

March 31, 2021



Natural Resource Fund
Quarterly Report
January 1 - March 31, 2021

TABLE OF CONTENTS

1.0	INTRODUCTION.....	1
2.0	EXECUTIVE SUMMARY.....	2
3.0	MARKET TRENDS DURING THE QUARTER.....	3
	3.1 GLOBAL MARKET CONDITIONS.....	3
	3.2 GLOBAL FIXED INCOME BONDS.....	6
	3.3 GLOBAL EQUITIES.....	7
4.0	LOCAL UPDATES.....	8
5.0	INVESTMENT MANDATE.....	9
6.0	ACTIVITIES OF THE FUND.....	9
7.0	PORTFOLIO PERFORMANCE	10
	7.1 MARKET VALUE OF THE FUND	10
	7.2 PERFORMANCE	11
8.0	FINANCIAL SUMMARY	12
9.0	APPENDIX.....	14

1.0 INTRODUCTION

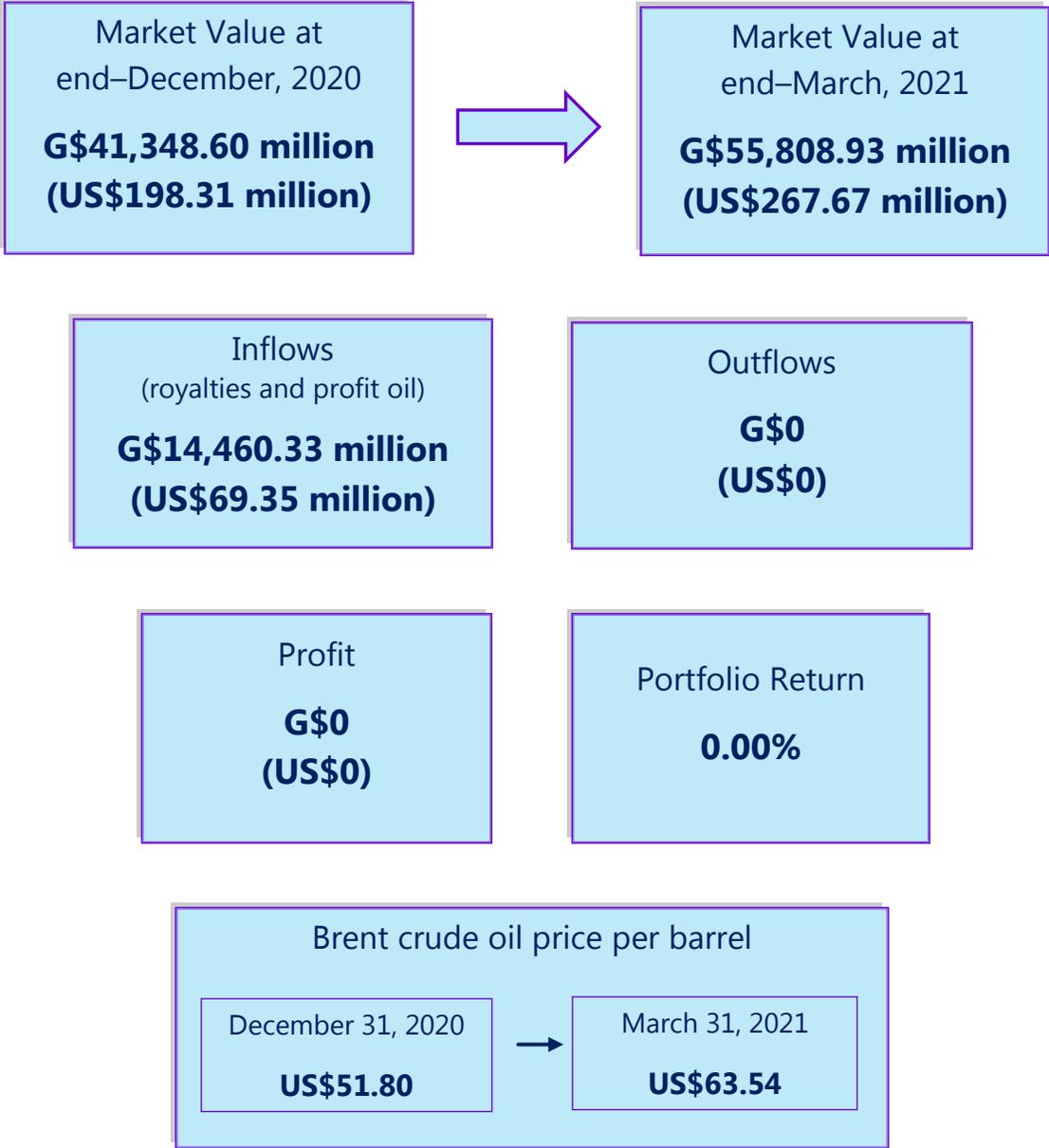
The Natural Resource Fund was formed by the enactment of the Natural Resource Fund Act 2019 which was passed in the National Assembly on January 3, 2019 and assented to by the President on January 23, 2019. The Act gives the Bank of Guyana the responsibility for the operational management of the Fund.

