GLOSSARY OF INVESTMENT TERMS

UNITED NATIONS INVESTMENT MANAGEMENT DIVISION

CONTENTS

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A

ACCRUED INTEREST

Accrued interest refers to interest accumulated during the life of a security.

ACTUARIAL ACCRUED LIABILITY

Total accumulated cost of fund pension benefits arising from service in all prior years.

ACTUARIAL COST METHOD

Technique used to assign or allocate, in a systematic and consistent manner, the expected cost of a pension plan for a group of participants to the years of service that give rise to that cost.

ACTUARIAL EQUIVALENT

Equivalent actuarial value shall mean the equivalent determined according to the actuarial tables adopted by the Pension Board under article 11.

ACTUARIAL PRESENT VALUE OF FUTURE BENEFITS

Amount that, together with future interest, is expected to be sufficient to pay all future benefits.

ACTUARIAL VALUATION

Study of probable amounts of future pension benefits and the calculation of the correct amount of contributions necessary to fund those benefits.

ACTUARIAL VALUE OF ASSETS

The value of assets considered in the actuarial valuation of a pension plan and used to determine the required annual contribution and funded ratio. (this not equal to market value when smoothing methodology is used)

ACTUARY

Person who performs mathematical calculations pertaining to pension and insurance benefits based on specific procedures and assumptions.

ALGORITHMIC TRADING

A form of automated trading in which computers execute trade orders based on a series of parameters, such as time, price and volume.

ALLOCATION EFFECT

The effect measures the impact on the Fund's investment performance of decisions to allocate capital across groups of assets differently from the benchmark.

ALPHA

A measure of risk-adjusted performance relative to "beta". In portfolio management, a "portable alpha" strategy refers to the combination of the returns provided by a passive exposure to a market index or asset class with an independent, active "alpha" strategy, with the aim of achieving attractive "alpha" or risk-adjusted return.

ALTERNATIVE ASSET CLASSES

Asset classes other than bonds and equities. Private equity, hedge funds and real estate are all examples of assets sometimes referred to as "alternative".

AMORTIZATION

Amortization is a method of accounting whereby the cost of an asset is spread over its useful life. Amortization can be applied to such items as patents, copyrights and goodwill. Depreciation is the term used for amortization of fixed assets. The purpose of amortization is to establish resale or redemption value of assets. The extent to which principal owed on a loan (mortgage) has been reduced through regular payments.

ANNUITY (DEFERRED ANNUITY)

The sum payable to the holder at regular, specified intervals. When this payment amount is predetermined, the arrangement is known as a "fixed annuity".

ARBITRAGE & ARBITRAGE PRICING

In its most basic form, arbitrage refers to the simultaneous buying and selling of the same security or contract in two separate markets at different prices resulting, in theory, in a risk-free profit for the arbitrageur.

ASSET ALLOCATION POLICY

A target investment portfolio consisting of proportional allocations to asset classes. An asset allocation policy requires that, over time, the pension plan's actual portfolio maintain within specified tolerance levels, the proportional allocations to the included asset classes.

ASSET-BACKED SECURITY (ABS)

A security in which payments to investors are collateralized by cash flows generated by specified assets, such as auto loans or credit card receivables.

ASSET CLASS

A major segment of the investment markets (e.g., domestic equities, fixed income, international equity, private equity, etc.) Each asset class typically has unique investment return and risk characteristics performing differently under various market conditions. An investment portfolio's long-term (i.e. strategic) allocation to various asset classes has the most influence over the variability of an investment portfolio's investment performance over time.

ASSET CLASS ASSUMPTIONS

Expected average annual returns, risks (volatilities) for each asset class, and correlations among/across all asset classes. These assumptions may be derived through both a statistical analysis of asset class history and forward-looking fundamental analyses. The assumptions are not meant to be used for tactical purposes, but rather reflect the long-term, consensus expectations for each asset class.

ASSET CLASS BENCHMARK

A broadly diversified portfolio of passively held securities that represents the investment opportunity set associated with a specific asset class. Asset class benchmarks are typically indices that are published by widely recognized providers that have developed systematic approaches to defining the appropriate opportunity set.

ASSET-LIABILITY MANAGEMENT (ALM) STUDY

An analysis of a pension plan that includes forward-looking projections for both the plan's assets and its liabilities. Asset-liability studies are utilized to test and analyze how investment portfolios containing different allocations of assets might impact the future financial condition of the pension plan. One outcome of an asset-liability study could be a change in the asset allocation policy for the pension plan's investment portfolio.

AUDIT COMMITTEE

A key element in the corporate governance process of any organization is its audit committee. The Audit Committee is an independent Committee of the Board or Governing Body that is charged with oversight of the organization's audit and control functions. The Audit Committee's terms of reference, activities and processes should be appropriate for the Committee to fulfill its responsibilities. The Audit Committee has oversight responsibility pertaining to the performance and independence of the internal audit function; the accounting and financial audit reporting processes of the organization; and the adherence to the Internal Audit Charter of the organization. One of the objectives of the Committee is to offer recommendations for the organization's audit arrangements, including both internal and external auditing, to ensure financial statement integrity and reliability.

B

BARBELL INVESTMENT STRATEGY

A semi-active fixed income investment strategy in which portfolio managers go long or short at either extreme of the yield curve – for example, taking long positions in two-year and 30-year Treasuries. In general, barbell strategies outperform when the yield curve flattens.

BASEL ACCORDS (BASEL I, BASEL II & BASEL III , SEE ALSO 'CAPITAL ADEQUACY')

The Basel Accords are a set of agreements set by the Basel Committee on Bank Supervision (BCBS), which provides recommendations on banking regulations in regards to capital risk, market risk and operational risk. The purpose of the accords is to ensure that financial institutions have enough capital on account to meet obligations and absorb unexpected losses. The first Basel Accord, known as Basel I, was issued in 1988 and focuses on the capital adequacy of financial institutions. The capital adequacy risk, (the risk that a financial institution will be hurt by an unexpected loss), categorizes the assets of financial institution into five risk categories (0%, 10%, 20%, 50%, 100%). Banks that operate internationally are required to have a risk weight of 8% or less. The second Basel Accord, known as Basel II, is to be fully implemented by 2015. It focuses on three main areas, including minimum capital requirements, supervisory review and market discipline, which are known as the three pillars. The focus of this accord is to strengthen international banking requirements as well as to supervise and enforce these requirements. The third Basel Accord, known as Basel III, builds on the Basel I and Basel II documents, and seeks to improve the banking sector's ability to deal with financial and economic stress, improve risk management and strengthen the banks' transparency. A focus of Basel III is to foster greater resilience at the individual bank level in order to reduce the risk of system wide shocks. The BCSC published the first version of Basel III in late 2009, giving banks approximately three years to satisfy all requirements.

