

Republic of the Marshall Islands
Compact Trust Fund

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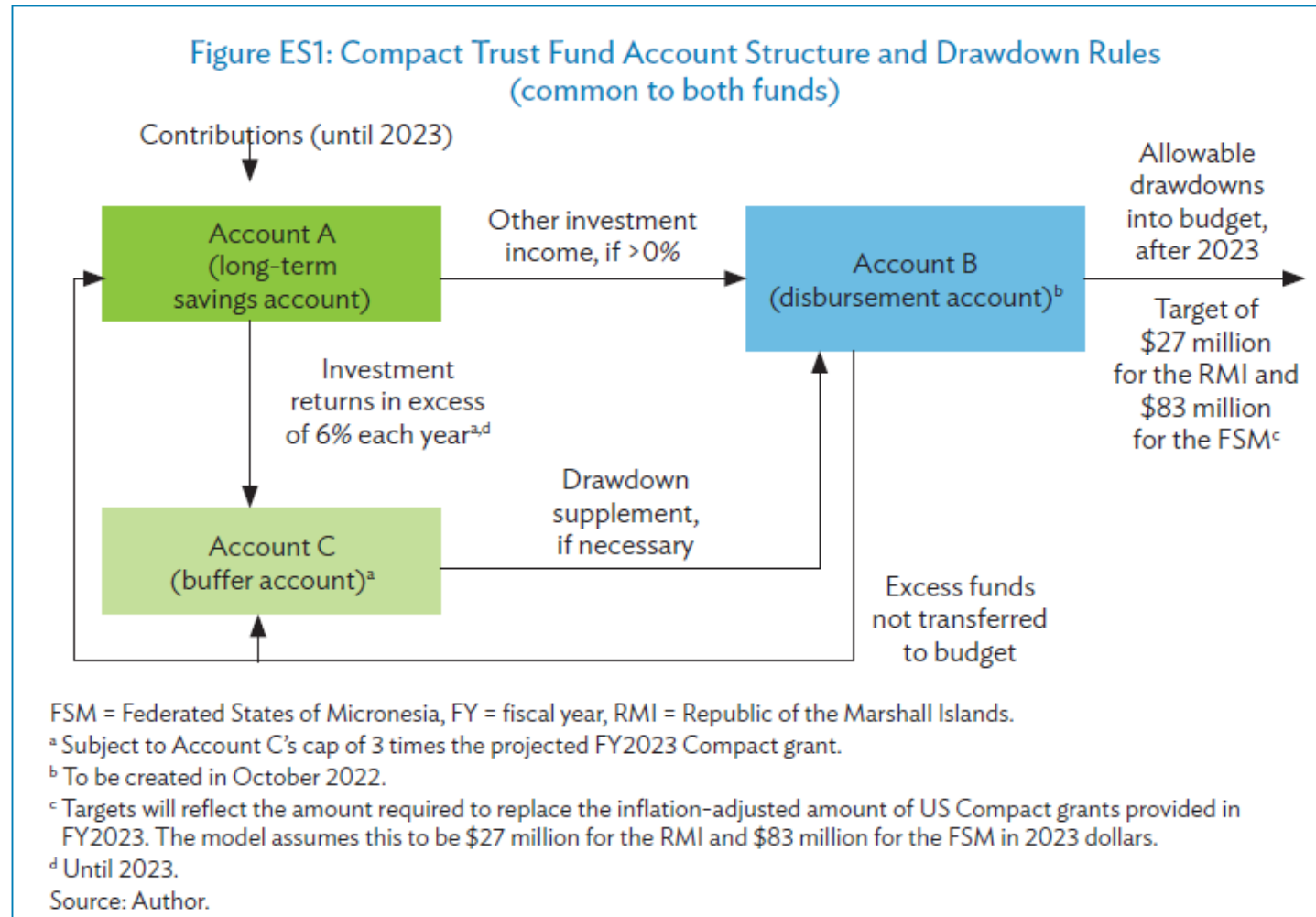
Establishment of the Fund

- Established in FY2003 through a separate Trust Fund Agreement as part of the renegotiated Compact of Free Association with US (The fund was capitalized with \$25M and two subsequent years \$2.5M each – Total of \$30M Capitalization)
- Fund to be capitalized through annual contributions over 20 year period to FY2023 (US and ROC contribute annually)
- In FY2024, annual grant transfers from US will terminate and RMI to begin drawing down on fund

