



PALAU PAN FUND

PALAU PROTECTED AREAS NETWORK FUND (PAN FUND)

2018 ANNUAL REPORT

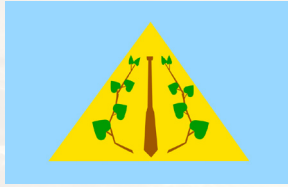
FISCAL YEAR 2018



SUPPORTING PAN
PROTECTED AREAS NETWORK
REPUBLIC OF PALAU



The Palau Protected Areas Network consists of protected areas in 15 States:



Kayangel



Ngarchelong



Ngaraard



Ngardmau



Ngiwal



Ngeremlengui



Melekeok



Ngatpang



Ngchesar



Aimeliik



Airai



Koror



Peleliu



Angaur



Hatohobei



PAN Fund is the steward for financial resources that Palau's communities use to make the Network a success.

BACKGROUND AND PURPOSE OF PAN FUND



Palau's Protected Areas Network (PAN) is a countrywide system of connected protected areas that represent the country's terrestrial and marine habitats, endemic and endangered species, and natural resources. Each of Palau's 16 states may become a Member of the PAN.

PAN Fund (PANF) is a registered, independent, nonprofit corporation governed by a nine-member incorporator with advice and consent of the Senate of the Olbiil Era Kelulau (*See Management & Operations Section*). PAN Fund serves as financial trustee for all monies obtained to support the PAN and its implementation. These include funds raised from the "Green Fee," a dedicated portion of the Pristine Paradise Environmental Fee (charged prior to entry into Palau) designed to support operations of the PAN. PAN Fund stewards Palau's portion of investment earnings from the Micronesia Challenge Endowment Fund and manages donations or grants specific to PAN.

PAN Fund supports and finances PAN projects and programs by administering, managing, fundraising, investing, monitoring, and disbursing PAN monies for the financial sustainability of the PAN to ensure the conservation of ecological biodiversity and sustainable management of Palau's natural resources, per legislative and donor requirements. PAN Fund also provides technical support to further support States' conservation and sustainable development efforts.

PAN Fund began operations in March 2012, and since then has disbursed over \$13.1 million dollars to support the PAN.

MISSION

Efficiently and equitably provide funding to the Protected Areas Network (PAN), and its associated activities, through strategic actions and medium- to long-term financial support that will advance effective management and conservation of Palau's natural and cultural resources.

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(Available from PAN Fund)

- A1 Investment Report
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This PAN Fund Annual Report is prepared pursuant to the requirements set forth in RPPL 7-42.

2018 Impacts

9% STATE EMPLOYEES
FUNDED BY PAN EXCLUDING KOROR, P15

48-67%
STRONGLY AGREE:
PAN SITES PROVIDE
LIVELIHOOD, ECONOMIC
& ENVIRONMENTAL
BENEFITS P17



SUSTAINABLE, ECO-FRIENDLY,
CULTURALLY RELEVANT JOBS P15

\$25,000
DURABLE, SAFE
INFRASTRUCTURE P15

16.8%
REEFS IN NO-TAKE ZONES P16

FIRST FULL SURVEY IN

11 YEARS

FINDS PRISTINE REEF
WORTH PROTECTING P16

56%
PALAU'S PROGRESS TOWARDS
IUCN NO-TAKE MPA GOAL P16

Highlights

State PAN implementation catches up with budget allocations

State expenditures on PAN Sites were aligned with budget allocations. Previously, States had been unable to fully implement their Annual Workplans, leaving significant funds for carryover. This achievement comes from a combination of factors: improved capacity in State Offices, as well as through increased purchasing power achieved through PAN Fund's standardization and streamlining process.

Micronesia Challenge Endowment Fund Palau Account meets long-term goal

Palau's consistent annual contributions to the MC Endowment Fund, combined with careful investment and conservative withdrawal strategies, enabled the Palau Account to grow to over \$10 million dollars. Annual earnings withdrawals of 5% will support consistent programs, even with declining Green Fees in a shifting tourism market.

16 exemplary State Employees honored; 4 awards have State economic benefits

12 Field Officers, Rangers, and staff from State PAN Offices were honored in FY2018 as "Employees of the Year" for their outstanding contributions towards protecting Palau's natural resources. Four State PAN Coordinators were also recognized, and awarded with an exchange program to California, where they marketed their PAN sites at a major travel show.

President reviews FY2017 highlights with PAN Fund and PAN Office

President Tommy E. Remengesau Jr. visited with PAN Fund's Board and staff in September 2018 to review highlights from FY2017.



Palau's President (seated, center) with members of PAN Fund and the PAN Office.

FINANCIALS

Performance of Investments • Receipts and Expenditures
Allocation of Monies from Grants and Donations



PERFORMANCE OF INVESTMENTS

Micronesia Challenge (MC) Endowment Fund

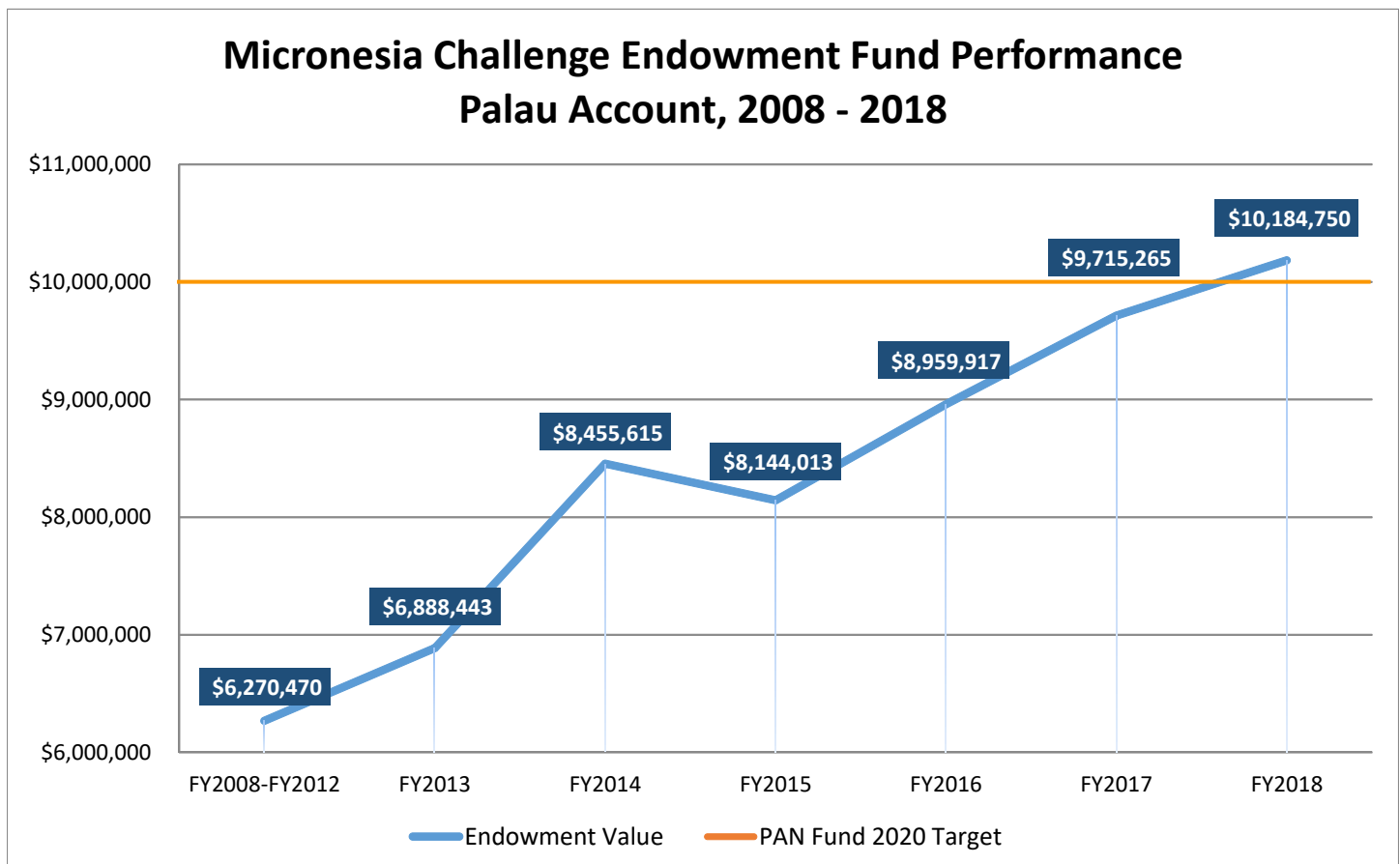
In 2006, Palau joined the Micronesia Challenge, a regional initiative to support conservation efforts across Micronesia. The Micronesia Challenge (MC) Endowment Fund was established to support efforts by Palau, the Federated States of Micronesia (FSM), and the Republic of the Marshall Islands (RMI). The MC Endowment Fund keeps country monies separate but is managed as a whole by the Micronesia Conser-

vation Trust (MCT). The total MC Endowment Fund value (combined across FSM and RMI) declined from 2017 to 2018 by approximately 6%, with a total value of \$19.7 million in December 2018 (from \$21 million at end of FY2017). However, Palau's Account value continued to increase (*Figure 1*).

