

June 30, 2024



Natural Resource Fund
Quarterly Report
April 1 – June 30, 2024

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1.0 INTRODUCTION

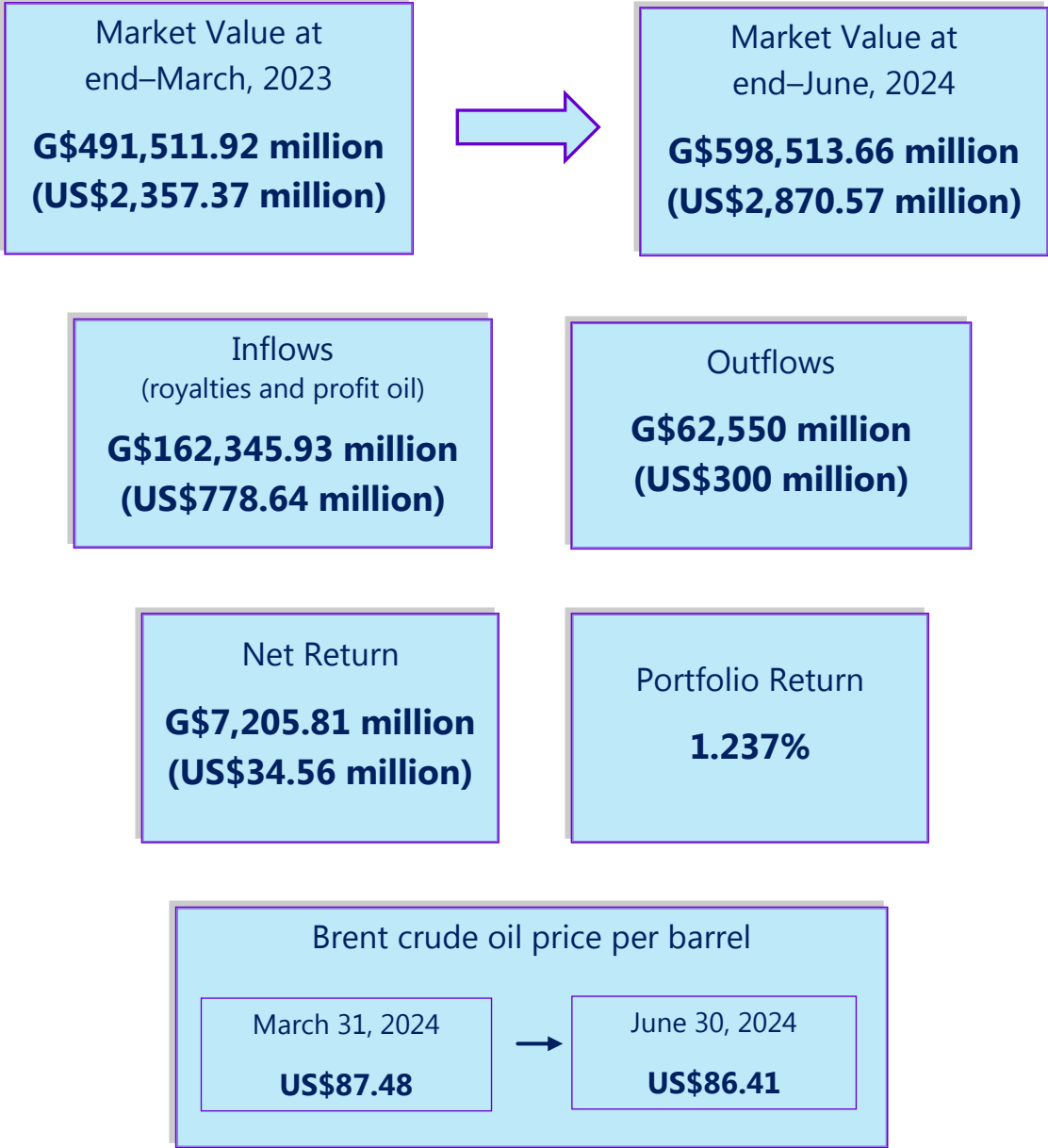
The Natural Resource Fund was formed by the enactment of the Natural Resource Fund Act 2019 which was passed in the National Assembly on January 3, 2019 and assented to by the President on January 23, 2019. This act was subsequently replaced with the Natural Resource Fund Act 2021 which was passed in the National Assembly on December 29, 2021 and assented to by the President on December 30, 2021. The Act gives the Bank of Guyana the responsibility for the operational management of the Fund.

This report is produced in fulfilment of the requirements set out in section 29 (2) of the Natural Resource Fund Act 2021 which requires the Bank of Guyana to report on the activities and financial performance of the Natural Resource Fund (referred to hereinafter as “the Fund”).

The financial statements in this report have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). Foreign currency transactions have been translated to G\$ at the rate of exchange prevailing at the dates of the transactions. The rate of exchange at June 30, 2024 was GYD 208.50 = USD 1.

2.0 EXECUTIVE SUMMARY

This report covers the period April 1, 2024 – June 30, 2024



3.0 MARKET TRENDS DURING THE QUARTER

3.1 Global Market Conditions

The World Bank's Global Economic Prospects report published in June 2024, forecasted global growth at a revised rate of 2.6% for 2024 while a World Economic Outlook report published by the IMF in April estimated global growth slightly higher at 3.2%. The World Bank's growth forecast for advanced economies and emerging market economies were revised to 1.5% and 4% respectively while the IMF still projects slightly higher growth levels of 1.7% and 4.2% for 2024. The global economy continues to be influenced by escalating geopolitical conflicts and elevated central bank interest rates.

