

September 30, 2023



Natural Resource Fund
Quarterly Report
July 1 – September 30, 2023

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1.0 INTRODUCTION

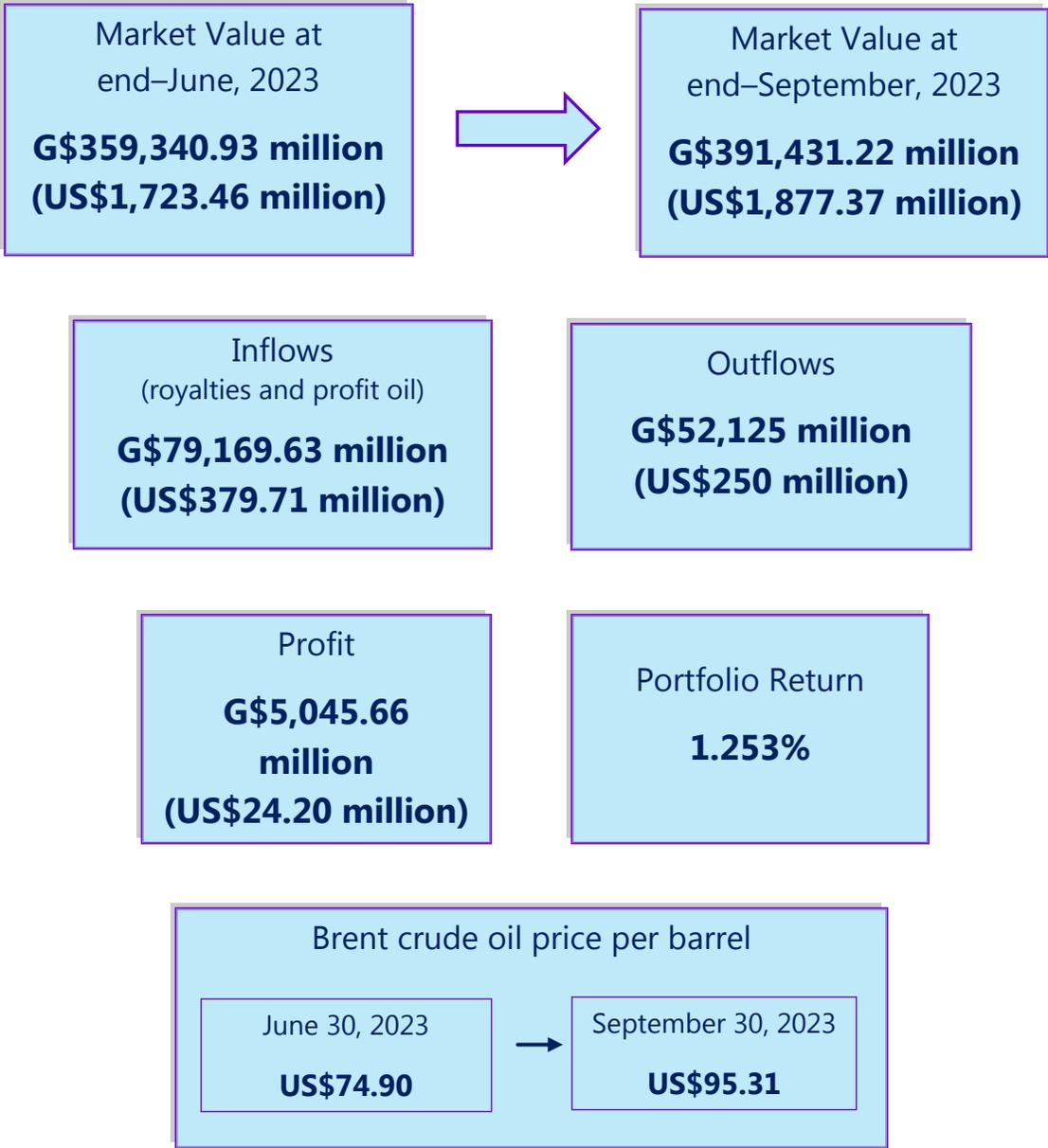
The Natural Resource Fund was formed by the enactment of the Natural Resource Fund Act 2019 which was passed in the National Assembly on January 3, 2019 and assented to by the President on January 23, 2019. This act was subsequently replaced with the Natural Resource Fund Act 2021 which was passed in 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 September 30, 2023 was GYD 208.50 = USD 1.