Per Palau's adopted 2014 Country Program Strategy (CPS), in FY2018 Palau continued to make consistent contributions equivalent to 5% of Green Fees (capped at \$100,000) to the Palau MC Endowment Account.

Performance is good. The Palau Account target of \$10 million was reached in 2018, a year earlier than planned. Investment earnings are close to the expected \$500,000 per year. The MC Endowment Fund is serving the purpose of providing consistent income in the face of decreasing Green Fees, as experienced in FY2018.

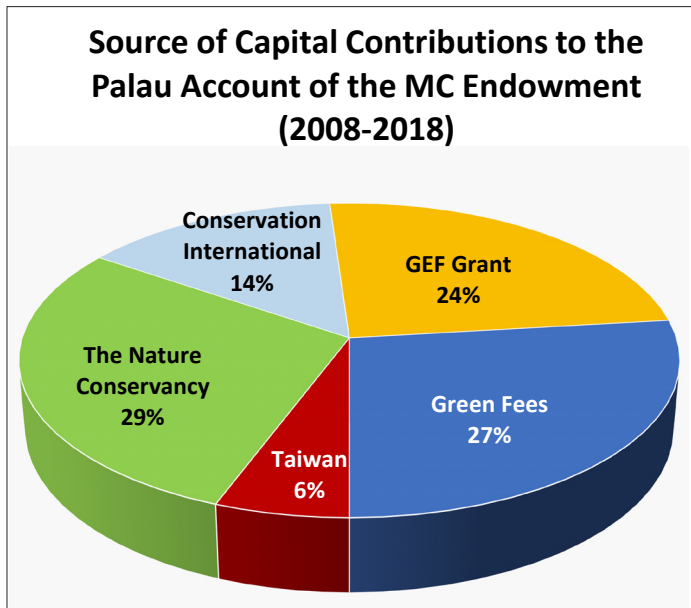
Figure 1. Total value of the Palau Account of the MC Endowment



In FY2018 Palau added \$74,000 to its account (Table 1), bringing the combined value of Palau’s capital and contributions to \$6.9 million. In FY2018, Green Fees made up 27% of contributions (Figure 2), up from 26% in FY2017. Including investment earnings, the total Palau account value was \$10.2 million (Figure 1) at the end FY2018, up from \$9.7 million in FY2017. Investment earnings and funds leveraged from donors made up 82% of the total value (Figure 3).

Palau began making withdrawals of investment earnings from the MC Endowment Fund in January 2017. Palau made its second withdrawal in February 2018 of \$461,734, up from \$435,362 a year earlier. The withdrawal will be reflected in the FY2019 PAN Operating Budget. This investment income from the MC Endowment Fund represents 5% of a three-year moving average of the Palau Account’s value.

Figure 2. Source of funds (contributions) to the Palau MC Endowment Account



Other Investments, State Funds

In FY2018 PAN Fund moved Reserve Funds from a bank savings to an investment account. At the end of FY2018, PAN Fund owned \$229,673 in fixed-income securities. PAN Fund also participates in a 401(K) retirement account.

Given that many PAN Member States are currently generating their own revenue, PAN Fund is in the process of developing and implementing an investment partnership program. The Program would support interested Member States to invest their funds through a pooled investment scheme. This would enable Member States to capitalize on opportunities for economies of scale, technical support, and expertise.

Figure 3. Source of funds (total) in the Palau MC Endowment Account

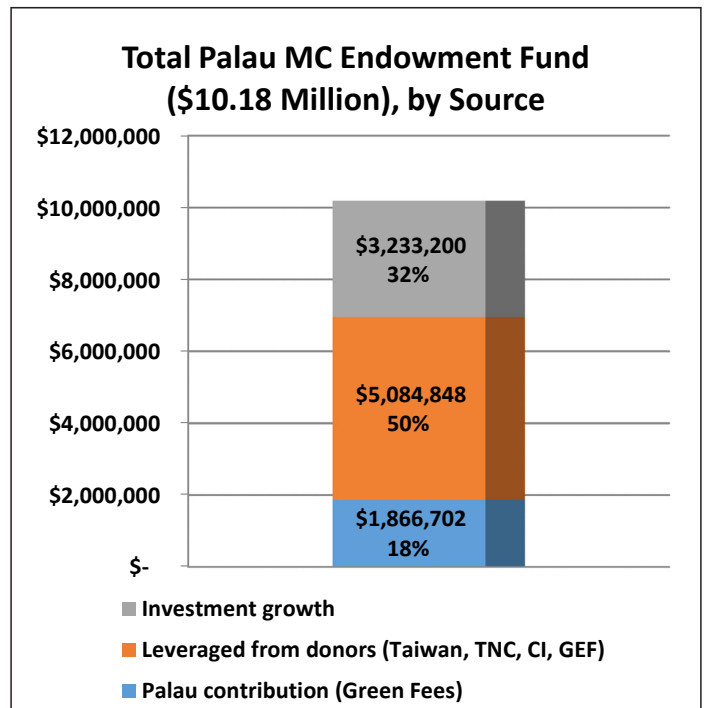


Table 1. Capital Contribution to Palau MC Endowment Fund (US\$)

Source	2008	2011	2012	2013	2014	2015	2016	2017	2018	Total
ROP-Taiwan	400,000	-	-							400,000
TNC	2,000,000	-	-							2,000,000
ROP-GEF	-	1,684,848	-							1,684,848
ROP-Green Fee	-	1,400,000	-		96,750	98,177	100,000	97,750	74,025	1,866,702
CI	-	-	1,000,000							1,000,000
Yearly Total	2,400,000	3,084,848	1,000,000	-	96,750	98,177	100,000	97,750	74,025	6,951,550
Cumulative Total	2.4 M	5.48 M	6.48 M	6.48 M	6.58 M	6.68 M	6.78 M	6.88 M	6.95 M	6,951,550

RECEIPTS AND EXPENDITURES

2017 Revenue and FY2018 Operating Budget

The budget allocation process currently implemented by PAN Fund is such that all revenues derived from Green Fees (e.g. excepting donations and external grants) for the current year are allocated to the subsequent fiscal year's operational budget. This ensures consistent allocations and fiscal sustainability. Allocations to mitigate risks and buffer economic downturns and environmental impacts attributed to climate change are also included in this fiscal strategy. Revenues realized in 2017 were the basis of the FY2018 Budget (*Table 2*). Green Fees received in 2017 were close to the \$2 million cap, at \$1,955,000. Green Fees are allocated to PAN Fund for purposes of implementing the PAN per §2706(d) under RPPL 10-2, creating the Pristine Paradise Environmental Fee (PPEF).

Funding of State PAN States/Sites represented 41% of the total budget (*Figure 4*), and 60% of revenue received from Green Fees (*Figure 5*). The Budget also supports PAN Fund's Office (PANF), the PAN Office (PANO, under MNRET), Palau's annual contribution to the MC Endowment Fund

(via MCT), Reserve and Emergency Funds, and Special Projects (in line with PAN legislation and grants). *Figure 6* demonstrates the source and distribution of funds allocated in the FY2018 budget, showing that the majority (60%) of Green Fees are allocated to PAN States/Sites.

2018 Revenue

Total revenue realized in FY2018 was \$2,310,870, a decrease of \$227,635 from FY2017 (*Figure 7*). Green Fees again formed the majority of revenue. \$1,540,025 came from Green Fees (a decrease of \$415,000 from Green Fees received in 2017). \$8,000 came from an audit reimbursement, \$3,227 came from accumulated bank interest, \$461,734 from the 2018 MC Endowment Fund withdrawal, \$163,000 from grants, and the remainder from carryover. Revenue realized in 2018 is applied to the FY2019 Budget.

RPPL 10-2 also enacted collection of the PPEF via airlines. The law went into effect in January 2018. Implementation of the PPEF took place in FY2019, which did not affect revenue for FY2018.