The IMF forecasts headline global inflation for 2024 at 5.9% and projects it to slow to 4.5% in 2025 with advanced economies achieving their inflation targets sooner than emerging market and developing economies. Core inflation on the other hand is generally expected to decline more gradually.

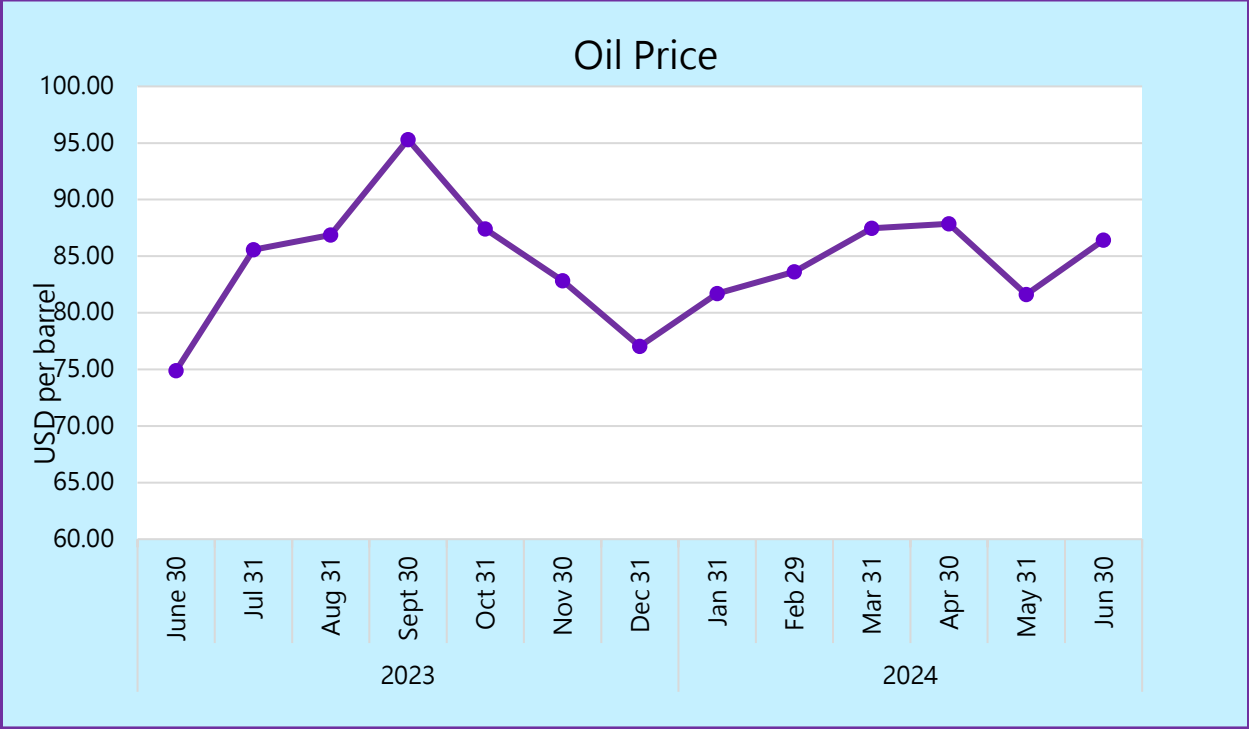
During the second quarter of 2024, the US Federal Reserve maintained its dovish monetary policy stance by holding its federal funds target range stable at 5.25% - 5.5%. The committee does not anticipate reducing its federal funds target range until it has gained greater confidence that inflation is moving sustainably towards its 2 percent target. However, the European Central Bank and the Canadian Central Bank became the first major global central banks to reduce their elevated interest rates after implementing a corresponding 25bps rate cut in early June 2024. The European Central Bank and the Canadian Central Banks' new interest rates closed the second quarter at 4.25% and 4.75% respectively. The Bank of England, like the Federal Reserve, maintained interest rates at 5.25% as at the quarter end.

Oil

Oil prices opened the quarter at \$87.48/bbl. and briefly continued its momentum from the previous quarter to reach a quarterly high of \$91.17/bbl. in early April due to escalated tensions in the Middle-East. However, oil prices pulled back towards the end of April and trended downwards until early June reaching a low of \$77.52/bbl. amid demand concerns, rising oil inventories and softening geopolitical conflict. Throughout the latter part of June oil prices regained momentum and rallied to close the quarter at \$86.41/bbl. This was a result of increased geopolitical risks out of the Middle-East along with improved global demand, and some major central banks reducing interest rates.

The following graph shows the movement of oil prices over the period June 2023 to June 2024.

Graph 1



Gold

Gold prices opened the quarter at US\$2,229.87 per ounce, its lowest value for the quarter, and subsequently rallied until mid-April as a result of robust US jobs data, geopolitical uncertainty, and a more dovish Fed given inflation data at the time. However, this narrative was short lived as gold briefly retreated towards the end of April due to reduced geopolitical risk and favourable US economic data. Nevertheless, this downward trend was only sustained for a short period as prices rallied again reaching a peak of US\$2,425.31 per ounce in mid-May 2024. This upward movement was mainly influenced by the Fed's interest rate outlook supported by cooling inflation reports in the US economy and a lower US dollar index. Notwithstanding, gold prices retreated once more towards the end of the quarter mainly due to China's decision to ease its gold purchases coupled with a stronger than anticipated US jobs report for May. Gold closed the quarter at US\$2,326.75 per ounce.