2.0 EXECUTIVE SUMMARY

This report covers the period July 1, 2023 – September 30, 2023



3.0 MARKET TRENDS DURING THE QUARTER

3.1 Global Market Conditions

According to the IMF's most recent World Economic Outlook published in October 2023, global growth is projected at 3% for 2023 and 2.9% for 2024, both reflecting lower estimates than the 3.5% reported for 2022. Growth in advanced economies is expected to fall from 2.6% for 2022 to 1.5% in 2023 while emerging market and developing economies are projected to grow by 4% in 2023. On the other hand, the World Bank estimates lower global growth for 2023 at 2.1%, which is also lower than its 2022 forecast of 3.1%. Growth rates for advanced economies & emerging market and developing economies are projected by the World Bank at 2.1% and 4% respectively for 2023. Overall growth forecasts remain historically low as global economic activity continues to be negatively impacted by the continuing hawkish monetary policy decisions from major global central banks in their sustained effort to curb high inflation.

Additionally, a US shutdown seemed possible beginning October 1, 2023, when Republicans in the U.S. House on September 29, 2023, rejected a bill proposed by Kevin McCarthy, the Republican House of Representatives Speaker, to temporarily fund the government. However, this was avoided when Mr. McCarthy made a last-minute decision to turn to Democrats to pass a short-term funding bill hence pushing the risk of any probable shutdown to mid-November 2023.

Global headline inflation is expected to fall from 8.7% in 2022 to 6.9% in 2023, and further to 5.8% in 2024, the IMF indicated. Core inflation, on the other hand, is expected to decline more gradually from an annual average of 6.5% in 2022 to 6% in 2023. As OPEC and its allies move to implement additional oil production cuts throughout the remainder of 2023, the global oil market could potentially face further supply pressures already fueled by the ongoing war between Russia and Ukraine.

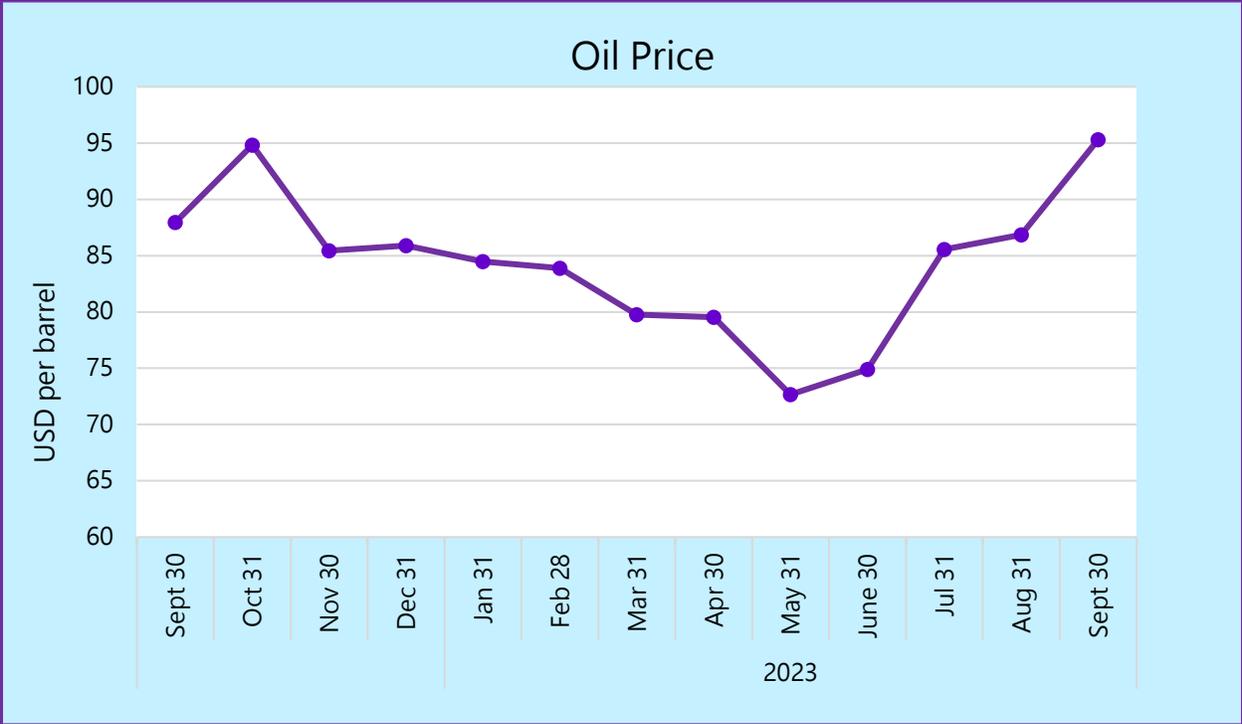
The Federal Reserve approved a 25bps rate increase in July 2023 after pausing at its previous FOMC meeting in June, increasing its federal funds target range from 5%-5.25% to 5.25%-5.5%. In September 2023, the Fed took a policy decision to leave rates unchanged at its final FOMC meeting held towards the end of the quarter. The Federal Reserve Bank indicated that it will continue to assess emerging market data and its implications for monetary policy firming that may be appropriate to return inflation to desired target levels. The European Central Bank approved two 25bps rate hikes during the quarter increasing its interest rate from 4% to 4.5% as at the quarter end. The Bank of England also increased its interest rate by 25bps in August 2023 but paused on any additional rate hikes in September 2023 to close the quarter at 5.25%. The Bank of Canada also chose to raise their overnight rate by 25bps in July 2023 moving its rate from 4.75% to 5% before also pausing at its final meeting for the quarter.