Table 2. FY2018 PAN Operating Budget, by Source of Revenue

Revenue Source Budget Item	FY2018					FY2017
	Carryover Funds	Endowment Earnings	Grants	Green Fee	Total	Total
PAN States/Sites	\$229,657	\$254,693		\$1,173,000	\$1,657,350	\$1,346,661
PAN Fund	\$7,242		\$310,761	\$195,500	\$513,502	\$360,894
Special Projects	\$220,797			\$117,300	\$338,097	\$350,950
PAN Office	\$50,000			\$195,500	\$245,500	\$200,000
MC Endowment Fund (MCT)	\$-			\$97,750	\$97,750	\$100,000
Reserve Fund	\$472,657	\$90,335		\$97,750	\$660,742	\$100,000
Emergency Fund	\$346,674	\$90,335		\$78,200	\$515,209	\$80,000
	\$1,327,027	\$435,362	\$310,761	\$1,955,000	\$4,028,149	\$2,538,505

Figure 4. FY2018 Budget Lines

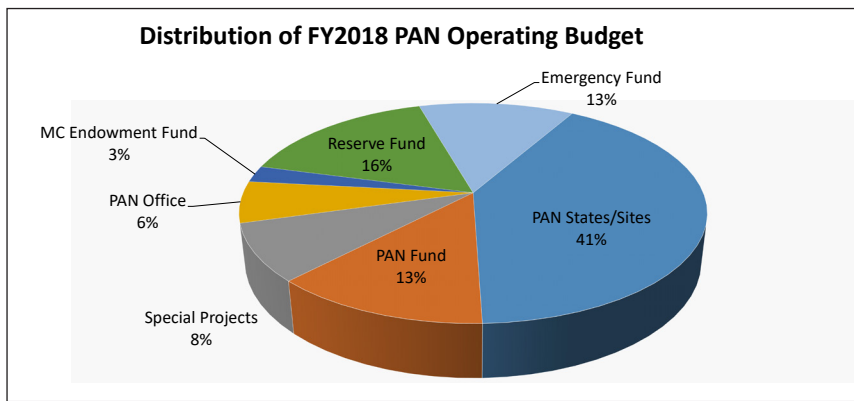


Figure 5. Allocation of Green Fees in the FY2018 Budget

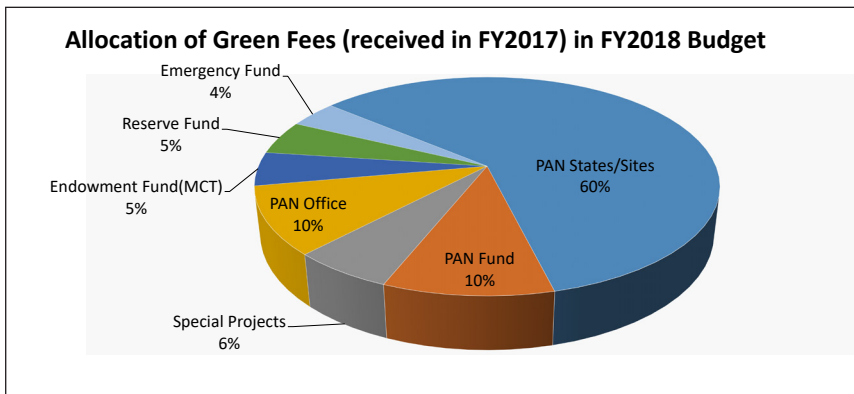
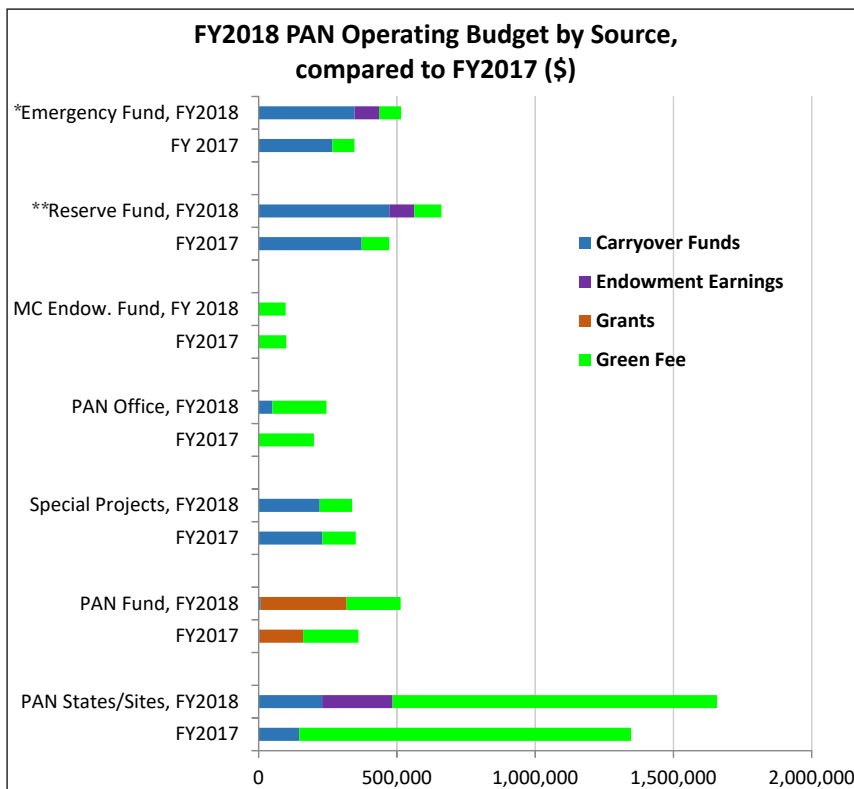


Figure 6. FY2018 PAN Operating Budget, by Source



* **Emergency Fund:** Provides funding to assist PAN Sites with emergency costs arising from natural disasters and accidents.

** **Reserve Fund:** Used to compensate negative fluctuations in Green Fees and for legal matters.

PAN Operating Expenses

Total expenditures in FY2018 were \$2,250,524 (Table 3). Of this, 62% was disbursed to PAN States/Sites (Figure 8); this is similar to FY2017 (See also Figure 11). The remaining 38% of expenditures went to the PAN institutional system: PAN Office, Special Projects, the MC Endowment Fund, and PAN Fund’s operations itself.

Expenses for PAN States/Sites were at the budgeted level (Line 1, Table 3), with no carryover. This achievement was reached through a combination of improved capacity in States to implement their Management Plans and through increased purchasing power created through PAN Fund’s streamlining and standardization processes. The PAN Office’s lower expenses (Line 4, Table 3) is attributed to cash flow and carryover at the fiscal year end. The actual MC Endowment Fund expense in FY2018 was lower than budgeted due to lower incoming Green Fees.

The drawdown from the MC Endowment Fund made in FY2017 was incorporated into the FY2018 budget lines for and expenses by PAN States/Sites, PAN Fund (PANF), and PAN Office (PANO); equalling a subtotal of \$254,693; and \$180,669 was allocated to the now invested Emergency and Reserve Funds.

Figure 7. Trend in Revenue, FY2016-FY2018

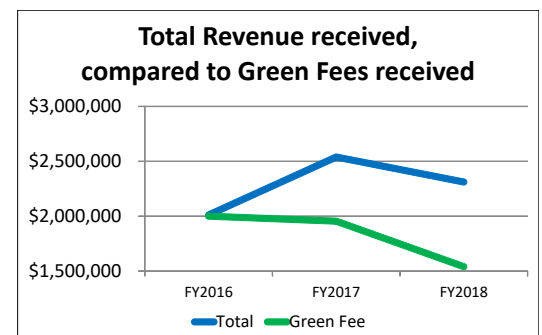


Table 3. FY2018 PAN Budget versus Expenditure, with comparison to FY2017

FY2018 Budget Item	Budgeted Total	Actual Expenses	Difference from Budget (%)	FY2017 Difference (%)
PAN States/Sites	\$1,402,657	\$1,399,991	0%	12%
PAN Fund	\$513,502	\$499,400	3%	41%
Special Projects	\$338,097	\$79,208	77%	63%
PAN Office	\$245,500	\$195,500	20%	0%
MC Endowment	\$97,750	\$76,425	22%	2%
Reserve Fund	\$570,407	0	100%	100%
Emergency Fund	\$424,874	0	100%	100%
Total	\$3,592,787	\$2,250,524	37%	28%

