



Fiscal Year 2015 Annual Report

March 23, 2016

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I. Introduction and Summary

The Annual Report for the Trust Fund for the People of the Republic of the Marshall Islands (the Fund) is presented per Article 20 of the Trust Fund Agreement between the governments of the United States and the Republic of the Marshall Islands:¹

“Within six months of the end of each Fiscal Year, the Trust Fund Committee shall publish and shall submit to the Government of the United States and to the Government of the Republic of the Marshall Islands:

- (a) an annual report on the activities and management of the Fund, including the Accounts described in Article 16 (Investment and Distribution) of this Agreement, and on the effectiveness of the Fund to accomplish its purpose as described in Article 3 of this Agreement; which annual report may include recommendations regarding improving the effectiveness of the Fund to accomplish that purpose;*
- (b) the accounts of the Fund for that year audited in accordance with Article 19; and,*
- (c) reports of the Auditor under Article 19.”*

All documentation provided pursuant to Article 20 should be considered together.

The Annual Report’s information is mainly sourced from the annual financial statements prepared by the Fund’s bookkeeper and verified by the Fund’s auditor, and quarterly investment reports prepared by the Fund’s Investment Adviser with information from the Custodian. Any questions or comments regarding the Annual Report can be sent to Anthony Costanzo, Executive Administrator, at apcostanzo@bgsi.net.

The Trust Fund Committee (the Committee) approved the Annual Report on 23 March 2015.


Summary highlights for FY15 are:

- The Fund’s restricted fiduciary net position value increased 2.9% to \$247,142,058 for FY15 from \$240,121,187 for FY14. The increase was primarily due to interest and dividend income from investments of \$11,102,119 and contributions from the United States government of \$14,534,573, Taiwan of \$2,400,000, and the Republic of the Marshall Islands of \$650,000. There was a net investment income loss of -\$10,370,058.
- The Fund had a weighted annual rate of return of -4.1%, following three consecutive growth years: 8.0% for FY14, 13.9% for FY13, and 18.5% for FY12. On a performance basis, net of fees, the Fund lost 4.1% but outperformed the benchmark loss of 4.8%.

¹ The full text of the Agreement Between the Government of the United States of America and the Government of the Republic of the Marshall Islands Implementing Section 216 and 217 of the Compact, as Amended, Regarding a Trust Fund (the “Trust Fund Agreement”) and other relevant documents is available at www.doi.gov/oia/press/trustfund/RMITrustFunds.

- No transfer was made to the C account for FY15 since there was no annual income earned over the 6% threshold.² The C account amounts to \$48,205,513 as of the end of FY15. The ending balance now reflects an approximate \$3,038,942 cumulative adjustment to the account from the A account given a change to the methodology to calculate the weighted annual rate of return to conform to the Global Investment Performance Standards (GIPS®). The change in the methodology was a result of a recommendation by an independent and objective external evaluation that occurred in FY15. The Committee adopted the recommendation by Resolution 2015-7 Weighted Annual Rate of Return and C Account Methodology Adjustment.
- Investment expenses increased to \$1,538,430 for FY15 from \$1,360,998 for FY14. As a percent of restricted fiduciary net position, investment expenses were at 0.62% for FY15 compared to 0.57% for FY14, in line with the Investment Policy Statement's agreed fee schedule.
- Administrative expenses increased to \$193,644 for FY15 from \$135,751 for FY14. As a percent of restricted fiduciary net position, administrative expenses increased to 0.08% for FY15 compared to 0.06% for FY14. The main reason for the increase was the contracting for the one-time independent and objective external evaluation. Without that cost, administrative expenses would remain at 0.06% of restricted fiduciary net position.
- An analysis by the Investment Advisor estimates that if the Fund averages an 8% return annually from FY16 to FY23, and assuming a 6% payout from the Fund, the distribution from the estimated assets for FY24 would probably provide revenue equivalent to about 159.9% of the Amended Compact's Section 211(a) estimated FY23 sector grant level, with the partial inflation adjustment for FY23. There would also be a build-up of the C account possibly to the maximum level permitted under the terms of the Trust Fund Agreement. Since inception, the Fund has an annual average growth rate of 4.9%, net of fees.
- The Trust Fund Committee contracted a firm to conduct an independent and objective external evaluation of the Fund to help guide the Trust Fund Committee as the Trust Fund proceeds past the mid point of the 20-year build-up period that ends in FY23. The evaluation found the Fund to be generally well governed with competent Committee and service provider performance according to industry standards and no areas of non-compliance with the Trust Fund Agreement or Amended Compact.

² The C account contains annual income on the Fund over 6%. The C account shall contain no more than three times the estimated equivalent of the fiscal year 2023 annual grant assistance, including the estimated inflation adjustment provided in the Amended Compact of Free Association (Section 218). After fiscal year 2023 the C account may be drawn on, to the extent it has sufficient funds, to address any shortfall in the B account, if income from the A Account year falls below the previous year's distribution, adjusted for inflation. Transfers were made to the C account in fiscal years 2006, 2007, 2010, 2012, 2013, and 2014, the years with over 6% annual income. The A and C accounts are managed collectively and are only separated for accounting purposes.

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- A major finding of the independent and objective external evaluation was that costs for investment and administrative services were within the ranges of similar trust, endowment and foundation funds. The Committee has remained vigilant to contain such costs as an appropriate percentage of the Fund.
 - The main recommendations for improvement were:
 - Review and adjust the Investment Policy Statement's asset allocation strategy so that it conforms to Committee interests as the build-up period nears its end so capital is protected. If the Committee's interest is to protect capital, a more conservative investment strategy may be required, based on Investment Adviser advice. The Committee is working with the Investment Adviser to adjust the asset allocation by applying a "glide path" to investment allocation adjustments to FY23.
 - An adjustment to the methodology of the weighted annual rate of return calculation to conform to the Global Investment Performance Standards (GIPS®). As noted above, the Committee accepted the recommendation.
 - Review the objectives of the Fund during the distribution period in terms of possible distribution scenarios and eventually more fully define a distribution policy for the post FY23 distribution period.

II. Trust Fund Background, Committee Updates, Contributions and Service Providers

A. Trust Fund Background

The Compact of Free Association, as Amended (the “Amended Compact”) -- as codified in the Compact of Free Association Amendments Act of 2003 (U.S. Public Law 108-188, December 17, 2003; “the Amended Compact Act”) -- under Title Two: Economic Relations, Section 216, provides for the establishment of a trust fund in accordance with the Trust Fund Agreement between the Original Parties: the United States government (U.S. government) and the Republic of the Marshall Islands government (RMI government). Sections 216 through 218 of the Amended Compact set forth the funding to be contributed by both governments to fiscal year 2023.

The Fund was incorporated as a non-profit corporation under the laws of the District of Columbia in April 2004. The Trust Fund Agreement is supported by a set of by-laws initially approved by the Committee on 19 August 2005. Resolutions are considered and approved periodically to improve the overall management and operations of the Fund, as determined by the Committee. The Investment Policy Statement provides the Fund’s main investment guidance. The latest version of the Investment Policy Statement was approved in September 2010 and amended in March 2014 with an effective date of January 2014.

As stated in Article 3 of 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.”

The broad investment objective, as set forth in the Investment Policy Statement, is to:

“maximize investment returns, subject to constraints aimed at containing fluctuations in returns over shorter periods within acceptable limits. Over shorter periods, outperformance will be sought relative to the notional return on a benchmark portfolio designed to reflect the risk profile according to which the assets are invested at the time.”

B. Trust Fund Committee Updates

Under Article 7 of the Trust Fund Agreement, the Trust Fund Committee’s functions include overseeing the:

1. Operation, supervision, and management of the Fund;
2. Investment and distribution of Fund resources; and
3. Conclusion of agreements and arrangements with Subsequent Contributors and other organizations.

For FY15, the Committee consisted of 7 members. According to the Trust Fund Agreement, the U.S. government maintains a majority of voting members, including the Chairman. The RMI government appoints two voting members. Other voting or non-voting members may be appointed from Subsequent Contributors. Currently, the U.S. government has 4 members including the Chairman, the RMI government has 2 members including the Vice Chairman, and Taiwan, as a Subsequent Contributor, has one member. All members are voting members.

