

COUNCIL  
120th session  
Agenda item 6(c)

C 120/6(c)  
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## RESOURCE MANAGEMENT

### (c) Report on Investments in 2017

#### Note by the Secretary-General

#### SUMMARY

<i>Executive summary:</i>	This document reports on the Organization's cash investments made during 2017
<i>Strategic direction, if applicable:</i>	7
<i>Output:</i>	7.2
<i>Action to be taken:</i>	Paragraph 12
<i>Related document:</i>	C 118/4(c)

#### Introduction

1 In accordance with Article IX of IMO's Financial Regulations, the Secretary-General may make investments for a period of less than one year of funds not immediately required for operational purposes within the confines of the investment policy and shall inform the Council of such investments made. This document therefore provides the Council with an update on investment levels and related investment performance during 2017.

#### Level of investment in 2017

2 Funds are retained in the Organization's operational bank accounts to the extent considered necessary to meet immediate operational cash requirements based on projected cash flow, including contingency funds as considered appropriate.

3 The Organization has a low risk policy on investments, and consequently the principal purpose when investing funds is the retention of capital, to be achieved through restrictions on appropriate investment instruments, selection of investment counterparties and diversification of investments in accordance with the investment policy established by the Secretary-General. Within this tiered approach and these constraints, the Organization's secondary objective is to maximize the level of investment return on placements made.

4 Investment activities during the period were carried out in accordance with the investment policy and with the approval of the IMO Treasury Committee. Funds were invested in fixed-term deposits for a period of less than 12 months with approved counterparties, meeting the required short-term rating, credit default swap level and tier 1 capitalization ratio. Through effective diversification and limiting exposure for both amount and term of the placements with any one counterparty, a balance was maintained between maximizing return while minimizing risk to the Organization's capital.

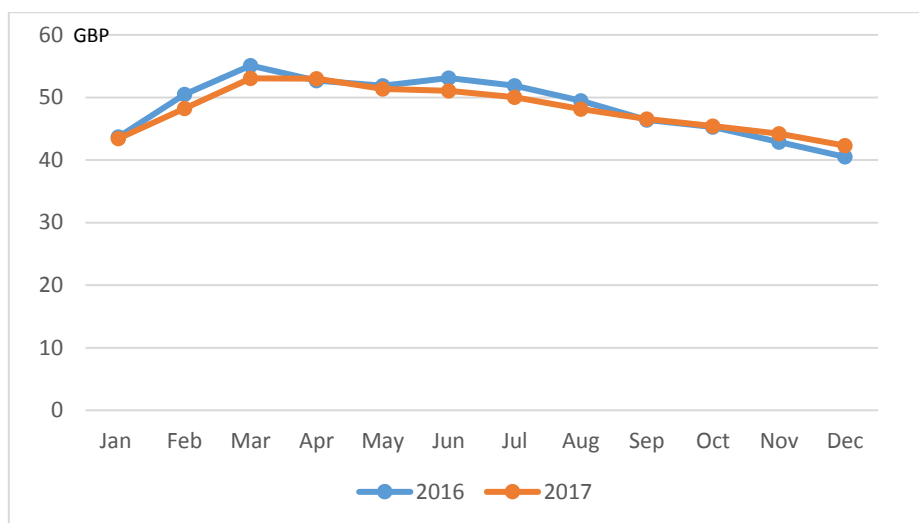
5 The total value of monthly investments in short-term deposits during 2017 ranged from £35 to £47.2 million in Pounds Sterling (GBP), and from \$7.1 to \$9.8 million in United States Dollars (USD). Investment in GBP accounted for 83% to 89% of the total value of the monthly investments for 2017 given that GBP is the operating currency of the Organization.

6 Table 1 shows the amount of monthly investments in GBP and USD and the total value in GBP. The monthly level of cash invested in short-term deposits by respective Funds (General, Headquarters Capital, Trading, Termination Benefit, Training and Development, Technical Cooperation, and Donor Funds) are detailed and outlined in the annex to this document.

**Table 1: Level of monthly investments during 2017 by currency**

Month	Amount of Investment		Total Value in GBP	
	GBP	USD	2017	2016
January	37,615,434	7,157,415	43,463,041	43,702,959
February	42,510,888	7,163,868	48,241,981	50,477,983
March	47,195,459	7,170,141	53,053,463	55,114,181
April	47,241,881	7,172,982	53,001,785	52,716,406
May	45,779,157	7,184,018	51,353,953	51,906,611
June	44,722,453	8,189,689	51,044,893	53,132,267
July	43,719,559	8,191,339	50,046,494	51,938,098
August	41,814,063	8,192,866	48,122,570	49,462,305
September	40,191,629	8,214,236	46,542,716	46,419,087
October	38,490,782	9,328,609	45,440,596	45,290,202
November	37,133,473	9,333,296	44,221,897	44,285,911
December	35,013,503	9,809,869	42,308,131	40,534,966

**Chart 1: Trend analysis of monthly level of investments for 2016 and 2017**



7 As can be seen from chart 1, the value of the 24 monthly investments made during 2016 and 2017 remained within the range of £40.5 to £55.1 million at the end of each month. Generally, investment placements over a year show an increasing trend from January to March or April and a decreasing trend from the middle to the end of the year given the timing of collection of contributions and disbursements of funds towards the financing of expenses.