Figure 8. Total PAN Fund expenses

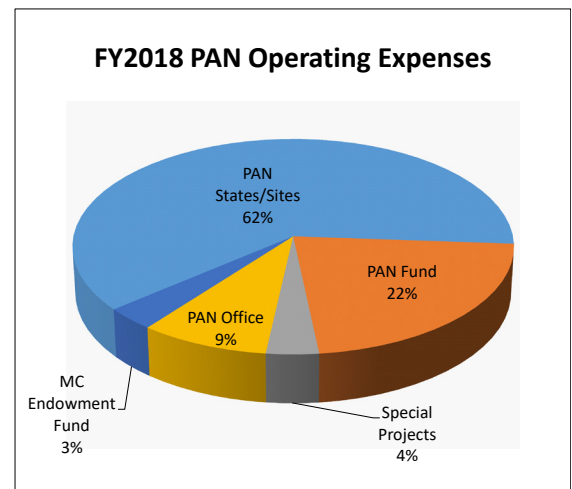
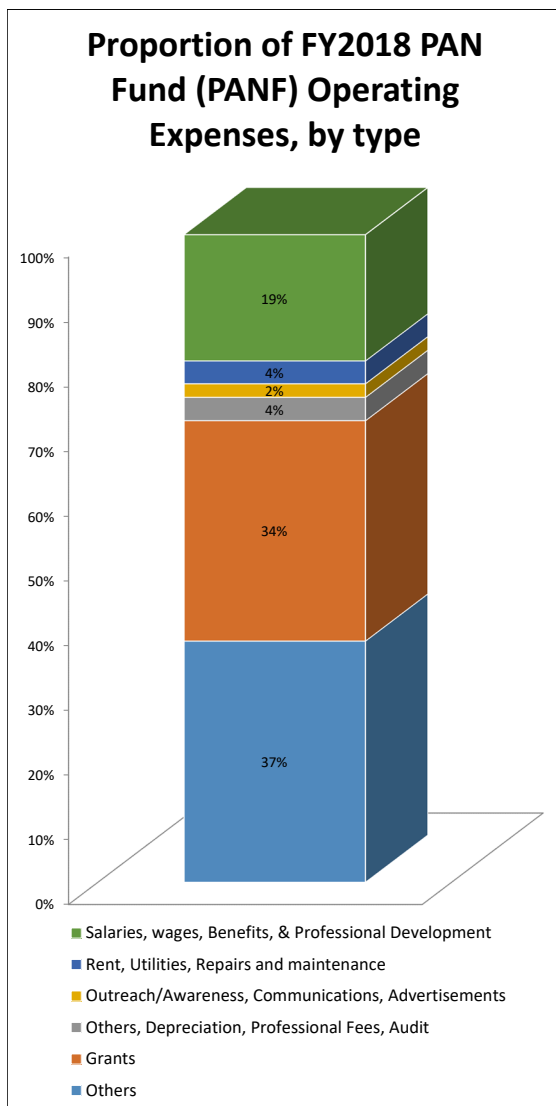


Figure 9. FY2018 PAN Fund (PANF) Office/Operating expenses, by proportion



PAN Fund (PANF) Expenses

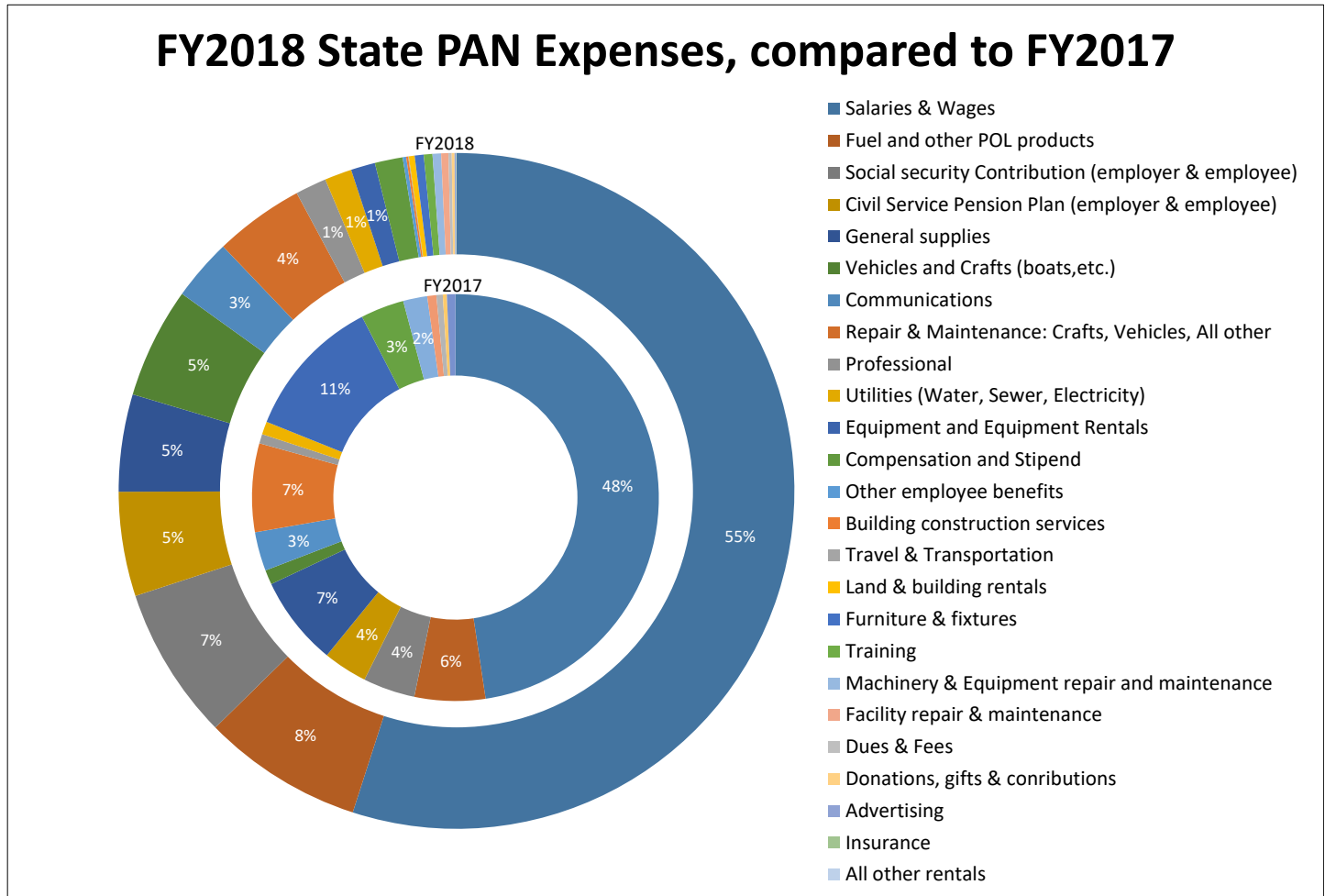
Grants, Other, and Personnel made up the bulk of expenses (Figure 9). FY2018 PAN Fund Office expenses were \$499,400 (Table 4), more than double the expenses of FY2017. Expenses reflect implementation of a new 401(K) retirement plan, a full year’s rent in the new M-Dock offices, and increased external grants. Grant expenses by PAN Fund supported the Palau National Marine Sanctuary (PNMS), particularly with PAN Enforcement. PAN Fund staffing remained the same (General Manager, and Fiscal, Administrative, and Grants Program Officers).

Table 4. FY2018 PANF Expenses, compared to FY2017

Budget Item	FY2018 Amount	FY2017 Amount
Salaries and wages	\$112,968	\$96,615
Professional Development	\$29,094	\$26,838
Rent	\$24,000	\$17,800
Outreach/Awareness	\$5,170	\$11,355
Employee benefits	\$13,064	\$10,954
Audit	\$8,000	\$9,000
Communications	\$10,768	\$8,391
Utilities	\$3,182	\$3,639
Depreciation	\$1,348	\$3,509
Advertisements	\$807	\$3,302
Professional fees	\$1,150	\$2,676
Repairs and maintenance	\$870	\$1,018
Grants	\$270,775	\$239
Others (Utilities, Depreciation, Advertisements, Professional Fees, Repairs and maintenance, others)	\$18,204	\$18,924
Total	\$499,400	\$180,953

ALLOCATION OF MONIES FROM GRANTS AND DONATIONS

Figure 10. Combined PAN States/Sites Expenses



Allocation of PAN Funds by States

The majority of PAN Funds, including Green Fees, are allocated to States for use in implementing their PAN Site Management Plans (*Figures 10 and 11*). Total reported expenses by States in FY2018 were \$1,257,311 (*Table 5*). This was a decrease from FY2017, but was in line with the budget. States allocated the majority of funds towards Personnel costs. Expenditures were similar in both years, with slightly more funds being used to purchase rather than rent vehicles and crafts.