BASIS POINT

The most commonly used measure of yields in the bond market, where one percent equals 100 basis points (bp).

BASIS RISK

The risk that the price of an underlying asset and its derivative are imperfectly correlated, leaving a hedger exposed to potential losses (or gains) on a position comprised of being long one element and short the other.

BASIS TRADING

A strategy aimed at arbitraging the perceived mispricing of two similar securities by selling one and buying the other. An example would be the simultaneous sale and purchase of cash and future, or of a cash bond and the same issuer's credit default swap.

BELL CURVE (SEE ALSO "NORMAL DISTRIBUTION')

Also known as 'normal distribution' or "Gaussian distribution', the bell curve refers to a family of continuous probability distributions. The standard normal distribution has a mean of zero and variance of one. It is called 'bell curve' because the graph of its probability density is shaped like a church bell. This shape means that there is a high probability of being close to the mean and a lower probability of being far from it.

BENEFIT

Shall include a withdrawal settlement under article 31, and a residual settlement under article 38.

BETA

A quantitative measure of the volatility of a given stock, mutual fund or portfolio, relative to the overall market, usually the Standard & Poor's (S&P) 500.

BLACK-SCHOLES MODEL

Most commonly, the term given by Robert Merton to describe the options pricing model he developed based on research by Fischer Black and Myron Scholes.

BOARD

Shall mean the United Nations Joint Staff Pension Board.

BOND ARBITRAGE

Bond Arbitrage is profiting from the disparities in the price of equivalent fixed income securities when they are simultaneously traded on more than one market.

BOND DURATION

The weighted average maturity of a bond’s cash flows or of any series of linked cash flows.

C

CALLABLE SECURITY

A security in which the issuer has the option to redeem the bond prior to maturity.

CAPITAL ADEQUACY (SEE ALSO "BASEL I & BASEL II')

The minimum required ratio of a bank's capital to its total assets; under the Basel I guidelines, capital adequacy was defined as a minimum ratio of capital to assets of 8%.

CAPITAL ASSET PRICING MODEL (CAPM)

A pricing model that assumes that the return of an asset is equal to the risk-free return, plus a beta, multiplied by a market-wide premium. It is used to determine an asset's theoretically appropriate required rate of return.

CHILD

Shall mean a child existing on the date of separation or death in a service of a participant and shall include the step-child or adopted child of a participant, and a child *in utero* upon its birth; in the event of uncertainty as to whether adoption has taken place, the matter shall be decided by the Board.

COLLATERAL

Assets pledged in support of obligations.

COLLATERALIZED OBLIGATIONS (CDOS, CLOS, CBOS AND CDOS)

Securities backed by a diversified pool of assets. Now often generically referred to as Collateralized Debt Obligations (CDOs), these pools can be loans (in collateralized loan obligations or CLOs), bonds (CBOs), commodities (CCOs) and even other CDOs (CDOs Squared).

COMMERCIAL PAPER

Short-term instruments issued by banks and large corporations with maturities of up to nine months generally used to cover working capital requirements.

COMMODITIES FUNDS

Funds investing in natural resources, metals and agricultural products such as iron ore, crude oil, coal, ethanol, sugar, soybeans, aluminum, rice, wheat, gold and silver.

COMMUTE

Shall mean cause to be converted and paid in lump sum part of the whole of a benefit otherwise payable at periodic intervals, according to the actuarial table of the Fund.

COMPLIANCE RISK

The risk of legal or regulatory sanctions, material financial loss or loss to reputation, a financial institution may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to its activities.

CONDUIT

Conduits are investment vehicles, generally kept off banks' balance sheets, that fund themselves in the asset-backed commercial paper (ABCP) market and invest in longer-dated assets-typically higher-risk, structured instruments.

CONFLICT OF INTEREST

Regulations Governing the Status, Basic Rights and Duties of Officials other than Secretariat Officials, and Experts on Mission

“In the performance of their duties, officials and experts on mission shall neither seek nor accept instructions from any Government or from any other source external to the Organization. Officials and experts on mission shall discharge their functions and regulate their conduct with the interests of the Organization only in view. Loyalty to the aims, principles and purposes of the United Nations, as set forth in its Charter, is a fundamental obligation of all officials and experts on mission. Officials and experts on mission shall not use their office or knowledge gained from their official functions for private gain, financial or otherwise, or for the gain of any third party, including family, friends and those they favour. Nor shall they use their office for personal reasons to prejudice the positions of those they do not favour. Officials and experts on mission shall not be actively associated with the management of, or hold a financial interest in, any profit-making, business or other concern, if it were possible for them or the profit-making, business or other concern to benefit from such association or financial interest by reason of their position with the United Nations. Officials or experts on mission who are in such a situation shall either dispose of that financial interest or formally excuse themselves from participating with regard to any involvement in that matter that has given rise to the conflict-of-interest situation.”

Regulations Governing the Status, Basic Rights and Duties of United Nations Staff Members

“In the performance of their duties staff members shall neither seek nor accept instructions from any Government or from any other source external to the Organization. By accepting appointment, staff members pledge themselves to discharge their functions and regulate their conduct with the interests of the Organization only in view. Loyalty to the aims, principles and purposes of the United Nations, as set forth in its Charter, is a fundamental obligation of all staff members by virtue of their status as international civil servants. Staff members shall not use their office or knowledge gained from their official functions for private gain, financial or otherwise, or for the private gain of any third party, including family, friends and those they favour. Nor shall staff members use their office for personal reasons to prejudice the positions of those they do not favour.

Staff members shall exercise the utmost discretion with regard to all matters of official business. They shall not communicate to any Government, entity, person or any other source any information known to them by reason of their official position that they know or ought to have known has not been made public, except as appropriate in the normal course of their duties or by authorization of the Secretary-General. These obligations do not cease upon separation from service. Staff members shall not be actively associated with the management of, or hold a financial interest in, any profit-making, business or other concern, if it were possible for the staff member or the profit-making, business or other concern to benefit from such association or financial interest by reason of his or her position with the United Nations."

