

September 30, 2024



Natural Resource Fund
Quarterly Report
July 1 – September 30, 2024

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1.0 INTRODUCTION

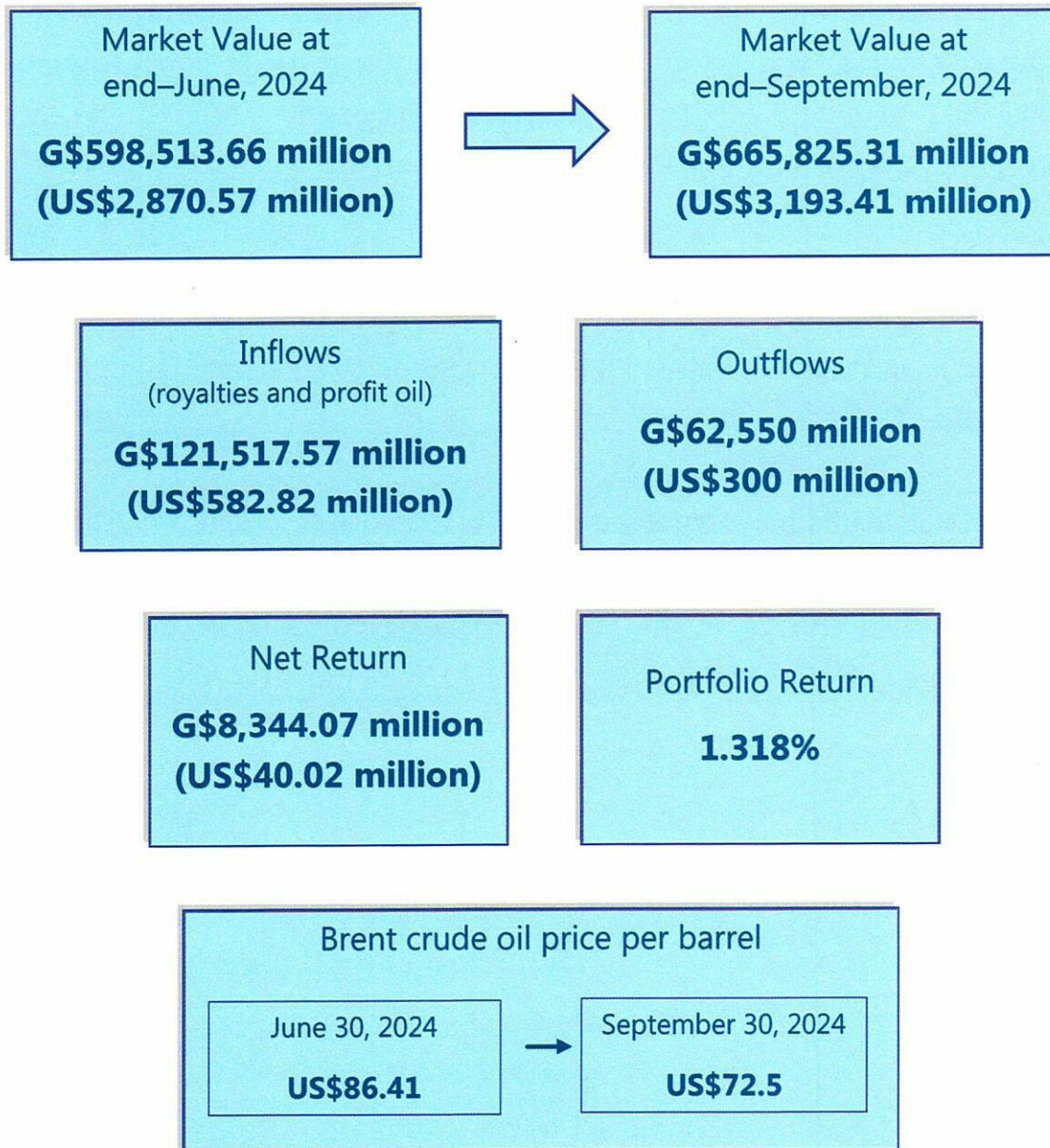
The Natural Resource Fund was established by the enactment of the Natural Resource Fund Act 2019 which was passed in the National Assembly on January 3, 2019 and assented to by the President on January 23, 2019. This act was subsequently replaced with the Natural Resource Fund Act 2021 which was passed 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, 2024 was GYD 208.50 = USD 1.

