

# TUVALU TRUST FUND



## Annual Report

2019

## Contents

Abbreviation & Acronyms	1
Historical Notes	2
Board of Directors	6
Service Providers	7
Chairman's Report	8
Highlights of the Year	9
Statement of the Directors	11

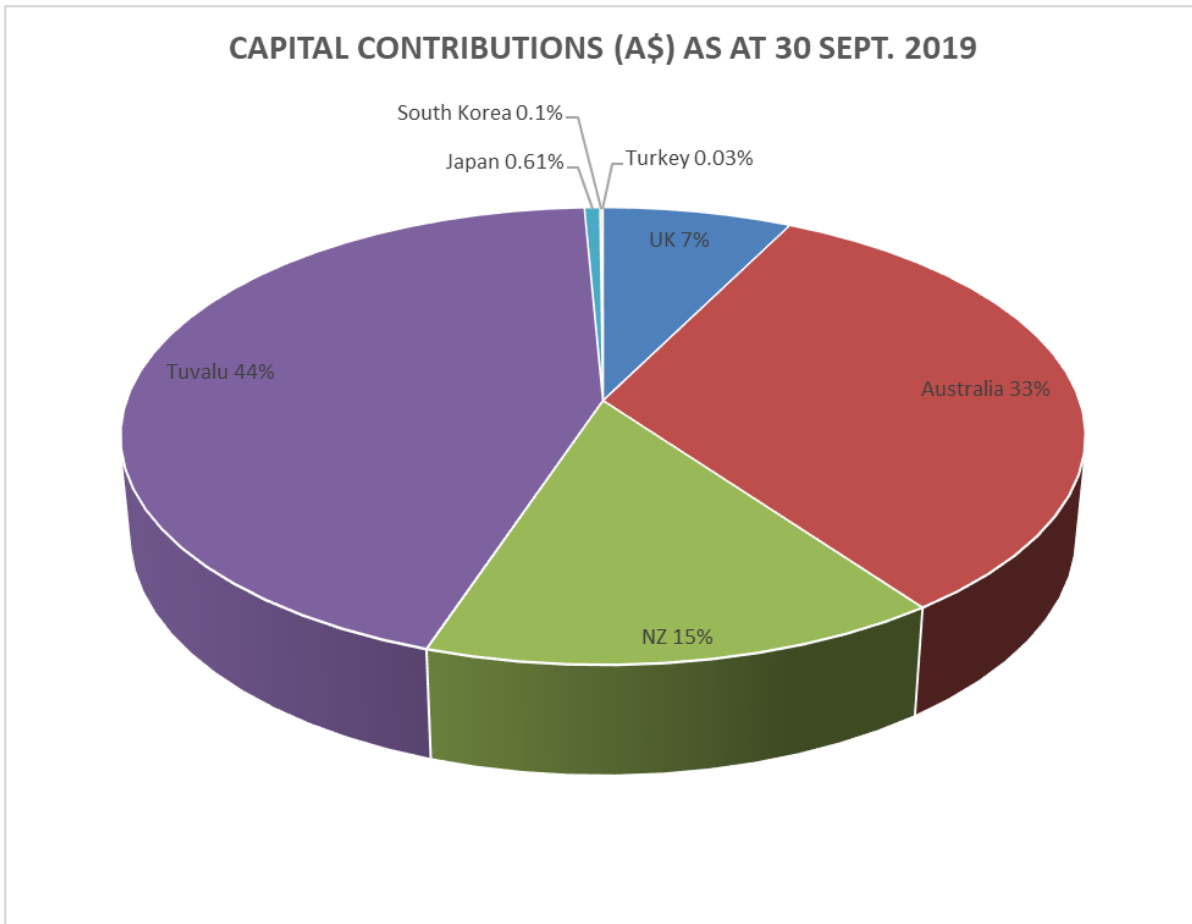
## Abbreviations & Acronyms

A\$	- Australian Dollar
CIF	- Consolidated Investment Fund
GoT	- Government of Tuvalu
IC	- Investment Committee
NZ	- New Zealand
TTF	- Tuvalu Trust Fund
TTFAC	- Tuvalu Trust Fund Advisory Committee
UK	- United Kingdom