3.2 Global Fixed Income Bonds

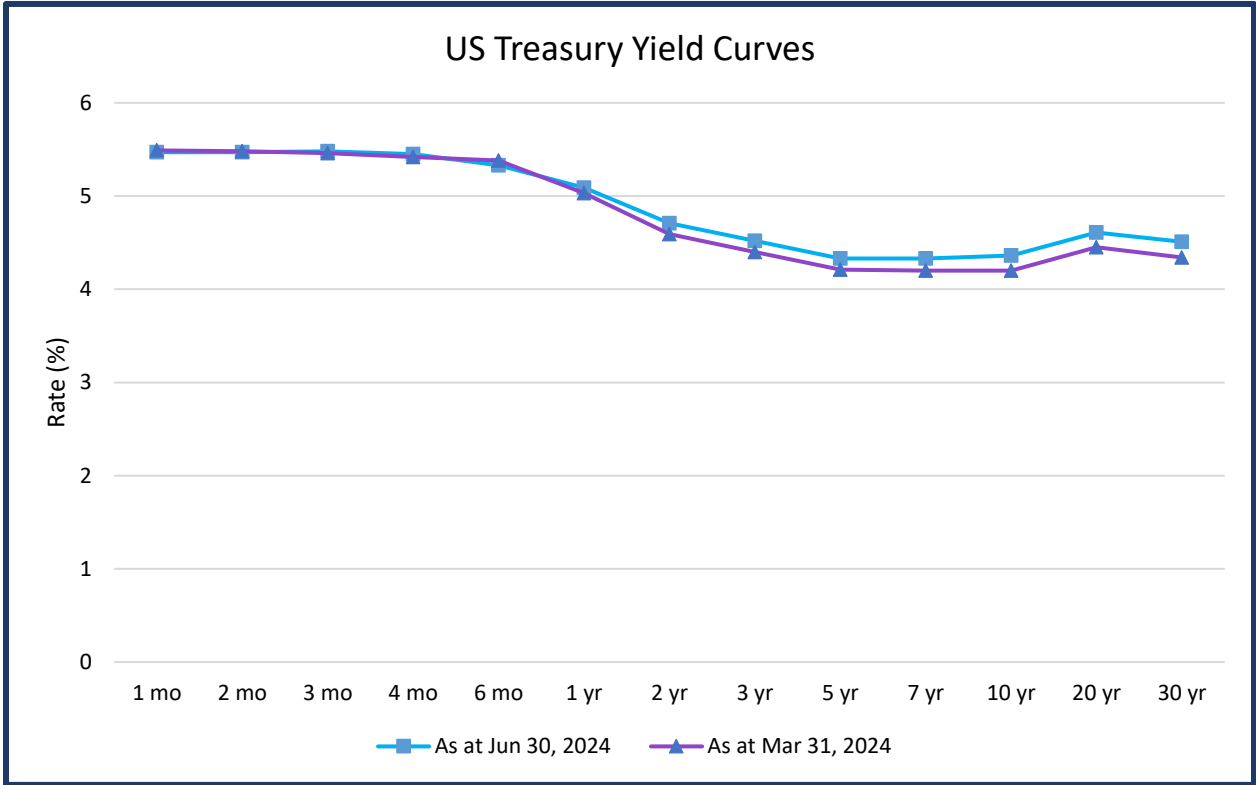
There was high volatility in the fixed income market over the quarter as inflation data fluctuated and major central banks adopted different monetary policy stances towards interest rates. The European Central Bank and the Bank of Canada both implemented a 25bps rate cut while other major central banks held rates steady. The Fed had a somewhat more hawkish tone at their last FOMC meeting given reported inflation data, while market expectations are shifting towards just one Fed rate cut by the end of 2024. Consequently, the last two months of the quarter saw bond yields for most currencies trending downwards after rising during the first month.

The yields of 10-year government bonds increased across the board during the quarter. The US 10-year bond yield rose from 4.32% to 4.39%, the UK's from 3.98% to 4.18%, Spain's from 3.15% to 3.41%, France's from 2.80% to 3.29% and Germany's from 2.29% to 2.49%.

The graph below shows the US Treasury yield curve at March 31, 2024 and June 30, 2024. Market expectations of a less dovish Fed given persistent robust data led to a general rise

in yields during the quarter. There was a considerable increase in yields of longer dated bonds while shorter dated bond remained relatively unchanged. As a result, the yield curve has become slightly less inverted.

Graph 2



Corporate bonds

Credit spreads widened over the quarter resulting in relatively higher earnings for corporate bonds. This allowed corporate bonds to outperform government bonds with higher yielding bonds performing the best. According to the Bloomberg Global Aggregate Corporate Total Return Index, corporate bonds reflected a slight change to 269.97 from 270.40 the previous quarter.

3.3 Global Equities

Despite market expectations shifting towards just one Fed rate cut for 2024, the equities market continued to show positive returns during the second quarter. The resilience of the economy, along with support from the information technology and communication services sectors contributed to these gains. The S&P 500 index went up by 3.92% while the NASDAQ index increased by 8.26%.

4.0 LOCAL UPDATES

Since 2015, 47 discoveries have been made offshore Guyana. Forty-one (41) of those discoveries were made at the Stabroek block, 1 at the Kaieteur block, 2 at the Orinduik block, 1 at the Kanuku block and 2 at the Corentyne block. No new discoveries were made during the quarter.