CONVENTION ON THE PRIVILEGES & IMMUNITIES OF THE UNITED NATIONS

In accordance with Article 105 of the Charter of the United Nations, the United Nations shall have such privileges and immunities as are necessary for the fulfillment of its purposes. In accordance with the 1946 Convention on the Privileges and Immunities of the United Nations, the United Nations, inter alia, enjoys immunity from every form of legal process, including immunity from lawsuits, as well as immunity from the seizure or confiscation of its assets, and the United Nations is exempt from direct taxes and other customs charges and duties or other public charges of a similar nature. Officials of the United Nations and staff of the United Nations enjoy similar privileges and immunities, which are accorded for the benefit of the United Nations, and therefore may be waived by the Secretary-General when the interests of the United Nations and the requirements of justice so require. As a subsidiary organ of the United Nations General Assembly, the Fund, its assets and its officials all enjoy such privileges and immunities of the United Nations.

CONVERTIBILITY

The quality of paper money which entitles the holder to redeem it on demand or to exchange it into another currency.

CONVERTIBLE BOND

A fixed-income security that can be exchanged into the issuer's common stock at a predetermined conversion premium.

CONVEXITY

A means of measuring how a bond's price changes as interest rates change. Convexity is said to be positive if yields rise as duration falls; negative convexity, meanwhile, refers to a situation in which yields rise as duration rises, and falls as duration falls.

CORRELATION & CORRELATION RISK (SEE ALSO 'VARIANCE')

The degree to which the movement of two variables are related. When the prices of shares of companies or of bonds issued by borrowers move in tandem, correlation is said to be high.

COST OF CARRY

The costs associated with maintaining a position in a security. Cost of carry is said to be negative when those costs are greater than the return on the security.

COST-OF-LIVING ADJUSTMENT (COLA)

A COLA may begin once the retired member has been receiving retirement benefits. It represents an adjustment to account for the loss of purchasing power associated with general inflation.

COUNTERPARTY RISK

The risk that the other party in a trade will default.

COUPON

Refers to the annualized percentage rate of interest paid by borrowers.

COVENANT

A clause in a contract that requires one party to do, or refrain from doing, certain things; often, a restriction on a borrower imposed by a lender. It is also called restrictive covenant.

COVERED BOND

Covered bonds are securities backed by dedicated pools of mortgage or public sector loans. Although covered bonds are similar in many ways to mortgage-backed (MBS) and other asset-backed securities, a key difference is that they remain on banks' balance sheets, whereas MBS are generally off-balance-sheet instruments.

COX-ROSS-RUBENSTEIN MODEL

A binomial approach to pricing options. This model is used to calculate both the total value of an option if it is held for the full time to expiration (alternative to Black-Scholes).

CREDIT CRUNCH

The drying up of liquidity in the financial system, leading to a dramatic increase in the price of credit in bank and bond markets, or (in extremis) to the wholesale withdrawal of liquidity from the market.

CREDIT DEFAULT SWAP (CDS)

Essentially an insurance policy for investors in the capital market. Swap buyers buy insurance against an issuer defaulting on a security. Swap sellers provide that insurance, taking on the risk of default.

CREDIT DERIVATIVES

Synthetic (non-cash market) contracts providing for the transfer of credit-related risks to a third party. A credit default swap is a form of a credit derivative.

CREDIT ENHANCEMENT

The term applied to a range of mechanisms used to minimize risks to investors in the event of a default, including additional levels of collateral (referred to as 'over-collateralization') and insurance contracts.

CREDIT RATING

A measure of the probability of default.

CURRENCY HEDGING

A process used to isolate and limit the risks associated with the movement of one currency versus other currencies. If liabilities are denominated in one currency and investments are denominated in other currencies, then the movement of those other currencies may present additional risks to funding the liabilities. Hedging out currency fluctuations from an investment portfolio, to some degree, may help reduce the risk associated with funding liabilities.

CURRENCY OVERLAY

In portfolio management, refers to the outsourcing of foreign exchange risk (FX) management to a specialist 'overlay' manager who isolates and manages FX risk separately form the portfolio's other risks. Currency overlay is increasingly being used as much as a way of generating excess returns ('portable alpha') as of minimizing or eliminating currency risk.

CYCLICALITY

Seasonality in a business or the economy from one season to the next.

CG WGBI

Citigroup World Government Bond Index

D

DEDICATED LONG & DEDICATED SHORT INVESTING (LONG ONLY & SHORT ONLY STRATEGIES)

An investment strategy or mandate that allows managers to maintain exposure only to securities they physically own (long only) or where they have undertaken via a futures contract to sell positions in the future (short only).

DEFAULT & DEFAULT RATES

Default refers to a bond issuer's failure to honour an interest or principal payment on time. Default rates are therefore a measure of the underlying strength of the credit market.

DEFINED BENEFIT (DB) PLAN

A retirement plan in which pension benefits are predetermined on the basis of a formula linked to years of service multiplied by a percentage of wages.

DEFINED CONTRIBUTION PLAN

A retirement plan into which contributions are paid in expectation of retirement. There is no guarantee regarding the level of benefits to be paid upon retirement.

DERIVATIVES

Any security or asset in which the value is based on the price or value of another underlying security or asset.

DISCOUNT RATE

The rate at which member banks may borrow short-term funds directly from a Federal Reserve Bank in the USA.

DISPERSION

A statistical term referring to the volatility of investment strategies. The wider the dispersion from the mean, the higher the risk.

DISTRESSED DEBT

A fixed income security, such as a bond, that is either already in default, under bankruptcy protection, or in distress and heading toward such a condition.

DIVERSIFICATION

In portfolio management, refers to the variety of securities within a portfolio in terms of its geographical or sectoral spread, or in terms of its credit quality. In general, risk is reduced as portfolio diversification increases. Note that in a diversified portfolio, some investments losses will occur. The goal is to offset such expected losses with profitable investments.

DIVIDENDS & DIVIDEND COVER

Dividends are the portion of a company's profits paid to shareholders. The ratio between a company's earnings and the net dividend paid to shareholders is knows as its dividend cover.

DOLLARS

Shall mean dollars of the United States of America.

DUAL CONTROL

Dual Control is a control procedure whereby the active involvement of two people is required to complete a specified process. Such control may be physical; e.g. two persons required to un-lock the Cash Vault or Data Safe. It may also be logical; as in the case of a higher level authorisation password required to permit the entry of data created or amended by another person. Dual control is also used in the context of segregation of duties. Dual control and/or segregation of duties can be used to divide the responsibility for completion of a transaction or process into separate, accountable actions, or to safeguard integrity.

DUE DILIGENCE

A detailed process where investment strategies and operations processes are examined in detailed to ensure that the manager and/or counterparty has controls in place to mitigate risks associated with the investment

DURATION MANAGEMENT, DURATION MATCHING & DURATION RISK

Duration management is the process by which the duration of liabilities and the maturity of assets are matched. Duration risk is said to be high when the gap between the maturity of liabilities and assets widens.

