subject to 3-month interest rate sensitivity	Enhance returns subject to preservation of capital to a high degree of confidence over a 5-year horizon	Enhance returns subject to preservation of capital to a high degree of confidence over a 5-year horizon	Enhance returns subject to ensuring timely availability of liquidity when needed
Asset Allocation/ Benchmark	Overnight cash	Dynamic (Government bonds and money markets)	Dynamic (Government bonds, money markets and US Agency MBS)	LIBOR based	Dynamic (Government bonds, money markets and US Agency MBS) and global developed market equities	Dynamic (Government bonds, money markets and US Agency MBS) and up to 10% global developed market equities	Dynamic (Government bonds, money markets and US Agency MBS)
Currencies	USD and EUR	USD and EUR	USD	USD	USD	USD	USD
Assets under management (US$ mill.)[7]	$6,195	$16,446	$8,717	$160	Nil	$1,809	$376
Historical 1-yr Return (USD only)[8]	0.24% (Excess Return 18 bps)	0.38% (Excess Return 25 bps)	0.37% (Excess Return 40 bps)	0.60% (Excess Return 48 bps)	NA	5.77% (Excess Return 30 bps)	0.32% (Excess Return 17 bps)
Historical 3-yr Cumulative Return (USD only)	4.62% (Excess Return 1.10%)	5.57% (Excess Return 0.62%)	7.55% (Excess Return 52 bps)	5.37% (Excess Return 1.0%)	NA	16.12% (Excess Return 28 bps)	NA

3 Customized and designed for a single fund only.
4 Participation in Model portfolio 4 (MP4) is subject to specific instructions from the relevant trust fund or FIF governing body. MP4 has been approved, but it has not been implemented.
5 Customized and designed for a single fund only.
6 Customized and designed for a single fund only.
7 As of 30 June 2021 (excludes US$100 million allocated to the Sustainable Bond Strategy).
8 The performance shown here represents past performance and is not a guarantee of future results.

Asset Classes

The Investment Guidelines for the investment portfolios of trust funds and FIFs specify the allowable range of instruments, for each asset class, within the high-grade fixed income category (such as government bonds) as well as money market securities (such as short-term investments with commercial banks).

Currently, these instruments include high quality securities that are issued by sovereign governments, government agencies, as well as multilateral and other official institutions. In addition, eligible instruments include asset-backed and agency-guaranteed mortgage-backed securities, as well as swaps and a range of other derivative instruments that can be used to manage interest rate risk. Investments in synthetic short-duration USD assets, obtained by asset swapping longer duration bonds denominated in USD as well as non-dollar currencies, is also permitted.

Asset Classes for Investment Portfolios of Trust Funds and FIFs

Asset Class	Asset Description
Domestic Government Securities	Marketable bonds, notes or other obligations issued or unconditionally guaranteed by the government of a country in its own domestic currency and approved by the World Bank's Credit Committee.
Mortgage-backed Securities (MBS)	US Agency-guaranteed residential mortgage-backed securities (MBS), including fixed-rate pass-throughs, adjustable-rate mortgages (ARMs), interest-only (IO) and principal-only (PO) strips, and collateralized mortgage obligations (CMOs). Commercial Mortgage-Backed Securities (CMBS) and non-agency MBS are not included.
AAA Corporate Securities (incl. Asset Backed Securities)	AAA-rated asset-backed securities (ABS) including Collateralized Debt Obligations (CLOs), backed by student loans, auto and credit card receivables, public sector loans or prime first lien residential mortgages and domiciled in an eligible country, and any other AAA-rated obligations of a corporate entity.
Agency/ Sovereign/ Government guaranteed Securities	Marketable bonds, notes or other obligations rated at least AA- issued by a government agency, supranational institution or local authority domiciled in an eligible country as well as corporate debt guaranteed by the government of eligible countries.
Covered Bonds	Debt instruments secured by a cover pool of mortgage loans or public-sector debt to which investors have a preferential claim in the event of default. Typically, more secure and thus higher rated than Agency MBS and other ABS due to the preferential claim of investors.
Money Market Instruments/ Financial Institutions Securities	Time deposits, certificates of deposit, reverse repurchase agreements and other obligations issued or unconditionally guaranteed by a bank or other financial institution domiciled in an eligible country, whose senior debt securities are rated at least A- and maturing in 3 months or less.
Developed Market Equities	A stock or any other security representing an ownership interest.
Swaps and Derivatives	Financial futures and options contracts, other derivative and associated instruments, forward rate agreements, swap transactions, options to enter into swap transactions in the future, and foreign exchange contracts.

Investment Process & Methodology

The investment of development partners' funds in the international capital markets follows a well-defined process, involving different stages of review, approval and ongoing monitoring and controls. The process starts by establishing the appropriate investment strategy for the funds to be invested. This investment strategy is guided by the liquidity profile of the development partners' funds and a defined set of investment objective and risk tolerance limits, which are reviewed and approved by appropriate departments and financial committees.

The asset allocation for each model portfolio defines the suitable types of investment instruments (asset classes) and their weights in the model portfolio, together with the appropriate benchmark for each asset class.

Benchmark holdings guide the structure of actual portfolios, wherein investments are made through approved counterparties in the capital markets, based on investment guidelines that limit market risk (such as interest rate risk) and credit exposure. All credit limits for holding funds for investment with commercial counterparties are determined by the World Bank's Chief Risk Officer's Market and Counterparty Risk Department. Ongoing risk measurement and performance reporting for the investment portfolios of trust funds and FIFs are conducted daily within the Bank's Treasury.

The investment portfolios are managed to conservative overall risk tolerance parameters. Funds within the portfolios are periodically rebalanced among the model portfolios to ensure that they are allocated to the most suitable investment mix, based on multi-year cash flow projections for each fund.

Risk Management

The risk tolerance or the risk-taking capacity of the investment portfolios of trust funds and FIFs are considered to be very conservative.

Conditional Value-at-Risk (CVaR) measure is the primary risk measure used in the management of the model portfolios for trust funds and FIFs and is defined as limiting the estimated average loss to the portfolios in the worst 1% of loss events. The World Bank's Model Portfolios have their overall market risk constrained by a CVaR measure as follows:

Model Portfolio 1 – 99% CVaR of -25 basis points
Model Portfolio 2 – 99% CVaR of -100 basis points
Model Portfolio 4 – 99% CVaR of -100 basis points

Model Portfolios 3 and 5 are further subject to separate sets of investment guidelines set forth in the contractual undertakings governing the relationships with the relevant entities.

In addition to the information embedded in the risk measure (which neatly captures the perceived risk preferences of trust fund clients), CVaR also has desirable statistical features that make it preferable to alternative risk measures such as the probability of negative return or Value at Risk (VaR). These qualities include the following:

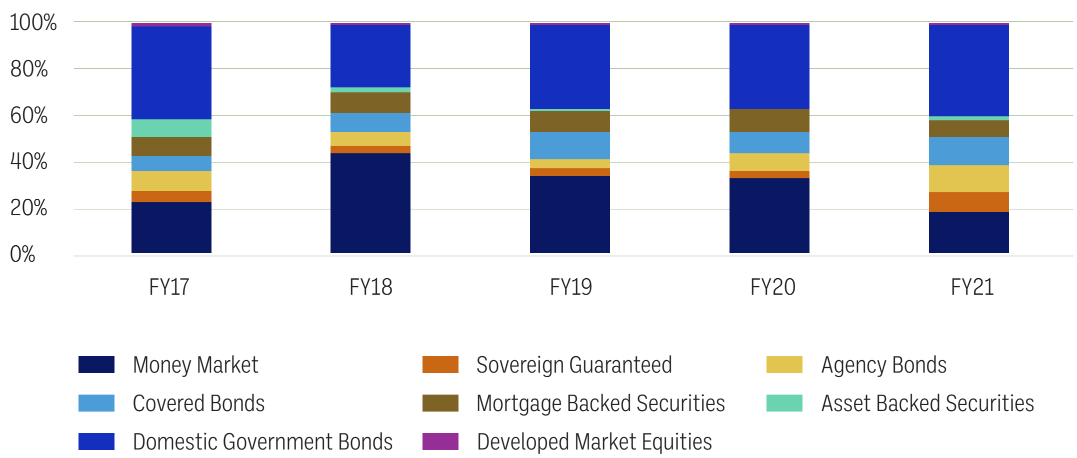
- In general, CVaR is a superior risk measure to probability of negative returns or the VaR measure. In normal market environments (i.e., expected returns are assumed to be normally distributed), the three measures behavior is equivalent. In non-normal environments, however, using CVaR enables investors to limit the magnitude of tail loss (i.e., the full spectrum of adverse scenarios beyond a simple confidence level), while probability of negative return does not address the magnitude of loss and the VaR measure only addresses losses at one confidence level.