Table 5. FY2018 State PAN Expenses

Budget Category	FY2018 Total	FY2017
Personnel	\$822,394	\$954,030
Assets/Equipment	\$85,988	\$194,219
Miscellaneous/Fuel	\$176,085	\$105,614
Supplies	\$57,828	\$110,770
Asset Maintenance	\$74,434	\$109,318
Communications	\$35,977	\$48,150
Occupancy	\$4,605	\$32,155
Total	\$1,257,311	\$1,554,257

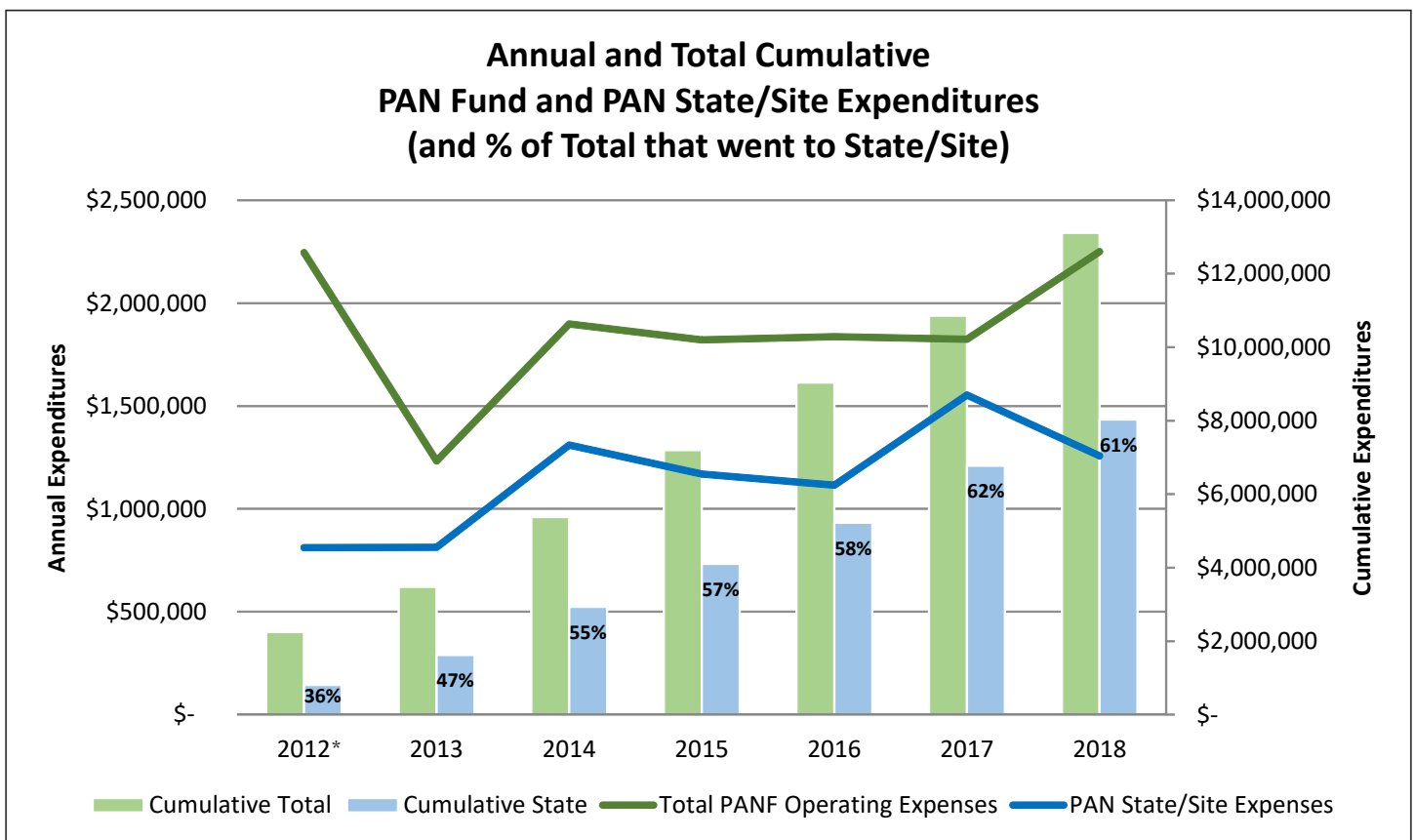
Other Allocations

In FY2018, PAN Fund received \$55,000 in grant funds from the GEF-5 National Project. 88% of these funds were allocated to updating the PAN Sustainable Financing Plan (ongoing, *see Financed Projects section*) and 12% were allocated to administrative costs. PAN Fund also received \$108,000 from the Oceans 5 Regional Project. 81% of these funds were allocated directly to the Palau National Marine Sanctuary (PNMS) and the remainder was allocated to administrative costs.



Photo, right: A sea urchin in Ngardmau.

Figure 11. PAN Fund expenditures, Fiscal Years 2012-2018: Total PAN and PAN State/Site Expenditures, compared annually and cumulatively; including the percentage of the cumulative total that was allocated to PAN States/Sites.



* In 2012, per legislative agreement, PAN Fund contributed \$1.4 million into the Palau account of the Micronesia Challenge Endowment Fund.

PROJECTS & OPERATIONS

Projects financed by PAN Fund and their Results
Effectiveness of Operations & Management • Needs Analysis



Kerdeu (*Ixora casei*), an understory shrub endemic to Micronesia.

FINANCED PROJECTS AND THEIR RESULTS

PAN States and Sites

Number and extent of sites: In FY2018 (as in FY2017), 15 States were members of the Protected Areas Network, with a total of 34 PAN Sites. In early 2019, 16.8% of Palau's coral reefs was protected in No-Take Marine PAN Sites, up from 11.8% in 2017. No-Take zones offer the highest level of protection. PAN funds enable the research, outreach, monitoring, surveillance, and enforcement needed to make No-Take zones viable.

Financing of Management Plans: The total budget allocation to PAN Member States to finance annual workplans for FY2018 was \$1,402,657. Of this amount \$1,399,991 was disbursed by PAN Fund. This indicates an improvement in planning and capacity to implement such plans; in prior years there was significant carryover. PAN Fund is able to fund approximately 50% of each Member State's request every year. The average cost of each State's Management Plan (combined across PAN Sites in the State) is around \$170,000 per year. The average funding to States is around \$90,000 per year.

Personnel: Staffing and Personnel expenses were similar in FY2017 and FY2018. In FY2018, PAN Funds directly supported 81 State Employees. This represented almost 9% of all State employees (excluding Koror, which does not use PAN Funds for personnel). PAN Funds also supported 7 National Government (PANO) and 5 Nonprofit (5 PANF) Employees. Two (2) Law Enforcement Officers were added to the staff at PANO, to assist the entire Network. Of the 81 State Employees, 56 were Rangers/Conservation Officers, 11 were

Support staff (including Nursery Assistants and Education/Outreach support), and 14 were in Management, Coordination, or Planning.

Assets and Infrastructure: The number and value of assets held by the 15 Member States continued to increase in FY2018. These durable assets, including items such as boats, vehicles, computers, equipment, and cameras, complement each State's PAN implementation efforts. In FY2018 PAN Fund funded infrastructure development—a communications landline—for the Ngardok Nature Reserve in Melekeok (*Figure 12*). As one of Palau's oldest and most successful PAN Sites, expansion of communications capabilities was deemed necessary for the safety, enforcement, and capacity of the Reserve to meet its management goals. However, with a price tag of \$25,000, expanding this key infrastructure required a financial and technical partnership between PAN Fund, the PAN Office, Palau National Communications Corporation (PNCC), Melekeok State Government, and the Reserve. A first payment was transferred directly from PAN Fund to PNCC at an August 16, 2018 ceremony. This model also represents the implementation of PAN Fund's Standardization Projects, such as by streamlining major expenditures to enhance the buying power of the entire PAN.

Having completed and approved its Management Plan in FY2017, at the beginning of FY2018 Ngatpang, the newest PAN Member, accessed its first annual operational funds. This first disbursement of funds included the cost of a boat to be used for enforcement and monitoring of its three Marine PAN Sites (*Figure 13*).