E

EFFICIENT FRONTIER

A set of optimal portfolios at varying degrees of risk. In mean-variance space, an efficient frontier is that set of portfolios that maximize investment return at each level of investment risk. (or minimizes investment risk at each level of expected return). In more generalized terms, an efficient frontier is that set of portfolios that maximizes the ability to meet a certain objective while minimizing the risk of achieving that objective.

EMERGING MARKETS

The term emerging markets is commonly used to describe business and market activity in industrializing or emerging regions of the world. Originally brought into fashion in the 1980s by then World Bank economist Antoine van Agtmael, the term is sometimes loosely used as a replacement for emerging economies, but really signifies a business phenomenon that is not fully described by or constrained to geography or economic strength; such countries are considered to be in a transitonal phase between developing and developed status.

EQUITY-LINKED ANNUITY

An annuity paying a fixed minimum rate, qualifying for bonus payments linked to the performance of an equity benchmark such as the S&P500.

EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 (ERISA)

A U.S. federal law which specifies legal guidelines for private pension plan administration and investment practices.

ESG FACTORS (ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE)

Environmental, social and corporate governance issues that investors may consider in their investment decision-making process.

ETF (EXCHANGE TRADED FUNDS)

An exchange-traded fund (ETF) is an investment fund traded on stock exchanges, much like stocks. An ETF holds assets such as stocks, commodities, or bonds, and trades close to its net asset value over the course of the trading day. Most ETFs track an index, such as a stock index or bond index. ETFs may be attractive as investments because their efficiency, especially for retail or taxpaying entities.

ETHICAL INVESTING

The investment philosophy guided by moral values, ethical codes or religious beliefs. Investment decisions include non-economic criteria. This practice has traditionally been associated with negative screening.

EVENT RISK

In credit markets, the term given to unforeseen events which might have a negative impact on a company's balance sheet.

EXPECTED VALUE, EXPECTED LOSS & EXPECTED RETURN

Expected value, whether positive or negative, is the sum of the probabilities of each possible outcome of a situation multiplied by the outcome payoff. Expected returns, meanwhile, refer to the returns likely to earn on risky assets calculated by the returns generated by a risk-free asset plus a risk premium, multiplied by the beta.

EXPOSURE

The level of risk an investor has to a particular asset, asset class, region or derivative contract.

F

FIDUCIARY DUTIES

The duties imposed upon a person who exercises some discretionary power in the interests of another person in circumstances that give rise to a relationship of trust and confidence. Fiduciary duties are the key source of limits on the discretion of investment decision makers in common law jurisdictions. The most important fiduciary duties are the duty to act prudently and the duty to act in accordance with the purpose for which investment powers are granted (also known as the duty of loyalty).

FINAL AVERAGE REMUNERATION

Shall mean the average annual pensionable remuneration of a participant during:

(i) The thirty-six completed calendar months of highest pensionable remuneration within the last five years of a participants contributory service; or

(ii) If the contributory service was less than five years, the thirty-six completed calendar months of highest pensionable remuneration within the actual period of such service; or

(iii) If the contributory service contained less than thirty-six completed calendar months, the actual number of such months within the contributory service; or

(iv) If the contributory service contained no completed calendar month, the actual period of such service.

FINANCIAL DISCLOSURE

Disclosure is a business term often referred to as transparency, which designates openness and accountability. It is also a key business practice requiring the disclosure of all relevant information in financial reports and statements. Financial disclosure laws require many public office candidates, public officials, and public employees to, under their Ethics Laws, file annual reports, called Financial Disclosure Statements that disclose certain required financial information. The purposes of the financial disclosure requirement are to remind public officials of financial interests that may conflict with their duties and to assist citizens and their ethics offices in monitoring the areas of potential conflict of interest of public officials. Public disclosure serves as a deterrent to public officials considering activity that may result in a conflict.

FINANCIAL GUARANTEE INSURANCE

An arrangement whereby payment of interest and principal to bondholders is insured by a third party (generally a monoline insurance company). This will generally enhance the credit rating of the instrument and therefore make it accessible to a wider range of investors.

FLOATING RATE NOTE

A security in which interest payments fluctuate in accordance with market rates of interest.

FORWARDS

Over-the-counter (OTC) contractual agreements to buy or sell securities, currency or other assets at a specified future date and price.

FUND

Shall mean the United Nations Joint Staff Pension Fund.

FUTURES

Exchange-traded contractual agreements to buy or sell securities or other assets for future delivery.

GEARING

Another term for financial leverage or indebtedness. A company with a high debt-to-equity ratio may be said to be highly geared.

GENERAL ASSEMBLY

Shall mean the General Assembly of the United Nations.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

US GAAP refers to the accounting standards used by publicly quoted companies submitting financial statements to the US Securities and Exchange Commission (SEC). GAAP is scheduled to converge with International Financial Reporting Standards (IFRS) by 2008.

GREEKS

Letters of the Greek alphabet are used to represent the key variables that affect the price of derivative instruments. For example, *theta* measures an option's sensitivity to changes in time to expiration (also known as time decay), while *rho* measures an option's sensitivity to interest rates.

GROSS REDEMPTION YIELD

The total return on a bond taking into account coupon payment and capital gains (or losses).

H

HEDGE FUNDS

Broadly, funds that generate returns by adopting a wide range of strategies including selling short, trading in derivatives and taking on leverage.

HEDGING & DYNAMIC HEDGING

Hedging is the process of offsetting risk by simultaneously taking two or more positions that are negatively correlated. Dynamic hedging, which is used by derivatives dealers, is duplicating the payout of an option or option portfolio by constantly buying and selling the underlying or futures contracts.

HFOF (HEDGE FUND OF FUNDS)

Hedge fund of funds is a fund that invests in a portfolio of different hedge funds to provide exposure to the hedge fund industry and to diversify the risks associated with a single investment fund.

HIGH-YIELD BOND

Also know as ‘junk bonds’, high yield or sub-investment grade bonds are those issued by lesser-rated borrowers paying high rates of interest but exposing investors to a higher risk

HURDLE RATES

The minimum rate of return demanded by an investor before making a commitment to an investment. Can also refer to the rate of return that an investment manager is required to generate before earning his fee or commission.

HYBRID SECURITY

A security that combines the features of debt and equity, or a security whose value is linked to the price of more than one asset class - for example, a bond whose redemption price is linked to the price of a commodity and an exchange rate.

I

IFRS

See ‘GAAP’.

ILLIQUIDITY PREMIUM

The additional yield demanded by holders of securities with limited liquidity. Investors willing to invest for longer terms are generally rewarded with higher returns.

IMMEDIATE ANNUITY

An annuity purchased with a lump sum, usually at retirement.