- In addition, in the current low interest rate environment, the probability of negative return measure is very sensitive to small changes in yield levels and may signal frequent and unnecessary asset allocation changes which may result in unnecessary transaction costs. The CVaR measure is found to be less reactive to small yield changes and can significantly reduce unnecessary rebalancing transactions based on empirical studies.

Asset Allocation & Investment Performance

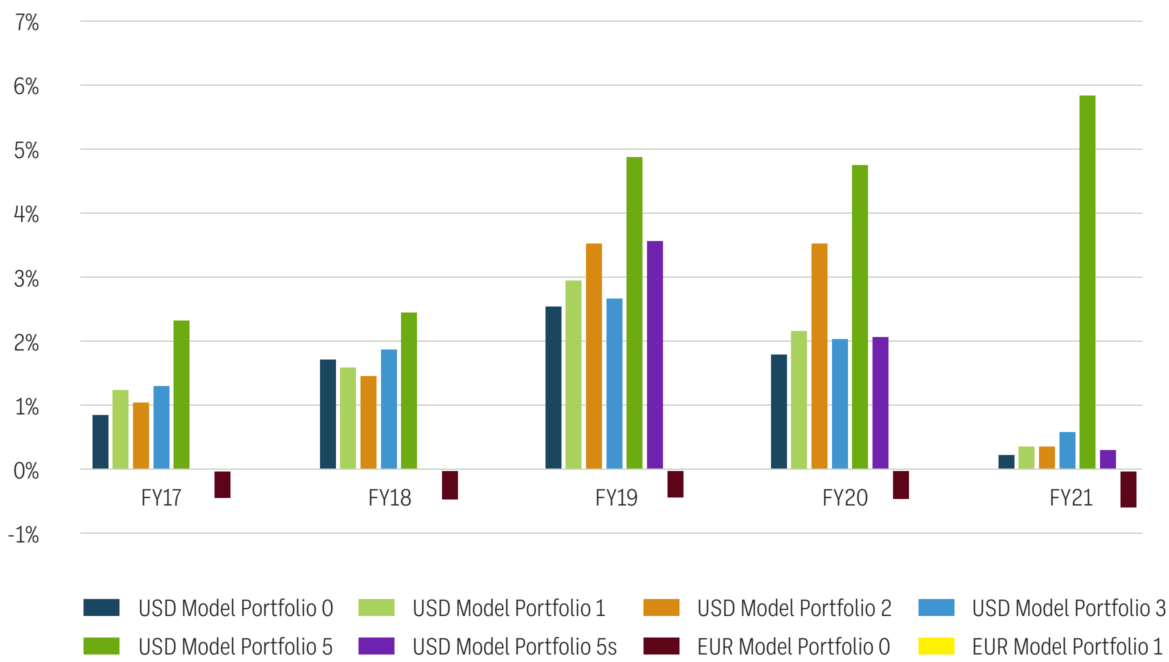
The investment portfolios of trust funds and FIFs have outperformed the benchmarks over the past five years, reflecting the prevailing market conditions, which were characterized by historically low fixed income yields and increased interest rate volatility. When interest rates decrease in major markets, bonds providing a fixed coupon income will increase in market value, and this will increase the total return from holding these bonds.

Asset Composition of the Investment Portfolios of TFs and FIFs
Fiscal Years 2017-2021

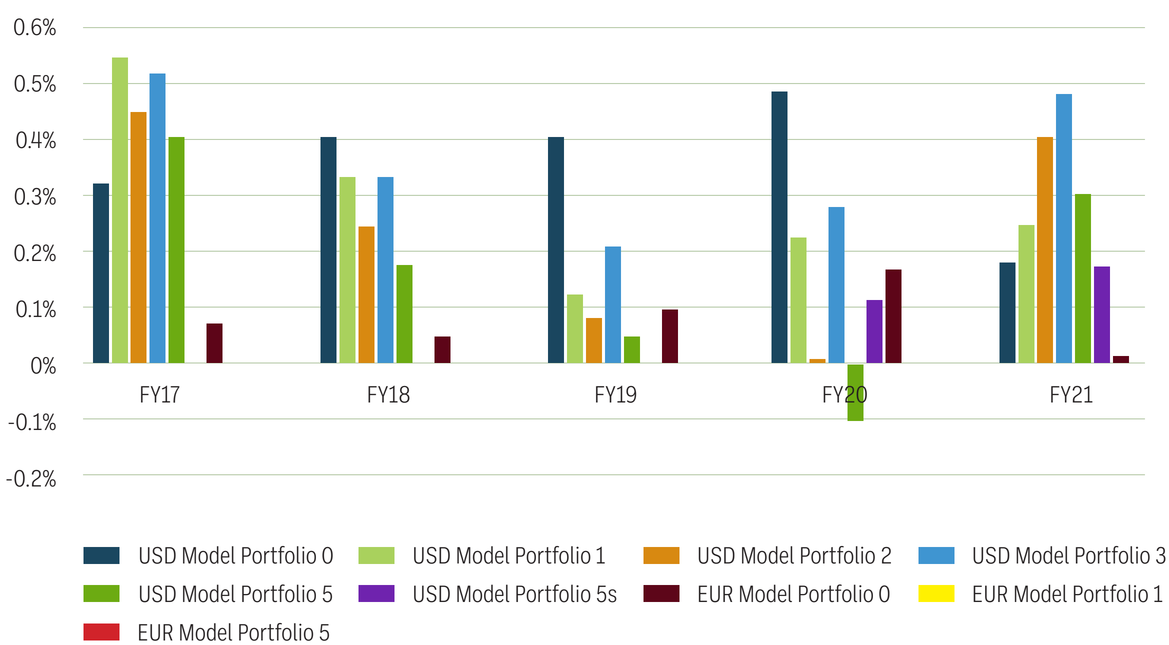


Over the past five-year period, the World Bank has been able to deliver investment returns over and above the primary capital preservation objective for the investment portfolios of trust funds and FIFs. This was achieved through an effective asset allocation process and active portfolio management by the World Bank Treasury. Moreover, excess returns were posted by the model portfolios against the benchmarks, as shown in the chart. Over the past five years, the excess return is estimated at over $400 million for the investment portfolios of trust funds and FIFs.

Return of USD Model Portfolios for Trust Funds and FIFs
Fiscal Years 2017-2021



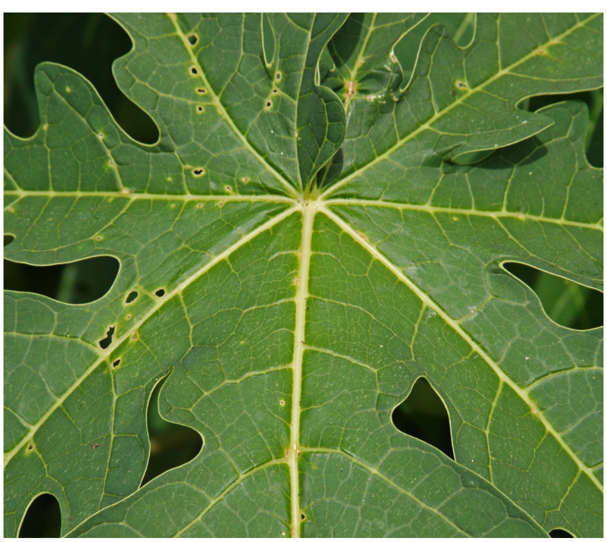
Excess Returns of Model Portfolios vs Benchmarks
Fiscal Years 2017-2021



Environmental, Social & Governance (ESG) Considerations

The asset management industry is increasingly becoming aware of the sustainability risks inherent in investment portfolios. As such there has been a tectonic shift towards Sustainable and Responsible Investing (SRI) with asset owners and managers becoming familiar with their portfolios' ESG profiles and striving to make a positive developmental impact by improving such profiles. In the same context, further to its twin goals of ending extreme poverty and promoting shared prosperity, the World Bank is committed to a broader and ambitious development agenda focusing on the Sustainable Development Goals (SDGs) and helping its client countries in achieving their climate action targets. The World Bank incorporates sustainability as a theme in all its operations and activities including the investment management function entrusted to it by its clients and development partners.