Programmatic Support: In FY2018 PAN Fund supported a partnership with the Palau International Coral Reef Center (PICRC), Ministry of Natural Resources, Environment and Tourism (MNRET), and Hato-hobei State’s Helen Reef Conservation Area Program to monitor the remote PAN Site (Figure 14). PICRC uses standardized protocols to monitor multiple sites in the PAN, determine trends and conditions, and suggest revisions to management. Due to its remoteness, PICRC had not been able to survey Helen Reef since 2007. PAN Fund and MNRET provided financial support for PICRC’s June 7-13, 2018 bio-

physical surveys. Compared to the remarkable recovery in 2007 from 1998 bleaching, PICRC Researchers found that Helen’s coral reef was still thriving, calling it a prime example of “how well reefs can recover in the absence of human interference.”

Figure 12. Payment handover ceremony for the installation of a Communications Landline at the Ngardok Nature Reserve in Melekeok, on August 16, 2018.



Front Row, L-R: Omar Faustino (Program Manager, Ngardok Nature Reserve), Foobar Obichang Skebong (Program Coordinator, PAN Office), Joanny Kesolei (Sales Account Executive, PNCC), Henaro Polloi (Governor, Melekeok State). Back Row, L-R: Joyce Beouch, Jovalyn Ilong Koshiba, Shannon Oseked, Regis Emesiochel General Manager (all PAN Fund), Kevin Chin (Vice Chairman, PAN Fund Board), Eric Mongarni, Kashgar Rengulbai Secretary (both Melekeok Nature Reserve Board), Ur Elbelau, Jefferson Thomas (Chairman, Melekeok Nature Reserve Board), and Welliah Kintaro.

Figure 13. Handover of 25-foot 85hp Monitoring & Surveillance Boat to the Ngatpang State PAN Program on July 25, 2018.



Left to Right: Kevin Chin (PAN Fund Vice Chairman), Lorenzo Osilek (Ngatpang PAN Boat Operator), Jovalyn Ilong Koshiba (PAN Fund), Jun Ushibata (PAN Fund), John Techitong (Ngatpang PAN Coordinator), Skeras Etpison (Operations Manager NECO Yamaha Co.), Obichang Skebong (PAN Program Coordinator), Rekemesik Shallum Etpison (Ngatpang Traditional Leader), Governor Jersey Iyar (Ngatpang State), Regis Emesiochel (PAN Fund General Manager).

Results of PAN State/Site Investment:

PAN States and Sites remain the key investment of PAN Fund, and achievements within Member States/Sites indicate achievement of the entire Network and its financing arm, PAN Fund.

With Member State personnel expenses around \$900,000 per year (and over \$1.1 million when including National government and nonprofits), PAN funding is proving to be a reliable driver of sustainable and eco-friendly employment.

The PAN-funded transition and expansion of Marine Protected Areas (MPAs) into highly protected No-Take zones (now at 16.8%) helps Palau meet its global conservation commitments. In 2016 (at a September event presided over by President Tommy E. Remengesau Jr.), members of the International Union for the Conservation of Nature (IUCN) established the goal of setting aside “30% of each marine habitat” in “highly protected MPAs... [with] no extractive activities.” Both MNRET and PAN Fund are Members of IUCN. A 2017 study of No-Take MPAs in Palau found that “Fully protected areas have... much greater con-

Figure 14. PAN Fund, MNRET and PICRC join forces to support monitoring of the Helen Reef Conservation Area, June 2018.



Left-Right: Jun Ushibata (PAN Fund); Jovalyn Ilong Koshiba (PAN Fund); Ngiratmetuchel R. Belechl, (Chairman of PAN Fund Board of Directors); Lincy Marino (PICRC); Randa Jonathan (PICRC); Minami Nagoya (PICRC).

ervation benefits compared with areas under lesser levels of protection.”¹ No-Take MPAs had higher fish biomass compared to unprotected nearby sites.

PICRC’s 2016-2018 Socioeconomic studies of nine (9) States with Marine PAN Sites² found that on average, 54-67% of those surveyed strongly agreed that their MPAs provided livelihood, economic, and environmental benefits. Although the amount of mangrove protected in the PAN is below target (only 7.6% of total in 2 States), those protected mangroves were perceived to increase availability of food and provide livelihood benefits. When asked similar questions about Terrestrial PAN Sites, an average of 48-60% of those surveyed in five (5) PAN Member States strongly agreed that their sites provided livelihood, economic, and environmental benefits; 30% believed that Terrestrial PAN Sites had “improved overall quality.”

1 Friedlander, A.M., Y. Golbuu, E. Ballesteros, J.E. Caselle, M. Gouezo and D. Olsudong D. 2017. Size, age, and habitat determine effectiveness of Palau’s Marine Protected Areas. *PLoS ONE* 12(3): e0174787. <https://doi.org/10.1371/journal.pone.0174787>.

2 **Marine:** Kayangel, Ngaraard, Ngijwal, Melekeok, Ngchesar, Ngatpang, Airai, Peleliu, and Angaur. **Mangrove:** Airai and Ngaraard. **Terrestrial:** Kayangel, Ngaraard, Ngijwal, Melekeok, and Ngchesar. <http://picrc.org/picrcpage/technicalreports/>

This provides evidence that the investment by PAN Fund to Member States and Sites is benefiting Palau’s natural resources and suggests that continuing this investment is viable.

PAN Fund (PANF) and PAN Office (PANO)

Per agreement, PAN Fund (PANF) allocates annual funds for the operation of the PAN Office (PANO, in MNRET). In 2018, PAN Fund allocated \$195,500 of Green Fees (close to the permitted cap) to PANO. PAN Fund also allocated over \$300,000 in designated grant funds to PANO. The PAN Office works directly with Member States/Sites to accomplish the goals of the PAN.

PAN Fund and the PAN Office conducted a number of joint activities in FY2018 that benefitted the Network and built internal capacity. Throughout FY2018, PAN Fund and the PAN Office continued to hold annual State Forums in Member States to learn about and share focal priorities with State Leaders, Coordinators, and communities (*Figure 15*).

Figure 15. State Leaders at an annual PAN State Forum in Ngijwal, April 2018.



Leadership at the Ngijwal State PAN Forum.

At the beginning of the fiscal year, PAN Fund (Board of Directors and staff) and the PAN Office (staff and MNRET leadership) held a 2-day Strategic Planning Retreat to identify priorities and develop and update new recommendations, plans, and streamlining efforts (*Figure 16*). One outcome included the development of a policy towards supporting competitive grants for PAN Member States as a way of increasing participation in Special Projects (*See next section on Special Projects*). PAN Fund and the PAN Office also agreed to begin planning for a 2019 PAN Conference to showcase impacts and successes of the PAN in advance of the 2020 Our Oceans Conference. *See the box for additional Retreat outcomes.*

Figure 16. PANF and PANO Planning Retreat, Carp Island, September 6-7, 2018.



PANF Board and staff, PANO staff, and MNRET Minister at the Retreat.

Figure 17. Forest Monitoring for PAN Learning Exchange in Palau, April 2018.



Top, from left to right: Obichang Skebong (PANO), Olaf Kuegler (U.S. Forest Service), and Adelle Isechal (MNRET) during the Forest Monitoring Learning Exchange.

Professional development investments for PAN Fund and the PAN Office in FY2018 included hosting and participating in Learning Exchange programs. In February 2018 the PAN hosted individuals from the Republic of the Marshall Islands so they could learn more about establishing a Network. The exchange exposed participants to improved coral reef and fisheries management techniques and showcased community-based efforts to integrate fisheries management with the PAN. In April 2018 PAN Fund and the PAN Office hosted a Learning Exchange to fill in a PAN gap: Forest Monitoring (*Figure 17*). PAN Fund participated in training programs on Results-Based Management (RBM) offered by the Palau Conservation Society

Decisions and outcomes of the PANF/PANO Strategic Planning Retreat in September 2018 included the following:

- Endorsement of the PAN National Assessment (2015 PAN Status Report and Appendix), for consideration in the PAN Sustainable Financing Plan update.
- Funding of one (1) site advisor and one (1) public information officer to implement recommendations of the PAN National Assessment.
- Expansion of eligibility for Competitive Grants to include PAN Member States.
- Formal inclusion of Special Projects in PAN Fund's Operations Manual .
- Requirement that all PAN State Annual Workplans be endorsed by the Governor as a basis to document agreement on activities and funding.
- Establishment of a MOU with PAN Member States and the PAN Office at the start of implementation of new Management Plans.
- Endorsing of the "Strategy for Showcasing PAN in 2020" recommendations.
- Agreement to initiate the PAN Scholarship program.
- Hosting a dinner or side event at the Our Oceans 2020 Conference.

Figure 18. RBM Training, October 2018.