This report is produced in fulfilment of the requirements set out in section 38 (2) of the Natural Resource Fund Act 2019 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 March 31, 2021 was GYD 208.50 = USD 1.

2.0 EXECUTIVE SUMMARY

This report covers the period January 1, 2021 – March 31, 2021



3.0 MARKET TRENDS DURING THE QUARTER

3.1 Global Market Conditions

The performance of the Global economy remains important to Guyana's emerging sector with respect to cash flows due to changes in oil prices and interest rates.

It has been one year since COVID-19 has been declared a global pandemic. The distribution of vaccines around the world is currently underway, laying the groundwork for an economic recovery. So far, this recovery is diverging across and within countries and sectors and this has the potential to widen the gaps between developing and developed countries. As a result of the pandemic, per capita incomes have fallen in many emerging market and developing economies and millions of persons have fallen back into poverty.

Global forecasts remain uncertain and subject to sudden changes relating to the pandemic, policy support and financial conditions. Continued progress with vaccines can improve the outlook while the spread of new variants of the virus unable to be controlled by vaccines, can lead to a decline. Towards the end of the quarter, new and increasing COVID-19 cases and deaths in some of the world's largest economies resulted in lockdowns being imposed. The future outlook depends on how effectively economic policies can control the effects of the pandemic. Recommended policy focus areas include spending on health care and fiscal support to households and firms.

The World Bank estimates that the global economy contracted by 4.3% in 2020, with global GDP expected to expand by 4% in 2021. The IMF in its April 2021 World Economic Outlook projects that the global economy contracted by 3.3% in 2020 and is expected to grow by 6% in 2021. The Latin America and Caribbean region specifically was reported to have declined by 7% in 2020 and is expected to grow by 4.6% in 2021. According to the report, these projections show an improvement from previous ones reflecting "additional fiscal support in a few large economies, the anticipated vaccine-

powered recovery in the second half of 2021, and continued adaptation of economic activity to subdued mobility.”

Many countries have responded to the virus with unprecedented fiscal and monetary policies. In the US, a \$1.9 trillion coronavirus relief package was passed in March 2021. It is the third relief package there since the start of the pandemic.

The Federal Open Market Committee issued a statement which reiterated their position to continue along the lines of accommodating monetary policy and to keep the target range for the federal funds rate at 0% - 0.25%. It is expected that this will be maintained until 2024. This will be done until there is maximum employment in the economy and inflation has increased to 2% and is sustained above 2% for some time in the future. The Federal Reserve will also continue to increase its holdings of securities in order to sustain the smooth functioning of the market and provide credit to businesses and households.

The value of the US dollar has been rising relative to major currencies since the start of the year. This is due to a substantial increase in bond yields caused by recent stimulus bills and an upward revision in the forecasts for economic growth, improving investors’ future expectations for a recovery.