## Historical Note

The Tuvalu Trust Fund was established in 1987 to provide a source of recurrent revenue to the Government of Tuvalu, which had extremely limited alternative sources of revenue at its disposal when it achieved independence in 1978. Tuvalu started developing a case for a Trust Fund with its donor partners in 1982. After undergoing a series of negotiations with donors and further refinements of the proposed Fund, an agreement (The International Trust Fund Agreement) was signed on 16 June 1987 by Tuvalu, New Zealand, Australia and the United Kingdom as the original parties. The Fund itself was invested on 21 August 1987, with an initial value of A\$27.1 million of which A\$1.6 million was contributed by Tuvalu, A\$8 million by Australia, A\$8.3 million by New Zealand, \$8.5 million by United Kingdom, A\$0.7 million by Japan. Later, contributions were made by South Korea (A\$100,000) and Turkey (\$30,000). Since inception, the Fund has been receiving additional contributions from the parties to the Fund. The graph (Figure 1) below summarizes contributions by each country up to 30 September 2019 including the initial contributions at the establishment of the Fund.

**Figure 1: Contribution by Country into the Fund**



**Purpose of the Fund**

As set out in Part I, Article 2 of the agreement, the Fund has the following specific purposes:

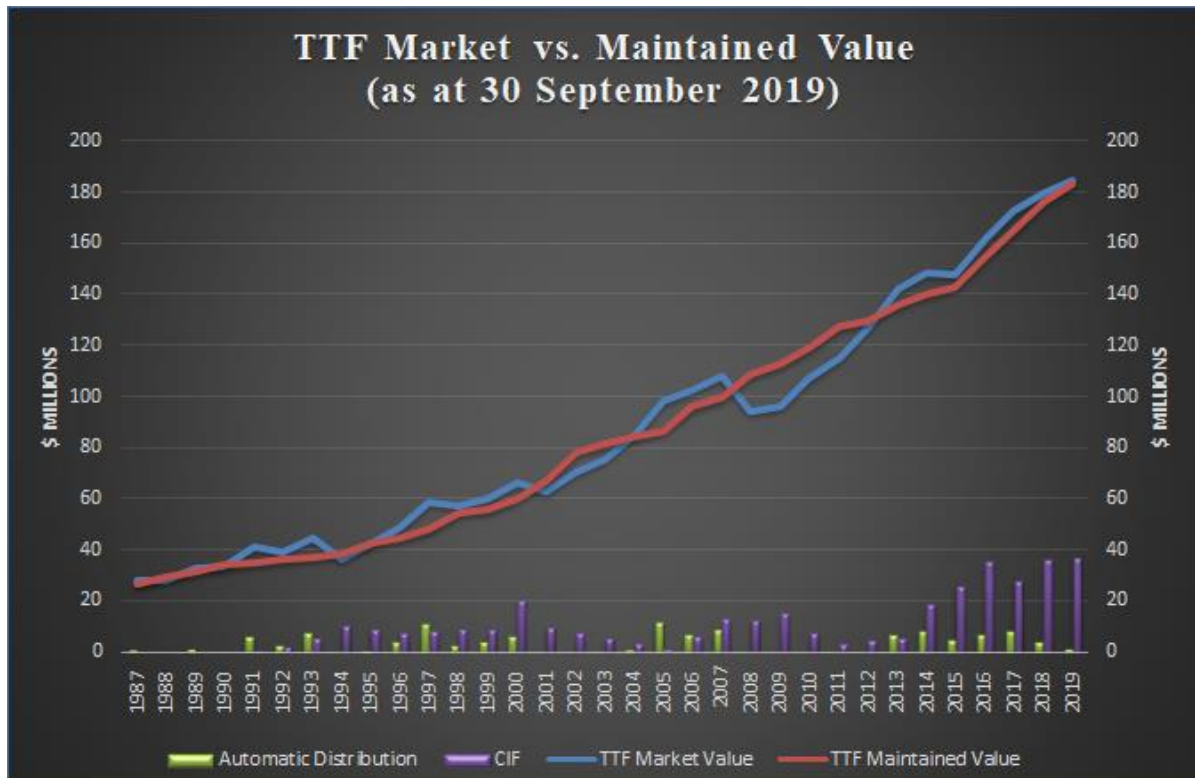
- a) assist the Government to achieve greater financial autonomy in the management of its recurrent budget;
- b) enable the Government to maintain, and if possible, improve existing levels of social infrastructure and services;
- c) enhance the capacity of the Government to receive and effectively utilize external capital development and technical assistance;
- d) enable the Government to meet long-term maintenance and operating costs of social and economic infrastructure and services; and
- e) assist the Government to develop the economy of Tuvalu