As of July 2019, World Bank Treasury started incorporating ESG factors in the investment process for all managed portfolios. The approach adopted by the World Bank Treasury to Sustainable Investments is *ESG Integration*.



ESG Integration refers to explicit consideration of material ESG factors in the investment decision making process aimed at better financial outcomes for the portfolios. At present, ESG Integration is the most appropriate strategy for the mandates under World Bank Treasury's management and it can be applied to the universe of eligible assets authorized by the IBRD/IDA General Investment Authorizations and clients' investment guidelines stipulated in the Investment Management Agreements.

In addition to ESG Integration, the World Bank continues to explore additional SRI strategies in line with the current market practices to meet the evolving SRI aspirations and development objectives of the development partners in trust funds and FIF portfolios. In FY21, the World Bank implemented a Sustainable Bond Strategy ("Strategy") for eligible trust funds in the investment pool, which seeks to invest in high quality bond and cash instruments, while generating positive environmental and/or social impact. The objective of this strategy is to select instruments that generate a positive impact while retaining the overarching investment objectives of the participating trust funds and FIFs in the Pool.

The Strategy is based on three core commitments:

- Fundamental fixed income discipline with no compromise on returns.
- A focus on fixed income investments that seek to generate positive impact outcomes.
- Transparent impact reporting.

Initially, the Strategy will focus on sovereign bonds, governmental agency bonds and supra-national bonds through a process of positive identification. This means including bonds in the permissible universe that the World Bank has identified as generating a positive and measurable environmental and/or social impact in addition to the traditional financial characteristics such as strong expected risk-adjusted returns. Most investments identified via this process are expected to be 'use of proceeds' bonds. In time, in line with the composition of the sustainable bond universe, the Strategy could adopt the same sustainability methodology of positive identification to a wider investment universe, encompassing, for example, the high-grade corporate bond universe.

Positive identification and careful selection of appropriate investments rely on a strong emphasis on verification, prior to investments being made. Verification includes assessing a series of key criteria to ensure the suitability of inclusion in this Strategy. Some of the key criteria that are used in making this assessment will be:

- A clear and obvious outcome of positive impact from the issue
- A strong sustainability profile of the issuer
- A clear commitment from the issuer to provide transparent impact reporting
- A strong and robust framework under which proceeds will be used

As the SRI ecosystem evolves and expands its scope and trajectory, the World Bank will respond by continuing to adapt to the needs of its development partners in the management of the investment portfolios of trust funds and FIFs.

Glossary of Terms

Benchmark: Combination of market indices that define the reference asset allocation of model portfolios.

Financial Intermediary Funds (FIFs): Financial Intermediary Funds are financial arrangements that leverage a variety of public and private resources in support of global development initiatives and partnerships. These funds involve financial engineering or complex finance schemes, or where the World Bank provides a specified set of administrative, financial, and/or operational services.

General Investment Authorizations: General Investment Authorization for IBRD (Resolution No. 2012-0008), adopted by the Executive Directors on December 5, 2012, as may be amended from time to time, and General Investment Authorization for IDA (Resolution no. IDA 2012-0005), adopted by the Executive Directors on December 5, 2012, as may be amended from time to time.

Investment Pool: World Bank Group trust funds and FIFs assets invested and managed by TRE as a commingled portfolio.

Investment Products: Sub-portfolios covering specific market sectors, including, but not limited to, US Agency MBS, UST 1-5 year, TIPS etc.

Model Portfolios: Combinations of Investment Products that seek to generate a specific risk/return profile or other specified investment objective. They reflect the actual portfolio holdings.

Investment Strategy: World Bank Investment Strategy, reviewed and approved within the World Bank Governance arrangements, which describes the investment framework for World Bank trust funds and FIFs.

Sustainable Bond Strategy ("strategy"): A sustainability focused Socially Responsible Investment strategy which aims to invest in high quality bond and cash instruments while generating positive environmental and/or social impact.

Trust Fund: A financing arrangement set up to accept contributions from one or more donors to be held and disbursed/transferred by a World Bank Group entity as trustee in accordance with agreed terms.

Acknowledgments

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The World Bank Group

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MODEL PORTFOLIO 0

CASH & CASH EQUIVALENTS

JUNE 2021

INVESTMENT OBJECTIVE

Model Portfolio 0 aims to enhance returns through investment in cash and cash equivalent securities, subject to ensuring liquidity and timely availability of cash when needed. Model Portfolio 0 houses trust funds and FIFs that are invested in cash, and the working capital for trust funds and FIFs that are invested in other Model Portfolios. Model Portfolio 0 has two investment classes in USD and EUR.

INVESTMENT UNIVERSE

The investment universe of Model Portfolio 0 includes the following money market instruments: time deposits, certificates of deposit, reverse repurchase agreements and other obligations issued or unconditionally guaranteed by a bank or other financial institution domiciled in an eligible country, whose senior debt securities are rated at least A- and maturing in 3 months or less.

ASSET ALLOCATION

Model Portfolio 0 is fully invested in cash and cash equivalent securities.

INCEPTION DATE

1 April 2008

CURRENCIES

USD and EUR

INVESTMENT HORIZON

Up to 3 months

ASSETS UNDER MANAGEMENT

USD 5,376 million
EUR 698 million
Non-USD/EUR 121 million

FIGURE 1: ASSET ALLOCATION OF MODEL PORTFOLIO 0

BENCHMARKS

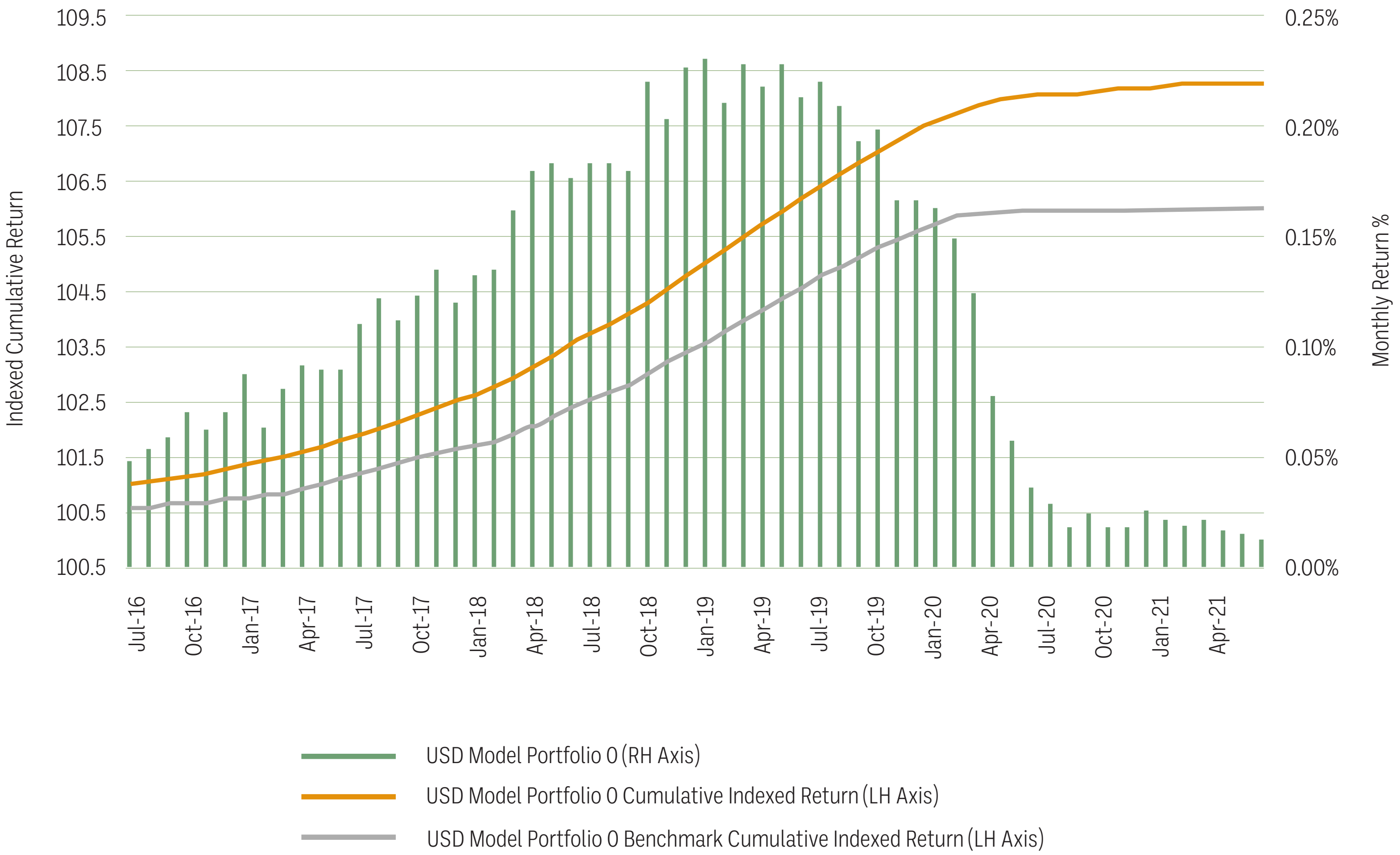
Each investment class under Model Portfolio 0 (USD and EUR) has a benchmark against which risk and return limits are measured. These benchmarks are:

USD Model Portfolio 0	ICE BoFA SOFR Overnight Rate Index
EUR Model Portfolio 0	ICE BoFA SOFR Overnight Rate Index

INVESTMENT UNIVERSE

The chart below shows the historical investment performance of USD Model Portfolio 0 over the last 5 years. Since inception, USD Model Portfolio 0 has not incurred an investment loss over its investment horizon, though it may go through periods where it incurs negative returns.

FIGURE 2: INVESTMENT PERFORMANCE OF MODEL PORTFOLIO 0



MODEL PORTFOLIO 1

CAPITAL PRESERVATION OVER A 1-YEAR HORIZON

JUNE 2021

INVESTMENT OBJECTIVE

Model Portfolio 1 is a high quality, short duration fixed income portfolio which aims to maximize returns subject to a Board specified risk constraint. The risk constraint is expressed as the 1-year 99% Conditional VaR being no worse than -0.25%.

INVESTMENT UNIVERSE

The investment universe of Model portfolio 1 includes obligations of local currency Sovereigns, foreign currency Sovereigns, Agencies, other official entities and Multilaterals rated at least AA-; Corporates and Asset Backed Securities rated at least AAA; deposits with banks rated at least A-; and a broad range of derivatives.

ASSET ALLOCATION

Model Portfolio 1 can be invested in one or more of three underlying strategies: 0–1-year Treasuries, 1–5-year Treasuries, and LIBOR Plus. The overall asset allocation of Model Portfolio 1 is determined by the World Bank Treasury's Asset Management Department (TREAM) with the aim of maximizing returns while remaining within its risk constraints.

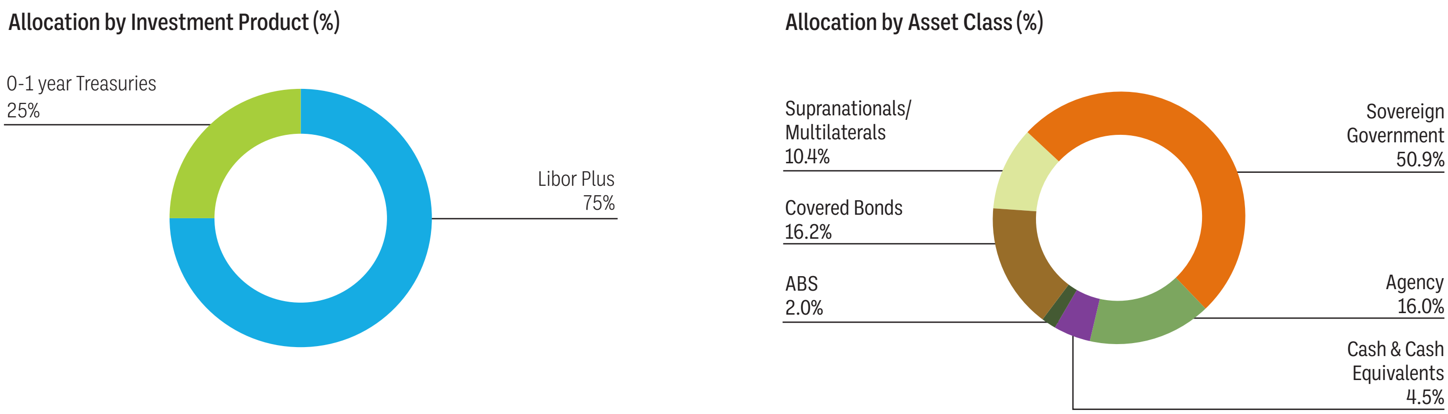
INCEPTION DATE
31 January 2005

CURRENCIES
USD and EUR

INVESTMENT HORIZON
1 year

ASSETS UNDER MANAGEMENT
USD 16,446 million

FIGURE 3: ASSET ALLOCATION OF USD MODEL PORTFOLIO 1



BENCHMARKS

Each of the three Investment Products within USD Model Portfolio 1 has a benchmark, against which any limits related to relative risk and return for each Investment Product are measured. The Investment Products and their corresponding benchmarks are as follows:

Strategy	Benchmark
Short Term Treasury (0-1)	U.S. Treasury Notes & Bonds 0-1 Year
Medium Term Treasury (1-5)	U.S. Treasuries 1-5 Years
Libor Plus	U.S. Dollar LIBID 3-month Average

RISK STATISTICS

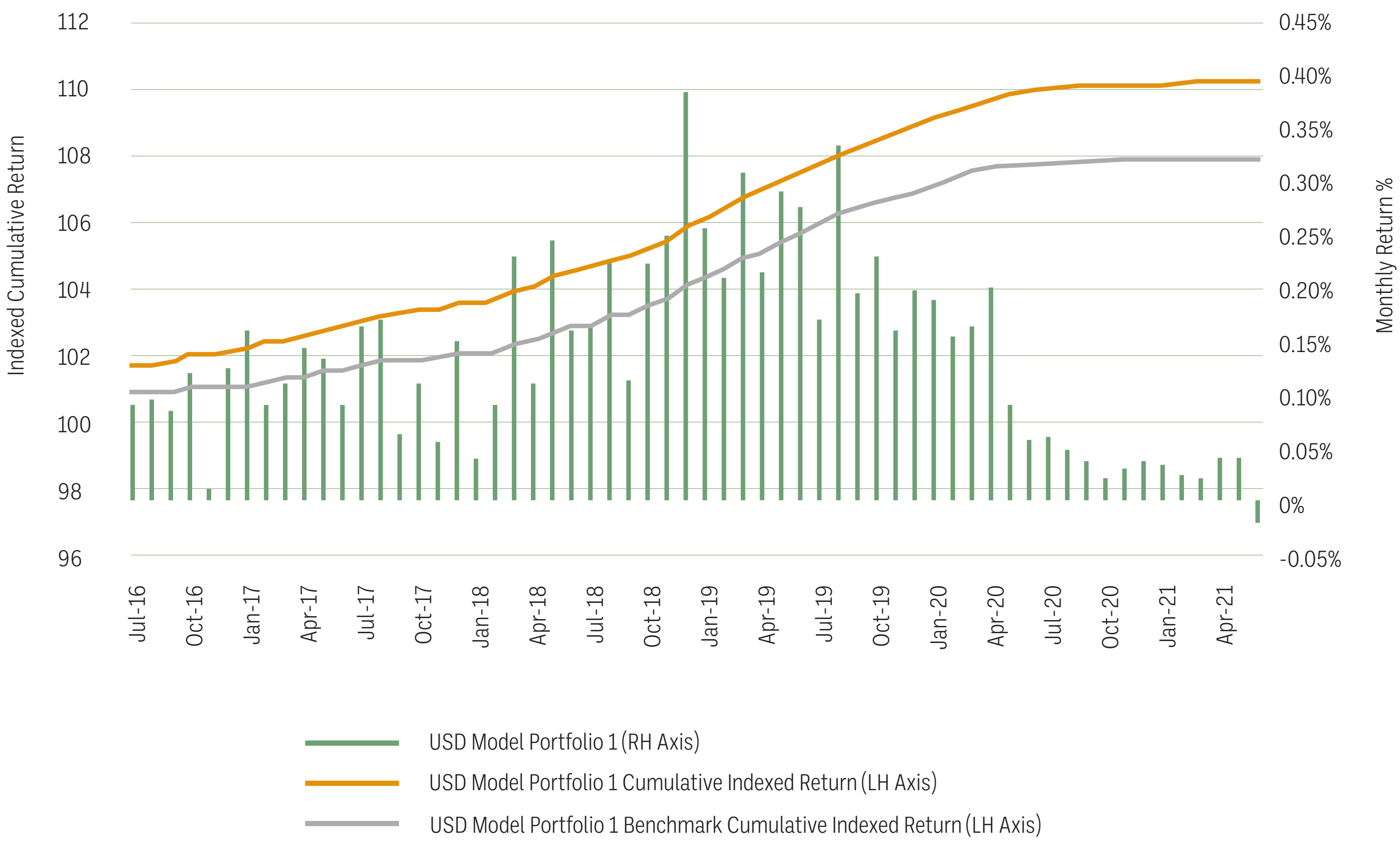
Generating enhanced investment returns while adhering to the investment objective of capital preservation and ensuring sufficient liquidity to meet foreseeable cash flow needs is undertaken within a conservative risk management framework which limits the estimated average loss to the portfolio in the worst 1% of loss events. This Conditional Value-at-Risk (CVaR) measure is the primary risk constraint used in the management of Model Portfolio 1. The overall market risk within Model Portfolio 1 is constrained by a CVaR measure as follows: **99% CVaR of no greater than -25 basis points.**