Oil

Oil prices maintained an upward trend throughout the quarter after opening at \$74.90/bbl. as supply shortages continued to exert pressures on the global oil market. Oil prices briefly touched its quarterly low at \$74.65/bbl. earlier in the quarter before surging to reach its highest value for the quarter at \$96.55/bbl., due to increased demand, falling inventories, and OPEC's decision to extend oil production cuts throughout 2023. This decision puts a further squeeze on an already tight oil market, which has had a bullish impact on crude prices moving towards the end of the quarter. To close the third quarter, oil was traded at \$95.31/bbl.

The following graph shows the movement of oil prices over the period September 2022 to September 2023.

Graph 1



Gold

Gold prices which opened the third quarter at US\$1919.35 per ounce trended upwards and remained higher for the majority of July 2023. This was driven mainly by lower than forecasted US economic data which included a weakened labour market and a tamer inflation report contributing to a lower US dollar index and reduced US Treasury yields. There was also bullish outside market sentiment by non – US investors due to their strengthened currencies against the US dollar making gold more attractive to acquire. Towards the end of July and during the first half of August, gold prices retreated moving from a quarterly high of US\$1978.72 per ounce to below US\$1900 per ounce. Gold experienced selling pressures due to a rebound in the US dollar index and an increase in US Treasury Yields amid the Fed’s 25 bps rate hike in late July. Gold prices briefly regained momentum towards the end of August 2023, when a lower than anticipated U.S. jobs turnover report and a weaker than expected consumer confidence index report

attributed to a weaker US dollar prompted buying interests within the gold market. However, this rebound in gold prices was short lived as the U.S. dollar continued to rally and higher U.S. bond yields proved too much for the gold market. Gold prices reached its lowest value at US\$1848.63 per ounce to close the quarter.