**The Growth of the Tuvalu Trust Fund**

As at 30 September 2019, the Fund’s value in the financial markets stood at A\$184.74m compared to A\$180.2m at the end of 2018. This included new capital contributions of A\$2.25 million from the major partners in the Fund which are Australia and New Zealand.

The chart below shows the Fund’s Market Value compared to its Maintained Value since inception to 30 September 2019.

**Figure 2: TTF Market vs. Maintained Value**

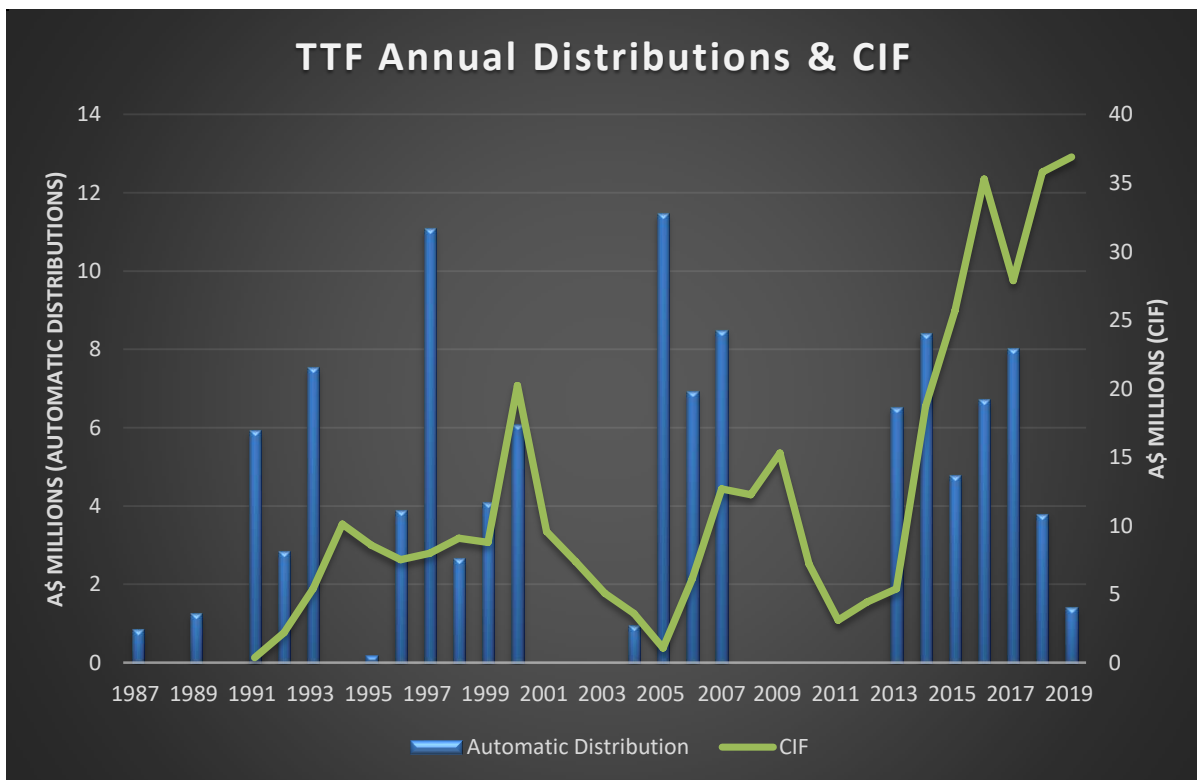


**Creation of the Consolidated Investment Fund Account – the Buffer Account**

In November 1993, the TTF Board of Directors endorsed the initiative of the Tuvalu government to create a buffer account, the Consolidated Investment Fund (CIF). The CIF was created based upon the need to provide a mechanism for holding distributions from the TTF (the A account) until such time as they were required. The CIF belongs entirely to the Government of Tuvalu as opposed to the TTF which is managed by the Board in trust for the people of Tuvalu and governed by the International Agreement. From time to time, the Government of Tuvalu adds funds to this account from other sources.

As at 30 September 2019, the CIF’s value stood at A\$36.9 million compared to A\$35.8 million at the end of 2018. The Chart below shows the CIF balance and the annual distributions received from the TTF since inception to 30 September 2019.

**Figure 3: TTF Annual Distributions & CIF Balance**



**Governance of the Fund**

The provisions set out in the International Agreement govern the Fund. The Parties to the Agreement - the Government of Tuvalu, Australia, New Zealand and the United Kingdom – are the members of, and those responsible for, the Tuvalu Trust Fund. However, following its regional program review, the United Kingdom withdrew its membership of the Tuvalu Trust Fund Board and the Advisory Committee in 2004.