The World Bank Treasury continually monitors the asset allocation of Model Portfolio 1 to ensure it best represents the investment objective and remains compliant with the relevant risk constraint. A team of investment professionals analyzes market movements and macro-economic trends carefully and stress tests each Model Portfolio against possible future scenarios: the current scenario in which the model assumes that interest rates will remain unchanged over the investment horizon, and the forward scenario, in which the model assumes that yields will converge to forward rates (estimated using the Nelson-Siegel model).

HISTORICAL RETURNS

The chart below shows the historical investment performance of USD Model Portfolio 1 over the past 5 years. Since inception, Model Portfolio 1 has never incurred an investment loss over its investment horizon although it may go through periods where it incurs negative returns.

FIGURE 4: INVESTMENT PERFORMANCE OF MODEL PORTFOLIO 1



MODEL PORTFOLIO 2

CAPITAL PRESERVATION OVER A 3-YEAR HORIZON

JUNE 2021

INVESTMENT OBJECTIVE

The investment objective of USD Model Portfolio 2 is to maximize returns over a 3-year investment horizon subject to a Board specified risk constraint. The risk constraint of Model Portfolio 2 is expressed as the 3-year 99% Conditional VaR being no worse than -100 bps (-1%).

INVESTMENT UNIVERSE

The investment universe of Model Portfolio 2 includes obligations of any local currency Sovereigns; obligations of foreign currency Sovereigns, Agencies, other official entities and Multilaterals rated at least AA-; Corporates and Asset Backed Securities rated at least AAA; deposits with banks rated at least A-; and a broad range of derivatives.

ASSET ALLOCATION

Model Portfolio 2 can be invested in one or more of four underlying strategies (known as Investment Products): 0–1-year Treasuries, 1–5-year Treasuries, Mortgage-Backed Securities (MBS), and LIBOR Plus. The overall asset allocation of Model Portfolio 2 is determined by the World Bank Treasury's Asset Management Department (TREAM) with the aim of maximizing returns while remaining within its risk constraints.

INCEPTION DATE
31 January 2005

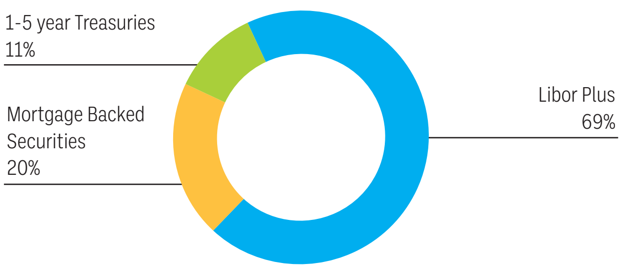
CURRENCIES
USD

INVESTMENT HORIZON
3 years

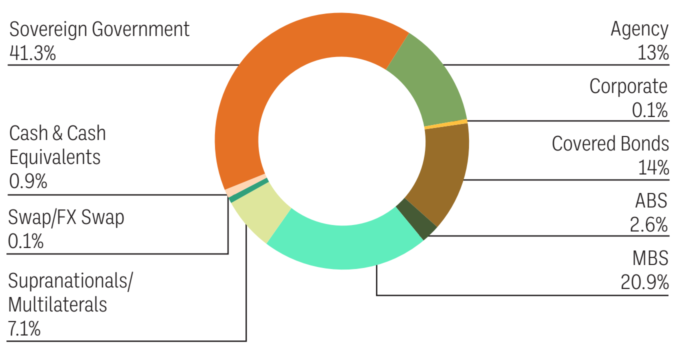
ASSETS UNDER MANAGEMENT
USD 8,717 million

FIGURE 5: ASSET ALLOCATION OF USD MODEL PORTFOLIO 2

Allocation by Investment Product (%)



Allocation by Asset Class (%)



BENCHMARKS

Each of the four Investment Products within USD Model Portfolio 2 has a benchmark, against which any limits related to relative risk and return for each Investment Product are measured. The Investment Products and their corresponding benchmarks are as follows:

Strategy	Benchmark
Short Term Treasury (0-1)	U.S. Treasury Notes & Bonds 0-1 Year
Medium Term Treasury (1-5)	U.S. Treasuries 1-5 Years
LIBOR Plus	U.S. Dollar LIBID 3-month Average
MBS	Barclays US MBS Index

RISK STATISTICS

Generating enhanced investment returns while adhering to the investment objective of capital preservation and ensuring sufficient liquidity to meet foreseeable cash flow needs is undertaken within a conservative risk management framework which limits the estimated average loss to the portfolio in the worst 1% of loss events. This Conditional Value-at-Risk (CVaR) measure is the primary risk constraint used in the management of Model Portfolio 2. The overall market risk within Model Portfolio 2 is constrained by a CVaR measure as follows: **99% CVaR of no greater than -100 basis points.**

