

Trust Fund for the People of the Republic of the Marshall Islands

Annual Report Fiscal Year 2009

This report covers the Fiscal Year from October 1, 2008, through September 30, 2009.

Performance of the Trust Fund's Assets in Fiscal Year 2009:

The Trust Fund for the People of the Republic of the Marshall Islands (RMI Trust Fund) had net investment income of \$1,299,453 during Fiscal Year 2009. During Fiscal Year 2009, the Investment Adviser, Goldman Sachs, reported the RMI Trust Fund portfolio increased 1.25%. The S&P 500 decreased 6.91% and the MSCI EAFE International Index was up 3.23% during the year.

The asset allocation as of September 30, 2009 was approximately 27% in fixed income and cash, 43% in US Public Equity, 25% in International Equity and 5% in Commercial Real Estate Assets. The Trust Fund maintained high levels of liquidity during the financial crisis and increased allocations to cash and fixed income to lower the portfolio's volatility. The Investment Adviser, Goldman Sachs, began to incrementally increase risk in the portfolio during the second half of the fiscal year. Goldman Sachs continued to implement a low-cost money management structure by investing in exchange traded funds, primarily iShares. They Goldman Sachs continued to avoid investing in less liquid mortgage, private equity and private real estate investments during the crisis.

Total assets of the Trust Fund for the People of the Republic of the Marshall Islands (RMI Trust Fund) were \$90,861,507 on September 30, 2009. The market value of the assets during FY 2009 rose by \$14,123,773, due primarily to member contributions of \$13,184,291.

The Trust Fund paid investment fees to adviser and custodian in Fiscal Year 2009 that totaled \$524,340. Administrative expenses, including Executive Administrator and Auditor, were \$127,736 during the year.

Resolutions Approved by the Trust Fund Committee in Fiscal Year 2009:

RMI 2009-1: December 16, 2008: Revised Asset Allocation Rules.

-authorizes Investment Adviser, Goldman Sachs, to make limited changes in the asset allocation without advance approval of the Committee.

RMI 2009-3: March 20, 2009: Approval of Annual Report for FY 2008:

RMI 2009-6: September 3, 2009: Policy on Release of Information:

-authorizes the Committee to release to the public Annual Reports, audits and identity of contractors.

RMI 2009-7: May 27, 2009: Payment of Invoices for Telecommunication Services.

-authorizes payment for telephone service and recordings.

RMI 2009-8: September 3, 2009: Extension of Contract of Executive Administrator

-extends contract to June 30, 2010 and authorizes a search for a new Executive Administrator.

RMI 2009-9: September 3, 2009: Trustee and Advisory Services:

-authorizes a search for potential Trustee Banks and Investment Advisers.

RMI 2009-10: September 3, 2009: Transfer of funds to the D Account:

-transfers from the A Account to the D Account the value of assets purchased with \$1.75 million of the \$2.5 million contribution of May 3, 2007 by the Subsequent Contributor and placed erroneously in the A Account..

Audits:

Audited financial statements for the Trust Fund have been completed for all years through Fiscal Year 2008 and have been transmitted to the Governments. The audited financial statement for Fiscal Year 2009 will be transmitted as soon as it is completed.

History of the Trust Fund:

The Trust Fund was incorporated in the District of Columbia on April 24, 2004 pursuant to an **Agreement Between the Government of the United States of America and the Government of the Republic of the Marshall Islands Implementing Section 216 and Section 217 of the Compact, as Amended Regarding a Trust Fund.**

According to the Trust Fund Agreement, "The purpose of the Fund is to contribute to the economic advancement and long-term budgetary self-reliance of the Republic of the Marshall Islands by providing an annual source of revenue, after Fiscal Year 2023, for assistance in education, health care, the environment, public sector capacity building, private sector development, and public infrastructure described in Section 211 of the Compact, as amended, or other sectors as mutually agreed by the Original Parties, with priorities in education and health care."

Organization:

The Trust Fund Committee is composed of four members who represent the United States, two members who represent the RMI, and one member who represents the Subsequent Contributor, Taiwan. The composition of the Trust Fund Committee was as follows on Sept. 30, 2009:

Nikolao Pula, Chairman; Director, Office of Insular Affairs, Office of the Secretary, U. S. Department of the Interior

Casten Nemra, Vice Chairman; Chief Secretary, Government of the RMI


James Kulikowski, Deputy Director for Policy, Office of Global Health Affairs, the Office of the Secretary, U.S. Department of Health and Human Services

Jefferson Barton, Secretary of the Ministry of Finance, RMI

Alcy Frelick, Director, Office for Australia, New Zealand and Pacific Island Affairs, U.S. Department of State

Jeanette Lim, Senior Adviser to the Director of Risk Management, Office of the Secretary, U.S. Department of Education

Matthew S. Lee, Ministry of Foreign Affairs, Republic of China (Taiwan)



Nikolao Pula, Chairman Date

5/25/10



Casten Nemra, Vice Chairman Date