

GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS & MALARIA

Quarterly Investment Report (Jan 2010 to Mar 2010)

Contents

Introduction.....	Page 1
Investment Strategy.....	Page 1
Asset Allocation.....	Page 1
Investment Portfolio Summary.....	Page 2
Investment Portfolio Performance Highlights.....	Page 2
Investment Climate.....	Page 3
Historical Trust Fund Returns.....	Page 4
Market Data.....	Page 4

Introduction

The International Bank for Reconstruction and Development (World Bank) as the Trustee (the “Trustee”) for the Global Fund Trust Fund receives and holds donor contributions to the Global Fund Trust Fund. Assets held in trust by the World Bank are maintained in a commingled investment portfolio (the “Pool”) for all trust funds administered by the World Bank. The assets in the Pool are managed in accordance with the investment strategy established for all of the trust funds administered by the World Bank.

Investment Strategy

The investment objectives for trust fund liquid balances are to (i) maintain adequate liquidity to meet foreseeable cash flow needs, (ii) preserve capital and (iii) maximize investment returns. The return maximization objective is subject to risk tolerance, liquidity and the operational requirements of the underlying trust funds. The investment Pool is made up of three sub-portfolios (called tranches): a cash portfolio (Tranche 0) that comprises bank deposits and investments in money market instruments with an investment horizon of less than 3 months; a short horizon portfolio (Tranche 1) which increases security selection and has an investment horizon of up to one year; and a longer horizon portfolio (Tranche 2) which adds more instruments and has an investment horizon of up to three years. The Pool is actively managed so that the probability of incurring negative returns in Tranches 1 and 2 is no more than 1% over the applicable investment horizon. The objective of the tranche structure is to actively manage liquidity and to optimize investment returns for trust funds, which have disparate risk profiles. For any given trust fund therefore, allocations of the cash balances are made to one or more of the Pool tranches based on fund-specific investment horizons, risk profiles and other criteria set by the Bank and the Trustees. The investment universe across the three tranches comprises but is not limited to (i) deposits, (ii) money market instruments guaranteed by financial institutions whose senior debt securities are rated AA- or higher (iii) government bonds or agency obligations rated at least AA-, (iv) mortgage-backed securities, asset-backed securities and corporate securities rated at least AAA and (v) derivatives related to the risk management of securities in the investment pool.

Asset Allocation

Table 1: Current Asset Allocation for Trust Fund Portfolio (in USD Equivalent percentages)

	Tranche 0	Tranche 1	Tranche 2	Tranche 3
Govt	--	20.1%	33.3%	--
MBS	--	--	30.4%	--
ABS	--	9.2%	5.3%	13.2%
Agency	--	4.3%	7.5%	--
Sov Gtd	--	12.6%	22.2%	--
MM/Fin. Inst	100.0%	53.6%	1.3%	86.8%
Corporates	--	0.2%	--	--
	100.0%	100.0%	100.0%	100.0%

The following sections outline the investment returns earned by the World Bank commingled Trust Fund portfolio over the last quarter, with performance over the previous periods provided for comparison.

Investment Portfolio Summary

Within the overall commingled Trust Fund portfolio, the performance of individual trust funds is also tracked and the Global Fund (GFATM) performance can be seen in the table below with performance of the overall Pool provided for comparative purposes.