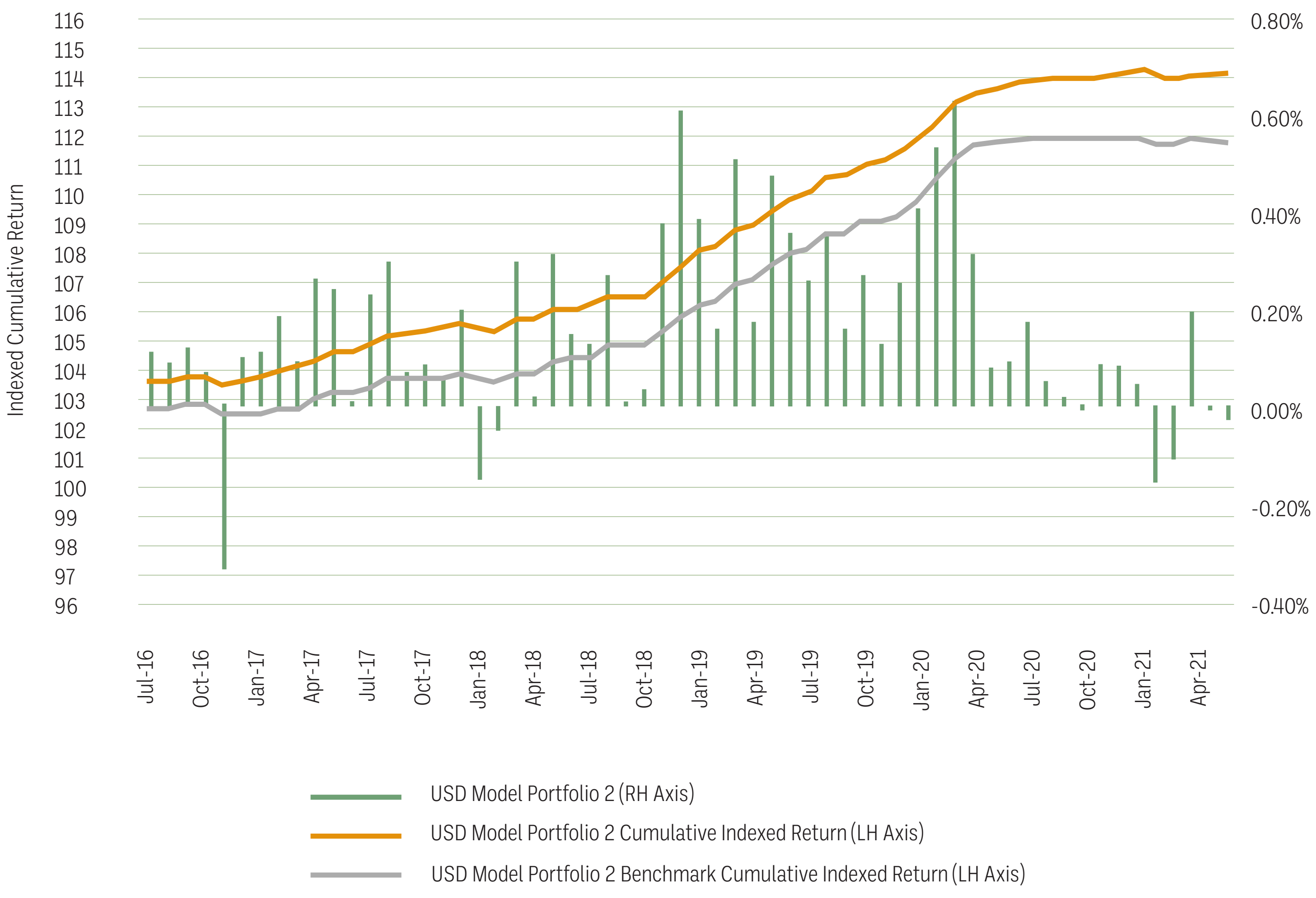
The World Bank Treasury continually monitors the asset allocation of Model Portfolio 2 to ensure it best represents the investment objective of the portfolio while remaining within the relevant risk parameters.

A team of investment professionals analyzes market movements and macro-economic trends carefully and stress tests each Model Portfolio against two possible future scenarios: the current scenario in which the model assumes that interest rates will remain unchanged over the investment horizon, and the forward scenario in which the model assumes that yields will converge to forward rates (estimated using the Nelson-Siegel model).

HISTORICAL RETURNS

The chart below shows the historical investment performance of USD Model Portfolio 2 over the past 5 years. Since inception, Model Portfolio 2 has never incurred an investment loss over its investment horizon although it may go through periods where it incurs negative returns.

FIGURE 6: INVESTMENT PERFORMANCE OF USD MODEL PORTFOLIO 2



MODEL PORTFOLIO 3

MAXIMIZE RETURNS SUBJECT TO 3-MONTH INTEREST RATE SENSITIVITY

JUNE 2021

INVESTMENT OBJECTIVE

USD Model Portfolio 3 was established for a specific mandate with interest rate sensitivity matching that of liabilities funding the portfolio.

INVESTMENT UNIVERSE

The investable universe is restricted to obligations of any local currency Sovereigns; foreign currency Sovereigns, Agencies, Other Official Entities and Multilaterals rated at least AA-; Corporates and Asset Backed Securities rated at least AAA; and Deposits with Banks rated at least A-.

ASSET ALLOCATION

USD Model Portfolio 3 can be invested in one or more strategies (known as Investment Products), the combination of which is known as the asset allocation. This asset allocation is the responsibility of the World Bank Treasury's Asset Management Department (TREAM) and is actively managed by TREAM with the aim of maximizing returns while ensuring that USD Model Portfolio 3 remains in compliance with its risk constraints.

INCEPTION DATE
11 June 2006

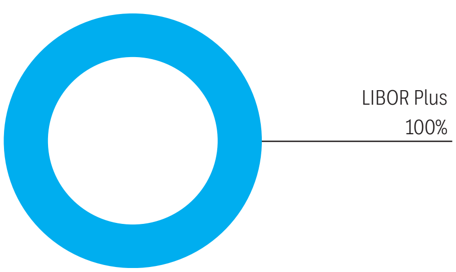
CURRENCIES
USD

INVESTMENT HORIZON
1 year

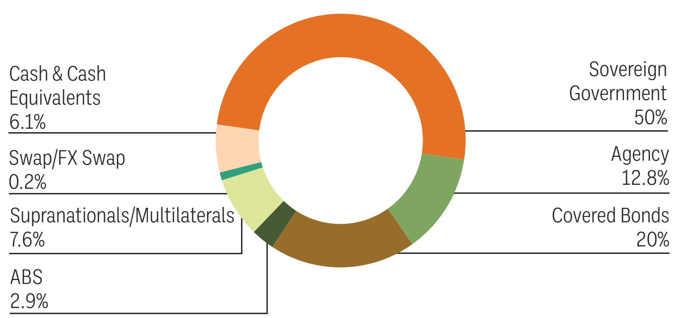
ASSETS UNDER MANAGEMENT
USD 160 million

FIGURE 7: ASSET ALLOCATION OF MODEL PORTFOLIO 3

Allocation by Investment Product (%)



Allocation by Asset Class (%)



BENCHMARKS

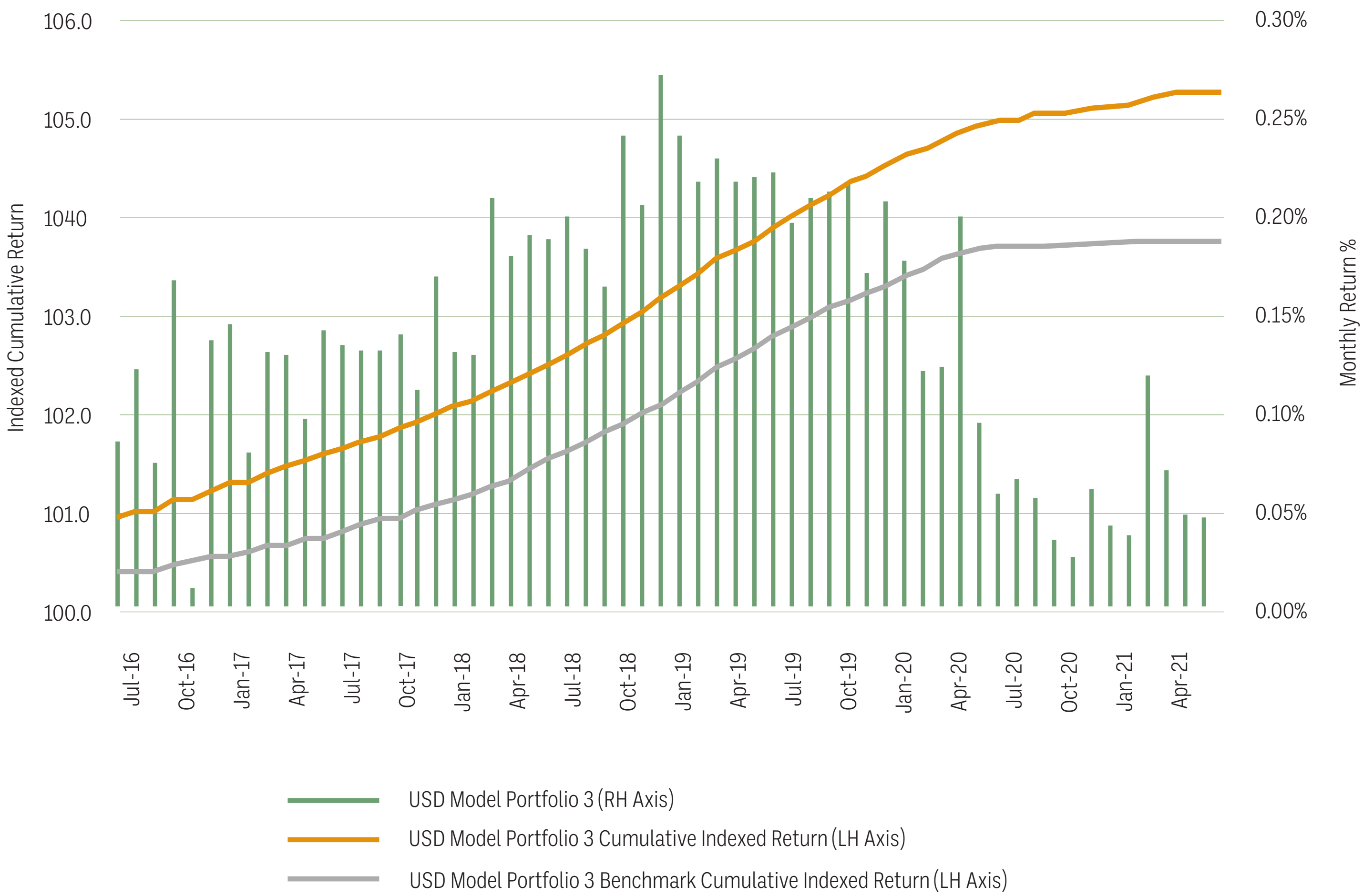
Each Investment Product forming part of USD Model Portfolio 3's asset allocation has a benchmark, against which any limits related to relative risk and return for each Investment Product are measured. Given USD Model Portfolio's 3 current asset allocation, the relevant benchmark is:

LIBOR Plus	U.S. Dollar LIBID 3-Month Average

HISTORICAL RETURNS

The chart below shows the historical investment performance of USD Model Portfolio 3 over the past 5 years. Since inception, USD Model Portfolio 3 has never incurred an investment loss over its investment horizon although it may go through periods where it incurs negative returns.

FIGURE 8: INVESTMENT PERFORMANCE OF USD MODEL PORTFOLIO 3



MODEL PORTFOLIO 4

CAPITAL PRESERVATION OVER A 5-YEAR HORIZON

JUNE 2021

INVESTMENT OBJECTIVE

The investment objective of USD Model Portfolio 4 is to maximize returns over a 5-year investment horizon subject to a Board specified risk constraint. The risk constraint of USD Model Portfolio 4 is expressed as the 5-year 99% Conditional VaR being no worse than -100 bps (-1%).

INVESTMENT UNIVERSE

The investable universe is restricted to obligations of any local currency Sovereigns; obligations of foreign currency Sovereigns, Agencies, Other Official Entities and Multilaterals rated at least AA-; Corporates and Asset Backed Securities rated at least AAA; and deposits with banks rated at least A-.

ASSET ALLOCATION

USD Model Portfolio 4 can be invested in one or more of four underlying strategies (known as Investment Products): 0–1-year Treasuries, 1–5-year Treasuries, Mortgage-backed Securities (MBS), LIBOR Plus and Equities. The overall asset allocation of USD Model Portfolio 4 is determined by the World Bank Treasury's Asset Management Department (TREAM) with the aim of maximizing returns while remaining within its risk constraints.

INCEPTION DATE

TBD

CURRENCIES

USD

INVESTMENT HORIZON

5 years

ASSETS UNDER MANAGEMENT

TBD

BENCHMARKS

Each of the Investment Products within USD Model Portfolio 4 has a benchmark, against which any limits related to relative risk and return for each Investment Product are measured. The Investment Products and their corresponding benchmarks are as follows:

Strategy	Benchmark
Short Term Treasury (0-1)	U.S. Treasury Notes & Bonds 0-1 Year
Medium Term Treasury (1-5)	U.S. Treasuries 1-5 Years
LIBOR Plus	U.S. Dollar LIBID 3-month Average
MBS	Barclays US MBS Index

RISK STATISTICS

Generating enhanced investment returns while adhering to the investment objective of capital preservation and ensuring sufficient liquidity to meet foreseeable cash flow needs is undertaken within a conservative risk management framework which limits the estimated average loss to the portfolio in the worst 1% of loss events. This Conditional Value-at-Risk (CVaR) measure is the primary risk constraint used in the management of Model Portfolio 4. The overall market risk within Model Portfolio 4 is constrained by a CVaR measure as follows: **99% CVaR of no greater than -100 basis points.**

The World Bank Treasury will continually monitor the asset allocation of Model Portfolio 4 to ensure it best represents the investment objective of the portfolio while remaining within the relevant risk parameters.

MODEL PORTFOLIO 5

CAPITAL PRESERVATION OVER A 5-YEAR HORIZON

JUNE 2021

INVESTMENT OBJECTIVE

The primary objective of the Global Fund USD Model Portfolio 5 is to implement the Strategic Asset Allocation for the Global Fund's Long Term Investment Portfolio. The risk constraint of Model Portfolio 5 is expressed as the 5-year 95% Conditional VaR being no worse than -100 bps (-1%).

INVESTMENT UNIVERSE

The investment universe of Model Portfolio 5 includes obligations of any local currency Sovereigns; obligations of foreign currency Sovereigns, Agencies, other official entities and Multilaterals rated at least AA-; Corporates and Asset Backed Securities rated at least AAA; deposits with banks rated at least A-; and a broad range of derivatives.

ASSET ALLOCATION

The Strategic Asset Allocation is approved by the relevant Global Fund authorizing body and reflects the investment horizon and institutional risk profile of the Global Fund for the portion of its liquidity that is eligible for the Long-Term Investment Portfolio. The allocation to equities of the Strategic Asset Allocation is at the discretion of the Global Fund.

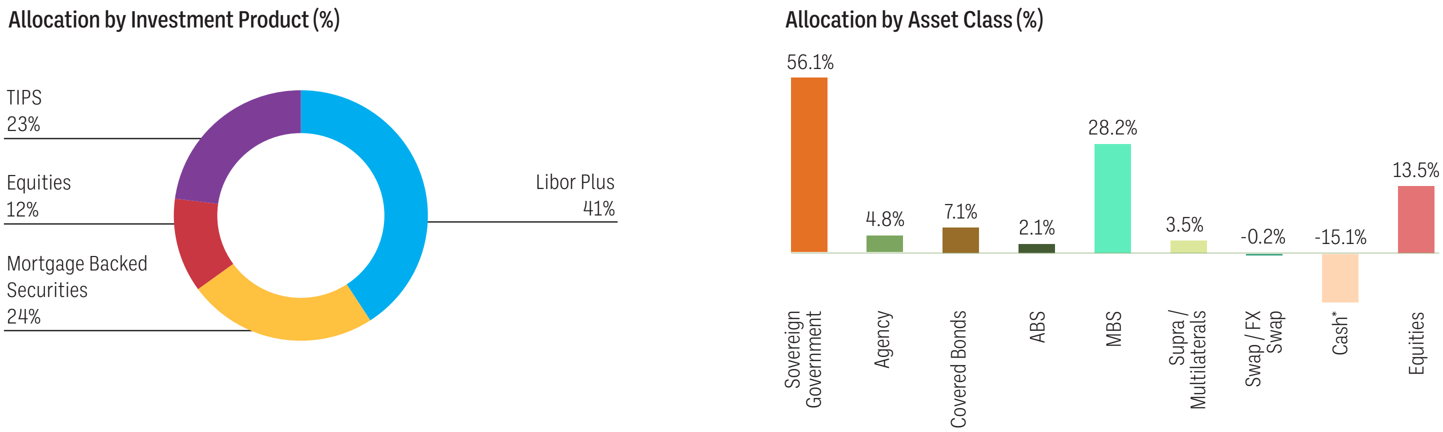
INCEPTION DATE
31 May 2019

CURRENCIES
USD

INVESTMENT HORIZON
5 years

ASSETS UNDER MANAGEMENT
USD 1,809 million

FIGURE 9: ASSET ALLOCATION OF USD MODEL PORTFOLIO 5



BENCHMARKS

Each of the four Investment Products within USD Model Portfolio 5 has a benchmark, against which any limits related to relative risk and return for each Investment Product are measured. The Investment Products and their corresponding benchmarks are as follows:

Strategy	Benchmark
Equity	MSCI World ESG Leader – US Hedged
TIPS	US TIPS Treasury 5-10 Yrs
LIBOR Plus	U.S. Dollar LIBID 3-month Average
MBS	Barclays US MBS Index

* The negative allocation to cash and cash equivalents is a result of repurchase agreements that are used to purchase yield enhancing securities.