2.0 EXECUTIVE SUMMARY

This report covers the period July 1, 2024 – September 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 2.6% for 2024 while the IMF in its World Economic Outlook report published in July estimated global growth slightly higher at 3.2%. The World Bank's growth projections for advanced economies and emerging market economies remained unchanged at 1.5% and 4% respectively while the IMF projected slightly higher growth levels of 1.7% and a revised 4.3% for 2024. Global growth remains stable amid the divergence between persistent services and weakening manufacturing, consequently hindering progress on disinflation. Upside risks to inflation have thus increased, raising the prospect of higher-for-even-longer interest rates despite major central banks easing monetary policy during the quarter.

The IMF forecasts headline global inflation for 2024 at 5.9% but projects it to decline to 4.5% in 2025 while core inflation is expected to fall more gradually. Meanwhile, the momentum on global disinflation is slowing, signaling bumps along the path. This is due to the persistence of higher-than-average inflationary pressures in the services sector, albeit tempered to some extent by stronger disinflation in the prices of goods.

During the third quarter of 2024, the US Federal Reserve implemented its first easing monetary policy measure after four years by lowering the federal funds target range by 50 bps following moderating inflation and cooling labor markets in the US economy. The federal funds target range now stands at 4.75% - 5% at end-September 2024. The Fed dot plot published in September projects the target range to reach a level of 4.25% - 4.5% at the end of 2024 as a majority of FOMC members are leaning towards a total 100 bps reduction from its pre meeting range of 5.25% - 5.50%. A similar 100 bps reduction is projected for the year 2025. The Bank of England and the Bank of Canada both implemented 25 bps rate cuts during the quarter. This was the first rate cut by the Bank of England after continuous rate hikes for more than two years. The Canadian and British Central Banks' policy rates at the end of the third quarter stood at 4.25% and 5%

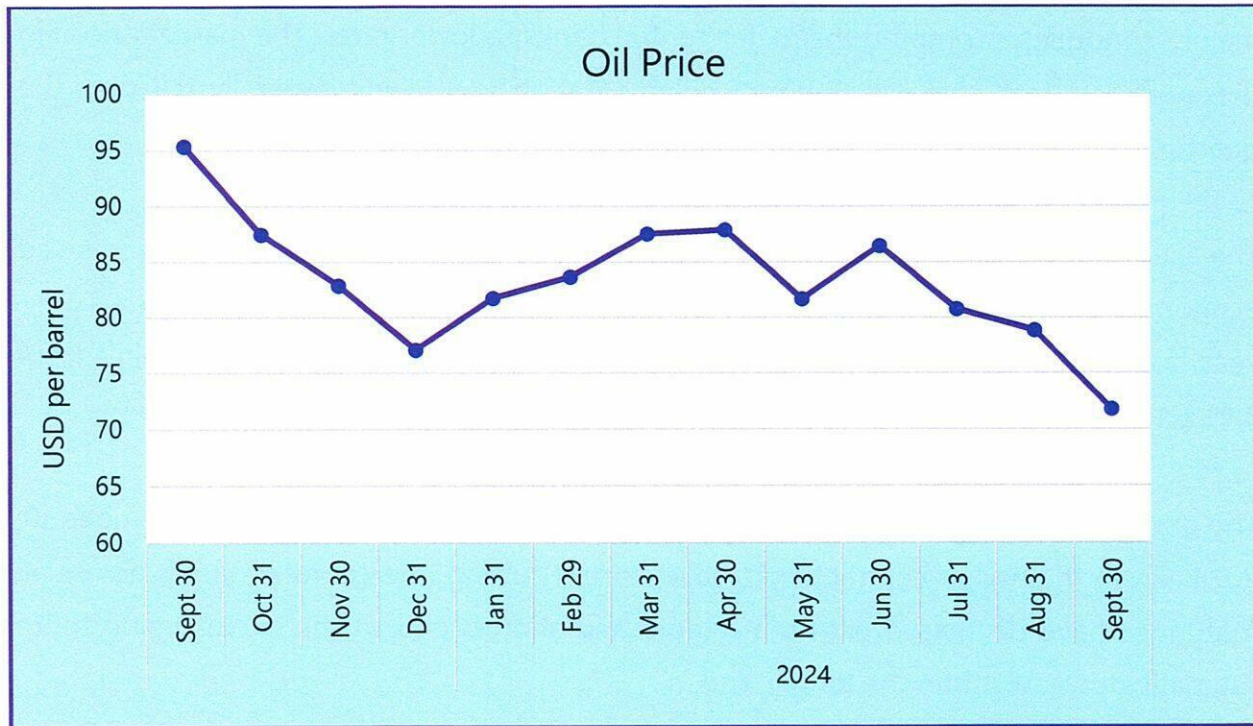
respectively. The European Central Bank on the other hand approved a bigger cut in their policy rate of 60 bps, closing the third quarter at 3.65%.