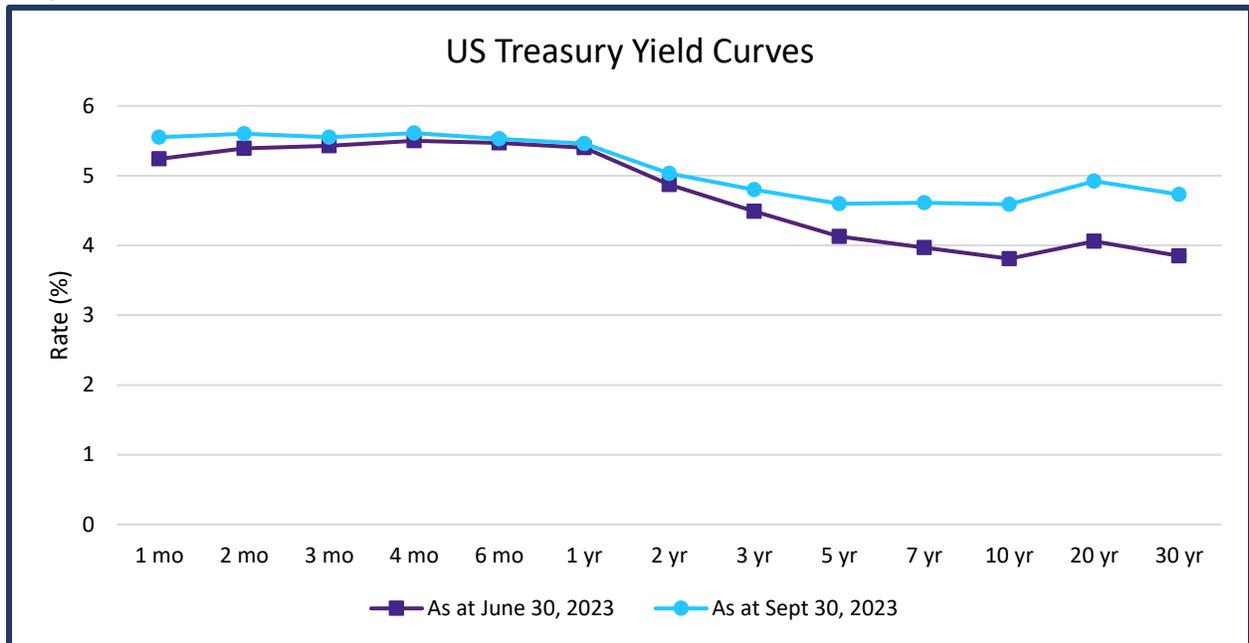
3.2 Global Fixed Income Bonds

Most central banks have continued to raise rates during the third quarter, however, as inflation seems to be cooling, many have indicated that further rate hikes may not be required in the near term but are committed to keeping rates higher for longer. Long-dated bond yields soared as investors became confident that there would be no rate cuts in the near future. There was some turmoil especially in the US market as Fitch downgraded the US's credit rating to AA+ due to concerns over their growing debt burden and a perceived erosion of governance.

The yields of 10-year government bonds rose considerably during the quarter. The US 10 – year bond yield increased from 3.84% to 4.59%, the UK's from 4.39% to 4.47%, Spain's from 3.39% to 3.96%, France's from 2.94% to 3.40% and Germany's from 2.39% to 2.84%.

The graph below shows the US Treasury yield curve at June 30, 2023 and September 30, 2023. As most central banks have adopted the 'higher for longer' strategy, yields at all maturities increased. However, most of that increase was seen at the long end of the curve resulting in a reduced inversion of the yield curve.

Graph 2



Corporate bonds

The yields for corporate bonds also increased over the quarter outperforming government bonds. Credit spreads tightened as the economy remained resilient. According to the Bloomberg Global Aggregate Corporate Total Return Index, corporate bonds declined from 257.38 to 250.36.

3.3 Global Equities

The stock market saw moderate gains at the start of the quarter but prices fell in August as it became apparent that high rates would be protracted. Rising oil prices allowed the energy sector to be one of the very few sectors to generate positive returns but also caused investors to be concerned about future inflation which put downward pressure on the market. The S&P 500 index fell by 4% while the NASDAQ index decreased by 5%.

4.0 LOCAL UPDATES

Since 2015, 41 discoveries have been made offshore Guyana. Thirty-six (36) of those discoveries were made at the Stabroek block, 2 at the Orinduik block, 1 at the Kanuku block and 2 at the Corentyne block. There were no new discoveries 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.

On 30th September, 2020, the government of Guyana announced their approval of the Payara Offshore Development Project. With an estimated resource base of approximately 600 million oil-equivalent barrels, and a maximum capacity of 220,000 bpd, production for the Payara project recently began with the first set of cargo loading slated for November 2023. Plans are in order for ExxonMobil's 4th project – the Yellowtail Development project - which is expected to start production of 250,000 bpd in 2025 taking Guyana to a production level of 810,000 bpd. It is projected that by 2027, 6 to 7 projects will be in operation and by the end of the decade, Guyana's oil production will increase to more than 1 million 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 bps to Guyana's daily oil production when operations begin. A sixth development, Whiptail, is currently awaiting approval from the Environmental Protection Agency as ExxonMobil Guyana submitted the Environmental Impact Assessment (EIA) for review and approval during late August 2023. The project is expected to have a production capacity of 250,000 bpd and is scheduled to be operational by late 2027 or 2028.

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, Hess Guyana Exploration Ltd. holds 30% interest while CNOOC Petroleum Guyana Limited holds the remaining 25%.

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 and new contracts to be awarded during the second quarter of the year. However, this was delayed as the government of Guyana decided to postpone its offshore licensing round beyond the 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 four 1-million-barrel (approximate) oil cargoes as its share of profit oil in comparison with five lifts for the previous quarter taking total lifts to 11 for the year thus far, while the country is expected to benefit from a total 17 lifts for 2023. To date, Guyana obtained thirty-three lifts of profit oil since the inception of the Fund.

5.0 INVESTMENT MANDATE

The Board of Directors of the Natural Resource Fund at its meeting held on June 26, 2023 approved the updated 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 redeploying cash.