The FY15 Committee members were:

1. Nikolao Pula, Chairman (Department of the Interior), U.S.
2. Justina Langidrik, Vice Chairman (Office of Chief Secretary), RMI
3. Stephen Schwartz (Department of State), U.S.
4. Phil Maestri, Member (Department of Education), U.S.
5. Joseph McDermott (Department of the Interior), U.S.
6. Maybelline Andon Bing (Ministry of Finance), RMI
7. Elliot Y.L. Charng, Member (Ministry of Foreign Affairs), Taiwan

Justina Langidrik replaced Casten Nemra during December 2014. Maybelline Andon Bing replaced Clarence Samuel during June 2015, who replaced Alfred Alfred Jr. during December 2014. Phil Maestri replaced Jeanette Lim during February 2015. Stephen Schwartz replaced J. Paul Reid during August 2015.

The Committee met quarterly during FY15 to review investment performance and conduct Fund business on the following dates. Minutes were recorded, approved, and signed for each meeting.

1. 10 December 2014 (Washington, DC-based teleconference)
2. 23 March 2015 (Washington, DC-based teleconference)
3. 22 June 2015 (Washington, DC-based teleconference)
4. 4 September 2015 (Honolulu, HI)

The Committee approved 9 resolutions in FY15. Following are the title and brief description of each resolution.

RMI Resolution 2015-1 Independent and Objective Trust Fund Evaluation Search and Approval

The resolution approved a request for proposals (RFP) process and terms of reference for an external firm to conduct an objective and independent evaluation of the Fund.

RMI Resolution 2015-2 Independent and Objective Trust Fund Evaluation Firm Selection

The resolution approved the selection of Arthur J. Gallagher & Company to conduct the independent and objective external evaluation. The resolution approved the contract amount and authorized the Chairman to sign the contract. The resolution also allowed the firm access to Fund records and service providers.

RMI Resolution 2015-3 RMI Trust Fund Annual Report, Fiscal Year 2014

Approved the FY14 Annual Report and approved the transmission of the Annual Report and Audited Financial Statements to the respective governments.

RMI Resolution 2015-4 Executive Administrator Contract Renewal

The resolution approved the Executive Administrator's contract for the period 4/6/15 to 10/5/15, pending the completion of the external evaluation.

RMI Resolution 2015-5 Engagement Agreement with Baker Tilly LLP for Audit Services FY15 and FY16

The resolution authorized the Chairman to sign client agreements with Baker Tilly, the Fund's auditor, for the FY15 and FY16 audits. The resolution also approved each agreement's amount.

RMI Resolution 2015-6 FY15 Budget Approval

The resolution approved an FY15 budget for investment adviser, custodial and administrative expenses. The resolution also included reporting procedures if the budget categories are exceeded.

RMI Resolution 2015-7 Weighted Annual Rate of Return and C Account Calculation Methodology Adjustment

The resolution approved the adjustment of the weighted annual rate of return and C account calculation methodology to conform to the Global Investment Performance Standard (GIPS®) utilizing the Modified Dietz Method. The adjustment is a result of the recommendation to follow GIPS® standards made by the independent and objective external evaluation conducted during FY15. The resolution also authorized the Fund's bookkeeper (Bookminders) to adjust the calculations from FY05 to FY14. The resolution indicated the adjusted values would be reported in the FY15 Annual Report and, as necessary, in the FY15 audited financial statements.

RMI Resolution 2015-8 Executive Administrator Contract Renewal

The resolution approved the Executive Administrator's contract for the period 10/5/15 to 10/4/17. The resolution also approved the hourly rate and reimbursements for Committee-approved quarterly expenses and Fund-related meetings in the Republic of the Marshall Islands once annually.

RMI Resolution 2015-9 Engagement Agreement with Bookminders for Accounting Support Services

Approved a service proposal with Bookminders for accounting services for a 12-month period as of 9/7/15 and a maximum amount for those services.

C. Contributions to the Fund

Per Table 1, scheduled contributions included a U.S. government contribution of \$14,534,573 on 6 October 2014 and a Taiwan government contribution of \$2,400,000 on 17 April 2015. The RMI government made an additional voluntary contribution totaling \$650,000 in FY15 in two tranches: \$440,000 on 15 July 2015 and \$210,000 on 11 September 2015.

Contributions to the Fund by the U.S. and RMI governments are governed by the schedule in Section 217 of the Amended Compact. The U.S. government is obligated to contribute \$7 million annually from FY04 to FY23 plus a cumulative amount that increases by \$0.5 million annually beginning in FY05. This additional amount corresponds to the amount by which the direct sector grant assistance provided under the Amended Compact is reduced in that fiscal year. A partial inflation adjustment is also added to the U.S. contribution amount as indicated in the Amended Compact.³ The RMI government was to contribute at least \$30 million in specific tranches by 1 October 2005. Taiwan is committed to providing a total contribution of \$40 million to FY23.

Table 1: Contributions to the Trust Fund through FY15
(Dollars in millions)

Year	U.S.	RMI	Taiwan	Total
FY04	7.00	25.00		32.00
Date Contributed	6/3/04	6/1/04		
FY05	7.59	2.50	1.75	11.84
Date Contributed	10/5/04	2/17/2005 & 5/19/05	5/19/05	
FY06	8.22	2.50	0.75	11.47
Date Contributed	10/18/05	10/6/05	5/15/06	
FY07	8.95		0.75	9.70
Date Contributed	10/6/06		5/3/07	
FY08	9.71		0.75	10.46
Date Contributed	10/9/07		5/5/09	
FY09	10.78		2.40	13.18
Date Contributed	10/6/08		6/5/09	
FY10	11.13		2.40	13.53
Date Contributed	10/2/09		4/8/10	
FY11	11.80	0.119	2.40	14.32
Date Contributed	10/14/10	9/20/11	5/9/11	
FY12	12.47		2.40	14.87
Date Contributed	10/14/11		5/24/12	

³ As stated in Section 218 of the Amended Compact, the U.S. government contribution “shall be adjusted for each United States Fiscal Year by the percent that equals two-thirds of the percent change in the United States Gross Domestic Product Implicit Price Deflator, or 5 percent, whichever is less in any one year, using the beginning of Fiscal Year 2004 as a base.”



FY13	13.31		2.40	15.71
Date Contributed	10/4/12		7/3/13	
FY14	13.98		2.40	16.38
Date Contributed	10/21/13		6/26/14	
FY15	14.53	0.65	2.40	17.58
		7/15/15 &		
Date Contributed	10/6/15	9/11/15	4/17/15	
Invested to Date	\$129.47	\$30.77	\$20.80	\$181.04

Source: Trust Fund for the People of the Republic of the Marshall Islands Financial Statements, September 30, 2014 and 2013

D. Service Providers

Executive Administrator

The Fund contracts an Executive Administrator who serves in support of the governance, administration and operations of the Fund. The current Executive Administrator began providing services in April 2011 and is contracted through October 2017 per RMI Resolution 2015-8.

The Executive Administrator's key duties are to maintain all official Committee documents and records; update the Chairman and Committee members on Fund activities; maintain agreements with and coordinate Fund service providers; provide administrative services regarding payments, decisions and deliberations; assist in audit preparation and prepare the annual report; prepare periodic performance and other assessments to inform Committee members and staff; organize, conduct and provide follow-up for the four quarterly review meetings including meeting agenda, support documents and meeting minute preparation; and coordinate with all Committee members and staff in support of the above activities.

Custodian

State Street Bank and Trust Company (State Street), as the Custodian, provides all the services of the Trust Fund Agreement's Article 13, with the exception of the record keeping function. In addition, they also maintain a web site portal for Fund financial information. Key services provided, consistent with Article 13, include:

- Collect and receive any and all money and other property of whatever kind or nature due or owing or belonging to the Fund.
- Follow written directions of the Committee with respect to retention, purchase, sale or encumbrance of trust property, and the investment and reinvestment of principal and income.
- Disburse income or corpus only pursuant to the conditions set forth in the Trust Fund Agreement.
- Make all payment of liabilities and administrative expenses.

- Provide plan accounting that helps track each contributor's balance and the C account.⁴

State Street's fee is 3 basis points annually of the Fund's value assessed quarterly plus an additional flat fee -- a Supplemental Custody and Accounting Fee. State Street has served as Custodian since September 2010.