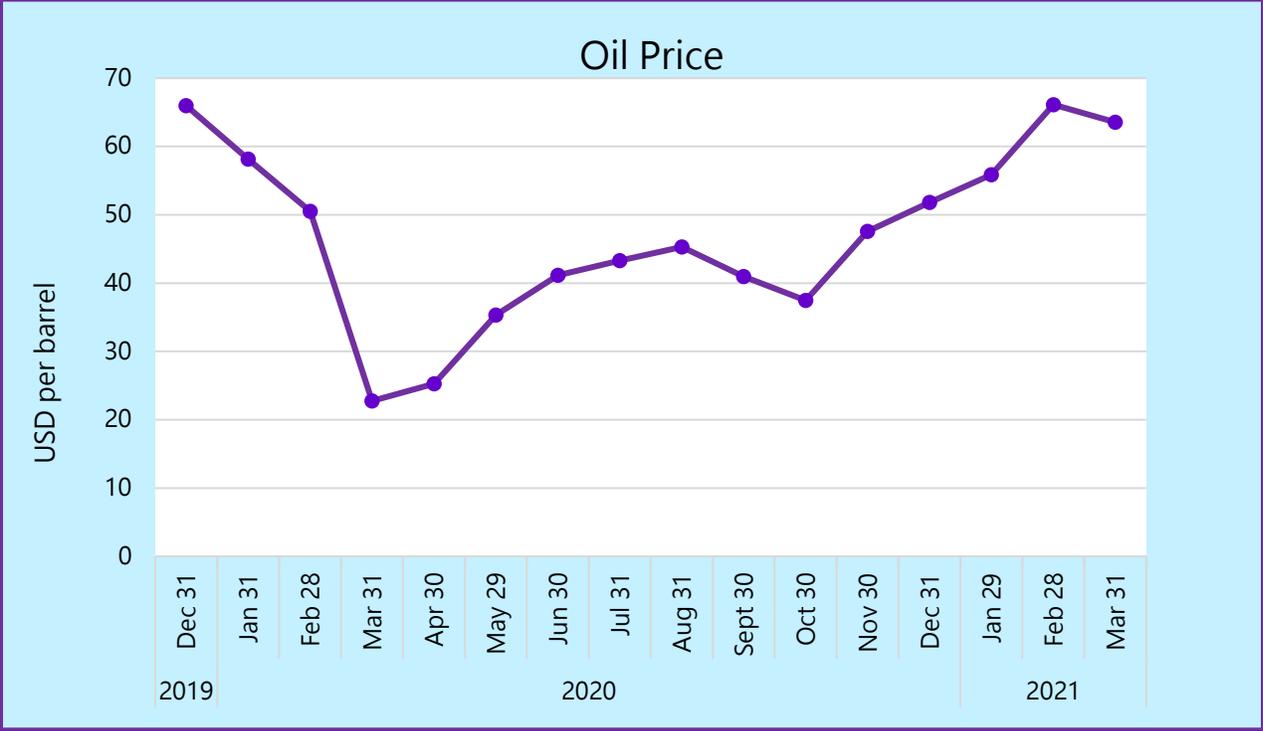
There has been an increase in inflation in emerging markets owing in part to higher bond yields in the US and other developed economies, which resulted in capital outflows and currency depreciation. Price increases and supply chain troubles have also played a role. The response has been to increase benchmark interest rates in order to decrease outflows and stabilise local currencies.

Over the quarter, oil prices moved from US\$51.80 to US\$63.54 per barrel, crossing the \$60 point in early February - the first time in over a year. Prices reached a high of US\$69.36 early March following a steady rise. These higher prices are mainly as a result of lower levels of production by OPEC+ members. Towards the end of the quarter, oil

prices declined slightly from the peak as a worsening COVID-19 situation negatively impacted demand in some parts of the world. Some recovery is expected in the near future.

The following graph shows the movement of oil prices from December 2019 to March 2021.

Graph 1



Over the review period, gold prices moved from US\$1,898.36 to US\$1707.71. Prices reached a high of US\$1950.01 in early January and from then, showed a relative decline, reaching a low of US\$1683.54 in early March. This decline is partly as a result of a rise in bond yields and expectations of an economic recovery in the US, reducing the appeal of holding gold.