Participants from many organizations, including PANF and PANO, participated in RBM training offered by the Palau Conservation Society.

in September 2018 (*Figure 18*). RBM is a growing global initiative to improve Management Planning so that goals and activities are better connected to on-the-ground results, and principles of RBM are being integrated into Management Plan templates and criteria.

Results of PANF/PANO Investment:

Improving processes and building capacity within PAN Fund and the PAN Office has clear positive results for the Network. For instance, in FY2017 one outcome of PAN Fund’s Strategic Planning Retreat was the streamlining of State reporting requirements in order to reduce delays in disbursement and carryover (and speed Management Plan implementation). As a result, in FY2018 PAN States/Sites spent their full budgeted amount (*Table 3*).

As a direct result of the 2018 PANF/PANO Strategic Planning Retreat, in early 2019 PAN Fund and the PAN Office jointly announced the opening of the Competitive Grants concept note submission period, and announced a Capacity Building Scholarship Program for students and conservation professionals. This created two new avenues to speed PAN monies to Member States/Sites.

Funded by a maximum of 20% of Green Fees (10% each for PANF and PANO) and external grants, the combined investment into PAN Fund and the PAN Office provides critical support to PAN Member States and Sites. Examples show that improved processes offered by PANF/PANO (e.g.

Figure 19. Member States highlighted health benefits of PAN Sites with the public during the Health Expo, September 2018.



Omar Faustino from the Ngardok Nature Reserve presents during the Health Expo.

streamlined reporting) leads to improved activities on the ground (e.g. States implementing their full budget based on their annual workplans), and shows that their partnership is necessary. This shows that the investment into PAN Fund and the PAN Office yields Network-wide benefits effectively and efficiently.

Special Projects

Special Projects are funded based on a written recommendation from MNRET and PANO and approval by PAN Fund’s Board of Directors. Special Projects must contribute towards significant potential benefits to multiple or all PAN States or Sites. (Competitive Grants enable single States/Sites to access Special Project funds, which have so far had high carryover.) Expenditures for Special Projects were just over \$79,000 in FY2018; carryover will be reflected in the FY2019 Budget.

The multi-year Special Project with the Northern Reefs Fisheries Management Project continued in FY2018, enabling improved surveillance and enforcement.

PANF, PANO, and Member States partnered to participate in the Palau Health Expo held in September 2018 (*Figure 19*), in recognition of the 2018 “Year of Good Health,” an initiative to promote a healthier Palau. Member States learned from each other and other agencies and were able to educate the public on the human and environmental health benefits associated with PAN Sites.

Figure 20. PAN Employees of the Year, Palau Royal Resort, May 2018.



Honored Employees of the Year with the Minister of MNRET and nominating Governors. The employees for the year 2018 are Marino Yuziro from Ngardmau, Darren Scott Ralph of Ngatpang, Katsumi Abia-Soalablai of Ngeremlengui, Junior Leeroy of Ngilwal, Marcil Omengkar of Melekeok, Deter Olgeriil of Ngaraard, Darwin Demei of Aimeliik, Petra Tkel of Hatahobei, Elly Ymesei of Koror, Oliver Oyama of Peleliu, Pierre Olsudong of Ngarchelong and LaVoice Umiich Mongami of Kayangel State.

In May 2018 the PAN held its 2nd Annual Appreciation Event to honor PAN site managers and stakeholders who do an exemplary job of protecting Palau’s precious resources (*Figure 20*). The event was held at Pacific Royal Resort. The highlight of the evening was the awarding ceremony of the “Employees of the Year” to PAN field officers, rangers, and staff. The 12 honorees were selected by PAN coordinators and governors based on outstanding performance and dedication.

Also recognized at the 2nd Annual Appreciation Event were four (4) State PAN Coordinators who were selected to participate in an eco-tour Learning Exchange (*Figure 21*). In recognition of States who

Figure 21. PAN Site Coordinators marketed their eco-tours during an exchange program to California, June 2018.



Participants in the SCUBA Show in Long Beach were Lomalinda Gabriel of Melekeok, Paloma Swei of Ngarchelong, Elicio Skebong of Ngeremlengui and Jennifer Ngiraiwet of Ngardmau State.

have developed eco-tour programs, PAN Fund and MNRET funded four staff from four PAN Sites to market their Sites at the June 2018 30th SCUBA Show in Long Beach, California, in partnership with the Palau Visitors Authority. This was part of an effort by the PAN to showcase and promote the development of sustainable funding mechanisms for PAN States/Sites.

PAN Fund maintains a set aside of funds, as a Special Project, to support Management Plan reviews and updates for Member States needing assistance. This amount is carried over from year to year as needed.

Results of Special Projects: Special Projects in FY2018 built the profile of PAN Sites as health and eco-tour destinations, and strengthened the local and national sense of pride and ownership through special recognition programs.

Through the Northern Reefs Special Project, Ngarchelong State, Kayangel State, and the Ministry of Justice worked on resolving potential conflicts between No-Take zone fisheries regulations and other state laws. This will enable full enforcement of all laws.

MC Endowment Fund

Investment into the MC Endowment Fund was described in the section on *Performance of Investments*. The MC Endowment Fund continues to be a reliable source of investment income, offering a good and consistent rate of return. The Endowment is operating as it should: buffering downturns in tourist arrivals while still maintaining consistent levels of operations and staffing.

It is still the opinion of PAN Fund that failure to invest fully into the MC Endowment Fund, due to the \$2 million dollar cap on Green Fees that can be allocated to PAN Fund, is equal to lost opportunity to maximize returns. The Economic Outlook included in the 2018 Audit states:

“These caps on funding will continue to restrict PAN Fund’s ability to finance the PAN at a sufficient level of management. The caps also represent a lost opportunity for PAN Fund to further expand its investment programs as it reduces capital contributions for investments.”

Reserves

PAN Fund Reserves consist of a Reserve Fund and Emergency Fund. The Reserve Fund is to be used

to compensate for negative fluctuations in the Green Fees. The Emergency Fund provides extraordinary funding (additional to those included in the Member State/Site workplans) to assist PAN Sites with emergency costs arising from a natural disaster or accidents. The Emergency Fund was last used in FY2014 to restore PAN Site Operations after Typhoon Haiyan.

In October 2017, the Board of Directors initiated the Investment Program for Emergency and Reserve Funds. As of September 30, 2018 the funding allocated to the Invested Reserve Fund (Emergency and Reserve Funds), in the amount of \$1.1 million (*Table 2*), had a total market value of \$1,214,052. This amount is inclusive of accumulated balances for Reserve and Emergency Funds.

GEF-5 National Project

Through Palau’s National Project financed by the Global Environment Facility (GEF-5), PAN Fund commissioned The Nature Conservancy (TNC) to assess the state of financing mechanisms on a system-wide scale, after which the PAN Sustainable Financing Plan will be updated. That work continued into FY2019.

Oceans 5 Grant

A grant from Oceans 5, an ocean conservation organization, is supporting the Palau National Marine Sanctuary (PNMS) to improve surveillance and enforcement in PAN. PAN Fund assists with local administrative needs.



Rebotel (*Syzygium samarangense*), protected in PAN Sites, is important to natural and cultural heritage.

OPERATIONS & MANAGEMENT

Effectiveness and Efficiency

The budget for PAN Fund (PANF) was 14% of the total (capped at 10% of Green Fees), a nearly two-fold increase from FY2017 due to grants to support the PNMS (*see Figure 4*).

Independent audit reports have consistently found that PAN Fund manages funds in accordance with accepted Accounting Principles. The 2018 Audit included only three (3) minor findings, all of which were resolved quickly.

Palau’s transition from collecting a Green Fee upon exit to a Pristine Parade Environmental Fee at booking had no impact on the effectiveness or efficiency of PAN Fund. Delays in receiving funds are buffered by the practice of setting the budget based on the prior year’s revenue.

PAN Fund is committed to improving efficiency, mitigating financial risks, adaptive management, and diversifying funding. To achieve these, in FY2018 PAN Fund:

1. Invested in professional development in SCUBA/Diving, Results-Based Management (RBM), and APAFS and APIPA (accounting).
2. Opened an investment account for Reserves following accepted principles for safeguarding funds.
3. Updated its Operations Manual.
4. Updated procedures to ensure accountability with Member States (with minimum requirements for workplans and MOUs).
5. Made the website (palaupanfund.org) a reliable source of relevant news.
6. Conducted regular Site Visits.
7. Developed and launched the Competitive Grants and Scholarship Programs.