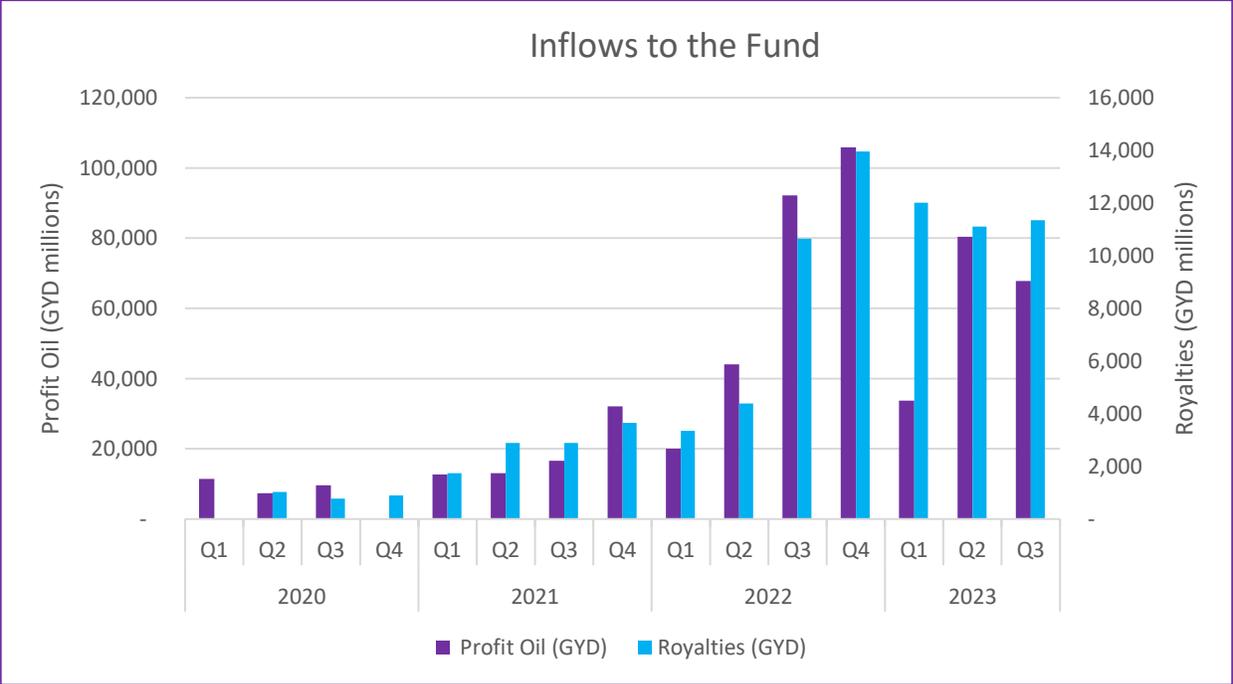
6.0 ACTIVITIES OF THE FUND

6.1 Receipts to the Fund

During the quarter, the Fund accounted for inflows amounting to G\$79,169.63 million (US\$379.71 million) comprising of profit oil - G\$67,819.59 million (US\$325.27 million) and royalties - G\$11,350.05 million (US\$54.44 million). Lower levels of profit oil and higher amount of royalties were recorded for this quarter in comparison to G\$80,416.99 million (US\$385.69 million) and G\$11,104.06 million (US\$53.26 million) respectively for the previous quarter. The lower level of profit oil this quarter was due to the receipt of funds for fewer lifts (4) in comparison with 5 lifts the previous quarter even though oil prices increased in the quarter. These funds were deposited into the Natural Resource Fund account held at the Federal Reserve Bank of New York.