Fund Goals and Objectives

- Contribute to the long-term budgetary self-reliance of the RMI
- Provide the Government with an ongoing source of revenue after FY2023
- To supplement national budget, supporting health, education, infrastructure and other key sectors

Fund Structure

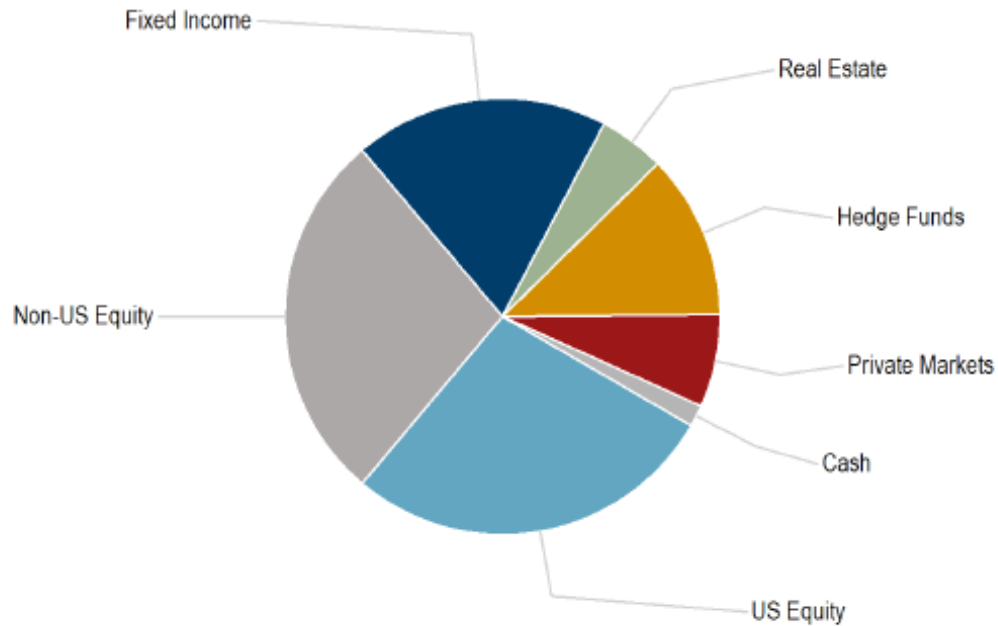


Fund Governance

- Trust Fund Committee consisting of 7 members
 - 4 representing US Government
 - 2 representing RMI Government
 - 1 representing the ROC Government
- Committee meets in person annually
- Virtual meetings once every quarter

Investment Policy and Strategy

Current Allocation
as of Oct 31, 2016



Allocation vs. Targets and Policy
as of Oct 31, 2016

	Current Balance	Current Allocation	Policy	Difference	Policy Range	Within IPS Range?
US Equity	\$84,950,259	27.8%	25.0%	\$8,522,318	25.0% - 35.0%	Yes
Non-US Equity	\$84,561,400	27.7%	30.0%	-\$7,152,130	25.0% - 35.0%	Yes
Fixed Income	\$57,725,786	18.9%	20.0%	-\$3,416,567	15.0% - 25.0%	Yes
Real Estate	\$15,110,723	4.9%	5.0%	-\$174,865	0.0% - 10.0%	Yes
Hedge Funds	\$37,215,956	12.2%	15.0%	-\$8,640,809	10.0% - 20.0%	Yes
Private Markets	\$21,139,247	6.9%	5.0%	\$5,853,659	0.0% - 16.0%	Yes
Cash	\$5,008,395	1.6%	0.0%	\$5,008,395	0.0% - 3.0%	Yes
Total	\$305,711,766	100.0%	100.0%			