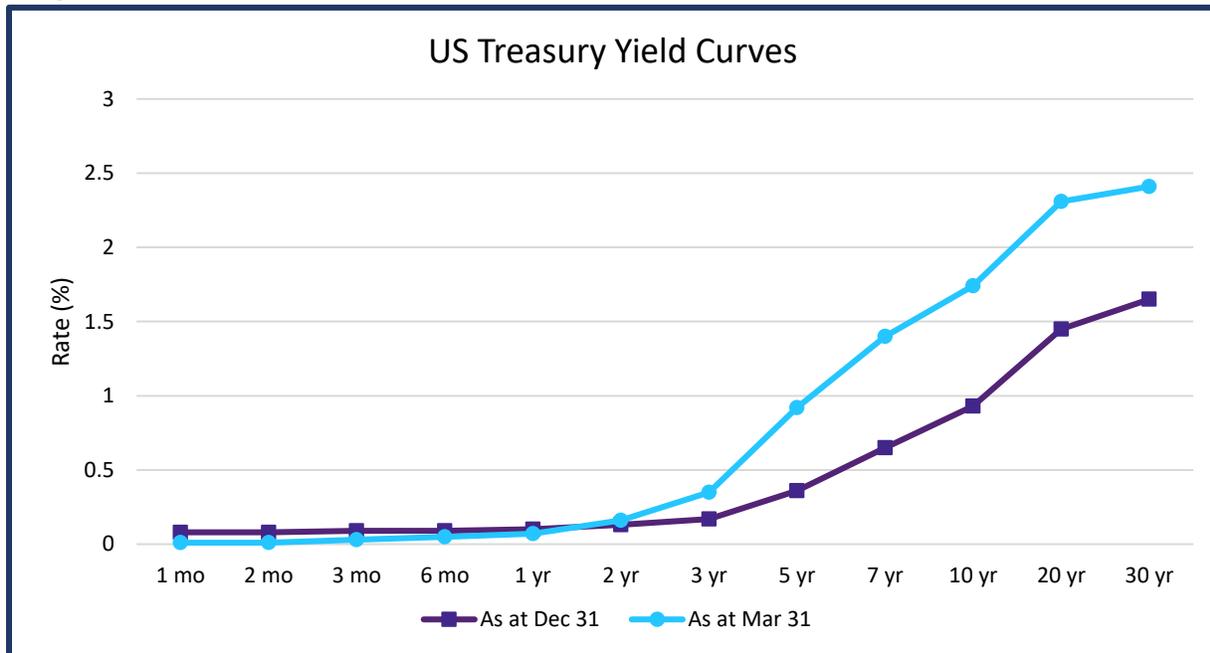
3.2 Global Fixed Income Bonds

Bond yields surged during the first quarter of 2021 due to the rollout of COVID-19 vaccines and the passing of a \$1.9 trillion stimulus package in the USA, both of which increased optimism of an economic rebound. Because they have started from a very low base, even small basis point increases in bond yields can lead to big declines in bond prices. As bond yields have almost doubled during the quarter, it has resulted in a significant drop in bond prices and marked the worst quarter for US Treasury bonds since 1980. The fixed income market was also more volatile as concerns of a higher expected inflation rose.

The US 10-year Treasury bond had its strongest quarter since the pandemic started and drastically increased from 0.92% to 1.74%. Other 10-year government bond yields also markedly gained during the quarter as the UK's jumped from 0.19% to 0.86%, Germany's increased from -0.57 to -0.29, France's rose from -0.34% to -0.04% and Spain's increased from 0.04% to 0.33%.

The graph below shows the movement of the US Treasury yield curve from December 31 2020 to March 31, 2021. Short term bonds slightly declined while long term bonds rose as increasing economic activity and rising inflation expectations led to a steepening of the yield curve.

Graph 2



Corporate bonds outperformed government bonds this quarter. According to the Bloomberg Barclays Global Aggregate Corporate Total Return Index, returns moved from 307.40 to 296.68, a decrease of 3.49%.