---

## **Board of Directors**

In accordance with Part II, Article 6 of the Agreement, the Fund has a Board of Directors, in which all powers of the Fund are vested in, and exercised by the Board. The Directors of the Fund are:

- a) a Director appointed by the Government of Tuvalu, who is Chairman of the Board;
- b) one Director appointed by each other original Party to the Agreement.

Since the UK's withdrawal, the Board now consists of representatives from Tuvalu (Chair), Australia and New Zealand.

## **Annual Reports**

In accordance with Part VIII, Article 23 of the Agreement, within six months of the end of each financial year, the Board shall publish and submit to each Party, an Annual Report on the activities and management of the Fund, including the annual accounts of the Fund Managers, and the reports of Fund Monitor, Auditor, and Advisory Committee.

The 2019 Annual Report does not include the 2019 Audited Reports due to the travel restrictions resulting from COVID 19 and the inability of the Auditors to carry out their audits on island. The Secretariat intends to have its accounts audited once travel restrictions are uplifted. The 2019 audited financial statements will then be presented to the Board in its annual meeting in November 2020.

---

## Board Directors

**Hon. Seve Paeniu**  
*Chairman*  
Minister of Finance  
*for the Government of Tuvalu*  
(2019 to present)

**Mr Matthew Fehre**  
*Director*  
Counselor, Development Cooperation, DFAT  
*for the Government of Australia*  
(2018 to present)

**Matthew Howell**  
*High Commissioner*  
Samoa, Tonga, Tuvalu  
Pacific Development Division  
*for the Government of New Zealand*  
(2017 to present)