Investment Adviser and Money Managers

Mercer Investment Management, Inc. (Mercer) serves as Fund Investment Adviser and as a Money Manager and provides the services described in Article 14 of the Trust Fund Agreement. The Fund also engages other Money Managers with non-discretionary oversight provided by Mercer. Key services provided include:

- Advise and recommend to the Committee one or more Money Managers who will invest the assets of the Fund to produce a diversified portfolio.
- Provide the Committee with data relating to any prospective Money Manager, indicating performance and relevant comparisons with similar Money Managers to assist the Committee in evaluating the performance of the prospective Money Managers.
- Direct trades and manage liquidity, amongst other Money Manager-type functions.
- Provide monthly and quarterly performance reports on all Fund assets and compare performance to agreed upon industry standard benchmarks and to similar trusts, endowments, and foundations within the Mercer client pool.

Mercer has served as Investment Adviser since September 2010. Mercer is currently engaged under a contract between Mercer and the Committee signed in September 2010. Mercer's gross fee is 59 basis points annually (including sub-advisor fees) and assessed daily. One part of the fee is compensation for Mercer's services and another as compensation to underlying Money Managers who are independent of Mercer. The fee rate was agreed to in March 2014, per RMI Resolution 2014-1 Fixed Income Asset Category Adjustment. The fee change came into effect in April 2014. The fee schedule is provided as Attachment 1.


Bookkeeper

Bookminders has prepared the Fund's financial records since inception in 2004. Bookminders produces quarterly financial statements and the annual financial statements that include the year-end reporting package with supporting schedules for the annual audit. The service agreement with Bookminders was extended by one year to September 2016 per RMI Resolution RMI 2015-9.

Auditor

Baker Tilly Virchow Krause, LLP serves as the Fund's auditor. Baker Tilly conducts the audits in accordance with U.S. Generally Accepted Auditing Standards and Generally Accepted

⁴ Plan accounting is a breakdown of the Fund by contributor (U.S., RMI, and Taiwan governments) and by the A and C account. The breakdown allows the allocation of contributions, investment gains and losses, and expenses to each contributor and helps to calculate the proportions of each contributor of the A and C accounts.



Government Auditing Standards issued by the Comptroller General of the United States. RMI Resolution 2015-5 authorized the audit services for the FY15 and FY16 audits. ParenteBeard has performed the annual audits dating back to FY04. On 1 October 2014 ParenteBeard LLC combined with Baker Tilly Virchow Krause, LLP.

Legal Counsel

Vorys, Sater, Seymour and Pease LLP (Vorys) provides support, as requested by the Committee, on any legal matters per a Letter of Engagement and Representation. Vorys has served as legal counsel since January 2012.

External Evaluator

The Committee determined that an external evaluation by an independent and objective external evaluator be conducted in FY15 since the Trust Fund passed the mid-point of its 20-year build-up. Resolution RMI 2015-1 approved a terms of reference and RFP process for the external evaluation. Resolution RMI 2015-2 appointed Arthur J. Gallagher & Company to conduct the evaluation. The external evaluation covered management and administration; investment allocation, benchmarks, and performance; and service providers' fees and performance.

III. FY15 Account Balances and Performance

A. Changes to Trust Fund Asset Classes and Allocations

There were no major asset allocation changes for FY15, as indicated in Tables 2 and 3.⁵ The adjustments that did occur were a result of the past asset allocations in prior years. These changes included a change during FY14 to the fixed income portfolio to consist of the Mercer Core Fixed Income Fund and the Mercer Opportunistic Fixed Income Fund.⁶ The adjustment allowed a further diversification of the fixed income asset strategy. The changes also included allocating resources to actively managed funds from the previous passively managed funds for the U.S. medium and small cap funds, non U.S. equity funds, fixed income and real estate. These adjustments began being made in FY12. The U.S. large cap fund remains passively managed. In addition, a managed “fund of funds” hedge fund (Mercer Hedge Fund Investors) was added to the portfolio in October 2012 and in December 2012 the Committee approved adding a “fund of funds” private equity fund (Mercer Private Investment Partners III).⁷

Table 2: Investment Policy Statement Asset Allocations and Targets, FY14 and FY15

Asset Class	Strategic Target Allocation & Permitted Range 9/30/14	Strategic Target Allocation & Permitted Range 9/30/15	Allocation as of 9/30/14	Allocation as of 9/30/15	Actual % Difference
Domestic Equity	30% 25%-35%	30% 25%-35%	32.3%	29.5%	-2.8%
U.S. Large Cap Equity	24%	24%	26.2%	24.1%	-2.1%
U.S. Small/Med Cap Equity	6%	6%	6.2%	5.4%	-0.8%
Non-U.S. Equity	30% 25%-35%	30% 25%-35%	28.8%	27.4%	-1.4%
Fixed Income	20% 15%-25%	20% 15%-25%	19.3%	18.0%	-1.3%
Core Fixed Income	2.5	2.5%	2.5%	2.5%	0.0%
Opportunistic Fixed Income	17.5	17.5	16.7%	15.5%	-1.2%

⁵ The Investment Policy Statement asset allocations and targets are provided in Table 2 and the individual asset changes are provided in Table 3.

⁶ The Core Fixed Income Fund mainly consists of U.S. Treasury instruments and high quality corporate debt. The Opportunistic Fixed Income Fund holds a diverse portfolio of high yield U.S. public bond and debt instruments, and emerging market debt.

⁷ A “fund of funds” is a combination of multiple independent funds managed by sub-advisers who are contracted to Mercer.

Real Estate	5% 0%-10%	5% 0%-10%	4.6%	5.5%	0.9%
Hedge Fund	15% 10%-20%	15% 10%-20%	13.4%	15.0%	1.6%
Private Equity	0% (Target 11%) 0%-16%	0% (Target 11%) 0%-16%	1.7%	4.6%	2.9%
Cash	0% 0%-3%	0% 0%-3%	0.0%	0.0%	0.0%
Total	100%	100%	100.0%	100.0%	

Source: Investment Policy Statement, March 2014 amendment; Trust Fund for the People of the Republic of the Marshall Islands Investment Performance, September 30, 2014 and September 30, 2015, Mercer Investment Management. Amounts rounded to the nearest dollar.

Table 3: Asset Change FY14 to FY15

Asset Class	Assets Held as of 9/30/13	Assets Held as of 9/30/14
Domestic Equity		
U.S. Large Cap Equity	SSgA S&P 500 Index Fund	SSgA S&P 500 Index Fund
U.S. Small/Med Cap Equity	Mercer Small/Mid Cap Growth Equity Fund Mercer Small/Mid Cap Value Equity Fund	Mercer Small/Mid Cap Growth Equity Fund Mercer Small/Mid Cap Value Equity Fund
Non-U.S. Equity	Mercer Non-U.S. Equity Fund Mercer Emerging Markets Equity Fund	Mercer Non-U.S. Equity Fund Mercer Emerging Markets Equity Fund
Fixed Income	Mercer Core Fixed Income Fund Mercer Opportunistic Fixed Income	Mercer Core Fixed Income Fund Mercer Opportunistic Fixed Income
Real Estate	AEW Real Estate Securities Value Fund	AEW Real Estate Securities Value Fund
Hedge Fund	Mercer Hedge Fund Investors	Mercer Hedge Fund Investors
Private Equity	Mercer Private Investment Partners III	Mercer Private Investment Partners III

Source: Trust Fund for the People of the Republic of the Marshall Islands Investment Performance, September 30, 2014 and September 30, 2015, Mercer Investment Management

Fund performance is measured utilizing a set of performance standards established in the Investment Policy Statement. Individual asset class benchmarks are identified in the Statement, and the Investment Adviser also measures performance according to its Total Trust Benchmark and Foundation Performance Universe Median. A summary of benchmarks for the entire Fund and for each asset class is provided as Attachment 2. Table 6 provides information on the Fund's annual performance compared to the relevant benchmarks.

B. Summary of FY15 Performance and Expenses

The Fund ended FY15 with a net position of \$247,142,058. The amount is a 2.9% gain from FY14 as shown in Table 4. The gain is mainly attributable to contributions from the U.S., Taiwan, and RMI governments. The Fund experienced a net investment income loss of \$10,370,058 for FY15 compared to a net investment income gain of \$17,715,682 for FY14.

The U.S. contribution increased to \$14,534,573 based on the FY15 scheduled amount per the Amended Compact, including the partial inflation adjustment. The Taiwan contribution remained at \$2,400,000--the same contribution made in FY14. The RMI made an additional voluntary contribution of \$650,000. No other contributions were provided to the Fund. Annual net positions since inception are provided in Attachment 3, Table A.