Oil

After opening the quarter at \$86.41/bbl. oil prices briefly peaked in early July at \$87.95/bbl. before trending downwards towards the end of the month. This downward trend was mainly influenced by potential ceasefire negotiations out of Gaza and weaker demand from top crude importer - China despite falling US crude inventories. This trend continued in August and September as bearish news from the world's largest economy, the United States, continued to adversely weigh on crude prices as its unemployment rate for September increased to 4.3% from 4.1% the previous month. Oil prices reached its lowest value for the quarter at \$68.68/bbl. in mid-September as rising global oil supply, weaker-than-expected demand, and concerns about the economies of China and the United States emerged as headwinds to prices despite OPEC+'s decision to delay a planned output increase. However, oil prices rebounded somewhat towards the end of the quarter amid the Middle East conflict, exacerbated by Iran and Israel, which has been the biggest bullish catalyst that has halted the oil price selloff. To close the quarter oil was traded at \$72.5/bbl.

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

Graph 1



Gold

Gold prices opened the third quarter at US\$2,326.75 per ounce and soon after reached its lowest value at \$2,318.61 per ounce. Throughout July, the safe haven asset trended upwards when tamer US inflation data supported a “sooner rather than later” rate cut by the Federal Reserve. Before rallying for the remainder of the quarter gold briefly retreated in late July due to emerging global demand concerns. Gold prices peaked in late September at \$2,685.58 per ounce mainly driven by a lower US dollar index coupled with lower interest rates as major global central banks, including the US Federal Reserve, either continued to or started implementing easing monetary policy measures. Gold prices ended the quarter at \$2,634.58 per ounce.