In the Stabroek block, the Liza Phase 1 Development began production in late 2019 and reached its peak capacity of 120,000 barrels per day (bpd) in December 2020. Production from Liza Phase 2 began in February 2022 and the project reached its full production capacity of 220,000 barrels per day (bpd) in December 2022. Currently both the Liza Destiny and Liza Unity FPSOs are reportedly producing above their expected production capacity of 120,000 and 220,000 barrels per day (bpd) respectively.

The Government of Guyana announced their approval of the Payara Offshore Development Project on 30th September, 2020, which holds an estimated resource base of approximately 600 million oil-equivalent barrels. Production began in Mid-November 2023 and reached its peak capacity of 220,000 bpd in the first quarter of 2024.

Plans are advancing for ExxonMobil's 4th project – the Yellowtail Development project - which is expected to start production of 250,000 bpd in 2025 taking Guyana's production level to 810,000 bpd.

During April 2023, the Government of Guyana approved the Uaru project – Guyana's 5th project approved for development offshore Guyana which is slated for start-up in 2026. The project will add approximately 250,000 bpd to Guyana's daily oil production when operations begin. A sixth development, Project Whiptail, was approved by the

Government of Guyana in mid-April 2024. This project is expected to have a production capacity of 250,000 bpd and is scheduled to be operational by the end of 2027. It is projected that by the end of the decade, Guyana's oil production will increase to more than 1 million bpd.

The Stabroek Block is estimated to contain resources of approximately 11 billion oil-equivalent barrels and is operated by ExxonMobil affiliate Esso Exploration and Production Guyana Limited. They hold a 45% interest in the block, CNOOC Petroleum Guyana Limited holds 25% while Chevron which had acquired Hess Guyana Exploration Ltd. in October 2023 holds the remaining 30%.

In December 2022, the Government of Guyana had launched its first competitive bidding round for 14 of its existing offshore oil blocks; 11 being located in shallow water and 3 in ultra-deepwater. The first bidding round was expected to conclude in April, 2023, however, this was delayed as the government of Guyana decided to postpone its offshore licensing round beyond its July 2023 deadline to facilitate a review of the country's oil and gas regulatory framework. On September 12, 2023, Guyana's first offshore licensing round was concluded and the country received bids for 8 of its 14 existing oil blocks from 6 groups.

During the quarter, Guyana lifted eight (8) 1-million-barrel (approximate) oil cargoes as its share of profit oil in comparison with five (5) lifts for the previous quarter taking total lifts to thirteen¹ (13) for the year thus far. The country is expected to benefit from a total twenty-seven (27) lifts for 2024. To date, Guyana has obtained fifty-two (52) lifts of profit oil since the inception of the Fund.

¹ This figure represents lifts of profit oil made in 2024 for which payments are due approximately one (1) month after the lift date.

5.0 INVESTMENT MANDATE

The Board of Directors of the Natural Resource Fund at its meeting held on May 16, 2024 approved the investment mandate for the Fund. It was mandated that the funds be maintained in the deposit account held at the Federal Reserve Bank of New York earning overnight deposit interest at the prevailing federal funds rate of 5.30%. It was also agreed that the Bank of Guyana will continue to monitor the overnight interest rate and inform the Chairman of any changes by the Federal Reserve Bank to consider the feasibility of redeploying cash. As at end-June 2024, there has been no changes made to the investment mandate as the federal funds rate remained within the range of 5.25% - 5.5%.