---

## Service Providers

### *Fund Managers*

Schroders Investment Management - Mr Paul Raih - Institutional Sales Manager

AMP Capital - Mr Matthew Hopkins - Senior Portfolio Manager, Multi-Asset Group,

### *Investment Committee*

Mr. David Hutton – *Chairman, Australian Adviser*

Ms Nalayini Brito – *Member, New Zealand Adviser*

Mr. Lee Karlos Moresi – *Member, Tuvalu Adviser*

### *Advisory Committee*

Mr Stuart Schaefer – Consultant to the Government of Australia

Mr Pete Rodger – Consultant to the Government of New Zealand

Mr Taufia Patolo – Consultant to the Government of Tuvalu

### *Fund Monitor*

Vacant - To be appointed by the Board

### *Fund Auditor*

Mr Michael-Yee Joy – Partner, KPMG

### *Secretariat*

Ms Tavau Siamua – Secretary

Ms Fatiau Teikausi – Assistant Secretary (from January 2020)

## Highlights of the Year

### *Fund Performance*

At the end of the 2019 the Fund was invested 50.3% in AMP Capital Extended Multi-Asset Fund and 49.7% with Schrodgers Real Return Fund. The market value of the Fund as at 30 September 2019 was \$184.74 million compared to a market value of \$180.2 million as at 30 September 2018. This is an increase of \$4.54 million after \$3.94 million new capital contributions and \$3.8 million distribution. Over the Financial year October 2018 to September 2019 capital contributions included \$3.94 million \$1.1 million from the Australian Government and \$2.84 million from the NZ Government.

### *Market Value*

The closing market value of the TTF, as at 30 September 2018, was A\$180.2 million. The closing market value of the TTF, as at 30 September 2019, was **A\$184.74** million and split between the two Fund Managers as follows (in AUD):

Schrodgers Investment Management	\$89,850,353m
AMP Capital	\$90,950,678m
Westpac Balance	\$3,941,881m
Total	\$184.742,912m

### *Maintained Value*

The maintained value as at 30 September 2019 is the sum of the maintained value as at 30 September 2018, plus additional contributions during the year, all adjusted for inflation for the financial year. Using this approach, the maintained value was calculated to be **A\$183.33 million**.

### *TTF Distribution in 2019*

On the basis of the above Maintained and Market Values as at 30 September 2019, the market value was above the maintained value by **\$1.4 million** with the balance applied to meeting the operational costs of the TTF Secretariat and other TTF services.

### *Consolidated Investment Fund*

The closing market value of the CIF, as at 30 September 2019, was **A\$36.9 million**. The closing market value of the CIF, as at 30 September 2018, was A\$35.8 million. All of the CIF is invested in the Schrodgers Real Return CPI + 3.5% Fund. This is the fifth financial year for the CIF to be invested in Schrodgers Real Return CPI + 3.5% Fund and it returned 4.1% post fees for the period.

### *Other Activities of the Fund.*

#### *Board meetings:*

As per the usual operations of the Fund, the Board held two meetings during the year with the first meeting held on the 10<sup>th</sup> of May in Suva, Fiji. The second meeting which was also the TTF's Annual meeting was held on 13<sup>th</sup> of November in Funafuti, Tuvalu. The Secretariat carried out its radio programs as a form of advocacy for the fund's life.

#### *Changes of Directors.*

During the financial year 2018/2019 the Fund bid farewell to the Chairman Hon. Maatia Toafa, (Government of Tuvalu) and welcomes on board his replacement Hon. Seve Paeniu. The Board acknowledges the contributions made by Hon. Maatia Toafa in his capacity as former Chairman for the TTF Board during his 6 years tenure with the Tuvalu Trust Fund.

#### *Staff changes*

During the year the Secretariat bid farewell to Assistant Secretary, Ms Tagifoe Taomia, in August 2019 and welcomes on board her replacement Ms. Fatiau Teikausi who commenced work in January 2020. Ms Tavau Siamua recently tendered her resignation with the Secretariat on the 16<sup>th</sup> April 2020 to join the Government of Tuvalu. The Board acknowledges the contributions provided by Ms Taomia and Ms Siamua during their time with the Secretariat. The Assistant Secretary Ms Fatiau Teikausi will be responsible for the Secretariat until a new Secretary is being appointed. During this May Board meeting, the Secretariat seek the decision of the Board on the appointment of the new Secretary.