IMMUNIZATION

A means of protecting a portfolio against interest rate risk by holding assets and liabilities with the same duration.

IMPLIED VOLATILITY

Asset volatility derived from the market by means of an option pricing model rather than the observed or historical volatility of the asset.

INCREMENTAL RISK

An additive measure used to measure the risk contributed by each decision from the surplus level to the manager level. The sum of incremental risks across all investment decisions is equal to the total risk.

INDEXATION

Indexation is a passive investment technique designed to approximate the performance of a certain market by holding every security in a market index in the same proportion as in the index.

INFLATION-LINKED BONDS

Securities paying interest indexed to the rate of consumer or retail price inflation (CPI or RPI).

INFRASTRUCTURE FUNDS

A large initial investment for the the basic physical systems of a country's or community's population, including roads, utilities, water, sewage, etc. These systems are considered essential for enabling productivity in the economy.

IN PAY STATUS

shall mean that a participant is entitled to remuneration from a member organization under the terms of his or her appointment.

INTEREST

Shall mean interest compounded annually at the rates specified in article II(c).

INTERNAL AUDIT CHARTER

The Internal Audit Charter is the formal authority for the internal audit function in an organization. The Charter, in accordance with the Professional Practice of Internal Auditing, defines the internal audit function, its mission and purpose, its composition and structure, its authority and responsibility. Normally, the Internal Audit Charter is approved by the Organization’s Board or Audit Committee thereof.

INTERNAL AUDIT FUNCTION

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes. The internal audit function has the responsibility to determine compliance with all rules, regulations, policies, and procedures pertaining to the organization's physical and financial assets. Internal Audit is empowered to have unrestricted access to any reports, data, and/or information pertaining to the financial operations and locations of the Organization; to issue independent audit, review, and/or any special reports without management's influence; and to meet with company officers, external auditors, or outside counsel, as necessary.

INTERNAL CONTROL

The plan of the organization and all the methods and measures it uses to monitor assets, prevents fraud, minimize errors, verify the accuracy and reliability of accounting data, promote operational efficiency, and ensure that established managerial policies and procedures are complied with (i.e., accounting, administrative and managerial controls).

INTERNAL RATE OF RETURN

The rate at which security's future cash flows, discounted back to the present, equals its price.

INTERNAL RATINGS-BASED APPROACH (IRB)

Under the Basel guidelines, the IRB approach allows financial institutions to use their own internal assessments of key risk drivers when weighting their assets. The IRB Foundation approach uses formulas developed by the Basel committee to determine the weightings while the IRB Advanced approach gives financial institutions more freedom to apply their own formulas.

INVESTMENT INCOME

Income generated by a portfolio of invested securities.

INVESTMENT COMMITTEE

Investments committees are generally a key element of the governance structure of employee benefit plans. Investments committees are usually comprised of internal and external investment professionals and provide advice on a broad range of investment ralged matters such as investment policies, riks controls, asset diversification and allocation and best practices.

IPO

Initial Public Offering. The first sale of publicly-traded shares, allowing early investors in private companies the opportunity to sell their holdings to the public, in the form of listed equities.

ITRAXX

The brand name for a suite of credit default swap (CDS) index products covering a range of geographical regions and credit ratings.

IPSAS

International Public Sector Accounting Standards (IPSAS) are high quality, credible and independently produced accounting standards, for use by public sector or not-for-profit entities in the preparation of general purpose financial statements. The use of full accrual based IPSAS, will result in better quality financial information and support enhanced transparency and accountability of the financial processes and improved consistency and comparability of financial statements. IPSAS are issued by the International Public Sector Accounting Standards Board (IPSASB), which functions under the auspices of the International Federation of Accountants (IFAC).

J

JUNK BOND

A bond with above-average default risk - See 'High-Yield Bond'.

J CURVE

J-Curve. This refers to the pattern of returns in private equity funds. Typically, a fund will have negative results in the first three to five years, because management fees and startup costs are incurred before significant revenues are generated. Investment gains increase during the outlying years as the portfolios of companies mature and exit strategies, such as IPO's generate income.

K

KURTOSIS

A measure of the 'peakedness' of a probability distribution. High kurtosis means a higher likelihood of extreme observations or events.

L

LEVERAGE & LEVERAGED LOAN

Broadly, leverage is an alternative term for indebtedness or gearing in the context of a leverage loan, however, it refers to loans made to sub-investment or less creditworthy borrowers – measured either by credit ratings or by spread.

LIABILITY DRIVEN INVESTMENT (LDI)

An asset allocation strategy which places emphasis on investing in fixed income securities which match, to the extent possible, the cash flow characteristics of the benefits payable.

LIQUIDITY

The ability of an asset to be converted into cash quickly and without any price discount.

LIQUIDITY PREMIUM

The premium required by investors investing in long-term debt. The liquidity premium explains the shape of the yield curve, since tying up cash in an investment for a longer period of time exposes the investor to more risk. The investor will demand a better return to compensate for this risk.

LIQUIDITY RISK

The risk that arises from the difficulty of selling an asset. An investment may sometimes need to be sold quickly. Unfortunately, an insufficient secondary market may prevent the liquidation or limit the funds that can be generated from the asset. Some assets are highly liquid and have low liquidity risk (such as stock of a publicly traded company), while other assets are highly illiquid and have high liquidity risk (such as a house).

LOAN LOSS PROVISION

An expense set aside by a financial institution as reserve for a non-performing loan (NPL).

LONDON INTERBANK OFFERED RATE (LIBOR)

The rate of interest at which banks borrow funds, in marketable size, from other banks in the London interbank market. LIBOR, the most widely used benchmark or reference rate for short term interest rates, is an international rate.

LONG TAIL EVENT

In a 'bell curve', the longer the tail becomes, the less likely an event is to happen, meaning that risk models become increasingly incapable of evaluating their likely impact. A snowstorm in Jamaica, for example, would be a long tail event.

LONG/SHORT POSITIONS & LONG/SHORT STRATEGIES

A hedging strategy involving simultaneously adopting long and short positions.

LEHMAN GL AGG

Lehman Brothers Global Aggregate Index

M

MARK-TO-MARKET

Recording the price of an asset on a regular (usually daily) basis to reflect its current market value.

MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE (MFID)

A set of guidelines created by the European Union that created common regulations across the various investment services in each member state. MFID authorizes member states to regulate their own financial firms, requires that firms offer sufficient transaction transparency, and requires that firms offer the best trade execution for clients.

MARKET NEUTRAL STRATEGY

An investment strategy that aims to produce almost the same profit regardless of market circumstances, often by taking a combination of long and short positions.