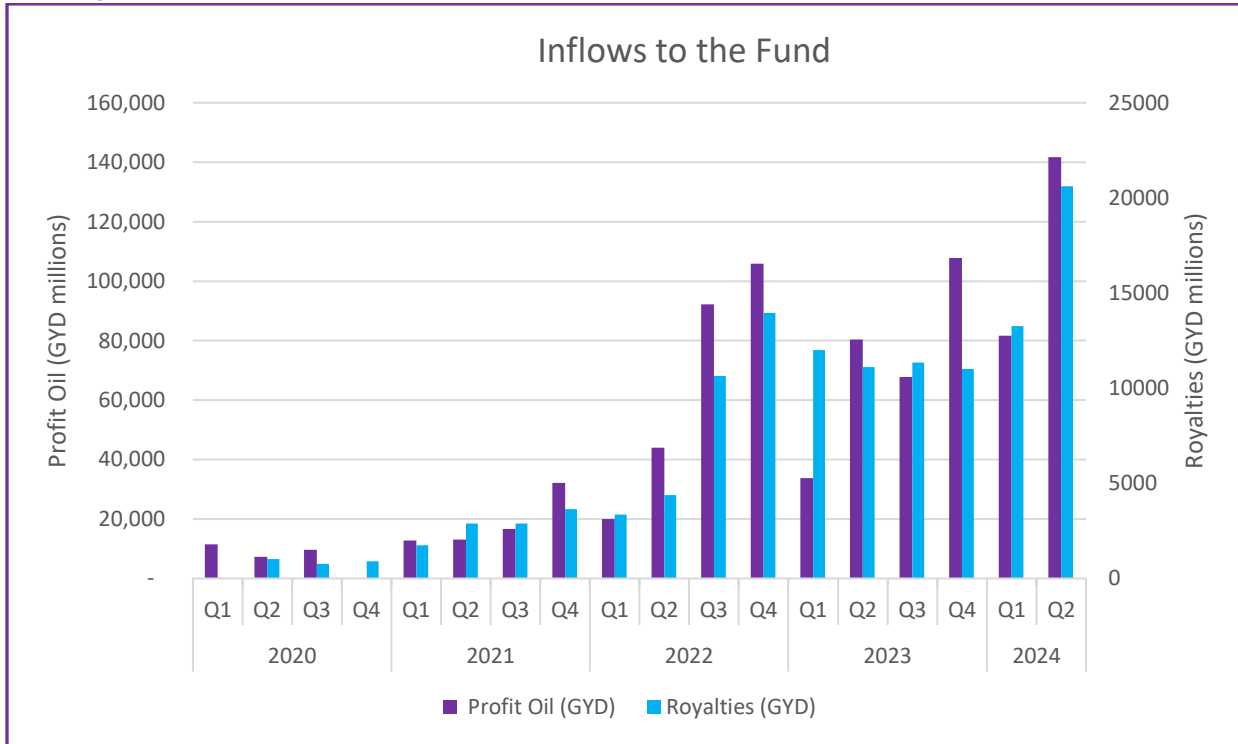
6.0 ACTIVITIES OF THE FUND

6.1 Receipts to the Fund

During the quarter, the Fund accounted for inflows amounting to G\$162,345.93 million (US\$778.64 million) comprising of profit oil - G\$141,741.27 million (US\$679.81 million) and royalties - G\$20,604.66 million (US\$98.82 million) in comparison to G\$81,697.35 million (US\$391.83 million) and G\$13,260.45 million (US\$63.6 million) respectively for the previous quarter. These funds were deposited into the Natural Resource Fund account held at the Federal Reserve Bank of New York.

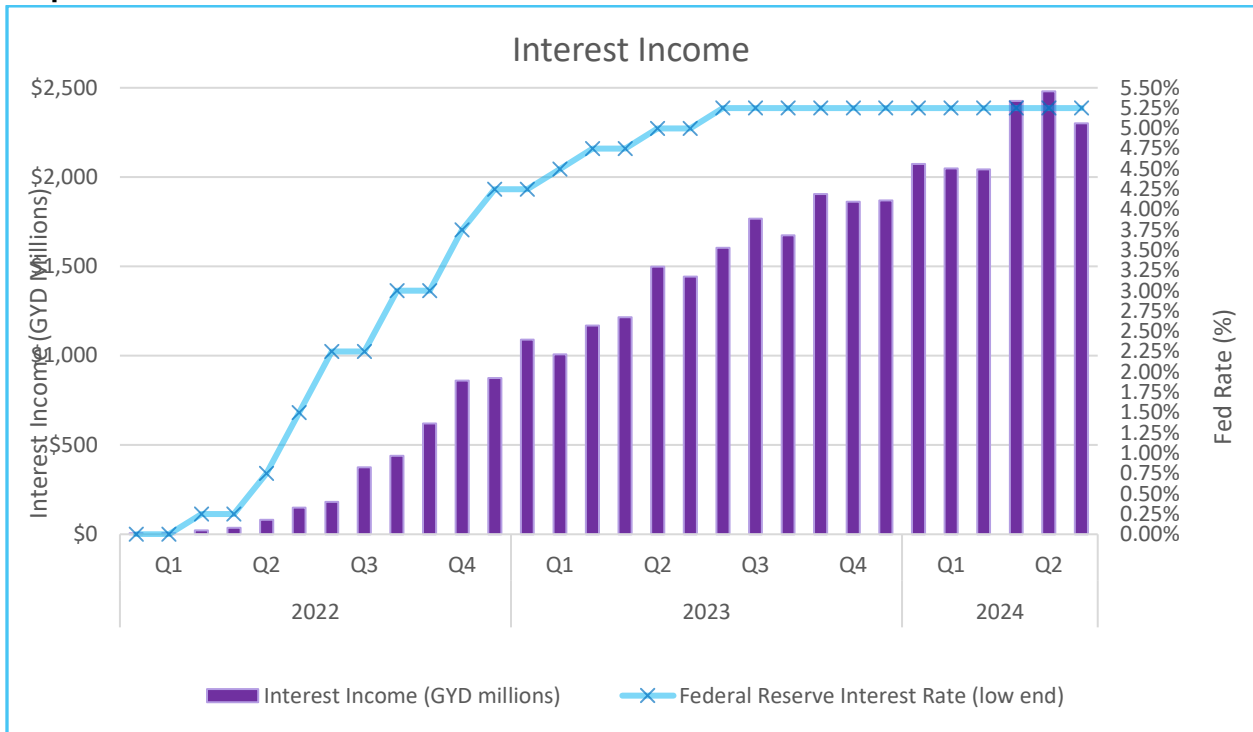
Since its inception, the Fund has accounted for inflows of G\$888,452.28 million (US\$4,261.16 million) from 52 lifts of profit oil and G\$125,222.23 million (US\$600.59 million) from royalties (see appendix).

Graph 3



During the quarter, the Federal Reserve continued to maintain interest rates at 5.25% - 5.50%. Sustained high interest rates coupled with a higher account balance resulted in the Fund earning a higher level of interest income on its overnight deposits than previous quarters. The Fund earned G\$7,205.81 million (US\$34.56 million) in interest income over the quarter compared to G\$6,162.99 million (US\$29.56 million) the previous quarter.