Table 4: Trust Fund Income Change FY14- FY15 and Percent Change

	FY14	FY15	% Change
Additions			
Contributions			
U.S. Government	13,984,800	14,534,573	3.9%
Government of Taiwan	2,400,000	2,400,000	0.0%
Government of the RMI	-	<u>650,000</u>	
	<u>16,384,800</u>	<u>17,584,573</u>	7.3%
Investment Income			
Interest and dividends	7,848,387	11,102,119	41.5%
Net increase in the fair value of investments	<u>10,252,244</u>	<u>(21,073,094)</u>	-305.5%
Gross investment income	18,100,631	(9,970,975)	-155.1%
Less: Investment expenses	<u>384,949</u>	<u>399,083</u>	3.7%
Net investment income	<u>17,715,682</u>	<u>(10,370,058)</u>	-158.5%
Total additions	<u>34,100,482</u>	<u>7,214,515</u>	-78.8%
Deductions			
Administrative expenses	<u>135,751</u>	<u>193,644</u>	42.6%
Change in net position	33,964,731	7,020,871	-79.3%
Restricted Net Position, Beginning	<u>206,156,456</u>	<u>240,121,187</u>	16.5%
Restricted Net Position, Ending	<u>240,121,187</u>	<u>247,142,058</u>	2.9%

Note: Investment expenses do not reflect Money Manager fees directly subtracted from Fund asset values. These expenses are reflected in Table 5. Amounts rounded to the nearest dollar.

Source: Trust Fund for the People of the Republic of the Marshall Islands Financial Statement, September 30, 2015 and 2014

Total Fund expenses increased by 15.7% to \$1,732,074 for FY15 compare to \$1,496,749 for FY14, per Table 5. Expenses also increased as a portion of the total percent of the Fund's net position to 0.70% compared to 0.62% for FY14. Annual expense history since inception is provided as Attachment 3, Table B.

Table 5: Investment and Administrative Expenses, FY14 and FY15

	FY14	FY15	% Change
Investment Expenses	\$1,360,998	\$1,538,430	13.0%
Custodian	56,977	60,684	6.5%
Investment Adviser	327,972	338,400	3.2%
Money Manager*	976,049	1,139,346	16.7%
<i>% of Net Position</i>	<i>0.57%</i>	<i>0.62%</i>	<i>9.8%</i>
Administrative Expenses	\$135,751	\$193,644	42.6%
Executive Administrator	97,160	101,990	5.0%
Audit Fees	31,594	30,300	-4.1%
Accounting Fees	2,820	1,928	-31.6%
Legal Fees	367	859	134.4%
Miscellaneous	3,811	58,567	1436.8%
<i>% of Net Position</i>	<i>0.06%</i>	<i>0.08%</i>	<i>38.6%</i>
Total Dollar Expenses	\$1,496,749	\$1,732,074	15.7%
<i>Total % of Net Position</i>	<i>0.62%</i>	<i>0.70%</i>	<i>12.43%</i>

*Money Manager fees directly subtracted from individual fund asset values.

Note: Amounts rounded to nearest dollar.

Source: FY14 and FY15 Audited Annual Financial Statements and Fund Data Collection

Investment expenses increased 13.0% to \$1,538,430 for FY15 compared to \$1,360,998 for FY14. As a percent of net position, investment expenses increased 9.8% to 0.62% for FY15 from 0.57% for FY14. The change in FY15 investment expenses is mainly attributable to full asset class strategy implementation, approved during FY14, for all of FY15 and the increased value of the Fund on which the fees are based driven mainly by additional contributions.⁸ The investment expenses charged for the Investment Adviser and Money Managers are within the amount agreed to by the Committee.

Custodian expenses increased 6.5% due to the Fund's increased value.

Administrative expenses increased by 42.6% for FY15 totaling \$193,644 compared to \$135,751 for FY14. The increase was mainly due to the contracting of a firm to conduct an independent evaluation of the Fund as described above by RMI Resolution 2015-2 Independent and Objective Trust Fund Evaluation Firm Selection. Eliminating that contract cost, contained in the

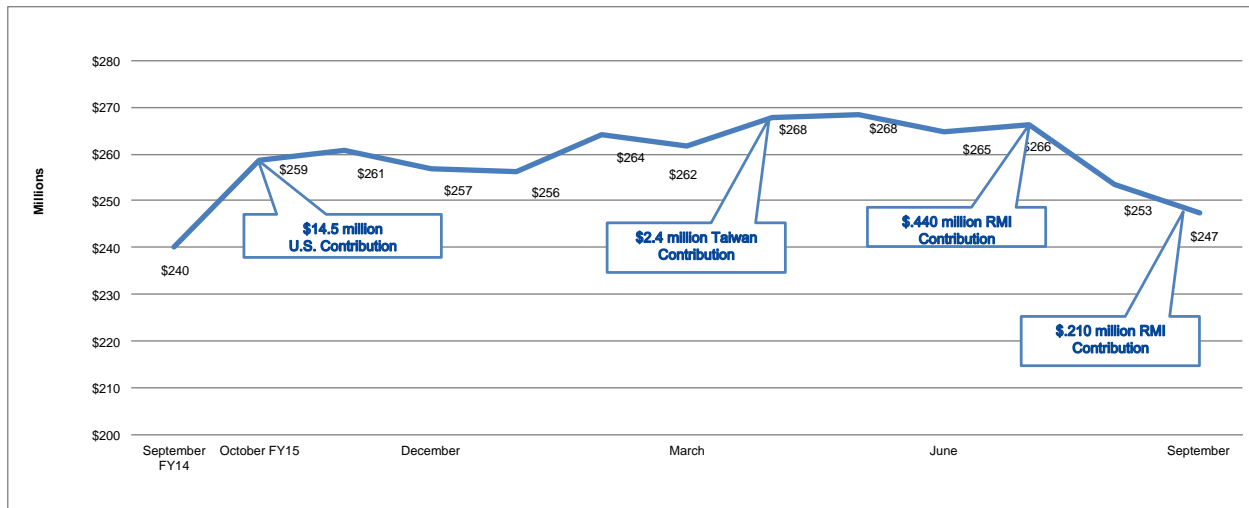
⁸ The Investment Adviser fee increased to 59 basis points from 54 basis points during the second quarter of FY14 so for FY15 the new fee amount was charged for the entire fiscal year.

'Miscellaneous' category, administrative expenses would have remained at .06% of net position remaining the same as in FY14. Executive Administrator expenses increased mainly based on the support and follow-up to the external evaluation. Accounting and audit fees decreased because of less accounting time requirements and a smooth FY14 audit process, respectively.

The Fund's annual audit was completed in March 2016, within the 6 month time period after the end of the previous fiscal year, as required per the Trust Fund Agreement. The audit is according to generally accepted U.S. accounting standards and U.S. *Government Auditing Standards* issued by the Comptroller General of the United States. The standards include the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The audit found no deficiency in internal control over finance reporting and found that there were no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Per Figure 1, the Fund followed the moderate growth to negative performance of U.S. and non-U.S. public equity markets throughout the fiscal year. An increase in fund assets occurred when the U.S. and Taiwan contributions were deposited during the fiscal year in addition to when positive investment performance was experienced. The Fund was most negatively impacted by the August-September financial market downturn. The contributions helped to offset the losses experienced in the July-September quarter, including the RMI government contributions in July and September 2015.

Figure 1: FY15 Monthly Trust Fund Net Position
(in millions)



Source: Mercer Monthly Reports; contribution amounts from State Street Statements

For the fiscal year, in terms of performance measurement, the Fund declined -4.1% net of fees.⁹ The return rate compares to a Total Trust Benchmark of -4.8% meaning though negative performance for the year, the Fund outperformed its benchmark.¹⁰

Table 6 provides Fund performance measures for the fund as whole and per asset strategy, net of fees, compared to Committee-agreed benchmarks.