8 The amount invested from the Termination Benefit Fund represents the funds transferred from the General Fund of £6,000,000, which were approved by the Assembly to build a solid funding base, which matches the movement of the Organization's post-employment liabilities.

### Investment performance

9 The total interest income earned for the year amounted to £209,403. Table 2 shows interest earned from investments by fund, i.e. General, Headquarters Capital, Trading, Technical Cooperation, Termination Benefit, Training and Development and Donor Funds for 2017 with comparative figures for 2016.

**Table 2: Interest earned from investments in 2017 and 2016 by fund**

Fund	Interest Earned (in GBP)	
	2017	2016
General Fund	52,420	125,934
Headquarters Capital Fund	3,347	7,164
Trading Fund	25,326	50,577
Technical Cooperation Fund	21,443	21,126
Termination Benefit Fund	36,261	22,699
Training & Development Fund	734	792
Donor and Trust Funds	69,899	35,865
<b>Total</b>	<b>£209,430</b>	<b>£264,157</b>

10 Interest rates for investments in USD has increased from 0.96% in December 2016 to 1.56% in December 2017 and averaged 1.30% per month, which is the reason for the increase in interest earned for investments from donor and trust funds and is reported here in GBP.

11 In contrast, interest rates for investments in GBP have decreased from 0.60% in December 2016 to 0.29% in September 2017 with the rate picking up again from 0.34% in October 2017 to 0.52% in December 2017. With an average rate of 0.40% during the ten-month period from January to October 2017 compared to the rate of 0.60% in December 2016, total interest earned for investments from other funds in 2017 (£139,531) has decreased substantially by nearly 40% compared to 2016 (£228,292).

**Action requested of the Council**

12 The Council is invited to take note of the information contained in this document.

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**ANNEX**

**INVESTMENT LEVELS AND PERFORMANCE IN 2017 BY MONTH AND FUND  
IN GBP**

	<b>General Fund<sup>1</sup></b>	<b>Headquarters Capital Fund</b>	<b>Trading Fund</b>	<b>Technical Cooperation Fund</b>	<b>Termination Benefit Fund</b>	<b>Training &amp; Development Fund</b>	<b>Donor Fund</b>	<b>Total</b>
31 January	9,570,794	1,049,618	9,524,043	7,428,119	9,836,130	206,729	5,847,608	43,463,041
28 February	13,909,656	1,049,618	10,080,635	7,428,119	9,836,130	206,729	5,731,094	48,241,981
31 March	17,801,357	1,049,618	10,873,505	7,428,119	9,836,130	206,729	5,858,005	53,053,463
30 April	17,315,992	1,049,618	11,402,215	7,428,119	9,839,208	206,729	5,759,904	53,001,785
31 May	18,213,151	647,209	10,784,432	5,177,630	10,739,015	217,718	5,574,798	51,353,953
30 June	18,058,859	647,225	10,784,432	5,178,015	9,874,774	179,148	6,322,440	51,044,893
31 July	17,312,672	647,225	11,278,514	4,426,641	9,875,360	179,148	6,326,934	50,046,494
31 August	16,222,136	238,664	11,047,806	4,427,165	9,699,144	179,148	6,308,507	48,122,570
30 September	16,223,334	238,678	11,583,298	4,427,505	7,539,608	179,205	6,351,088	46,542,716
31 October	12,248,985	1,070,473	4,676,695	8,849,492	11,364,036	281,101	6,949,814	45,440,596
30 November	12,249,878	1,070,536	5,730,318	8,849,522	8,952,013	281,206	7,088,424	44,221,897
31 December	11,637,535	1,048,650	6,777,635	7,774,789	7,585,431	189,463	7,294,628	42,308,131
<b>Interest Earned</b>	<b>52,420</b>	<b>3,347</b>	<b>25,326</b>	<b>21,443</b>	<b>36,261</b>	<b>734</b>	<b>69,899</b>	<b>209,430</b>

<sup>1</sup> The General Fund balance includes interest received on investments held on behalf of the Working Capital Fund and interest due to Member States through the Contributions Incentive Scheme.