MARGIN

A type of financial collateral used to cover credit risk where an asset is purchased with leverage.

MARKOWITZ DIVERSIFICATION

A strategy that aims to reduce portfolio risk by combining imperfectly correlated assets. The aim of such a strategy is to make many investments, with enough winners to offset losers.

MEMBER ORGANIZATION

Shall mean the United Nations and any specialized agency or other organization admitted to membership in the Fund in accordance with article 3.

MERGER ARBITRAGE OR RISK ARBITRAGE

An investment or trading strategy often associated with hedge funds.

MEZZANINE

In debt markets, mezzanine generally refers to debt ranking below the senior level, but above the junior level, that can incorporate equity-like features.

MINIMUM VARIANCE FRONTIER

Graph of the lowest possible portfolio variance that is attainable for a given expected return.

MINVOL OR MINIMUM VOLATILITY

Refers to an investment strategy where a benchmark is optimized in such a way that risk is reduced for downside protection.

MOMENTUM INVESTING

A system of buying stocks or other securities that have had high returns over the past three to twelve months, and selling those that have had poor returns over the same period.

MONOLINE INSURANCE

A guarantee to issuers in the bond market, provided by specialist insurance companies, that protects investors' [principal and interest payments in the event of a default.

MONTE CARLO & MONTE CARLO SIMULATION

A mechanism for assessing the probability distribution of possible outcomes by aggregating a large number of simulations.

MORAL HAZARD

The risk that the existence of a contract or policy will cause inappropriate behaviour to be rewarded.

MORTGAGE-BACKED SECURITIES

Securities in which interest payments were collateralized by pools of mortgage loans. The most common form of these bonds were backed by residential mortgages (RMBS), although commercial mortgage-backed securities (CMBS) were becoming increasingly common.

MSCI ACWI

Morgan Stanley Capital International All Country World Index, the Fund's equity benchmark.

MSCI EAFE

Morgan Stanley Capital International Europe, Australasia and Far East

N

NEGATIVE SCREENING

An investment approach that excludes some companies or sectors from the investment universe based on criteria relating to their policies, actions, products or services. Investments that do not meet the minimum standards of the screen are not included in the investment portfolio.

NET ASSET VALUE (NAV)

The ‘true’ value of a fund’s investments based on the quoted prices of its components.

NORMAL COST

That portion of the actuarial present value of benefits assigned to a particular year in respect to an individual participant or the plan as a whole.

NORMAL PROBABILITY DISTRIBUTION

See “Bell Curve’.

NORMAL RETIREMENT AGE

Shall mean age 60, except that it shall mean age 62 for a participant whose participation commences or recommences on or after 1 January 1990.

NCREIF ODCE

National Council of Real Estate Investment Fiduciaries Open End Diversified Core Equity Index.

O

OPEN INTEREST

The total number of futures contracts or option contracts that have not yet been exercised, expired, or fulfilled by delivery.

OPPORTUNITY COST

Opportunity Cost represents the revenues forfeited by pursuing a particular use of resources, time or facilities over alternative uses. This represents the highest price or rate of return an alternative of action would provide, or the net benefit lost by rejecting some alternative course of action. The Opportunity Cost Approach is the method in which the concept of opportunity cost is applied to solve a short-term, non-routine decision problem. The significance of this approach in decision making is that the best decision is always sought, since it considers the cost of the best available alternative not taken. Of note however, is that opportunity cost does not appear on formal accounting statements.

OPTIMAL PORTFOLIO

A portfolio that best meets the decision makers' objectives while minimizing the risk associated with meeting those objectives. In a mean-variance context, the objective is to maximize return while minimizing the risk of achieving that return. In this sense, a mean variance optimal portfolio is single dimensional in that it only focuses one variable investment return. A more generalized approach is to include other plan-oriented variables into the objective setting process.

OPTION

The right, but not the obligation, to buy or sell a security or asset at a predetermined price. In an American-style option, the holder has the right to exercise at any time up to and including the expiry date. In a European-style option, exercise can only take place on the expiry date.

OWN CONTRIBUTIONS

Shall mean the contributions, not exceeding the percentage of his or her pensionable remuneration specified in article 25(8), column B, made to the Fund by or on behalf of a participant in respect of contributory service under article 22, with interest, provided that, in respect of service in a member organization prior to its admission to membership in the Fund, which has been recognized as contributory, it shall mean:

(i) The amount transferred on account of the participant from the Provident Fund of

such member organization at the time of its admission, without interest; or

(ii) The amount, not exceeding 12 per cent of his or her pensionable remuneration, received by the participant from the Provident Fund of such member organization on separation prior to its admission and repaid to that organization, upon re-employment, for the purpose of recognition of such service as contributory, without interest.

OVER-THE-COUNTER

Refers to securities not listed on a recognized exchange that are therefore generally less liquid than listed securities.

P

PAIRS TRADING (SEE ALSO 'CORRELATION AND CORRELATION RISK')

In a pairs trade, an investor or dealer will simultaneously take a long position in one security and a short position in another correlated security as a means of establishing a market-neutral position.

PARTICIPANT

Shall include a former participant.

PENSIONABLE REMUNERATION

Shall mean the remuneration, at its equivalent in dollars, defined in article 54 of the Regulations of the United Nations Joint Staff Pension Fund.

PERFORMANCE ATTRIBUTION

A diagnostic tool that attributes past excess returns to active investment decisions such as sector allocation and security selection. Performance attribution is a valuable tool for assessing the skill of asset managers and determining how excess returns were generated in a specific time period.

PLAIN VANILLA

In financial markets, 'plain vanilla' refers to conventional securities with no innovative embellishments – features generally referred to as 'bells and whistles'.

POLITICAL RISK INSURANCE

An insurance policy taken out by companies against political-related risks ranging from revolution to expropriation of assets by a government.

PORTABLE ALPHA

See 'Alpha'

PORTFOLIO APPROACH

A method of investing in many types of securities and assets, with the goal of making more money on the profitable elements of the portfolio than is lost on the unprofitable investments. There will always be some losers.

PRESENT VALUE

The value of a stream of future cashflows discounted at a specified interest rate to the present date. The higher the interest rate used to discount the future cash flows, the lower the present value.

PRICE TO EARNINGS (P/E) RATIO

A simple way of providing a snapshot of the value that equity investors place on a listed company, the P/E ratio (or 'earnings multiple') is calculated by dividing a company's share price by its earnings per share (EPS).

PRIMARY MARKET (SEE ALSO 'SECONDARY MARKET')

The market in which new securities are priced, issued and distributed – hence also known as the new issue market.