Table 6: Periodic Performance Compared to Benchmarks Since Inception

	Market Value 9/30/15	% of Fund	FY15	3 Years	5 Years	Since Inception	Date of Inception
Total Fund	\$246,734,959	100.00%	-4.10%	5.70%	6.80%	4.90%	Oct. 2005
Total Trust Benchmark			-4.80%	4.70%	6.40%	4.80%	
U.S. Public Equity	\$72,952,348	29.60%	-0.80%	12.00%	12.90%	6.90%	Jan. 2006
Russell 3000 Index			-0.50%	12.50%	13.30%	6.90%	
U.S. Large Cap Equity	\$59,482,014	24.10%	-0.60%	12.40%	NA	12.40%	Sept. 2012
S&P 500			-0.60%	12.40%	13.30%	12.40%	
U.S. Small/Mid Cap Equity	\$13,470,334	5.40%	-1.70%	10.20%	NA	10.20%	Sept. 2012
Russell 2500			0.40%	12.40%	12.70%	12.10%	
Non-U.S. Equity	\$67,776,697	27.50%	-8.70%	5.10%	3.60%	3.10%	Jan. 2006
Non-U.S. Equity Benchmark			-12.20%	2.30%	2.00%	1.60%	
Mercer Non-U.S. Equity	\$53,773,502	21.80%	-6.00%	NA	NA	7.70%	Oct. 2012
MSCI EAFE			-8.70%	5.60%	4.00%	5.50%	
Mercer Emerging Markets Equity	\$14,003,196	5.70%	-17.80%	-4.50%	NA	-4.50%	Sept. 2012
MSCI Emerging Markets			-19.30%	-5.30%	-3.60%	-5.30%	
Fixed Income	\$44,543,145	18.10%	-13.00%	-4.50%	-0.90%	2.80%	Jan. 2006
Fixed Income Benchmark			-10.90%	-3.50%	-0.10%	3.00%	

⁹ The performance rates in this section are from the Mercer September 30, 2015 Quarterly Report and other updates since that time. The rates are different than the weighted annual rate of return that results from the audited asset values and all expenses including accrued expenses. The weighted return includes weighted earnings, expenses and contributions for a more true performance measurement. Figure 4 contains the weighted annual rate of return.

¹⁰ The Total Trust Benchmark is comprised of 25% Russell 3000, 30% MCSI ACWI ex USA, 20% Fixed Income Benchmark, 5% Dow Jones U.S. Select REIT, 15% T-Bills+3 and 5% S&P 500 +3.

Fixed Income - Core	\$6,081,891	2.50%	2.00%	1.90%	NA	1.90%	Sept. 2012
Barclays Aggregate			2.90%	1.70%	3.10%	1.70%	
Fixed Income – Opportunistic	\$38,461,254	15.60%	-15.10%	NA	NA	-5.20%	Aug. 2013
Custom Opportunistic Fixed Income Benchmark			-12.70%	NA	NA	-3.90%	
Real Estate	\$13,536,857	5.50%	11.50%	10.00%	12.30%	3.80%	Sept. 2007
Dow Jones U.S. Select REIT			11.80%	9.90%	12.30%	5.10%	
Hedge Fund	\$36,941,241	15.00%	1.50%	NA	NA	7.00%	Oct. 2012
T-Bills+3%			3.00%	3.00%	3.00%	3.00%	
HFRI Fund of Funds Composite Index			0.00%	4.20%	2.70%	4.40%	
Private Markets (Private Equity)	\$10,979,778	4.50%	9.70%	NA	NA	-5.90%	Apr. 2013
S&P 500+3%			2.40%	15.70%	16.70%	13.50%	
Burgiss Global Private Equity Index			10.90%	13.80%	14.30%	14.30%	
Cash	\$4,892	0.00%					

Source: Mercer Quarterly Report, Period Ending September 30, 2014 and updates provided by Mercer.

Notes: NA= Not Available; percents based on performance net of fees

The Fund's asset class performance is described below, net of fees.

The U.S. equity investment asset strategy (29.6% of the portfolio as of September 30, 2015) had a slight loss of -0.80%, just slightly underperforming its benchmark of -0.50%. The large cap fund was slightly negative (-0.60% for the fiscal year- equaling its benchmark). The small/medium cap funds, that make up the U.S. Small/Mid Cap Equity sub strategy, were more of a detriment to this asset strategy's performance with negative performance of -1.7%, underperforming its benchmark of 0.4%. The Mercer Small/Mid Cap Value Equity fund was the weak performer for this asset strategy with a -4.5% return compared to its benchmark's -2.4% return.

The non-U.S. equity investment asset strategy (27.5% of the portfolio) had a more significant negative performance return of -8.70% but outperformed its benchmark of -12.20%. While the Mercer non-U.S. equity core fund experienced a loss of -6.0% (benchmark -8.70%), the emerging markets fund lost -17.8% although it outperformed its benchmark of -19.30%.

The fixed income asset strategy (18.1% of the portfolio) also posted a significant negative return totaling -13.0%, underperforming its benchmark of -10.9%. The core fixed income fund had a 2.0% gain (benchmark 2.9%) but the asset strategy was brought down by the opportunistic fixed income fund that lost -15.1% and underperformed its benchmark of -12.7%

The real estate investment asset strategy (5.5% of the portfolio) provided an 11.5% return yet slightly underperforming its benchmark of 11.8%.

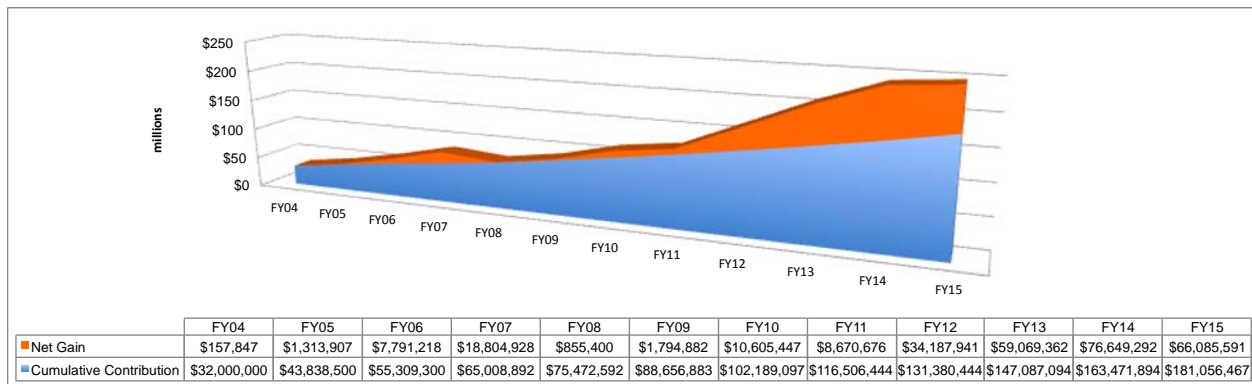
The hedge fund asset strategy (15.0% of the portfolio) had positive performance with a 1.5% gain but underperformed its benchmark of 3.0%.

The private equity fund asset strategy moderately grew as a portfolio component of the portfolio during FY15 (4.5% of the portfolio for FY15 compared to 1.7% for FY14). The asset strategy has become a positive contributor to the portfolio during FY15 with a 9.7% gain compared to its benchmark of 2.4%. The asset strategy is still in a build-up stage and is expected to grow in terms of capital allocation to the asset strategy and returns as the underlying Money Managers invest in private equity deals that may or may not come to fruition for several years.

As of the end of FY15, the Fund's average annual return rate since inception was 4.9%, net of fees, slightly outperforming the Total Trust Benchmark (4.8%). The negative overall performance for the year brought down this average annual return rate from 6.0% for FY14.

Figure 2 shows the growth of the Fund with a steady incline of contributions and the periodic investment income gains and losses. As of FY15 a total of \$181,056,467 was contributed to the Fund. The U.S. government has contributed 71.5%, the RMI government 17.0%, and Taiwan 11.5%. As of the end of FY15 the Fund has gained a total of \$66,085,591 from those contributions - 36.5% of the cumulative contribution. No contributor's capital investment has diminished since Fund inception.

Figure 2: Total Cumulative Contribution and Net Position Annual Gain, FY04-FY14



Source: Audited Annual Financial Statements FY04-FY15

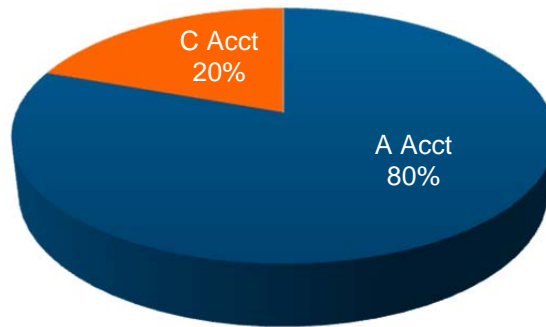
C. The C Account

Article 16 of the Trust Fund Agreement requires that any annual income on the Fund over 6% (up to a specific limit) shall be transferred into the C account. The C account may be drawn upon, to the extent it contains sufficient funds, to address any shortfall in the B account after FY23, if income on the A account falls below the previous year's distribution adjusted for inflation and for Special Needs agreed to by the Committee.