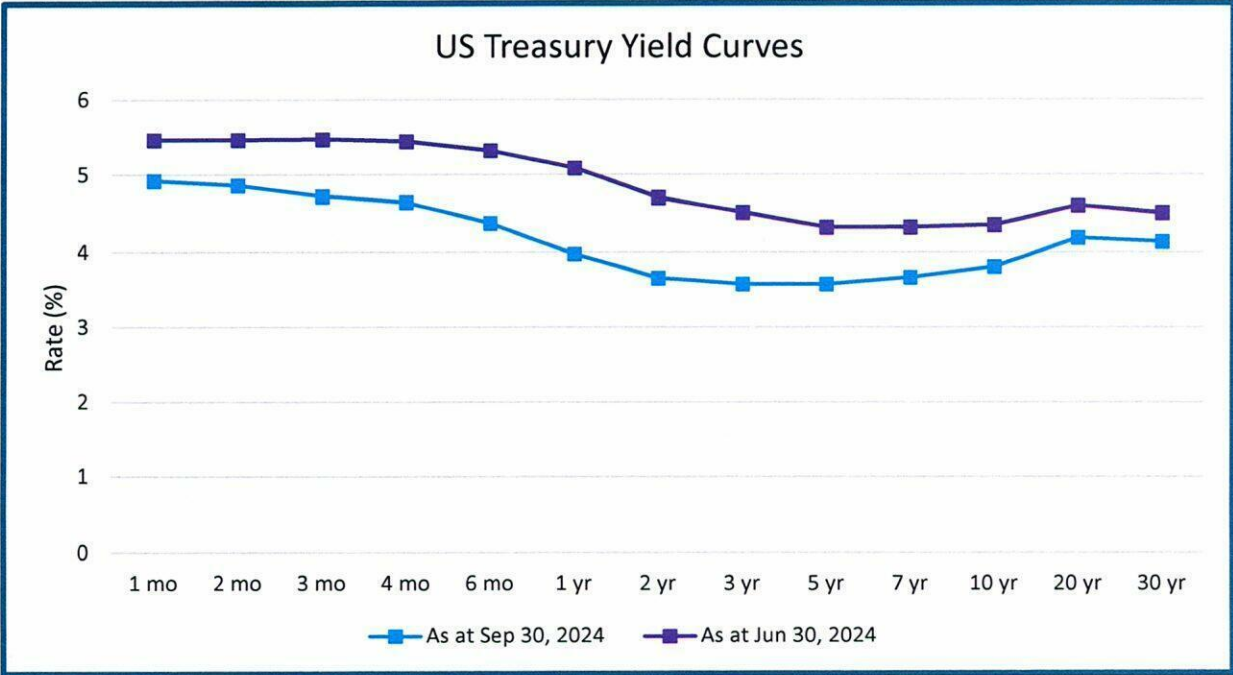
3.2 Global Fixed Income Bonds

Bonds rallied during the third quarter of 2024 due to major central banks either commencing or continuing interest rate cuts. Falling inflation, including the slowdown of major economies, prompted the major central banks to lower rates. The market priced in these interest rate cuts well before implementation and yields generally fell over the quarter.

The yields of 10-year government bonds fell during the third quarter in advanced economies as monetary policy easing measures were being implemented. The US 10-year bond yield fell from 4.39% to 3.73%, the UK's from 4.18% to 3.94%, Spain's from 3.41% to 2.84%, France's from 3.29% to 2.82% and Germany's from 2.49% to 2.04%.

The graph below shows the US Treasury yield curve at June 30, 2024 and September 30, 2024. Given that major central banks have started cutting interest rates, yields across all maturities have decreased with the middle and shorter end of the curve seeing more dramatic decreases than the longer end.

Graph 2



Corporate bonds

Corporate bonds also rallied over the quarter with high yields outperforming investment grade bonds. According to the Bloomberg Global Aggregate Corporate Total Return Index, corporate bonds grew from 269.97 to 287.00.

3.3 Global Equities

Despite high volatility at the start of August, the equities market posted strong gains. Monetary policy easing by major global central banks helped stabilize the market and most sectors were able to achieve positive returns. In contrast, low oil prices caused the energy sector to underperform. The S&P 500 index went up by 5% while the NASDAQ index increased by 1%.

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 the Prosperity FPSO 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. To date, a TotalEnergies consortium, including Qatar Energy, and Petronas, are the only group that have been approved for a block by the government.

During the quarter, Guyana lifted six (6) 1-million-barrel (approximate) oil cargoes as its share of profit oil in comparison with eight (8) lifts for the previous quarter taking total lifts to nineteen¹ (19) 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 (58) 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 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. During the latter part of the quarter, the federal funds rate was lowered from a range of 5.25% - 5.5% to 4.75% - 5%. As at end-September 2024, there has been no changes made to the investment mandate as the Fund continues to earn overnight deposit interest at 4.8%.