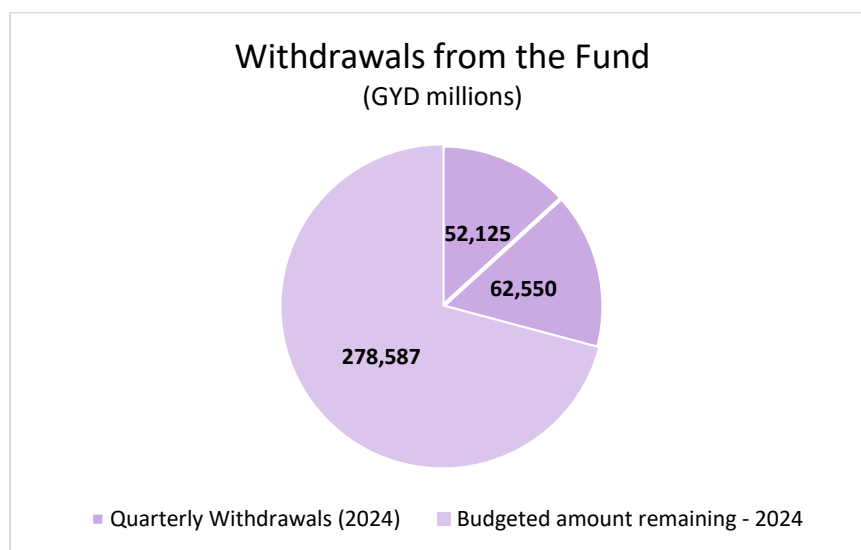
Graph 4



6.2 Transfers to the Consolidated Fund

According to section 16 of the Natural Resource Fund Act 2021, all withdrawals from the Fund shall be deposited into the Consolidated Fund. During the quarter, transfers to the Government of Guyana’s Consolidated Fund account amounted to G\$62,550 million (US\$300 million). Total withdrawals amounted to G\$114,675 million (US\$550 million) for the year to date which represents 34.68% of the estimated amount budgeted to be withdrawn in 2024 - G\$330,712 million (US\$1,586.15 million). Since the inception of the fund, transfers to the Consolidated Fund totalled G\$450,313.47 million (US\$2,159.78).

Graph 5



7.0 PORTFOLIO PERFORMANCE

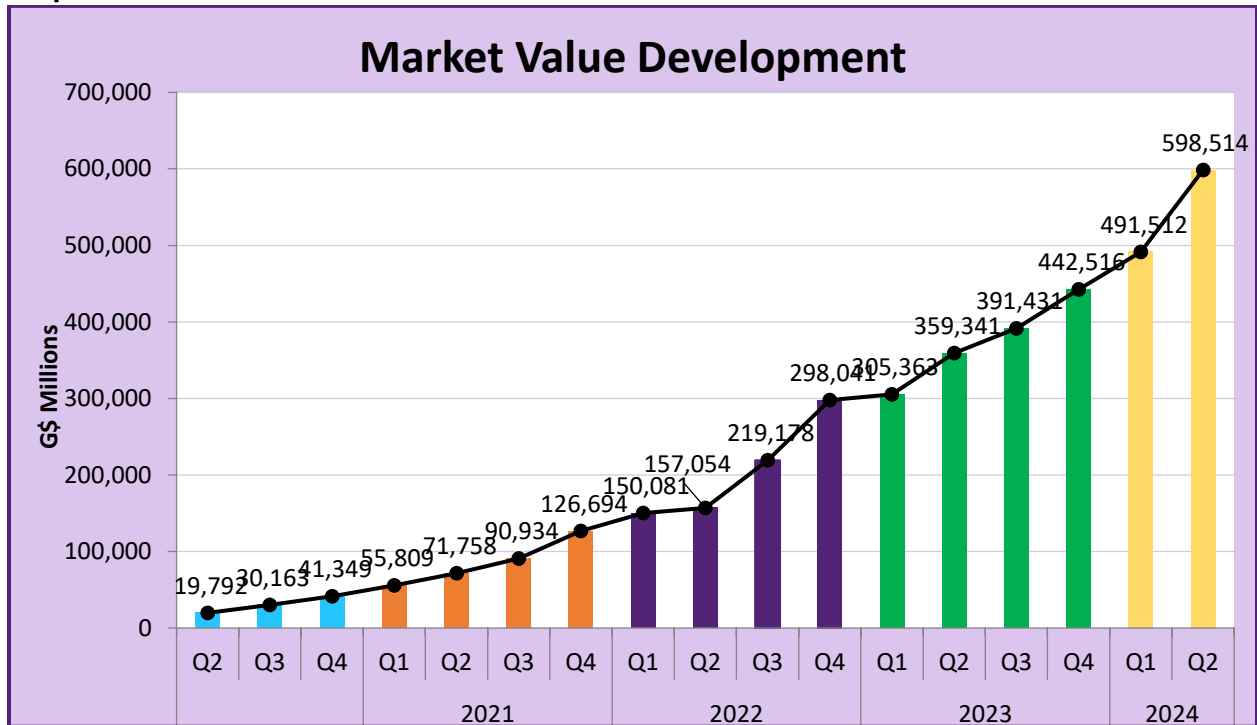
7.1 Market Value of the Fund

The value of the Fund amounted to G\$598,513.66 million (US\$2,870.57 million), an increase of 21.77% (G\$107,001.75 million or US\$513.2 million) from the previous quarter's level of G\$491,511.92 million (US\$2,357.37 million).