3.3 Global Equities

Optimism of a market recovery amid the successful rollout of vaccines and the fiscal stimulus in the US pushed the equities market to new highs as their rally continued for the fourth consecutive quarter despite higher bond yields and inflation concerns. It has been one year since the equity market dropped due to COVID-19 but since then, the S&P 500 index has recorded an annual change of +74.8% which is one of the biggest rolling 12-month increases in the index's history. During this quarter, the S&P 500 index increased by 6% while the NASDAQ index increased by 4%. Energy, financials and industrial stocks had strong returns while technology and consumer staples lagged.

4.0 LOCAL UPDATES

Since 2015, 21 discoveries have been made offshore Guyana. Two of these discoveries were made at the Orinduik block and 1 at the Kanuku block. There have been 18 discoveries on the Stabroek block with estimated resources of over 8 billion oil-equivalent barrels. The Stabroek Block is operated by ExxonMobil affiliate Esso Exploration and Production Guyana Limited. They hold a 45% interest in the block, Hess Guyana Exploration Ltd. holds 30% interest and CNOOC Petroleum Guyana Limited holds 25% interest.

Output from the Liza Phase 1 Development at the Stabroek Block which began production in late 2019 reached its peak capacity of 120,000 barrels per day (bpd) in December 2020. Liza Phase 2 is on track to begin production in early 2022 and is expected to produce up to 220,000 bpd. The government of Guyana on 30th September, 2020 announced their approval of the Payara Offshore Development Project which will target an estimated resource base of approximately 600 million oil-equivalent barrels. Production of up to 220,000 bpd from this block is expected to begin in 2024. It is projected that Guyana's oil production will increase to more than 1 million bpd by the end of the decade. According to a study by Wood Mackenzie, the Liza Phase 1 and 2 developments account for about 25% of the resources in the Stabroek block while phase 3, which includes Payara, Pacora and Liza Deep, account for 16%.

As at March 31, 2021 Guyana has lifted five 1-million-barrel oil cargoes. In 2021, it is intended that five to six lifts will be made.

5.0 INVESTMENT MANDATE

To date, there has been no investment mandate for the Fund. A letter from the then Minister of Finance dated June 8, 2020 stated that pending the constitution of the Investment Committee and preparation of the Investment Mandate, all petroleum revenue should be held as cash deposits in the Natural Resource Fund account.

During the Forecast on Latin America and the Caribbean Conference, hosted by the Association of American Chambers of Commerce and Latin America and the Caribbean (AACCLA), President Irfaan Ali disclosed his intentions to let the funds remain untouched in the Natural Resource Fund until a series of reforms are enacted to strengthen the Government's regulatory infrastructure for the oil and gas sector.

6.0 ACTIVITIES OF THE FUND

During the quarter, the Fund received revenue of G\$14,460.33 million (US\$69.35 million) comprising of profit oil - G\$12,722.91 million (US\$61.02 million) and royalties - G\$1,737.42 million (US\$8.33 million). These funds were deposited into the Natural Resource Fund Account held at the Federal Reserve Bank of New York.

Since its inception, the Fund received G\$51,374.71 million (US\$246.40 million) from five lifts of profit oil and G\$4,431.64 million (US\$21.25 million) from royalties.

During the first quarter of 2020, overnight deposits were available with interest rates within a range of 1.50% - 1.75%. This was lowered to 1% - 1.25% on March 3, 2020 and then again to 0% - 0.25% on March 15, 2020. Since then, the Fund earned no interest on overnight deposits.