6.0 ACTIVITIES OF THE FUND

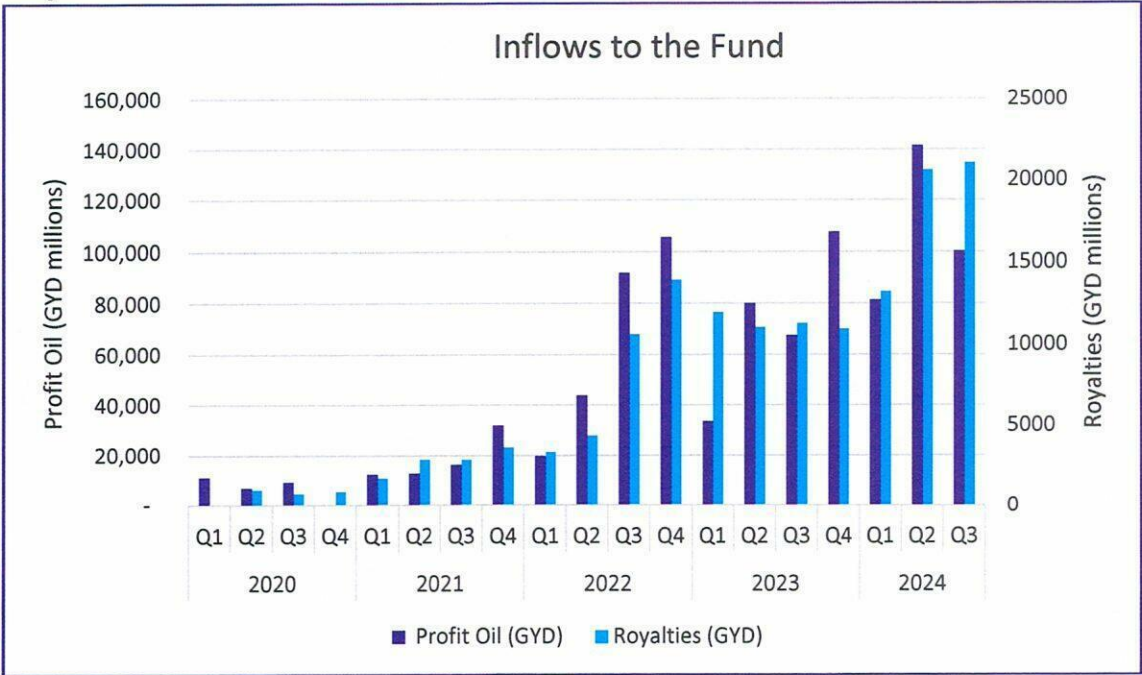
6.1 Receipts to the Fund

During the quarter, the Fund accounted for inflows amounting to G\$121,517.57 million (US\$582.82 million) comprising of profit oil - G\$100,440.95 million (US\$481.73 million) and royalties - G\$21,076.63 million (US\$101.09 million) in comparison to G\$141,741.27 million (US\$679.81 million) and royalties - G\$20,604.66 million (US\$98.82 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.

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

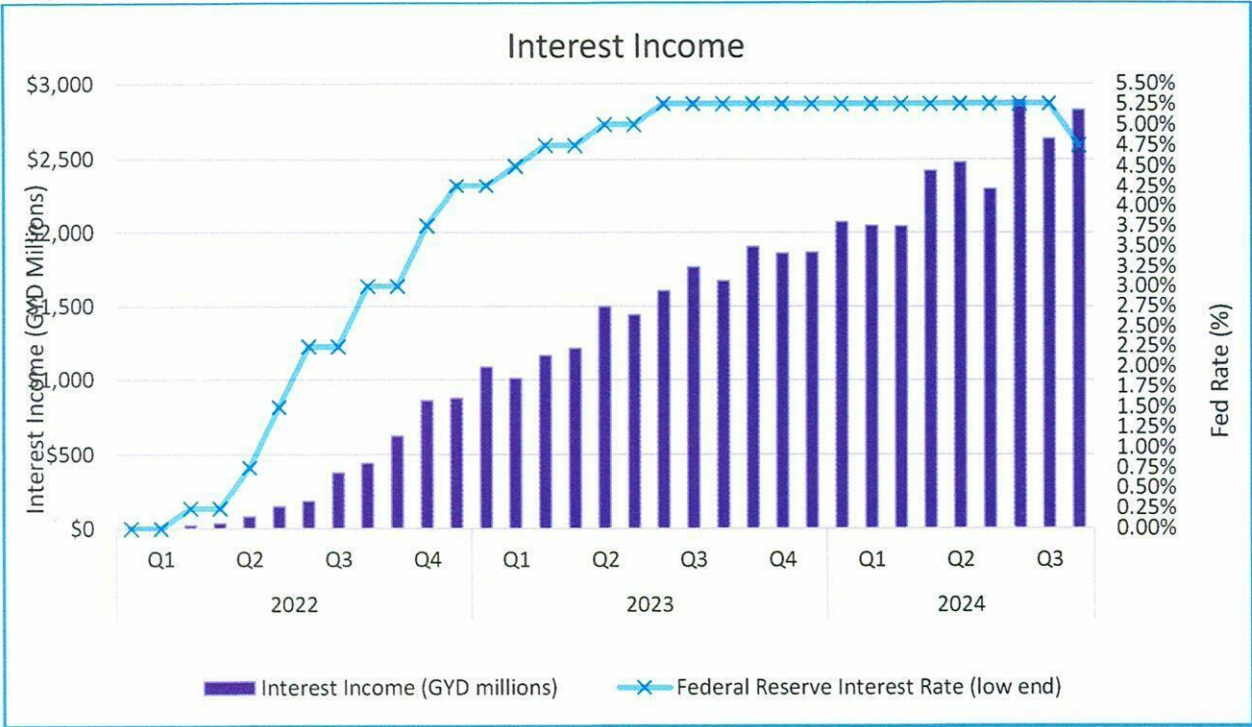
Since its inception, the Fund has accounted for inflows of G\$988,893.23 million (US\$4,742.89 million) from 58 lifts of profit oil and G\$146,298.86 million (US\$701.67 million) from royalties (see appendix).

