

CHAIRMAN'S REPORT

2020 was the fourth full year of operation since its establishment in 2015. As we are all aware, 2020 has been a challenge for everyone worldwide with COVID-19. I am pleased to advise that even with the impact of COVID-19 on financial markets and the economy as a whole, the Fund was able to return a positive result as at 30 June 2020.



Even through these tough times, our respective Governments were able to make the proposed annual contributions to the Fund. The Fund's investments are now at \$142 million at 30 June 2020. It is continuing to meet its investment objectives of achieving growth in the fund in the early years, even with the impact of COVID-19. I am pleased to report a \$28 million increase in the Fund from the 2019 financial year.

During the 2020 financial year, the GON contributed \$23.9 million to the Fund resulting in total contributions from establishment to 30 June 2020, of \$85.7 million. In order to take advantage of the current market situation, GON's contributions included a pre-paid amount of \$6.7 million relating to the 2021 financial year. GOA contributed \$2.9 million resulting in \$16.4 million since establishment (which also included a pre-paid contribution of \$1.5 million for the 2021 financial year); ROC (Taiwan) contributed \$3.0 million resulting in \$16.4 million since establishment; and GONZ contributed \$0.9 million resulting in \$3.7 million since commencing contributions to the Fund during the 2018 year. We are also grateful to the Asian Development Bank for providing \$2.634m on initial setup of the Fund.

During June 2019 we contributed to a Mercer private equity investment as part of our current investment strategy. This investment has returned positive results in both AUD and USD terms, which is an extremely positive outcome during our present economic environment. We have an ongoing commitment to this investment and contributed a further \$1.4 million during August 2020.

It is promising for the Republic of Nauru to know that the Fund is continuing to grow even through the tough times that everyone is experiencing. It is a testament that our current investment strategy is working and the Fund is continuing to generate future investment earnings which will provide a future revenue source to the Republic of Nauru.

We are continuing to work closely with our investment advisors and independent consultant to ensure our current investment strategy for long term growth is still appropriate based on what is happening throughout the world. This is constantly being monitored and reviewed to ensure the Fund continues to move toward an 85% growth strategy and 15% defensive strategy. As the Fund is not making any distributions until well into the future, we are confident that any fall in markets at this time will not have an ongoing impact on the Fund.

Again, I would like to thank my fellow Committee members, development partners and the broader team responsible for the administration and investment requirement of the Fund. With the continued growth of this Fund, it requires constant review and ongoing support and it is with great pleasure that I am able to work with a team that is ensuring the Fund's continued success, and as a result, the ability to provide a future revenue source for the GON and its people.

I personally am looking forward to being part of the Fund's growth during these challenging times.

Hon Martin Hunt MP

Chairman