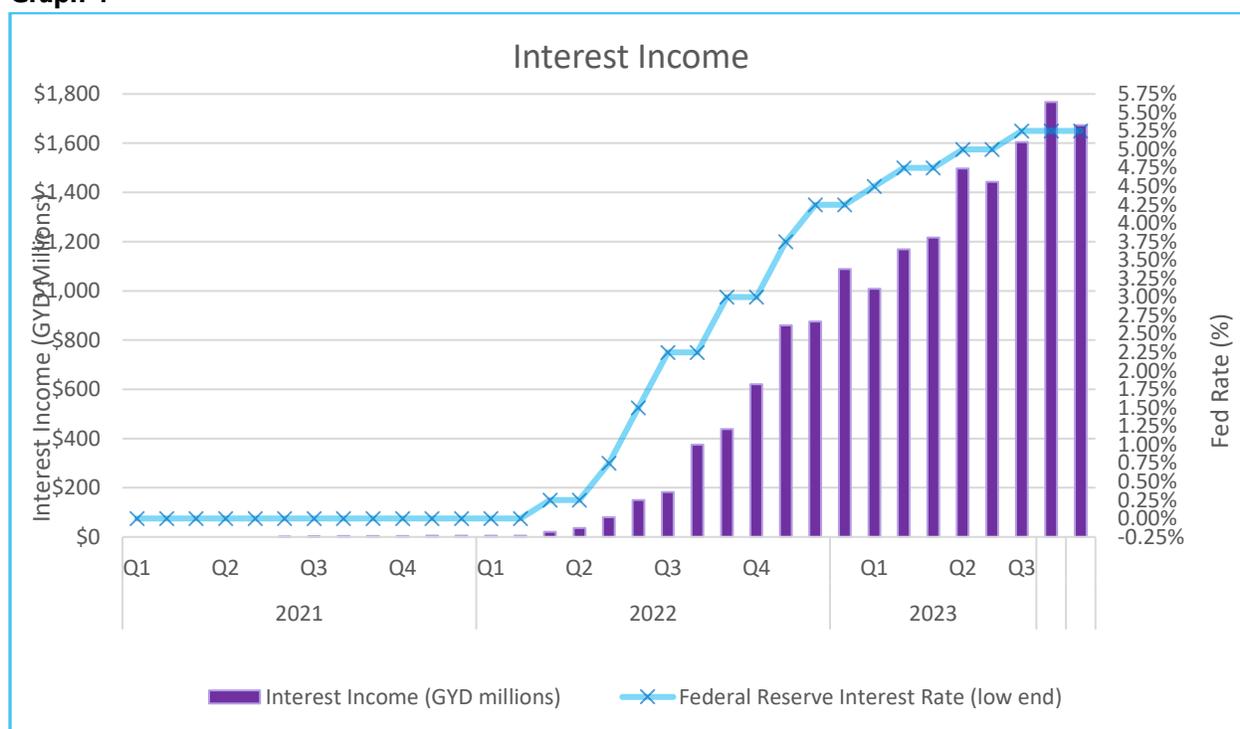
Since its inception, the Fund has accounted for G\$557,156.60 million (US\$2,672.21 million) from 33 lifts of profit oil and G\$80,347.09 million (US\$385.36 million) from royalties (see appendix).

Graph 3



During the quarter the Federal Reserve approved a 25bps rate increase moving its interest rates target range from 5% - 5.25% to 5.25% - 5.50%. As a result of these increases, interest rates on overnight deposits were higher. The higher rates as well as 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\$5,045.66 million (US\$24.20 million) in interest income over the quarter compared to G\$4,156.49 million (US\$19.94 million) the previous quarter.

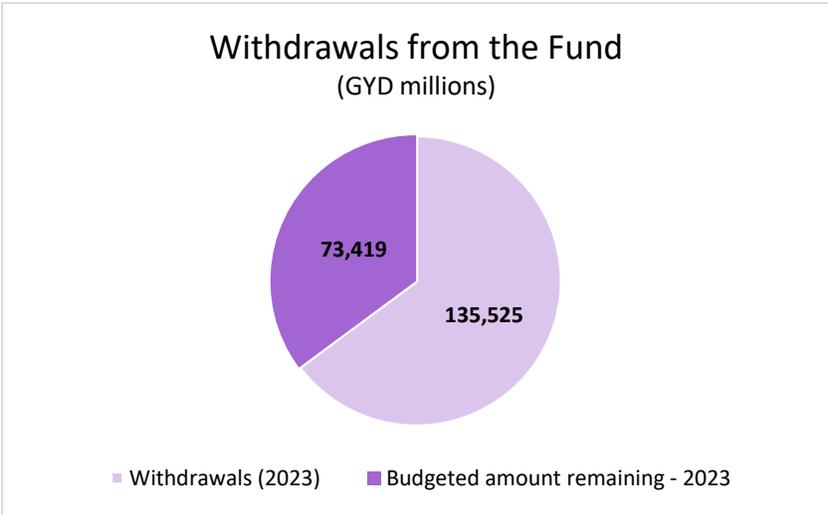
Graph 4



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\$52,125 million (US\$250 million). For the year to date, a total of \$135,525 million (US\$650 million) has been transferred from the Fund, accounting for 64.86% of the estimated amount budgeted to be withdrawn in 2023 - G\$208,944 million (US\$1,002 million).