7.0 PORTFOLIO PERFORMANCE

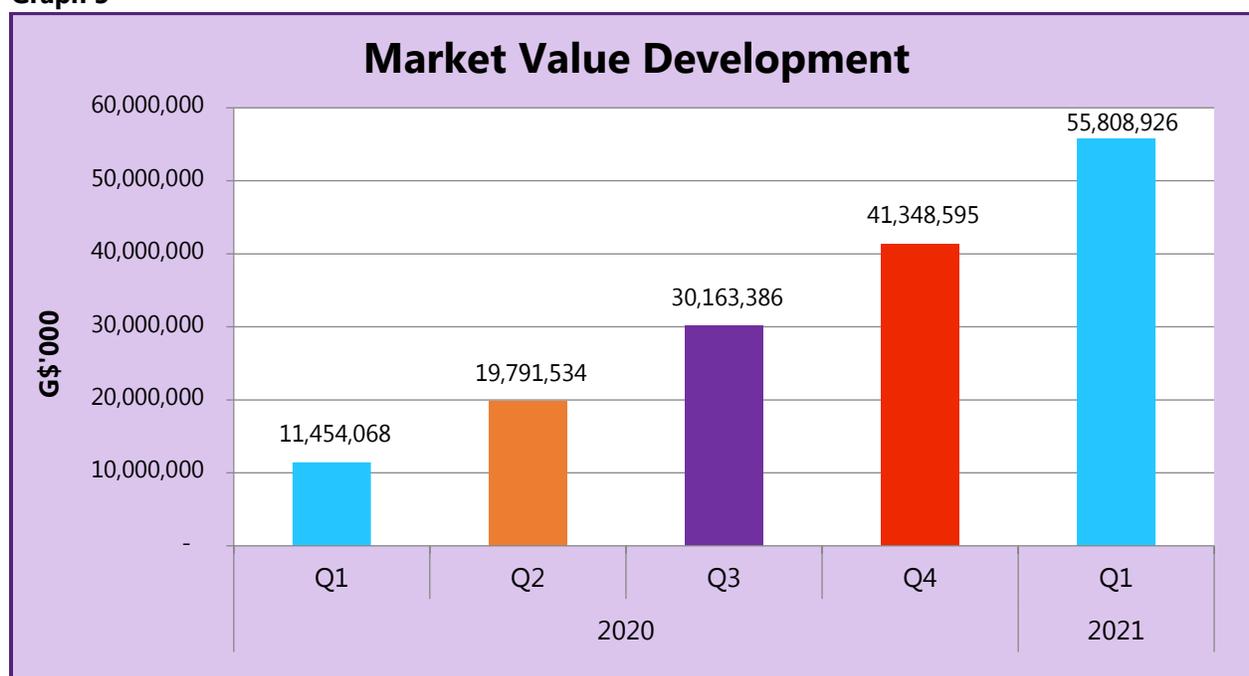
7.1 Market Value of the Fund

The market value of the Fund as at March 31, 2021 stood at G\$55,808.93 million (US\$267.67 million), an increase of 34.97% (G\$14,460.33 million / US\$69.35 million) from the previous quarter.

Table 1

Changes in Market Value	G\$'000					Since Inception
	2020			2021		
	Q2	Q3	Q4	Q1	YTD	
Starting Market Value	11,454,068	19,791,535	30,163,386	41,348,595	41,348,595	0
Inflows	8,336,474	10,371,851	11,185,209	14,460,331	14,460,331	55,806,352
Withdrawals	0	0	0	0	0	0
Interest Income	0	0	0	0	0	1,581
Capital Gains (Losses)	993	0	0	0	0	993
Admin., management and other costs	0	0	0	0	0	0
Final Market Value	19,791,535	30,163,386	41,348,595	55,808,926	55,808,926	55,808,926

