

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

Annual Report Fiscal Year 2008

This report covers the Fiscal Year that began October 1, 2007, and ended September 30, 2008.

Performance of the Trust Fund's Assets in Fiscal Year (FY) 2008;

The Trust Fund for the People of the Republic of the Marshall Islands (RMI Trust Fund) suffered a significant loss of asset value during Fiscal Year 2008, due to the worldwide economic turmoil and financial losses in all asset classes. Investment Adviser Goldman Sachs reported that the portfolio was down 18.54% during the year, compared to increases of 11.79% in FY 2006 and 15.59% in FY 2007.

The diversified allocation of assets as of September 30, 2008 was approximately 31% in fixed income and cash, 40% in US Public Equity, 24% in International Equity and 5% in Commercial Real Estate Assets.

According to Goldman Sachs, the volatility of equity markets during FY 2008 was unlike any since the 1930s and the Great Depression. The market response to a massive U.S. credit crunch resulted in unparalleled losses across all major international and emerging markets. Goldman Sachs points out that the RMI Trust Fund is likely to benefit from the period of time, approximately 15 years, until these funds need to be drawn down.

The market value of total assets of the Trust Fund for the People of the Republic of the Marshall Islands (RMI) was \$75,713,525 on September 30, 2008. The value of assets during FY 2008 declined by \$8,502,252, after accounting for the United States contribution. The change in value is broken down in the following table. (Source: Bookminders)

<u>Receipts:</u>	9,713,700
United States Contribution:	9,713,700
<u>Investment Income (Loss):</u>	17,719,519
Dividends:	2,876,737
Realized gain (loss):	52,395
Unrealized gain (loss):	(20,472,889)
Investment expense, (custodian fees):	(175,761)

<u>Administrative Expenses:</u>	496,433
Investment Adviser Fees: Goldman Sachs	396,702
Securitization Study: PRAG	27,500
First Hawaiian Bank: wire fees	1,188
Executive Administrator Fees:	57,200
Audit Fees: BMC:	9,100
Legal fees, DLA Piper	1,837
Accountant Fees; Bookminders:	2,906

Fees:

The Trust Fund paid fees in Fiscal Year 2008 that totaled \$672,194. (This total includes fees of \$175,761 in fees paid to the custodian First Hawaiian Bank, which are included under investment expense in the above table.) These fees were substantially greater than the total of \$234,352 paid in FY 2007. The difference is accounted for primarily by the fact that the Investment Adviser, Goldman Sachs, did not begin to charge its agreed fees until part way through Fiscal Year 2007. In addition, the Executive Administrator began at the beginning of FY 2008 to provide services formerly provided by the Department of the Interior, and a bookkeeper began work in May 2008. Total fees paid in FY 2008 represented about .89% of assets as of Sept. 30, 2008.

Organization:

Pursuant to the provisions of the Compact of Free Association and its subsidiary Trust Fund Agreement, The Trust Fund for the People of the Republic of the Marshall Islands was incorporated in Washington, D.C., on April 28, 2004. The Trust Fund Agreement came into effect on May 1, 2004. The Trust Fund Agreement established the organization and structure of the Trust Fund, including a Joint Trust Fund Committee (TFC), which exercises all the powers of the Trust Fund.

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, 2008:

Nikolao Pula Chairman	United States
Casten Nemra, Vice Chairman	RMI
William R. Steiger. Ph. D. (Dr. Steiger resigned from the Committee on Jan. 20, 2009)	United States
Jefferson Barton	RMI
Alcy Frelick	United States
Jeanette Lim	United States
Victor Te-sun Yu	Taiwan

Contributions:

The following is a history of contributions, income and balances in the Trust Fund's A Account: (Changes in balances do not precisely reflect the contributions and income figures due to changes in outstanding accrued expenses.)

<u>Date</u>	<u>Contributions</u>	<u>Net Investment Income</u>	<u>Balance</u>
<u>FY 2004</u>			
June 1, 2004	\$25,000,000 (RMI)		
June 3, 2004	\$7,000,000 (U.S.)		
Sept. 30, 2004		257,847	32,257,847
<u>FY 2005</u>			
October 5, 2004	\$7,588,500 (U.S.)		
February 17, 2005	\$1,500,000 (RMI)		
May 19, 2005	\$1,000,000 (RMI)		
May 19, 2005	\$1,750,000 (Taiwan)		
Sept. 30, 2005		1,181,917	45,217,908
<u>FY 2006</u>			
October 6, 2005	\$2,500,000 (RMI)		
October 18, 2005	\$8,220,800 (U.S.)		
May 15, 2006	\$750,000 (Taiwan)		
Sept. 30, 2006		6,441,453	63,137,158
<u>FY 2007</u>			
October 6, 2006	\$8,949,592 (U.S.)		
May 3, 2007	\$750,000 (Taiwan)		
Sept. 30, 2007		11,030,134	83,866,884
<u>FY 2008</u>			
October 9, 2007	\$9,713,700 (U.S.)		
Sept. 30, 2008		(18,502,251)	75,327,992
Total Contributions:	\$74,722,592		