Graph 3



During the quarter, the Federal Reserve reduced its federal funds target range from 5.25% - 5.50% to 4.75% - 5%. 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\$8,344.07 million (US\$40.02 million) in interest income over the quarter compared to G\$7,205.81 million (US\$34.56 million) the previous quarter.

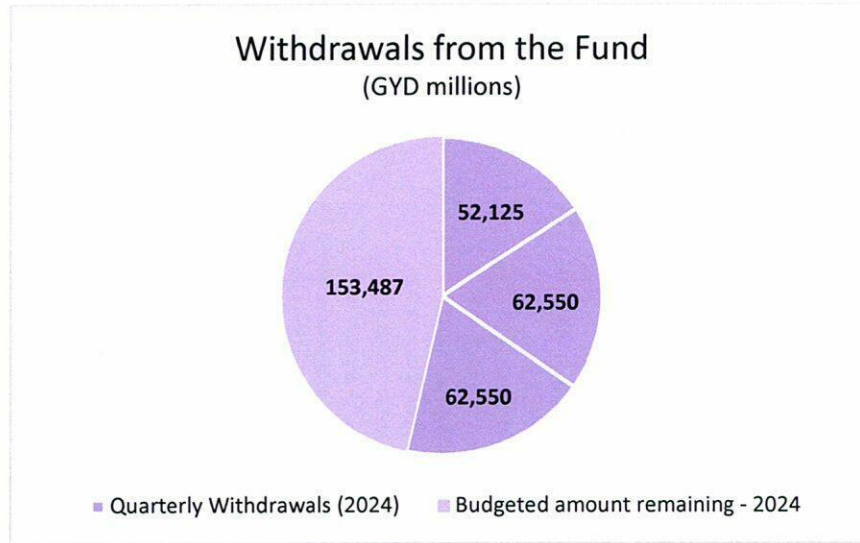
Graph 4



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\$177,225 million (US\$850 million) for the year to date which represents 53.59% 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\$512,863.47 million (US\$2,459.78).