Graph 3



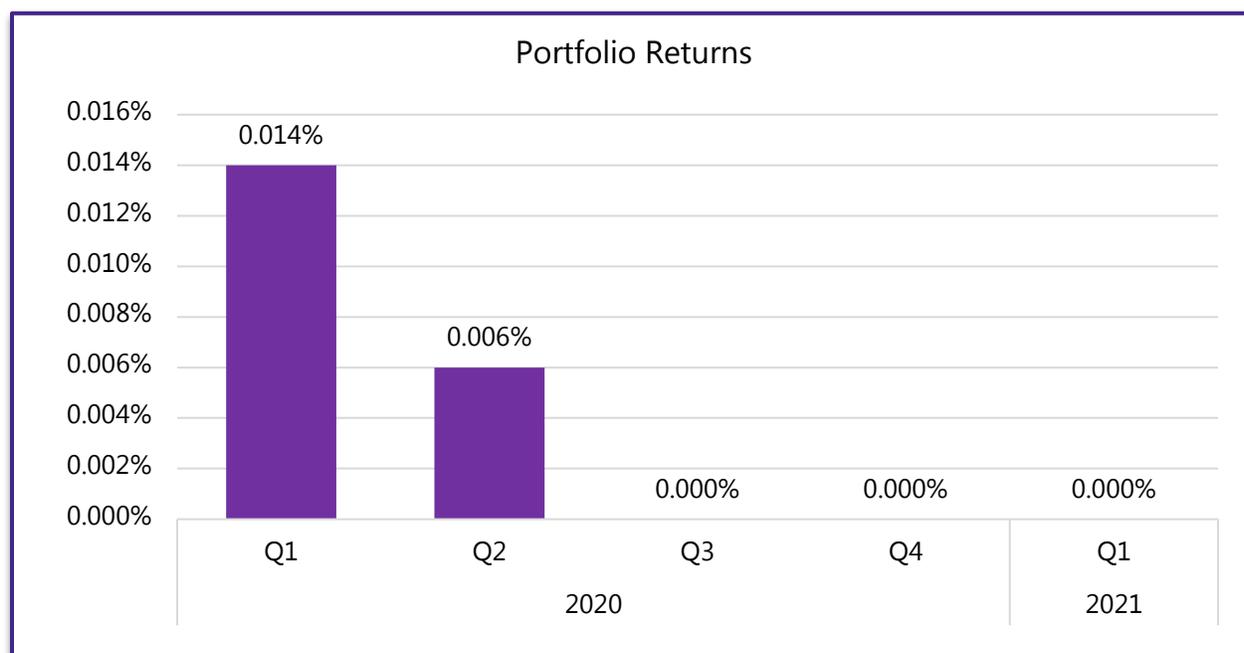
7.2 Performance

The Fund did not record a profit during this quarter as overnight deposits continued to earn 0% interest. This resulted in a return¹ of 0.000% during the quarter – the same as the previous quarter.

Table 2

FUND PORTFOLIO	2020				2021		Since Inception
	Q1	Q2	Q3	Q4	Q1	YTD	
Return	0.014%	0.006%	0.000%	0.000%	0.000%	0.000%	0.020%
Benchmark	-	-	-	-	-	-	-
Excess	-	-	-	-	-	-	-

Graph 4



¹ The Fund is not currently tracking an index as funds were not invested in securities as at March 31, 2021

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 Bank of Guyana auditors.

Table 3

Capital Account		G\$'000	
Period		Q4 - 2020	Q1 - 2021
Opening Balance at beginning of the period		30,163,386	41,348,595
Inflows to Fund for the quarter:	Royalties	897,441	1,737,422
	Profit Oil	10,287,767	12,722,909
Outflows from Fund to Consolidated Fund a/c for the quarter		(0)	(0)
Net Result for the quarter		0	0
Closing Balance at the end of the quarter		41,348,595	55,808,926

Table 4

Assets		G\$'000	
Period		Q4 - 2020	Q1 - 2021
Cash and Cash Equivalents		31,060,827	55,808,926
Other receivables		10,287,768	0
Financial Assets held at fair value through profit and loss		0	0
Less:			
Payables		(0)	(0)
Total Net Assets		41,348,595	55,808,926

Table 5

Income		G\$'000	
Period	Q4 - 2020	Q1 - 2021	
Interest Income	0	0	
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	0	0	
Expenses			
Management fees	(0)	(0)	
Transaction costs	(0)	(0)	
Other expenses	(0)	(0)	
Total Expenses	(0)	(0)	
Net Result for the Quarter	0	0	

9.0 APPENDIX

The following table shows the receipts to the Natural Resource Fund since its inception.

Table 6

Receipts to the Natural Resource Fund			
Date	Profit Oil (USD)	Royalties (USD)	Total Receipts to Date (USD)
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

Dated:

.....
Chief Accountant
Bank of Guyana

.....
Governor
Bank of Guyana