The C account is maintained as a sub account for accounting purposes. It is not invested separately but as a part of the overall corpus. The end-of-year financial statements provide a calculation to determine if the Fund achieved the 6% annual income threshold and, if so, the amount to be transferred to the C account. Also the breakdown of the A and C accounts is reported annually by contributor as shown in Table 7. Historical account balances are provided as Attachment 3, Table C.

Figure 3 : FY15 A and C Account Breakdown

Source: FY15 Audited Financial Statement



Given the negative annual performance and investment losses in FY15, the 6% threshold was not surpassed. Therefore, there was no transfer to the C account. The C account value remains the same as in FY14 at \$48,205,513.

Table 7: A and C Account Net Position Balances, FY14-FY15

	FY14	FY15	FY15 % of Account
Total Assets	\$240,121,186	\$247,142,058	
<i>A Account</i>	<i>\$191,915,673</i>	<i>\$198,936,545</i>	<i>100.00%</i>
United States	136,906,167	143,231,566	72.00%
Marshall Islands	34,405,467	34,045,761	17.11%
Taiwan	20,604,039	21,659,219	10.89%
<i>C Account</i>	<i>\$48,205,513</i>	<i>\$48,205,513</i>	<i>100.00%</i>
United States	34,388,187	34,707,304	72.00%
Marshall Islands	8,641,989	8,249,833	17.11%
Taiwan	5,175,337	5,248,376	10.89%

Note: Amounts rounded to nearest dollar.

Source: Audited Financial Statements FY14 and FY15 and Fund recalculations

The C account has gained income in FY06, FY07, FY10, FY12, FY13, and FY14. Per the Trust Fund Agreement, the C account is allowed to contain up to three times the estimated equivalent of the Amended Compact's FY23 sector grant assistance with the partial inflation adjustment. The current amount in the C account is 1.87 times the amount of estimated annual Amended Compact sector grant assistance estimated for FY23.

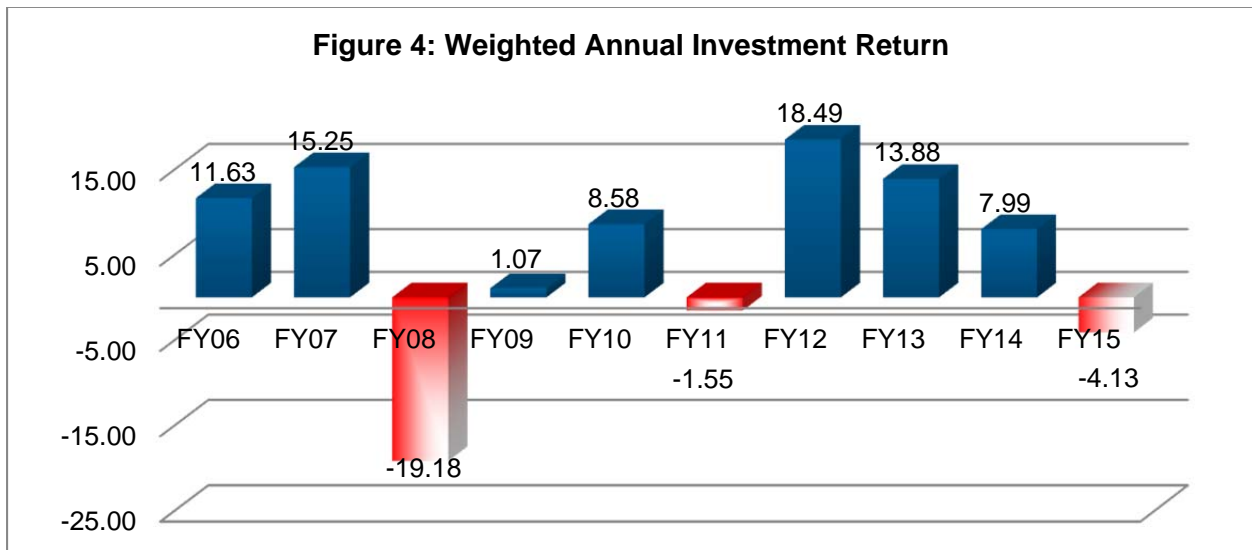
In addition, the firm conducting the independent and objective evaluation recommended that the methodology to calculate the weighted annual rate of return be adjusted to conform to the Global Investment Performance Standards (GIPS®). The Committee accepted this recommendation by approving Resolution RMI 2015-7 Weighted Annual Rate of Return and C Account Calculation Methodology Adjustment. The change to the methodology resulted in slightly increased weighted annual rates of return and, thus, slight additions to the C account transfers. The total adjustment for all fiscal years added \$3,038,942 to the C account from the A account. The A and C account adjustments are reflected in Table 7 and, for all fiscal years, Attachment 3, Table C. The weighted annual rates of return are adjusted in Figure 4.

IV. Trust Fund Effectiveness and Recommendations Moving Forward

A. Effectiveness to Achieve Purpose

Article 3 of the Trust Fund Agreement between the U.S. and RMI governments states that, “*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.*”

The Trust Fund Agreement states in Article 20 that the Committee shall publish an annual report that includes the “effectiveness of the Fund to accomplish its purpose” and may include “recommendations regarding improving the effectiveness of the Fund to accomplish that purpose.”



Source: The Weighted Annual Investment Return calculation was adjusted per Resolution RMI 2015-7 Weighted Annual Rate of Return and C Account Calculation Methodology Adjustment.

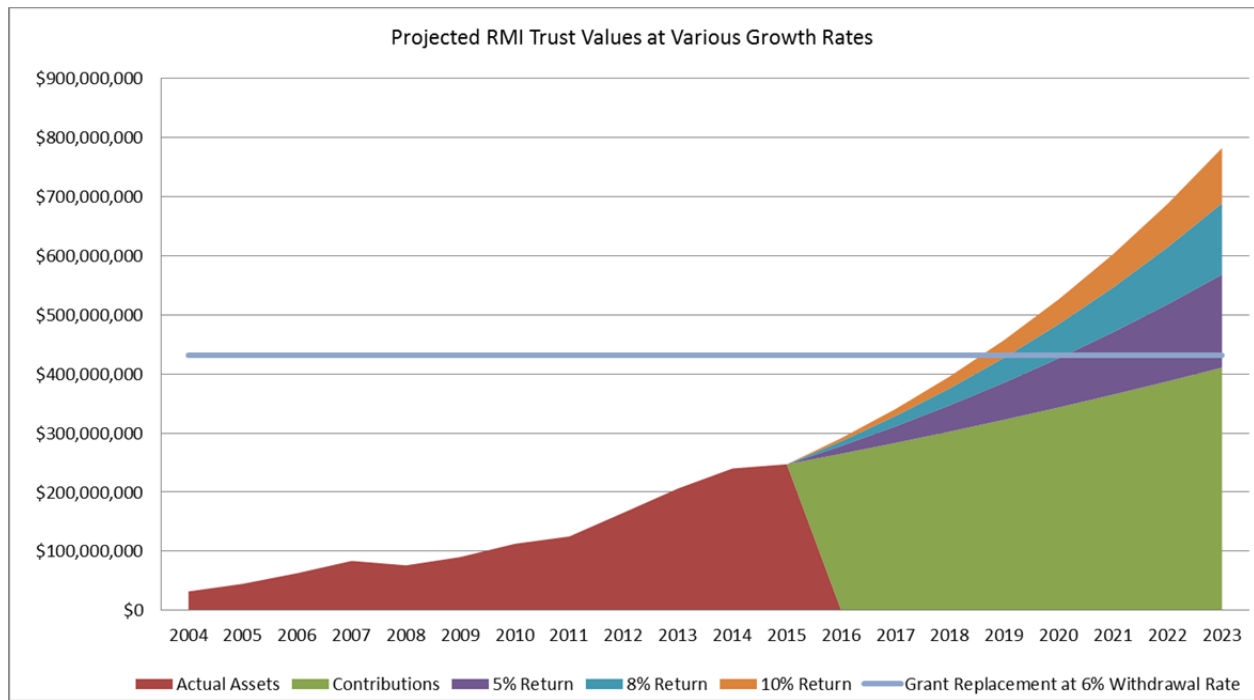
The weighted annual rate of return on investment for FY15, after discounting for contributions, fees, and expenses, was -4.13 for the year compared to three consecutive years of high returns: 7.99% for FY14, 13.88% for FY13, and 18.49% for FY12.