PRIVATE EQUITY

Private equity represents an ownership interest in a company which is not listed or traded in a public market or exchange. Private equity investors typically hold large stakes (controlling stakes in some cases) and tend to be more directly and actively involved with management of the business than the shareholders in public companies. Private equity has somewhat higher risk due to illiquidity, but offers diversification from a traditional portfolio of marketable securities.

PRIVATE PLACEMENT

The direct sale of securities to investors without the requirement for their registration with national regulators.

PROFITABILITY

The ability to earn a profit.

PRUDENT INVESTOR ACT

Rule: The fundamental principle for professional money management, stated by Judge Samuel Putnum in 1830: "Those with responsibility to invest money for others should act with prudence, discretion, intelligence, and regard for the safety of capital as well as income."

Q

QUANTITATIVE ANALYSIS & QUANTITATIVE MANAGEMENT

A form of financial analysis pioneered by Robert Merton based on mathematical and statistical modelling, measurement and research. Analysts supporting traders and risk managers by developing these models are often referred to as ‘quants’.

R

RANDOM WALK THEORY

Quoting from Burton Malkiel in his 1973 book, "A Random Walk Down Wall Street", a random walk is one in which future steps or directions cannot be predicted on the basis of past actions. When the term is applied to the stock market, it means that short-run changes in stock prices cannot be predicted.

RATINGS AGENCIES

Independent agencies, such as Fitch, Moody's and Standard & Poor's, that assess the probability (or otherwise) of default among issuers of securities.

REAL RETURN ASSET CLASS

A collection of asset classes which endeavour to maintain purchasing power versus inflation. Such asset classes include, but are not limited to: inflation-protected securities, timber, commodities, low-volatility hedge funds or hedge fund-of-funds, unlevered infrastructure, among others.

REPURCHASE AGREEMENT (REPO)

A contract under which a seller agrees to buy a security back from the purchaser at a specified price. A reverse repo refers to the same transaction from the perspective of the buyer. Repos are popular as they effectively function as collateralized loans.

RESAMPLING

A specific form of simulation that gathers historical samples of data and then randomly selects from that data to create potential scenarios. If performed over hundreds, if not thousands of randomly selected scenarios, resampling can provide a very likely range of future outcomes.

RESTORATION

Shall mean the inclusion in contributory service of the prior contributory service of a former participant who again becomes a participant.

RESTRUCTURING

Reorganizing a company's operations i.e.; going private, rescheduling loans.

RETURN ON ASSETS (ROA)

Return on assets refers to a company's total net income divided by its total average assets and is expressed as a percentage.

RETURN ON INVESTED CAPITAL (ROIC)

Total net income divided by total invested capital.

RETURN ON EQUITY (ROE)

Total net income divided by total shareholders' equity.

RISK BUDGETING

The objective of risk budgeting is to create a systematic plan for the expenditure of risk and to determine the total risk that a plan is willing to incur to generate returns (risk tolerance). The process involves allocating an allowable measure of potential loss to each different element of the investment process.

RISK MANAGEMENT

In finance, generally refers to the process of identifying and evaluating risks; and of identifying and implementing strategies to minimize those risks.

RISK PARITY

Refers to an investment strategy where asset allocation is optimized in such a way that all asset class contribute equally to the risk.

RISK PREMIUM

The excess returns that are generated by holding risky assets such as equities or lower-rated bonds compared with risk-free benchmarks. Corporate bonds in mature capital markets, for example, are said to pay a risk premium or higher rate of interest than sovereign debt.

RISK WEIGHTINGS (SEE 'BASEL 1 & BASEL II')

Broadly, the amount of capital that banks are required to hold against exposures of varying degrees of credit quality. In Basel I, the risk weightings were viewed as over-simplified (ranging from 0% for G-10 debt to 100% for corporate loans). Basel II has proposed substantive changes to banks' risk weightings.

RISK TOLERANCE

An investor's ability to handle declines in the value of his/her portfolio.

S

SECONDARY DEPENDANT

Shall mean the mother or father, or an unmarried brother or sister under the age of twenty-one, who was dependent on the participant at the date of the participant's death in service, or from the date of the participant's separation from service to the date of the participant's death if he or she died after separation. The Board shall prescribe in the Administrative Rules the meaning of "dependent" for the purpose of this definition.

SECRETARY-GENERAL

Shall mean the Secretary-General of the United Nations.

SECURITIES LENDING

Securities lending involves the temporary loan of a security from an institutional investor’s portfolio to a broker/dealer or dealer bank in exchange for cash collateral (usually over collateralized 102-105% of market value of the security). The securities that are lent out are those securities that provide very favourable lending terms. The proceeds are reinvested resulting in incremental revenue to the portfolio. In this context, securities lending is being used as a portfolio enhancement tool.

SECURITIZATION

The process whereby assets generating theoretically dependable and visible cash-flow streams (such as mortgages and credit card loans) are pooled into a bankruptcy-remote entity to allow them to be financed at cheaper rates.

SEGREGATION (SEPARATION) OF DUTIES

Separation of duties is one of the key concepts of internal control, but in some circumstances it can be the most difficult and costly one to achieve. That is, a key aspect of managing internal controls is the segregation of incompatible duties, so that any one individual does not have responsibility for activities that could provide the opportunity of fraud or misappropriation. This proven technique for designing internal controls, policies, and especially organizational structures was developed by accountants and auditors. Three rules to observe are to separate responsibilities for *transaction authorization from transaction processing*, *record keeping from asset custody*, and *any series of transaction processing steps* such that a collusion of individuals would be necessary to commit fraud. Where segregation of duties is not feasible, management should compensate by ensuring adequate supervision to mitigate related risks.

SELECTION EFFECT

The effect measures the impact on performance of decisions to select different securities from the benchmark.

SEPARATION

Shall mean ceasing to be in the service of a member organization otherwise than by death.

SERVICE

Shall mean employment as a full-time member of the staff of a member organization.

SHARPE RATIO

A ratio developed by William F. Sharpe, calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe ratio, the better the fund's historical risk-adjusted performance.

SIMULATION

A process that analyzes how a participant in an experiment will behave across numerous scenarios. In an asset-liability study, the participant is the pension fund and the pension fund's investment portfolio. Numerous economic an investment market-related scenarios are simulated to determine how the pension fund might behave over a multiple year time horizon.

SOLVENCY RATIOS

Any of several formulas used to gauge a company's ability to meet its long-term obligations. It is often calculated as total net worth divided by total assets.