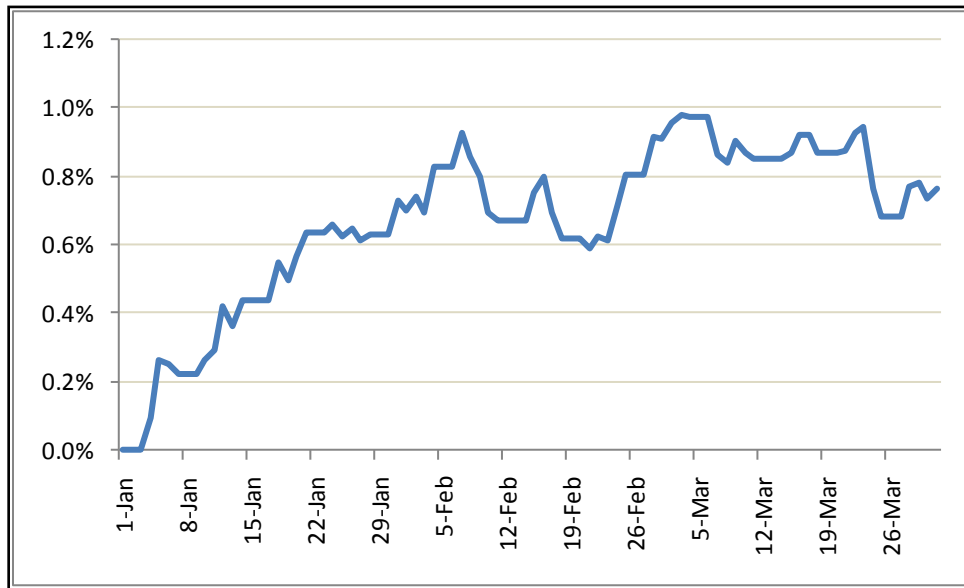
Table 2: Summary performance statistics for Global Fund and Trust Fund Pool

	Size 31-Mar-10 (million)	Investment Returns		
		Q1 CY10 %	Q1 CY09 %	CY09 %
GFATM	5,634	0.76%	2.76%	2.74%
Trust Funds	22,248	0.45%	0.96%	2.12%
<i>of which</i>				
USD				
- Tranche 0	2,474	0.06%	0.15%	0.46%
- Tranche 1	7,742	0.22%	0.83%	1.79%
- Tranche 2	8,768	0.80%	1.36%	3.12%
- Tranche 3	1,171	0.12%	0.73%	2.00%
EUR				
- Tranche 0	705	0.05%	0.40%	0.84%
- Tranche 1	923	0.57%	0.99%	2.12%
Other (USD Eq)	464	0.41%	0.34%	1.25%

Investment Portfolio Performance Highlights

The Global Fund liquid portfolio (which totaled approximately USD5.6bn at end March 2010) returned 0.76% through the first quarter of the calendar year. This compares with 0.45% returns for the overall Trust Fund investment pool over the same period. Investment performance over the quarter was dominated by a robust start to the year, with 0.73% returns through January (after returns of -0.8% in December 2009), followed by less strong performances as the quarter progressed, in keeping with a more optimistic stance from investors that led to outperformance of riskier assets versus sovereign securities, which form the bulk of the trust fund investment pool asset base.