Graph 5



7.0 PORTFOLIO PERFORMANCE

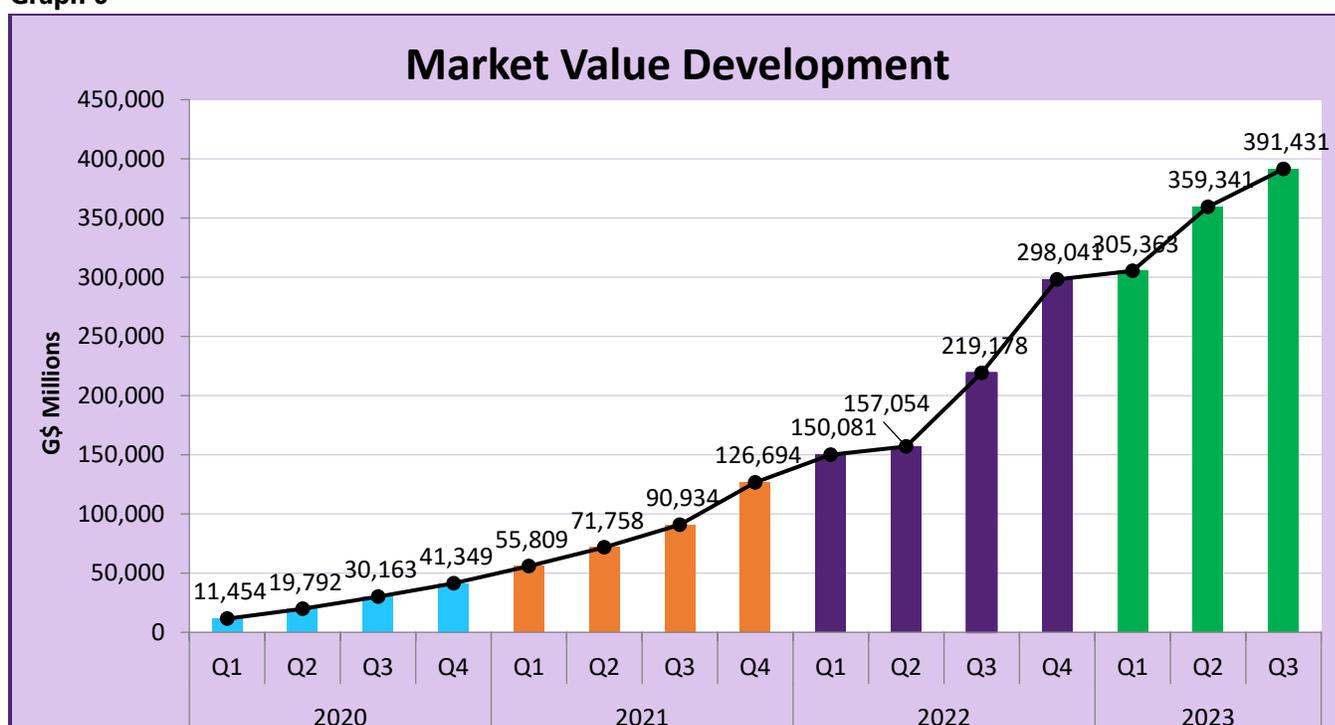
7.1 Market Value of the Fund

The value of the Fund amounted to G\$391,431.22 million (US\$1,877.37 million) at end-September 2023, and reflected an increase of 8.93% (G\$32,090.29 million / US\$153.91 million) from the previous quarter’s level of G\$359,340.93 million (US\$1,723.46 million).

Table 1

Changes in Market Value						G\$'000
	2022	2023				Since Inception
	Q4	Q1	Q2	Q3	YTD	
Starting Market Value	219,178,291	298,041,094	305,363,388	359,340,928	298,041,094	0
Inflows	119,800,378	45,756,167	91,521,053	79,169,635	216,446,855	637,503,699
Withdrawals	-43,294,310	-41,700,000	-41,700,000	-52,125,000	-135,525,000	-262,219,310
Interest Income	2,356,735	3,266,127	4,156,487	5,045,658	12,468,272	16,145,839
Capital Gains (Losses)	0	0	0	0	0	993
Admin., management and other costs	0	0	0	0	0	0
Final Market Value	298,041,094	305,363,388	359,340,928	391,431,221	391,431,221	391,431,221

