

World Bank Treasurer Rotberg Strives For Flexibility on \$9.7 Billion Portfolio

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WASHINGTON—Eugene Rotberg works several blocks from the White House, comfortably removed from the nation's financial centers. But when Gene Rotberg talks, Wall Street listens.

As vice president and treasurer of the World Bank, Mr. Rotberg supervises the investment of \$9.7 billion, in U.S. and other governments' securities, as well as in large negotiable time deposits with banks. The average maturity of the investments is about one year.

"It's a large portfolio and one of the more actively managed portfolios in the market," says Mark Winkelman, a vice president of Goldman, Sachs & Co., one of the more than two dozen U.S. and foreign dealers through which the World Bank regularly trades to the tune of \$100 million to \$2 billion a day. "Everything we own is available for sale all the time" if the bank determines it can earn a better return on a different investment, says Mr. Rotberg, a 50-year-old lawyer who came to the bank 12 years ago from the Securities and Exchange Commission.

The World Bank, which is owned by the governments of 135 countries, is also a large borrower in world markets. In the fiscal year ended June 30, 1980, Mr. Rotberg supervised more than \$5 billion in borrowing through the public sale and private placement of the bank's triple-A rated securities, bringing total obligations outstanding to \$29.7 billion. In the same year, the bank made loan commitments of \$7.6 billion to 144 projects in 48 developing countries.

The bank's \$9.7 billion pool of liquid assets enables it to balance its borrowing and lending operations. The short-term funds mean the bank has plenty of money on

hand from which to make disbursements to meet loan commitments. But, more importantly, the funds give the bank "the flexibility to decide when to borrow, where it borrows and how much it borrows," Mr. Rotberg says. "We don't want to be in a position of having to borrow when we would prefer to wait six months."

To build up this protective cushion, when the bank finds the time ripe, it borrows more than necessary to cover loan commitments. "Most of the time if you borrow long-term money and invest short term, you lose money," Mr. Rotberg says. "So, we actively manage our money." In the last fiscal year, the bank earned \$335 million on its liquid assets, for an average return of 8.76%.

Mr. Rotberg's international staff of economists alternates between predicting interest rates in various markets around the world and working on the bank's trading desk. He follows two basic guidelines: "One must always admit error, never hide it and never reward success or punish mistakes." To stray from these rules creates impulses to a self-protective restraint that can prevent good decisions, says Mr. Rotberg whose reward is a salary of about \$125,000 a year.

"The staff is to pay no attention to the cost of a security after it's purchased," he says. "Cost is a past event. It tells us nothing about whether we should hold a security or sell it. We ask ourselves one question: Is the potential future rate of return greater if we hold, or is it better to sell the security and use the proceeds for an alternate, potentially better investment?"

The bank compares its actual trading performance against a variety of measures, including a computer calculation of what the optimum trading strategy would have been over the last year. The bank has developed "a sophisticated measure of performance that's had an impact on other portfolios," Mr. Winkelman says. The bank "has consistently outperformed" the average, he adds.

Robert Bethke, chairman of Discount Corp., a New York dealer, says, "They try to catch the tops and bottoms of every wave. We have great admiration for them. If our judgment is different, we have to ask why."