RMI Trust Fund FY2016 unaudited

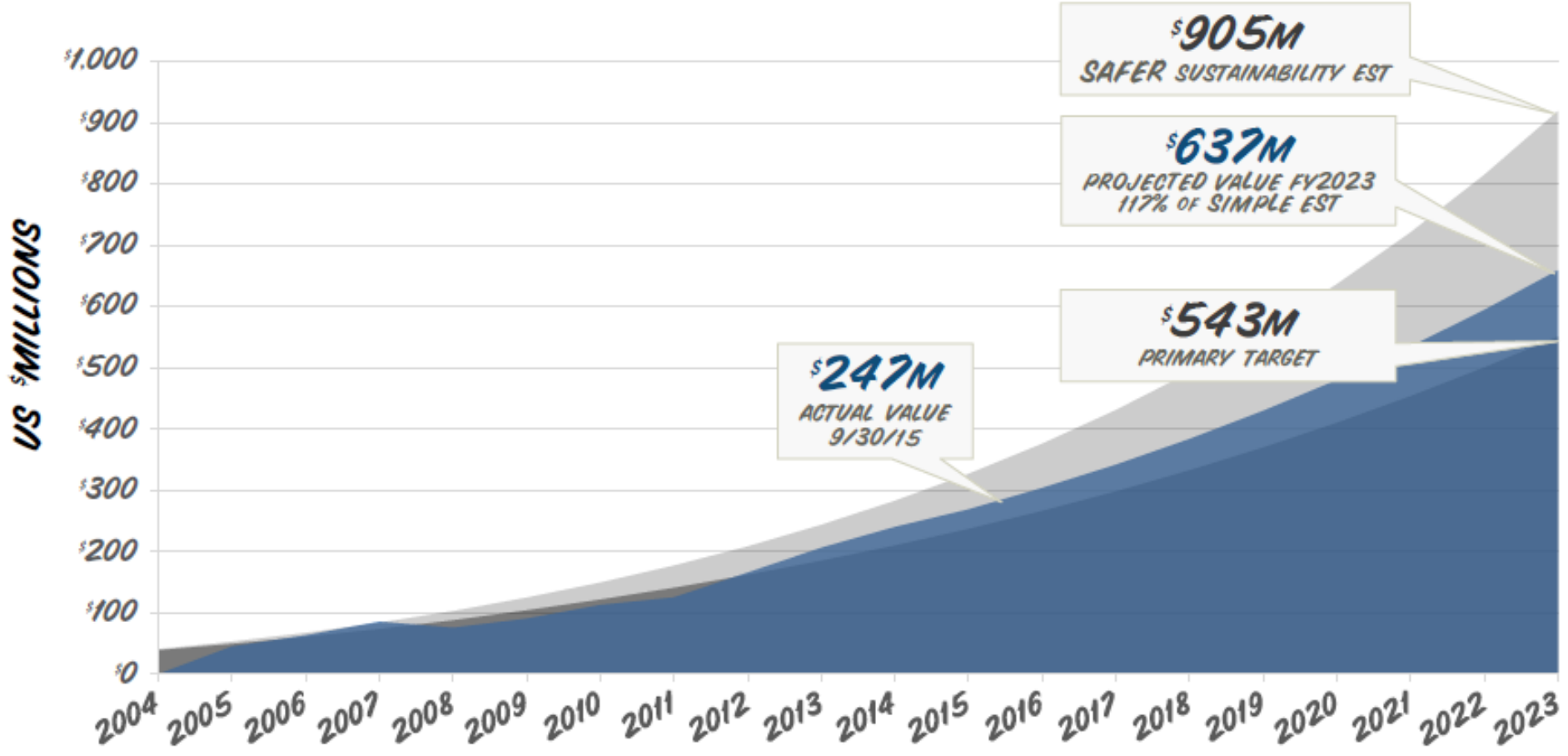
- A account - \$245.7M
- C account - \$48.2M
- **Total = \$293.9M** (Sept 30, 2016)
- D account (separate fund) - \$12M

*Average annual weighted rate of return for FY2016 is 10.17% (per the trust fund agreement any earnings above 6% annually will be deposited into the buffer account – C account) – FY2016 \$11M

Investment Performance

- Experienced market losses during FY2015 of -4.14%
- Scheduled contributions from US and Republic of China (ROC) and additional contribution from RMI enabled fund to grow by \$7 million to \$247 million by end FY2015
- Since initial investment in FY2005, annualized rate of return has been 5.12%
- Fund needs to grow at 4.27 percent annually to achieve a level sufficient to provide a smooth transition from FY2024
- Additional contributions worth \$50M to be made by ROC (2003-2023)

Investment Performance



Challenges and Opportunities

- For the first 2 years – fund was in a money market account (Opportunity cost)
- Fund has gone thru two Investment Advisors
- New RFP to be issued out December 1, 2016
- Frequent review of the ISP
- We continue to seek subsequent contributors (Development Partners)

Kommol Tata Questions