Graph 6



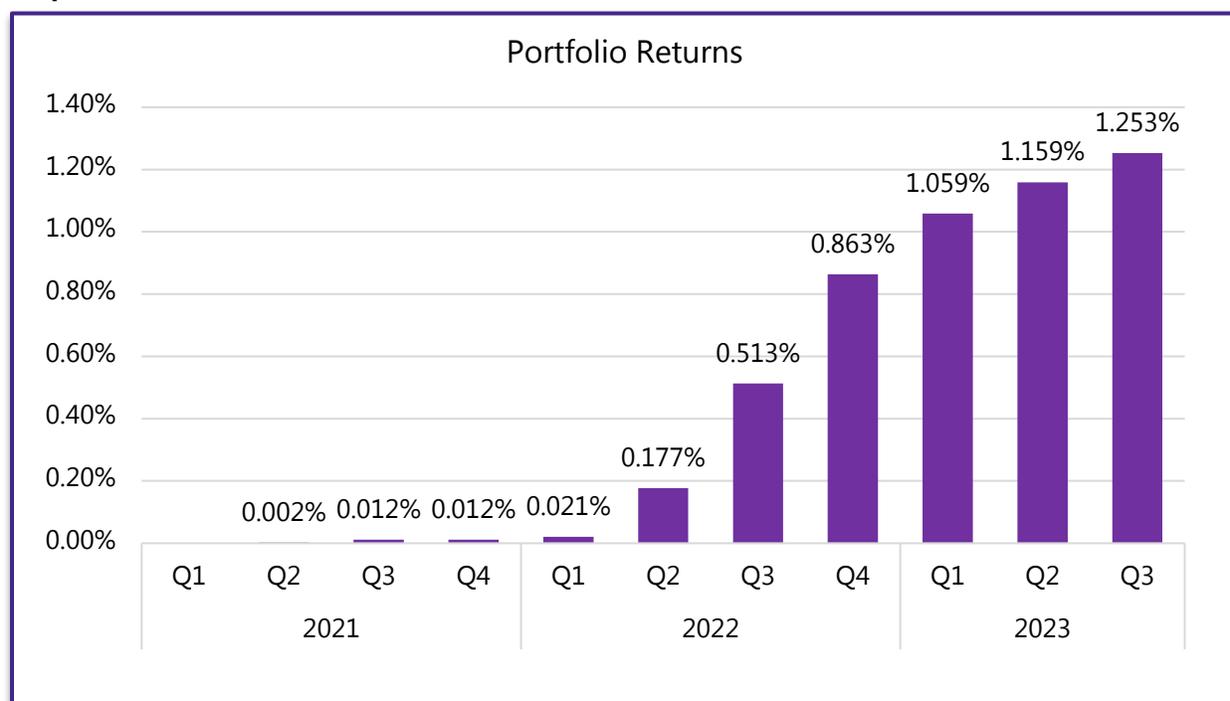
7.2 Performance

The Fund recorded a profit of G\$5,045.66 million (US\$24.20 million) this quarter in comparison with \$4,156.49 million (US\$19.94 million) for the preceding quarter solely due to interest earned on deposits. This resulted in a return¹ of 1.253% for the quarter compared with 1.159% in the previous quarter. The Fund earned an annualized return of 1.360% since its inception.

Table 2

FUND PORTFOLIO	2023					Since Inception (Annualized)
	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 YTD	
Return	0.863%	1.059%	1.159%	1.253%	3.511%	1.360%
Benchmark	-	-	-	-	-	-
Excess	-	-	-	-	-	-

Graph 7



¹ The Fund is not currently tracking an index as funds were not invested in securities as at September 30, 2023.

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	Q2 - 2023	Q3 - 2023	
Opening Balance at beginning of the period	305,363,388	359,340,928	
Inflows to Fund for the quarter:			
Royalties	11,104,059	11,350,048	
Profit Oil	80,416,994	67,819,587	
Outflows from Fund to Consolidated Fund a/c for the quarter	-41,700,000	-52,125,000	
Net Result for the quarter	4,156,487	5,045,658	
Closing Balance at the end of the quarter	359,340,928	391,431,221	

Table 4

Assets		G\$'000	
Period	Q2 - 2023	Q3 - 2023	
Cash and Cash Equivalents	359,340,928	391,431,221	
Other receivables	0	0	
Financial Assets held at fair value through profit and loss	0	0	
Less:			
Payables	(0)	(0)	
Total Net Assets	359,340,928	391,431,221	

Table 5

Income		G\$'000	
Period	Q2 - 2023	Q3 - 2023	
Interest Income	4,156,487	5,045,658	
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	4,156,487	5,045,658	
Expenses			
Management fees	(0)	(0)	
Transaction costs	(0)	(0)	
Other expenses	(0)	(0)	
Total Expenses	(0)	(0)	
Net Result for the Quarter	4,156,487	5,045,658	

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		
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
Total	1,448,264,918.53	1,223,949,010.17	385,357,766.82	3,057,571,695.52

Dated: 17th October, 2023

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Chief Accountant
Bank of Guyana

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Governor
Bank of Guyana