Table 1

Changes in Market Value						G\$'000
	2023		2024			Since Inception
	Q3	Q4	Q1	Q2	YTD	
Starting Market Value	359,340,928	391,431,221	442,516,135	491,511,916	442,516,135	0
Inflows	79,169,635	118,867,088	94,957,795	162,345,933	257,303,728	1,013,674,515
Withdrawals	-52,125,000	-73,419,157	-52,125,000	-62,550,000	-114,675,000	-450,313,467
Interest Income	5,045,658	5,636,983	6,162,986	7,205,813	13,368,799	35,151,621
Capital Gains (Losses)	0	0	0	0	0	993
Admin., management and other costs	0	0	0	0	0	0
Final Market Value	391,431,221	442,516,135	491,511,916	598,513,661	598,513,660	598,513,662

Graph 6



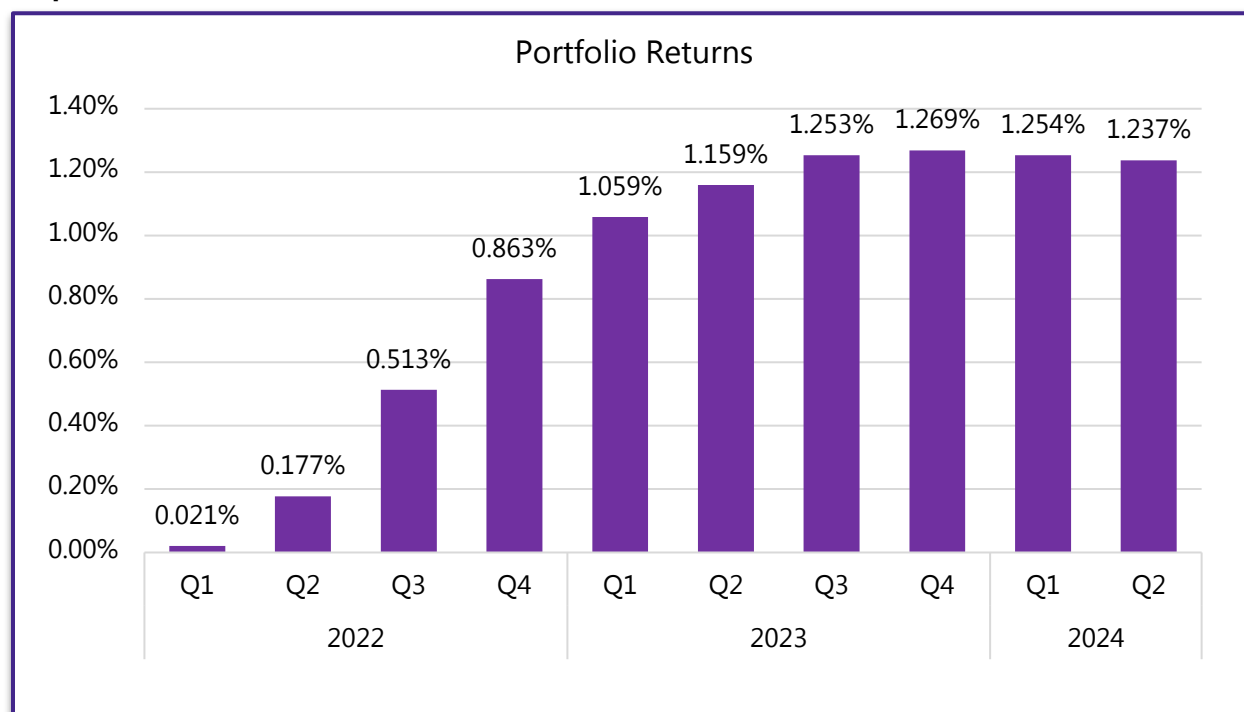
7.2 Performance

The Fund recorded a net return of G\$7,205.81 million (US\$34.56 million) this quarter in comparison with G\$6,162.99 million (US\$29.56 million) for the preceding quarter solely due to interest earned on deposits. This resulted in a return² of 1.237% for the quarter compared with 1.254% in the previous quarter. The Fund earned an annualized return of 1.975% since its inception³.

Table 2

FUND PORTFOLIO	2023		2024				Since Inception (Annualized)
	Q3	Q4	Q1	Q2	YTD	YTD (Annualized)	
Return	1.253%	1.269%	1.254%	1.237%	2.506%	5.074%	1.975%
Benchmark	-	-	-	-	-	-	-
Excess	-	-	-	-	-	-	-

Graph 7



² The Fund is not currently tracking an index as funds were not invested in securities as at June 30, 2024.

³ During the first 2 years of the establishment of the Fund, interest rates were extremely low ranging between 0% to 0.05%.

8.0 FINANCIAL SUMMARY

The following financial information is presented for the purpose of providing a detailed overview of the performance of the Fund. The figures have been audited by the Internal Audit Department of Bank of Guyana.

Table 3

Capital Account		G\$'000	
Period	Q1 - 2024	Q2 - 2024	
Opening Balance at beginning of the period	442,516,135	491,511,916	
Inflows to Fund for the quarter:			
Royalties	13,260,447	20,604,660	
Profit Oil	81,697,348	141,741,273	
Outflows from Fund to Consolidated Fund a/c for the quarter	-52,125,000	-62,550,000	
Net Result for the quarter	6,162,986	7,205,813	
Closing Balance at the end of the quarter	491,511,916	598,513,662	

Table 4

Assets		G\$'000	
Period	Q1 - 2024	Q2 - 2024	
Cash and Cash Equivalents	491,511,916	598,513,662	
Other receivables	0	0	
Financial Assets held at fair value through profit and loss	0	0	
Less:			
Payables	(0)	(0)	
Total Net Assets	491,511,916	598,513,662	

Table 5

Income		G\$'000	
Period	Q1 - 2024	Q2 - 2024	
Interest Income	6,162,986	7,205,813	
Other Investment Income	0	0	
Net gains/(losses) on market revaluation of financial assets	0	0	
Net gains/(losses) on foreign exchange	0	0	
Total Investment Income	6,162,986	7,205,813	
Expenses			
Management fees	(0)	(0)	
Transaction costs	(0)	(0)	
Other expenses	(0)	(0)	
Total Expenses	(0)	(0)	
Net Result for the Quarter	6,162,986	7,205,813	

9.0 APPENDIX

The following table shows the receipts of profit oil and royalties to the Natural Resource Fund since its inception.