Graph 5



7.0 PORTFOLIO PERFORMANCE

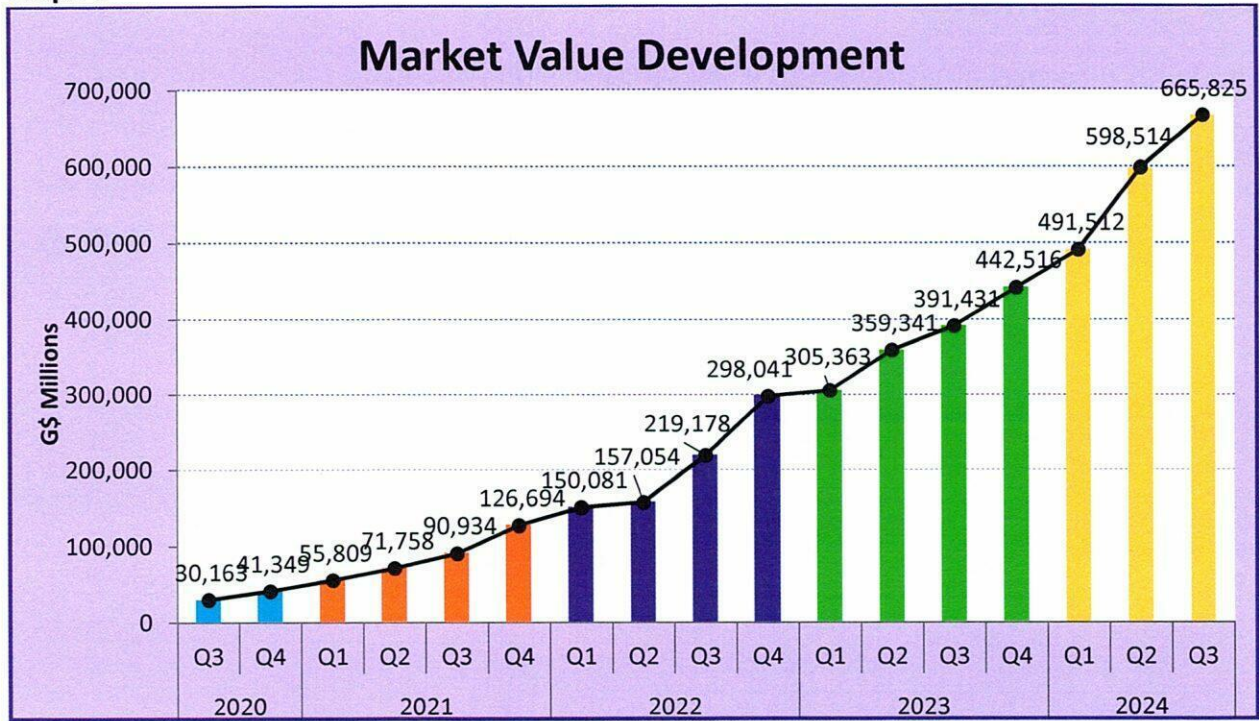
7.1 Market Value of the Fund

The value of the Fund amounted to G\$665,825.31 million (US\$3,193.41 million), an increase of 11.25% (G\$67,311.65 million or US\$322.84 million) from the previous quarter's level of G\$598,513.66 million (US\$2,870.57 million).

Table 1

Changes in Market Value						G\$'000
	2023	2024				Since Inception
	Q4	Q1	Q2	Q3	YTD	
Starting Market Value	391,431,221	442,516,135	491,511,916	598,513,662	442,516,135	0
Inflows	118,867,088	94,957,795	162,345,933	121,517,574	378,821,302	1,135,192,089
Withdrawals	-73,419,157	-52,125,000	-62,550,000	-62,550,000	-177,225,000	-512,863,467
Interest Income	5,636,983	6,162,986	7,205,813	8,344,075	21,712,874	43,495,696
Capital Gains (Losses)	0	0	0	0	0	993
Admin., management and other costs	0	0	0	0	0	0
Final Market Value	442,516,135	491,511,916	598,513,662	665,825,311	665,825,311	665,825,311