RISK STATISTICS

Generating enhanced investment returns while adhering to the investment objective of capital preservation and ensuring sufficient liquidity to meet foreseeable cash flow needs is undertaken within a conservative risk management framework which limits the estimated average loss to the portfolio in the worst 1% of loss events. This Conditional Value-at-Risk (CVaR) measure is the primary risk constraint used in the management of Model Portfolio 5. The overall market risk within Model Portfolio 5 is constrained by a CVaR measure as follows: **99% CVaR of no greater than -100 basis points.**

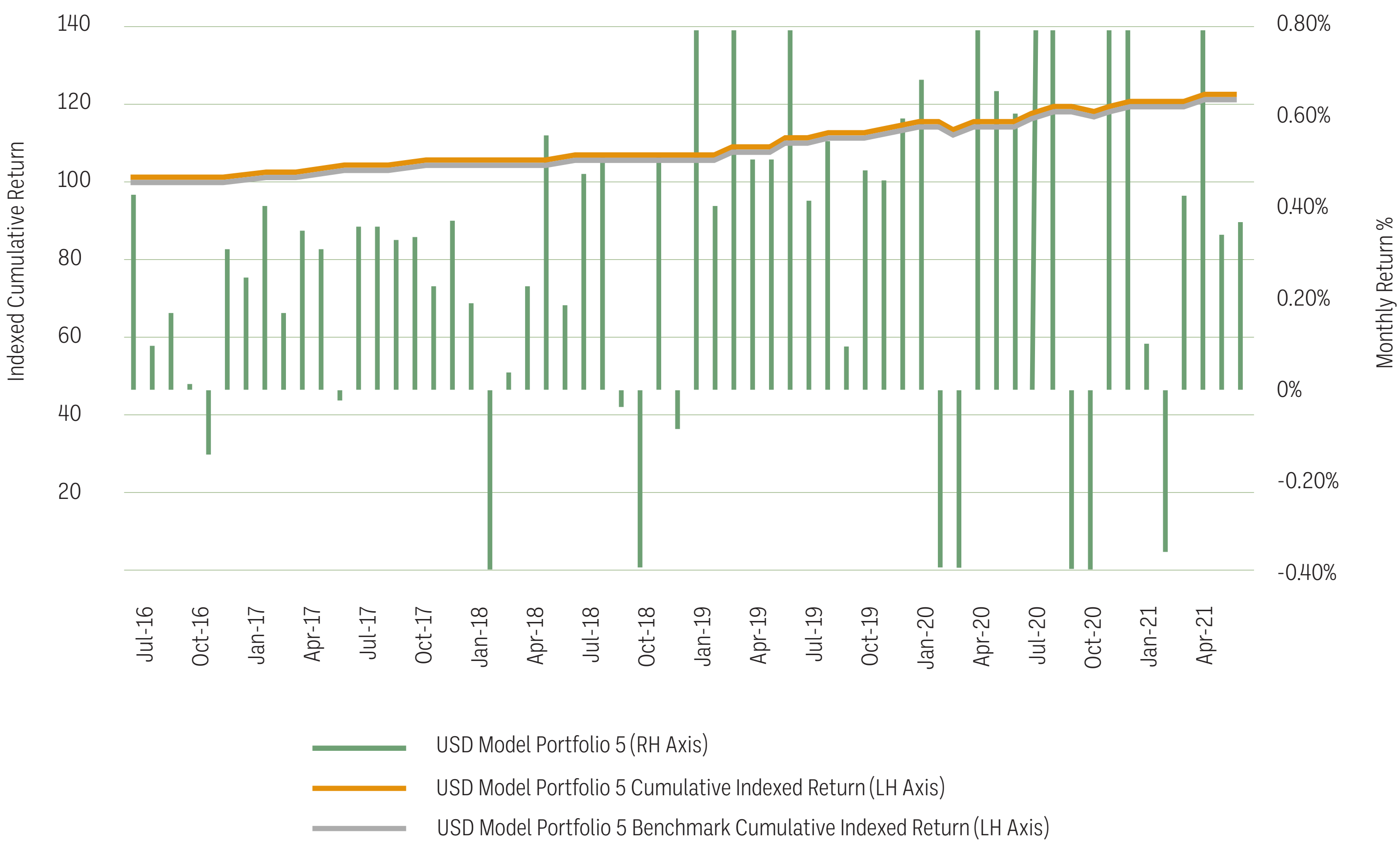
The World Bank Treasury continually monitors the asset allocation of Model Portfolio 5 to ensure it best represents the investment objective of the portfolio while remaining within the relevant risk parameters.

A team of investment professionals analyzes market movements and macro-economic trends carefully and stress tests each Model Portfolio against two possible future scenarios: the current scenario in which the model assumes that interest rates will remain unchanged over the investment horizon, and the forward scenario in which the model assumes that yields will converge to forward rates (estimated using the Nelson-Siegel model).

HISTORICAL RETURNS

The chart below shows the historical investment performance of USD Model Portfolio 5 over the past 5 years. Since inception, Model Portfolio 5 has never incurred an investment loss over its investment horizon although it may go through periods where it incurs negative returns.

FIGURE 10: INVESTMENT PERFORMANCE OF USD MODEL PORTFOLIO 5



MODEL PORTFOLIO 5 SHORT

RETURN MAXIMIZATION OVER A 1-YEAR HORIZON

JUNE 2021

INVESTMENT OBJECTIVE

The primary objective of the Global Fund USD Model Portfolio 5 Short is to ensure that funds are available as needed to make good on commitments on a timely basis (capital preservation). The second objective is to maximize returns subject to risk limits as defined by the Global Fund.

INVESTMENT UNIVERSE

The investment universe of Model Portfolio 5s includes obligations of any local currency Sovereigns; obligations of foreign currency Sovereigns, Agencies, other official entities and Multilaterals rated at least AA-; Corporates and Asset Backed Securities rated at least AAA; deposits with banks rated at least A-; and a broad range of derivatives.

ASSET ALLOCATION

The asset allocation of Model Portfolio 5 Short is at the discretion of the World Bank Treasury.

INCEPTION DATE

31 May 2019

CURRENCIES

USD

INVESTMENT HORIZON

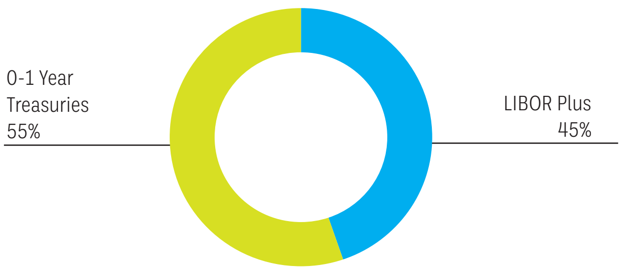
1 year

ASSETS UNDER MANAGEMENT

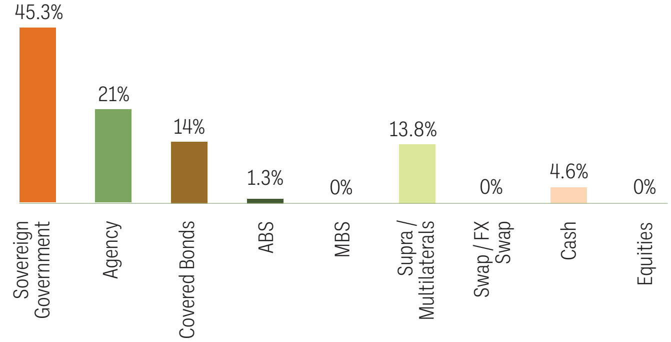
USD 376 million

FIGURE 11: ASSET ALLOCATION OF USD MODEL PORTFOLIO 5s

Allocation by Investment Product (%)



Allocation by Asset Class (%)



BENCHMARKS

Each of the Investment Products within USD Model Portfolio 5s has a benchmark, against which any limits related to relative risk and return for each Investment Product are measured. The Investment Products and their corresponding benchmarks are as follows:

Strategy	Benchmark
Short Term Treasury (0-1)	U.S. Treasury Notes & Bonds 0-1 Year
LIBOR Plus	U.S. Dollar LIBID 3-month Average

* The negative allocation to cash and cash equivalents is a result of repurchase agreements that are used to purchase yield enhancing securities.

HISTORICAL RETURNS

The chart below shows the historical investment performance of USD Model Portfolio 5s. Since inception, Model Portfolio 5s has never incurred an investment loss over its investment horizon although it may go through periods where it incurs negative returns.

FIGURE 12: INVESTMENT PERFORMANCE OF USD MODEL PORTFOLIO 5s