An analysis by the Investment Adviser (Figure 5) estimates that if the Fund averages a 5% return annually from FY16 to FY23, and assuming a 6% payout from the Fund, the distribution from the estimated assets for FY24 would probably provide revenue equivalent to about 131.9% of the Amended Compact’s Section 211(a) estimated FY23 sector grant level with the partial inflation adjustment for FY23 but may not provide any inflation adjustment for fiscal years

beyond 2023.¹¹ There would also be a build-up of the C account possibly to the maximum level permitted under the terms of the Trust Fund Agreement.¹² As previously mentioned, the Fund has an annual average growth rate of 4.9%, net of fees, since inception.

If the Fund were to achieve an average 8% return annually, the Fund would probably provide FY24 revenue equivalent to about 159.9% of the estimated partially inflation adjusted FY23 sector grant assistance and possibly allow for 2% annual inflation adjustments for each fiscal year beyond FY23. There would also be a build-up of the C account to the maximum level permitted under the terms of the Trust Fund Agreement. The Fund has achieved 8% or more return in 5 of its 12 years of existence: fiscal years 2006, 2007, 2010, 2012, and 2013.

Figure 5: Projected Growth Trends, FY04-FY23



Source: Mercer Investment Management

¹¹ The Amended Compact's Section 211(a) estimated FY23 sector grant level includes those funds provided by Section 211(a) plus the associated Amended Compact's partial inflation adjustment, previously described. The amount does not include grant funding provided by the Amended Compact's Section 211(b) that consists of Ebeye Special Needs, Kwajalein Impact and Kwajalein Environmental Impact Assessment as these grants will continue per the Agreement between the U.S. and RMI governments Regarding Military Use and Operating Rights so long as that agreement is in force.

¹² Consistent with the Trust Fund Agreement's Articles 16.7 and 16.8, for FY24 only the amount equal to the FY23 sector grant assistance plus a full inflation adjustment may be disbursed to the RMI government. Any remaining funds shall be allocated to the C account if not at its maximum level and, if so, any remaining funds will be returned to the A account. For FY25 and thereafter, the maximum to be disbursed will be the FY23 sector grant assistance amount plus the cumulative full inflation adjustment thereon, plus any additional amount for special needs approved by the Committee. Any remaining funds shall be allocated to the C account if not at its maximum level and, if so, any remaining funds will be returned to the A account.

If the Fund were to achieve an average 10% return annually, the Fund would probably provide FY24 revenue equivalent to about 181.6% of estimated FY23 grant assistance with the partial inflation adjustment, allow for 2% annual inflation adjustment for each fiscal year beyond FY23, and fund the C account fully. However, there is a low probability of achieving such growth annually.

In addition to potential earnings on investment, analysis shows that additional contributions beyond those currently scheduled would improve the Fund's potential to achieve a value to provide sustainable distributions such as the Amended Compact's Section 211 FY23 sector grant level with the partial inflation adjustment and at least partially inflation adjusted amounts beyond.

Any growth projections are estimates, subject to fluctuation based on actual market performance. This also extends to future fiscal planning. As intended in the Amended Compact, Trust Fund payments will be a post-2023 "source of revenue" to supplement other financial resources of the RMI government.

B. Recommendations Moving Forward

During FY15 the Trust Fund Committee contracted, as described above, a firm to conduct an independent and objective external evaluation of the Fund to help guide the Trust Fund Committee as the Fund proceeds past the mid point of the 20-year build-up period that ends in FY23.

The external evaluation found the Trust Fund to be generally well governed with competent Committee, staff and key service providers, governance practices appropriate for the Fund's circumstances and no areas of non-compliance with the Trust Fund Agreement or Amended Compact.

A major finding of the external evaluation was that costs for investment and administrative services were within the ranges of similar trust, endowment, and foundation funds. The Committee has remained vigilant to contain such costs as an appropriate percentage of the Fund.

The firm provided a range of recommendations to the Committee. Chief among the main recommendations, which the Committee has implemented or is working to address, were to:

- Review and adjust the Investment Policy Statement's asset allocation strategy so that it conforms to Committee interests as the build-up period nears its end so capital is protected. If the Committee interest is to protect capital, a more conservative investment strategy may be required, based on Investment Adviser advice. The Committee is working with the Investment Adviser to adjust the asset allocation by applying a "glide path" to investment allocation adjustments to FY23.
- Adjust the methodology of the weighted annual rate of return calculation to conform to the Global Investment Performance Standards (GIPS®). As noted above, the Committee accepted the recommendation. The change to the methodology resulted in slightly increased weighted annual rates of return and, thus, slight additions to the transfers to

the C account from the A account for years when such transfers were eligible to be made. The adjusted methodology will be applied annually.

- Review the objectives of the Trust Fund during the distribution period in terms of possible distribution scenarios and eventually more fully define a distribution policy for the post FY23 distribution period.
- Review and adopt opportunities to improve the communication and transparency of the Trust Fund both internally and externally, including improving on-line document access for the Committee and developing a public web site.



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

Attachment 1: Manager Roster and Investment Manager Fee Schedule as of September 30, 2015

Account	Fee Schedule	Estimated Annual Fee (%)
Total Trust Fund		0.59%
Private Markets		
Mercer PIP III	0.50% on Committed Capital	0.50%
Total Investment Management Fee		0.65%

Source: Trust Fund for the People of the Republic of the Marshall Islands Investment Performance, September 30, 2015, Mercer Investment Management, p. 80.

Note: The management fees payable to third party investment managers to underlying funds in which Mercer PIP III may invest will be borne by that fund and therefore, indirectly by the Discretionary Account.

Attachment 2: Performance Standard Benchmarks

Asset Class	Benchmarks
Overall	Total Trust Benchmark ¹³ Investor Force All Foundation Gross Median
Domestic Equity	Russell 3000 Index Mercer Institutional U.S. Equity Combined Median
U.S. Large Cap Equity	S&P 500 Index Mercer Institutional U.S. Equity Large Cap Core Median
U.S. Small/Med Cap Equity	Russell 2500 Growth Index Mercer Institutional U.S. Equity SMID Growth Median Russell 2500 Value Index Mercer Institutional U.S. Equity SMID Value Median
Non-U.S. Equity	Non-U.S. Equity Benchmark (100% MSCI ACWI ex USA) Mercer Institutional World ex U.S. EAFE Equity Median MSCI EAFE Index (for Mercer non-U.S. Equity Fund) Mercer Institutional World ex U.S./EAFE Equity Median MSCI Emerging Markets (for Mercer Emerging Markets Equity Fund) Mercer Institutional Emerging Markets Equity Median
Fixed Income	Fixed Income Benchmark (12.5% Barclays U.S. Aggregate Bond Index and 87.5% Custom Opportunistic Fixed Income Benchmark consisting of: 50% BofA Merrill Lynch Global High Yield Constrained Index and 50% JP Morgan WGBI EM Global Diversified) Mercer Institutional U.S. Fixed Combined Median Barclays Aggregate Bond Index (for Mercer Core Fixed Income Fund) Mercer Institutional U.S. Fixed Core Median Custom Opportunistic Fixed Income Benchmark (for Mercer Opportunistic Fixed Income) Mercer Institutional U.S. Fixed Core Opportunistic Median
Real Estate	Dow Jones Wilshire U.S. Select REIT Mercer Institutional U.S. Real Estate Public REITS Median
Hedge Fund	T-Bills+3% HFRI Fund of Funds Composite Index Mercer Institutional Funds of Hedge Fund (Net) Median
Private Equity	S&P 500+3%

Source: Trust Fund for the People of the Republic of the Marshall Islands Investment Performance, September 30, 2015, Mercer Investment Management in accordance with the 10 April 2014 Investment Policy Statement.

¹³ The Total Trust Benchmark is comprised of 25% Russell 3000, 30% MCSI ACWI ex USA, 20% Fixed Income Benchmark, 5% Dow Jones U.S. Select REIT, 15% T-Bills+3 and 5% S&P 500 +3.