Figure 1: 1Q10 Cumulative returns of the Global Fund trust fund

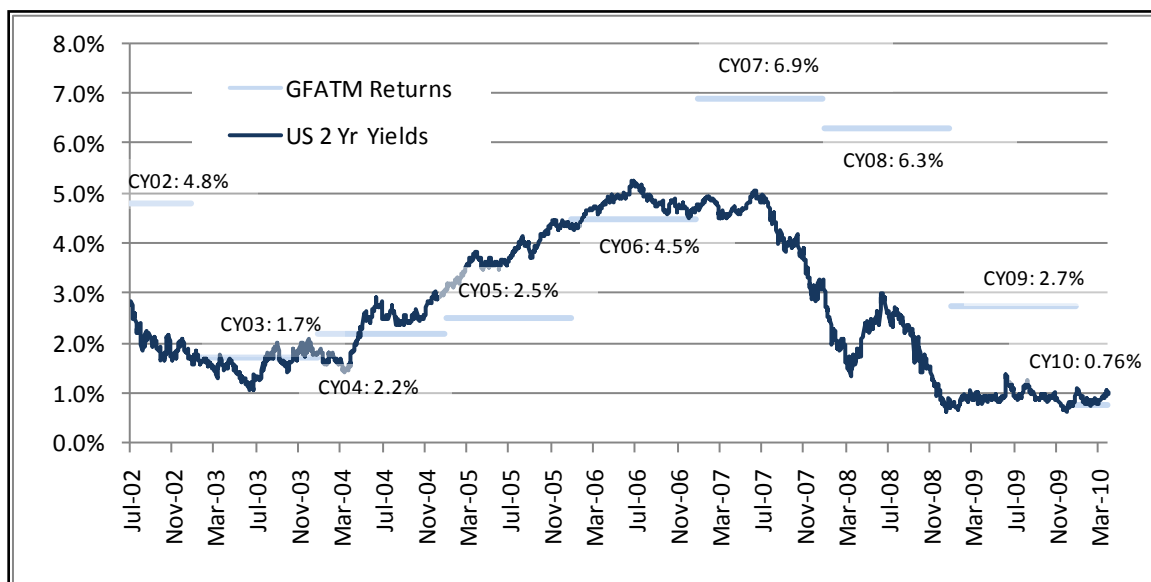


Investment Climate

The first quarter of the year has proved to be a volatile one for financial markets with the start of the quarter characterized by risk aversion in Europe following Greece's fiscal problems and the latter part of the quarter dominated by unwinding of those safe haven investment decisions. Overall, global government bond yields fell over the quarter while riskier corporate debt credit spreads were slightly higher. In keeping with the increased risk appetite, developed market equity indices were up around 3% on average with the US indices performing particularly well over the period, returning closer to 5% on average (see Figure 2). The general investment climate appears to be one suggesting that worries over a global economic recovery have shifted to how strong it will be versus whether it will be U-shaped or V-shaped. The flow of economic data in most developed countries remains mixed but with some risky asset valuations approaching pre-crisis levels, it seems many investors are taking an early positive view of the market. With the price corrections of the financial crisis still fresh in the mind, first mover advantage is not necessarily something the World Bank will be seeking, instead erring on the side of caution and preferring steady, yet solid returns. In summary, although the investment climate shows marked improvement relative to the past two years, there are still potential pitfalls, not only in the global economy (i.e. Greece's fiscal problems) but also possibly due to over optimism on the part of some investors that could translate into a sharp correction in asset prices. The World Bank will continue to invest the Global Fund liquid assets with a view to return maximization within an overarching framework of capital preservation.

Historical Trust Fund Returns

Table 3: Global Fund Trust Fund returns vs. US 2yr Government Bond Yields



The chart above highlights the fact that historically, Trust Fund returns have been close to US 2yr Treasuries. During the global financial markets crisis, as financial market volatility rose and yields on government securities fell sharply, the World Bank Treasury Department posted very strong returns, 6.9% in CY07 and 6.3% in CY08 and a more modest, but still solid 2.7% in CY09 as yields settled at unusually low levels.

Market Data

Figure 2: Select summary financial market data

Rates	31-Mar-10	Chg. On Quarter (bp)	Equities	31-Mar-10	Chg. On Quarter (%)
US 3mth Libor	0.292	4	S&P500	1,169	4.9%
EU 3mth Libor	0.578	-8	Dow Jones	10,857	4.1%
US 2yr Yields	1.016	-12	Nasdaq	2,398	5.7%
EU 2yr Yields	0.958	-37	FTSE	5,672	3.1%
UK 2yr Yields	1.157	-16	DAX	6,142	1.6%
JP 2yr Yields	0.181	3	CAC40	3,987	-0.7%
US 10yr Yields	3.826	-1	Nikkei	11,244	6.6%
EU 10yr Yields	3.092	-30	Hang Seng	21,237	-1.2%
UK 10yr Yields	3.939	-8	MSCI World	1,201	0.6%
JP 10yr Yields	1.400	11	Currencies	31-Mar-10	Level on 31-Dec-09
Credit	31-Mar-10	Chg. On Quarter (bp)	EUR-USD	1.351	1.43
US Investment Grade	88	3	GBP-USD	1.518	1.617
EU Investment Grade	79	3	USD-JPY	93.470	93.020