Graph 6



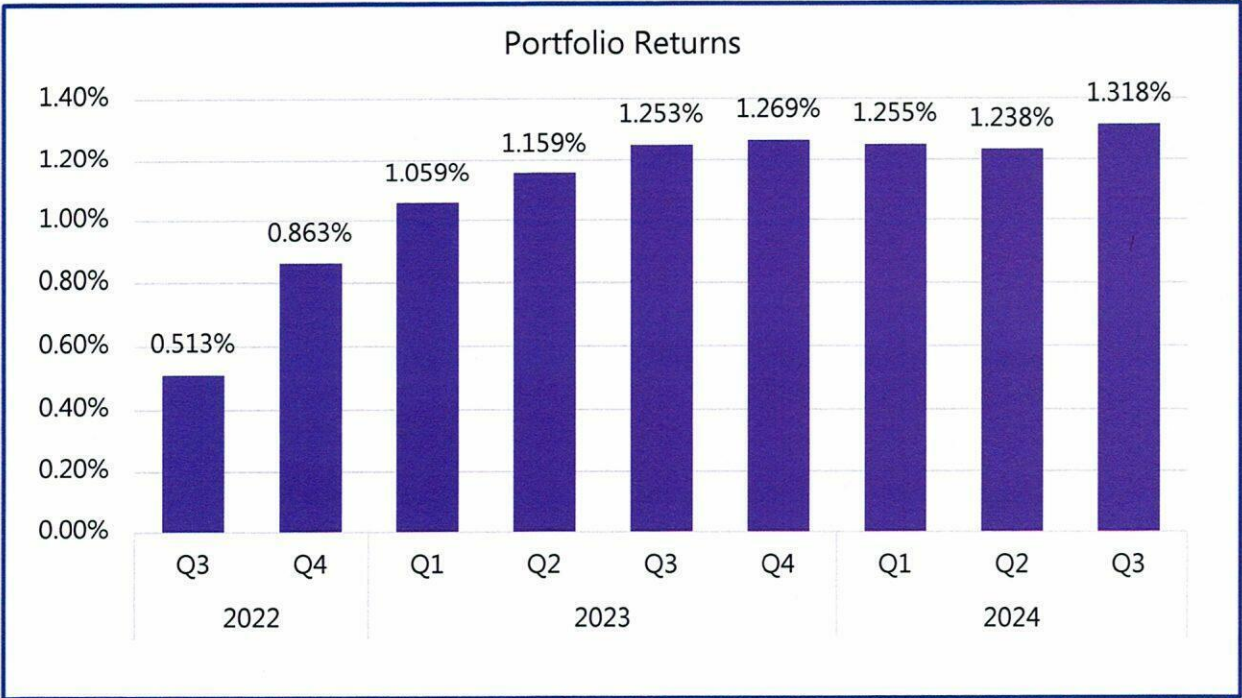
7.2 Performance

The Fund recorded a net return of G\$8,344.07 million (US\$40.02 million) this quarter in comparison with G\$7,205.81 million (US\$34.56 million) for the preceding quarter solely due to interest earned on deposits. This resulted in a return² of 1.318% for the quarter compared with 1.238% in the previous quarter. The year to date annualized return was calculated at 5.179%. The Fund earned an annualized return of 2.152% since its inception³.

Table 2

FUND PORTFOLIO	2023		2024				Since Inception (Annualized)
	Q4	Q1	Q2	Q3	YTD	YTD (Annualized)	
Return	1.269%	1.255%	1.238%	1.318%	3.860%	5.179%	2.152%
Benchmark	-	-	-	-	-	-	-
Excess	-	-	-	-	-	-	-

Graph 7



² The Fund is not currently tracking an index as funds were not invested in securities as at September 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		Q2 - 2024	Q3 - 2024
Opening Balance at beginning of the period		491,511,916	598,513,662
Inflows to Fund for the quarter:			
	Royalties	20,604,660	21,076,625
	Profit Oil	141,741,273	100,440,949
Outflows from Fund to Consolidated Fund a/c for the quarter		-62,550,000	-62,550,000
Net Result for the quarter		7,205,813	8,344,075
Closing Balance at the end of the quarter		598,513,662	665,825,311

Table 4

Assets		G\$'000	
Period		Q2 - 2024	Q3 - 2024
Cash and Cash Equivalents		598,513,662	665,825,311
Other receivables		0	0
Financial Assets held at fair value through profit and loss		0	0
Less:			
Payables		(0)	(0)
Total Net Assets		598,513,662	665,825,311

Table 5

Income		G\$'000	
Period	Q2 - 2024	Q3 - 2024	
Interest Income	7,205,813	8,344,075	
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	7,205,813	8,344,075	
Expenses			
Management fees	(0)	(0)	
Transaction costs	(0)	(0)	
Other expenses	(0)	(0)	
Total Expenses	(0)	(0)	
Net Result for the Quarter	7,205,813	8,344,075	

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			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
17-Jul-2024		81,094,664.66			4,942,842,936.60
26-Jul-2024			86,518,082.52		5,029,361,019.12
29-Jul-2024				101,086,932.17	5,130,447,951.29
29-Aug-2024			79,958,286.66		5,210,406,237.95
4-Sep-2024	79,425,670.00				5,289,831,907.95
9-Sep-2024		78,292,253.79			5,368,124,161.74
30-Sep-2024			76,442,211.22		5,444,566,372.96
Total	2,040,901,312.23	2,055,687,832.57	646,304,042.27	701,673,185.89	5,444,566,372.96

Dated: 17th October, 2024

A handwritten signature in blue ink, consisting of a vertical line with a horizontal stroke across it and a small loop at the end.

.....
Chief Accountant
Bank of Guyana

A handwritten signature in black ink, featuring a large, stylized loop at the beginning followed by several cursive letters.

.....
Governor
Bank of Guyana