Table 6

Inflows to the Natural Resource Fund					
Date	Profit Oil (USD)			Royalties (USD)	Total Inflows to Date (USD)
	Liza Destiny	Liza Unity	Prosperity		
11-Mar-2020	54,927,994.80				54,927,994.80
28-Apr-2020				4,919,505.30	59,847,500.10
9-Jun-2020	35,063,582.06				94,911,082.16
3-Aug-2020				3,698,152.63	98,609,234.79
24-Aug-2020	46,046,937.03				144,656,171.82
19-Oct-2020				4,304,275.30	148,960,447.12
11-Jan-2021	49,341,810.55				198,302,257.67
20-Jan-2021				8,332,957.12	206,635,214.79
3-Mar-2021	50.00				206,635,264.79
9-Mar-2021	61,021,098.64				267,656,363.43
20-Apr-2021				13,869,099.18	281,525,462.61
14-May-2021	62,617,616.23				344,143,078.84
23-Jul-2021				12,301,462.65	356,444,541.49
28-Jul-2021	79,617,561.87				436,062,103.36
22-Oct-2021	80,373,718.56				516,435,821.92
26-Oct-2021				17,492,005.29	533,927,827.21
24-Dec-2021	73,582,168.11				607,509,995.32
27-Jan-2022				16,087,959.27	623,597,954.59
28-Feb-2022	95,928,020.91				719,525,975.50
28-Apr-2022				21,059,488.63	740,585,464.13
25-May-2022		102,548,225.10			843,133,689.23
2-Jun-2022	108,556,874.23				951,690,563.46
20-Jul-2022		122,973,502.40			1,074,664,065.86
27-Jul-2022	117,445,452.90			51,060,711.00	1,243,170,229.76
29-Aug-2022		102,543,769.89			1,345,713,999.65
13-Sep-2022	99,161,132.32				1,444,875,131.97
7-Oct-2022		88,996,551.12			1,533,871,683.09
25-Oct-2022				66,947,083.73	1,600,818,766.82
7-Nov-2022	89,149,227.73				1,689,967,994.55
14-Nov-2022		87,993,773.93			1,777,961,768.48
30-Dec-2022		83,808,725.98			1,861,770,494.46
3-Jan-2023	82,612,294.01				1,944,382,788.47
23-Jan-2023		75,074,493.46			2,019,457,281.93
30-Jan-2023				57,591,504.37	2,077,048,786.30

16-Feb-2023	82,248,712.42				2,159,297,498.72
20-Mar-2023		79,613,822.68			2,238,911,321.40
10-Apr-2023	74,054,727.58	74,216,496.21			2,387,182,545.19
28-Apr-2023				53,256,878.46	2,440,439,423.65
10-May-2023		87,145,733.95			2,527,585,157.60
14-Jun-2023	74,729,733.63				2,602,314,891.23
16-Jun-2023		75,546,324.85			2,677,861,216.08
20-Jul-2023		73,773,346.19			2,751,634,562.27
28-Jul-2023				54,436,683.89	2,806,071,246.16
7-Aug-2023	81,786,204.95				2,887,857,451.11
23-Aug-2023		84,436,660.87			2,972,294,111.98
20-Sep-2023		85,277,583.54			3,057,571,695.52
13-Oct-2023	96,031,133.77				3,153,602,829.29
23-Oct-2023		96,959,767.23			3,250,562,596.52
30-Oct-2023				52,805,908.09	3,303,368,504.61
28-Nov-2023		90,027,503.19			3,393,396,007.80
1-Dec-2023		235,507.07 ⁴			3,393,631,514.87
5-Dec-2023	85,139,327.68				3,478,770,842.55
2-Jan-2024		73,573,471.27			3,552,344,313.82
29-Jan-2024				63,599,266.12	3,615,943,579.94
2-Feb-2024	76,535,681.54		73,135,955.04		3,765,615,216.52
15-Feb-2024		75,333,318.77			3,840,948,535.29
6-Mar-2024		81,660,988.38			3,922,609,523.67
8-Mar-2024			78,376,649.09		4,000,986,172.76
25-Mar-2024	82,124,527.93				4,083,110,700.69
8-Apr-2024		83,763,891.80			4,166,874,592.49
12-Apr-2024			82,781,803.20		4,249,656,395.69
29-Apr-2024				98,823,312.69	4,348,479,708.38
14-May-2024	89,647,690.45	89,163,122.96			4,527,290,521.79
23-May-2024			88,316,721.89		4,615,607,243.68
30-May-2024	142.50				4,615,607,386.18
10-Jun-2024		81,634,333.28			4,697,241,719.46
27-Jun-2024	83,732,219.83		80,774,332.65		4,861,748,271.94
Total	1,961,475,642.23	1,896,300,914.12	403,385,461.87	600,586,253.72	4,861,748,271.94

⁴ This figure represents the Government of Guyana's 12.5% interest in lift #22UNY000 - Liza Unity Off-Spec Oil emulsion.

Dated: 30th July, 2024

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Chief Accountant
Bank of Guyana

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Governor
Bank of Guyana