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

Attachment 3: Historical Tables

Table A: Total Contributions, Income, Expenses and Net Positions Since Inception
(in millions)

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Net Positions (Beginning of Fiscal Year)	\$32.16	\$45.15	\$63.10	\$83.81	\$76.32	\$90.45	\$112.79	\$125.79	\$125.17	\$165.56	\$206.15	\$240.12
<i>Contributions</i>												
U.S.	\$7.00	\$7.59	\$8.22	\$8.95	\$9.71	\$10.78	\$11.13	\$11.80	\$12.47	\$13.31	\$13.98	\$14.53
Taiwan	\$0.00	\$1.75	\$0.75	\$0.75	\$0.75	\$2.40	\$2.40	\$2.40	\$2.40	\$2.40	\$2.40	\$2.40
RMI	\$25.00	\$2.50	\$2.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.12	\$0.00	\$0.00	\$0.00	\$0.65
Total	\$32.00	\$11.84	\$11.47	\$9.70	\$10.46	\$13.18	\$13.53	\$14.32	\$14.87	\$15.71	\$16.38	\$17.58
<i>Investment Earnings Less Fees and Expenses</i>												
Investment Earnings	\$0.16	\$1.21	\$6.62	\$11.25	-\$17.54	\$1.59	\$9.58	-\$1.49	\$26.02	\$25.35	\$18.10	-\$9.97
Fees and Expenses	\$0.00	\$0.05	\$0.14	\$0.23	\$0.41	\$0.65	\$0.77	\$0.45	\$0.50	\$0.47	\$0.52	\$0.59
Total	\$0.16	\$1.15	\$6.48	\$11.01	-\$17.95	\$0.94	\$8.81	-\$1.93	\$25.52	\$24.88	\$17.58	-\$10.56
Net Position (End of Fiscal Year)	\$32.16	\$45.15	\$63.10	\$83.81	\$76.32	\$90.45	\$112.79	\$125.17	\$165.56	\$206.15	\$240.12	\$247.14

Note: Amounts rounded.

Note: "Fees and Expenses" are not inclusive of all Money Manager fees given that in the Audited Annual Financial Statements some Money Manager fees are deducted directly from the respective asset's value. Table 5 provides all FY14 and FY15 expenses inclusive of Money Manager Fees deducted from the respective asset values.

Table B: Investment and Administrative Expenses Since Inception and Differences Between FY14 and FY15

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	Diff FY14- FY15
Investment Expenses	\$38,716	\$139,073	\$224,483	\$599,963	\$524,070	\$651,141	\$321,523	\$377,892	\$1,068,896	\$1,360,998	\$1,538,430	13.0%
Custodian	12,859	139,073	169,461	175,761	165,825	182,527	30,130	35,111	47,112	56,977	60,684	6.5%
Investment Adviser	25,857	-	55,022	424,202	358,245	468,614	291,393	338,819	289,438	327,972	338,400	3.2%
Money Manager*	-	-	-	-	-	-	-	3,962	732,345	976,049	1,139,346	16.7%
<i>% of Net Position</i>	<i>0.09%</i>	<i>0.22%</i>	<i>0.27%</i>	<i>0.78%</i>	<i>0.58%</i>	<i>0.58%</i>	<i>0.26%</i>	<i>0.23%</i>	<i>0.52%</i>	<i>0.57%</i>	<i>0.62%</i>	<i>9.8%</i>
Administrative Expenses	\$15,483	\$1,077	\$9,814	\$72,231	\$127,736	\$120,381	\$124,700	\$129,443	\$131,129	\$135,751	\$193,644	42.6%
Executive Administrator	-	-	-	57,200	67,850	80,450	86,982	93,856	93,912	97,160	101,990	5.0%
Audit Fees	-	-	8,062	9,100	52,300	28,500	27,300	27,300	28,350	31,594	30,300	-4.1%
Accounting Fees	-	-	-	2,906	4,199	4,867	4,272	2,381	2,951	2,820	1,928	-31.6%
Legal Fees	15,483	1,077	1,752	1,837	1,035	2,070	1,962	1,198	2,643	367	859	134.4%
Miscellaneous Fees**	-	-	-	1,188	2,352	4,494	4,184	4,708	3,272	3,811	58,567	1436.8%
<i>% of Net Position</i>	<i>0.03%</i>	<i>0.00%</i>	<i>0.01%</i>	<i>0.09%</i>	<i>0.14%</i>	<i>0.11%</i>	<i>0.10%</i>	<i>0.08%</i>	<i>0.06%</i>	<i>0.06%</i>	<i>0.08%</i>	<i>38.6%</i>
Total Expenses	\$54,199	\$140,150	\$234,297	\$672,194	\$651,806	\$771,522	\$446,223	\$507,335	\$1,200,024	\$1,496,749	\$1,732,074	15.7%
<i>Total % of Net Position</i>	<i>0.12%</i>	<i>0.22%</i>	<i>0.28%</i>	<i>0.88%</i>	<i>0.72%</i>	<i>0.68%</i>	<i>0.36%</i>	<i>0.31%</i>	<i>0.58%</i>	<i>0.62%</i>	<i>0.70%</i>	<i>12.43%</i>

Source: Audited Annual Financial Statements since FY05

Note: Amounts rounded.

Note: Categories are organized and dollar figures reported per the Audited Annual Financial Statements except for the inclusion of Money Manager* fees. These Money Manager* fees are those fees directly deducted from individual fund asset values. The Money Manager* fees were recorded as of FY12 by Trust Fund administration with the change to active management of various assets per the Investment Policy Statement and are reflected in the numbers for FY12-FY15.

Miscellaneous Fees** For FY15, a one-time charge of \$55,000 was incurred for independent and objective external evaluation. Without that additional expenditure, administrative expenses would remain at 0.06% of total net position and total expenses would amount to 0.68% of total net position.

Source: Audited Annual Financial Statements since FY04.

Table C: A and C Account Net Position Balances, FY06-FY15

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Total Assets	\$63,100,518	\$83,813,819	\$76,327,994	\$90,451,767	\$112,794,544	\$125,177,120	\$165,568,384	206,156,457	240,121,186	247,142,058
<i>A Account</i>	<i>\$59,965,823</i>	<i>\$73,998,088</i>	<i>\$66,512,261</i>	<i>\$80,636,034</i>	<i>\$100,329,457</i>	<i>\$112,712,034</i>	<i>\$135,867,285</i>	<i>162,332,802</i>	<i>191,915,673</i>	<i>198,936,545</i>
United States	23,303,978	32,430,127	35,843,543	48,113,717	61,869,954	74,785,619	92,426,277	113,613,482	136,906,167	143,231,566
Marshall Islands	33,669,073	37,781,461	27,344,493	27,120,536	30,015,612	27,220,235	29,767,725	31,775,218	34,405,467	34,045,761
Taiwan	2,992,772	3,786,500	3,324,225	5,401,781	8,443,891	10,706,180	13,673,283	16,944,102	20,604,039	21,659,219
<i>C Account</i>	<i>\$3,134,695</i>	<i>\$9,815,731</i>	<i>\$9,815,733</i>	<i>\$9,815,733</i>	<i>\$12,465,087</i>	<i>\$12,465,086</i>	<i>\$29,701,099</i>	<i>43,823,655</i>	<i>48,205,513</i>	<i>48,205,513</i>
United States	1,218,208	4,301,806	5,289,711	5,856,828	7,686,819	8,270,716	20,204,731	30,671,300	34,388,187	34,707,304
Marshall Islands	1,760,041	5,011,652	4,035,440	3,301,352	3,729,186	3,010,349	6,507,337	8,578,095	8,641,989	8,249,833
Taiwan	156,446	502,273	490,582	657,553	1,049,082	1,184,021	2,989,031	4,574,260	5,175,337	5,248,376

Note: Amounts rounded.

Note: The A and C account amounts since inception were recalculated per Resolution RMI 2015-7 Weighted Annual Rate of Return and C Account Calculation Methodology Adjustment to conform to the Global Investment Performance Standards (GIPS®). The proportions of each contributor were also adjusted so that the A and C account proportions were equal for all years per Resolution RMI 2011-7 Trust Fund A and C Account Income, Expenses and End-of-Year Calculation.

Source: Total asset value source: Audited Annual Financial Statements. A and C account amounts and contributor proportions prepared by Trust Fund bookkeeper and verified during audit process.