SPECIAL PURPOSE VEHICLE (SPV)

In securitization, a special purpose vehicle (SPV) or special purpose entity (SPE) is a company set up to serve the sole function of holding securitized assets. An SPEC or SPV is theoretically a bankruptcy-remote entity with no employees, often located in a tax-efficient jurisdiction such as the Cayman Islands.

STANDARD DEVIATION

A statistical measure of volatility indicating the dispersion of returns, representing the square root of the variance of data points from the mean.

STANDARDIZED APPROACH (SEE ALSO 'BASEL I & BASEL II')

Under the Basel II guidelines, the process whereby fixed risk weightings are applied to different types of assets (see also 'Risk Weightings').

STATISTICAL ARBITRAGE

A quantitative trading strategy that aims to identify and profit from the statistical mispricing of one or more assets based on their expected return.

STOCHASTIC ANALYSIS

Refers to analysis pertaining to a series of random processes.

STOP-LOSS

A stop order for which the specified price is below the current market price and the order is to sell.

STRUCTURED INVESTMENT VEHICLE (SIV)

An investment company that buys highly rated debt, such as asset-backed securities (ABS), and funds itself by issuing senior debt and capital notes. A SIV generates its returns by capturing the credit spread between its longer-dated assets and its funding through shorter (and hence cheaper) maturity debt.

SUBORDINATED DEBT

Usually unsecured debt that has a power priority than other (senior) debt claims on the same issuer.

SAR (SURPLUS AT RISK)

The risk for a defined benefit pension plan that the policy asset allocation might underperform the pension liabilities.

SURVIVORSHIP BIAS

The tendency for failed companies to be excluded from performance studies due to the fact that they no longer exist. Survivorship bias causes the results of some studies to appear better than they should because only companies which were successful enough to survive until the end of the period are included. Similarly, mutual fund performance may be misleading due to survivorship bias if the fund family tends to close underperforming funds.

SYSTEMIC RISK

Risk that impacts the entire financial system, rather than individual sectors or industries. Exposure to systemic risk cannot therefore be avoided through diversification.

S.W.I.F.T

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) supports a robust worldwide data processing and communications link and a secure messaging system for international financial transactions. SWIFT offers industry-standard messages that support all stages of financial transactions.

T

TAA RISK (TACTICAL ASSET ALLOCATION RISK)

The risk that the plan's TAA might underperform its strategic asset allocation. Plan sponsors often make tactical deviations from the SAA to take advantage of short or medium term opportunities.

TED SPREAD

The price difference between three-month futures contracts for U.S. Treasuries and three-month contracts for Eurodollars having identical expiration months. Used as an indicator of risk.

TIER I CAPITAL

A key measure of capital adequacy, Tier I refers to a financial institution's core capital, including equity capital and disclosed reserves.

TIER II CAPITAL

A measure of secondary capital, divided into Upper and Lower Tier capital. Upper Tier II generally includes perpetual subordinated debt, cumulative preference shares, general reserves and revaluation reserves; Lower Tier II includes instruments such as dated subordinated debt and perpetual subordinated debt without loss absorption features.

TIER III CAPITAL

A less commonly observed measure of capital which can include items such a trading book profits and certain short term subordinated debt instruments.

TOBIN Q (TOBIN Q RATIO)

Developed by James Tobin, the Tobin Q is an analytical measure derived from dividing the market value of a company by the replacement value of its assets.

A ratio in Tobin's Q theory which compares the market value of a company and the value of the company's assets. A ratio of 1 indicates that the market value of the company is based solely on its assets, a ratio less than 1 indicates a market value less than the value of the company's assets, and a ratio greater than 1 indicates a market value greater than the company's assets.

TOTAL RETURN

The return on an investment, including income from dividends and interest, as well as appreciation or depreciation in the price of the security, over a given time period, usually a year.

TRACKING RISK

A measure of the standard deviation of excess returns to give an indication of the volatility of a portfolio relative to its benchmark.

TRANCHE

A piece, portion or slice of a deal or structured financing. This portion may be one of several related securities that are offered at the same time but have different risks, rewards and/or maturities; or it may be an amount of one security offered at different times and/or prices as capital is needed by the issuer.

TRANSPARENCY

Transparency implies openness, communication and accountability. Transparency is introduced as a means of holding public officials accountable and fighting corruption. When government meetings are open to the press and the public, when budges and financial statements may be reviewed by anyone, when laws, rules and decsions are open to discussion, they are seen as transparent and there is less opportunity for the authoriteis to abuse the system in their own interest.

TIPS (TREASURY INFLATION PROTECTED SECURITIES)

A United States Treasury bond whose principal increases at the same rate as the Consumer Price Index (CPI). The interest payment is then calculated off that inflated principal and repaid at maturity. The first TIP was issued on 29 January 1997.

TWO-TRACK FEATURE OF THE PENSION ADJUSTMENT SYSTEM

As system that allows UNJSPF retiree members to adjust their benefits to increase at the better of (i) their value in US$, or (ii) their value in local currency.

U

UNFUNDED ACTUARIAL ACCRUED LIABILITY

The portion of the actuarial accrued liability not offset by plan assets.

UNINSURABLE RISK

Possible events deemed too uncertain or risky to be covered by an insurance policy.

UN OPERATIONAL RATE OF EXCHANGE

The rate that is applied, in the books of the organization, to one currency to determine its equivalent in another currency. The United Nations Operational Rates of Exchange are established monthly (with rare exceptions) on the basis of market exchange rates.

V

VALIDATION

Shall mean the inclusion in contributory service of a period of non-contributory service which occurred prior to the commencement of participation.

VALUE AT RISK (VAR)

A measure of how the market value of an asset or portfolio is likely to change over time based on historical market conditions.

VARIANCE

A measure of a random variable's statistical dispersion, indicating how its possible values are spread around an expected value.

VIX

Sometimes referred to as the 'fear index', the VIX is the Chicago Board Options Exchange Volatility Index, and is a measure of the market's expectations for the implied volatility over the coming 30 days of the S & P 500 Index Options.

VOLATILITY

Refers to the intensity of fluctuations in the prices of any financial asset or security. The larger and more frequent the swings in prices, the greater the volatility.

W

WEATHER DERIVATIVES

A product serving as an insurance or hedging policy generally used by energy-related business or others whose performance is subject to weather-related risks.

Y

YEN CARRY TRADE

Seldom out of the news in 2006 and 2007, this refers to the strategy of borrowing yen at very low Japanese interest rates with a view to reinvesting the proceeds in higher-yielding currencies.

Z

ZERO-COUPON BOND

A bond which pays no coupon, but which is sold at a deep discount to the face value at which it matures.

ZERO-SUM GAME

The theory that the gains made by a party in any financial contract can only come about as a result of another's losses.