Equitable Funding

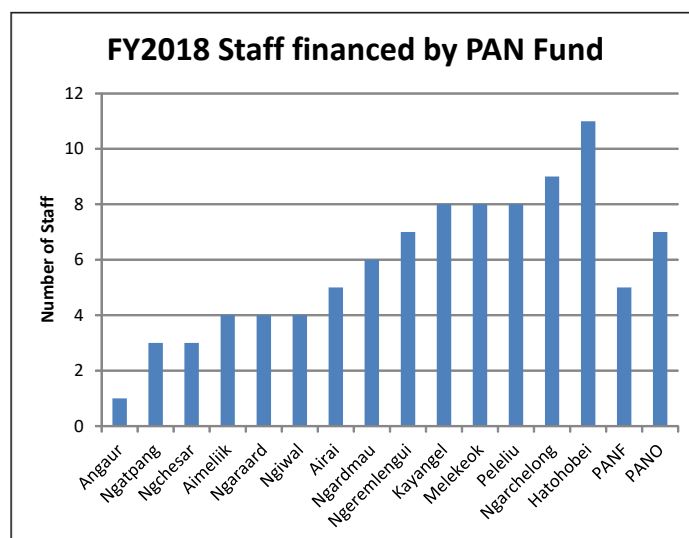
PAN Fund strives to equitably distribute funds. Funds received by Member States vary widely; they depend on the top priorities of Management Plans and are carefully considered by PANF and PANO based on needs and history. *Figure 22* on staffing illustrates how varied this distribution can be.

Looking Forward

PAN Fund will implement the following in FY2019:

- Offer Competitive Grants for Member States.
- Offer a Capacity Building Scholarship Program for internships and training.
- Update the PAN Sustainable Financing Plan.
- Test investment partnerships (with States).
- Develop and implement Communications Plans and Standardization Projects.

Figure 22. Number of staff in Member States, PANF, and PANO that were financed by PAN Fund, FY2018 (Total of 93).



“It has been a pleasure serving PAN Fund’s Board of Directors for the past seven years. As elected Chairman I am pleased to continue my efforts in contributing to the development of effective conservation of Palau’s biodiversity and the promotion of sustainable livelihoods across the region.”

- Kevin Chin, Chairman



Kevin Chin, Chairman

Management and Governance

PAN Fund is governed by a nine-member Board of Directors appointed by the initial four-member incorporators: The Nature Conservancy (TNC), Conservation International (CI), the Ministry of Natural Resources, Environment and Tourism (MNRET), and the Ministry of Finance (MOF). The Board composition remained the same in FY2018 as in FY2017; new Officers were elected (*See Board members, right*).

The Board is supported by PAN Fund staff, including a General Manager, and Fiscal, Administrative, and Grants Program Officers. PAN Fund follows the 2016-2020 Systemwide Strategic Plan and PAN Sustainable Financing Plan. PAN Fund’s Board of Directors endorsed the PAN Strategic Plan in December 2016. The Board meets at least once every quarter but usually meets more often in Special Meetings to address critical issues that require Board action.

Funding, Legislation, or Resources required to Carry out PAN objectives

PAN Fund is still calling for a formal review by the Olbil Era Kelulau of the \$2 million dollar cap on Green Fee allocation to the PAN, as it limits opportunities to maximize returns and buffer downturns.

PAN Fund will carefully follow the implementation of Palau’s Responsible Tourism Policy Framework, particularly declining Green Fees from fewer tourists, in relation to potential reduced visitor impacts.



Mingrang Kloulechad, Vice Chair



Tutii Chilton, Secretary



Brengyei Katosang, Treasurer



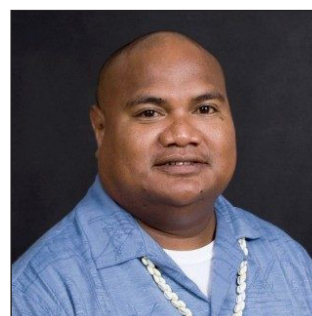
Ngiratmetuchel R. Belechl, Member



Sue Taii (CI), Member



Steven Victor (TNC), Member



Minister F. Umiich Sengebaw (MNRET),
Ex-Officio



Minister Elbuchel Sadang (MOF),
Ex-Officio

PALAU PROTECTED AREAS NETWORK FUND



P.O. Box 6094, Koror, Palau 96940

Tel: (+680) 488-3863

Fax: (+680) 488-1314

Web: www.palaupanfund.org

Email: Info@palaupanfund.org



SUPPORTING PAN

Cover Photo: Orsoulkesol Waterfall in Ngiwal
Back Photo: Giant Clam on Helen Reef, Hatohobei
All photos provided by PAN Fund.

Report prepared by Anuradha Gupta,
D&D Biodiversity Consulting.

Programmatic Administration of the PAN is by the:

Ministry of Natural Resources,
Environment & Tourism

Financial Administration of National Funds for the PAN is by the:

PAN Fund

Oversight and advice to the PAN is provided by the:

PAN Management Committee
PAN Technical Committee

Significant partnership support, including indirect funding and technical expertise, has been generously provided by:

Palau International Coral Reef Center
Palau Conservation Society
The Nature Conservancy, Micronesia
Program

Micronesia Challenge
Council of Chiefs
Governor's Association
Palau Public Lands Authority
Environmental Quality Protection
Board
Palau Visitor's Authority
Belau National Museum
Palau Community College
Belau Tourism Association
Ebiil Society
Individual Experts

Ministries and Agencies in the Palau
National Government
State Governments
Local Community Groups



Ebiil Channel Conservation Area ©Kevin Polloi

Appendices A1 Investment Report



Comparative Performance Analysis Report

Micronesia Conservation Trust

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RAYMOND JAMES

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Micronesia Conservation Trust Investment Analysis

Total Portfolio

Total Portfolio Performance

As of December 31, 2018

Fiscal Year Ends: December

	Market Value (\$)	% of Portfolio	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	Inception (%)	Inception Date
Total Portfolio	19,671,290	100.00	-8.75	-6.18	5.72	3.88	6.60	6.64	Dec-08
<i>Policy Index</i>			-8.78	-6.54	5.42	3.54	6.15	6.66	
<i>6.2% Total Return Index</i>			1.52	6.20	6.20	6.20	6.20	6.20	
Large Cap Growth	2,639,557	13.42							
Winslow Capital	2,639,557	13.42	-15.72	4.33	10.96	9.96	14.07	11.83	Jan-11
<i>Russell 1000 Growth</i>			-15.89	-1.51	11.15	10.40	14.14	12.42	
Large Cap Value	2,589,574	13.16							
Aristotle Capital Management	2,589,574	13.16	-12.43	-7.92	10.32	--	--	8.66	Oct-14
<i>Russell 1000 Value</i>			-11.72	-8.27	6.95	--	--	4.64	
Mid Cap Value	2,001,914	10.18							
Boston Partners	2,001,914	10.18	-16.09	-13.52	5.68	4.34	10.91	9.15	Jan-11
<i>Russell 2500 Value</i>			-17.12	-12.36	6.59	4.16	10.00	8.11	
International Equity	2,895,796	14.72							
Lazard International	2,895,796	14.72	-13.13	-12.12	2.67	1.64	--	4.12	May-13
<i>MSCI EAFE</i>			-12.54	-13.79	2.87	0.53	--	2.82	
Emerging Markets	1,978,706	10.06							
Lazard Emerging Markets	1,978,706	10.06	-4.43	-16.77	11.07	1.58	4.12	2.09	Jan-11
<i>MSCI Emerging Markets</i>			-7.47	-14.58	9.25	1.65	3.23	0.59	
Fixed Income	5,978,470	30.39							
Garcia Hamilton	4,079,156	20.74	1.17	1.00	2.57	3.23	--	2.59	Dec-12
<i>BBgBarc US Aggregate TR</i>			1.64	0.01	2.06	2.52	--	1.75	

Total Portfolio

Total Portfolio Performance

As of December 31, 2018

	Market Value (\$)	% of Portfolio	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	Inception (%)	Inception Date
Templeton Global Bond	1,899,314	9.66	1.71	1.44	3.54	1.64	3.68	3.04	Jan-11
<i>FTSE WGBI ex US TR</i>			1.31	-1.82	3.32	0.27	-0.26	0.41	
Master Limited Partnership	671,636	3.41							
Tortoise MLP	671,636	3.41	-16.18	--	--	--	--	-17.54	Jun-18
<i>Alerian MLP TR USD</i>			-17.30	--	--	--	--	-14.84	
Real Estate	915,637	4.65							
Adelante	915,637	4.65	-6.39	-5.28	2.66	--	--	1.25	Jan-15
<i>Wilshire REIT</i>			-6.93	-4.84	2.06	--	--	1.01	

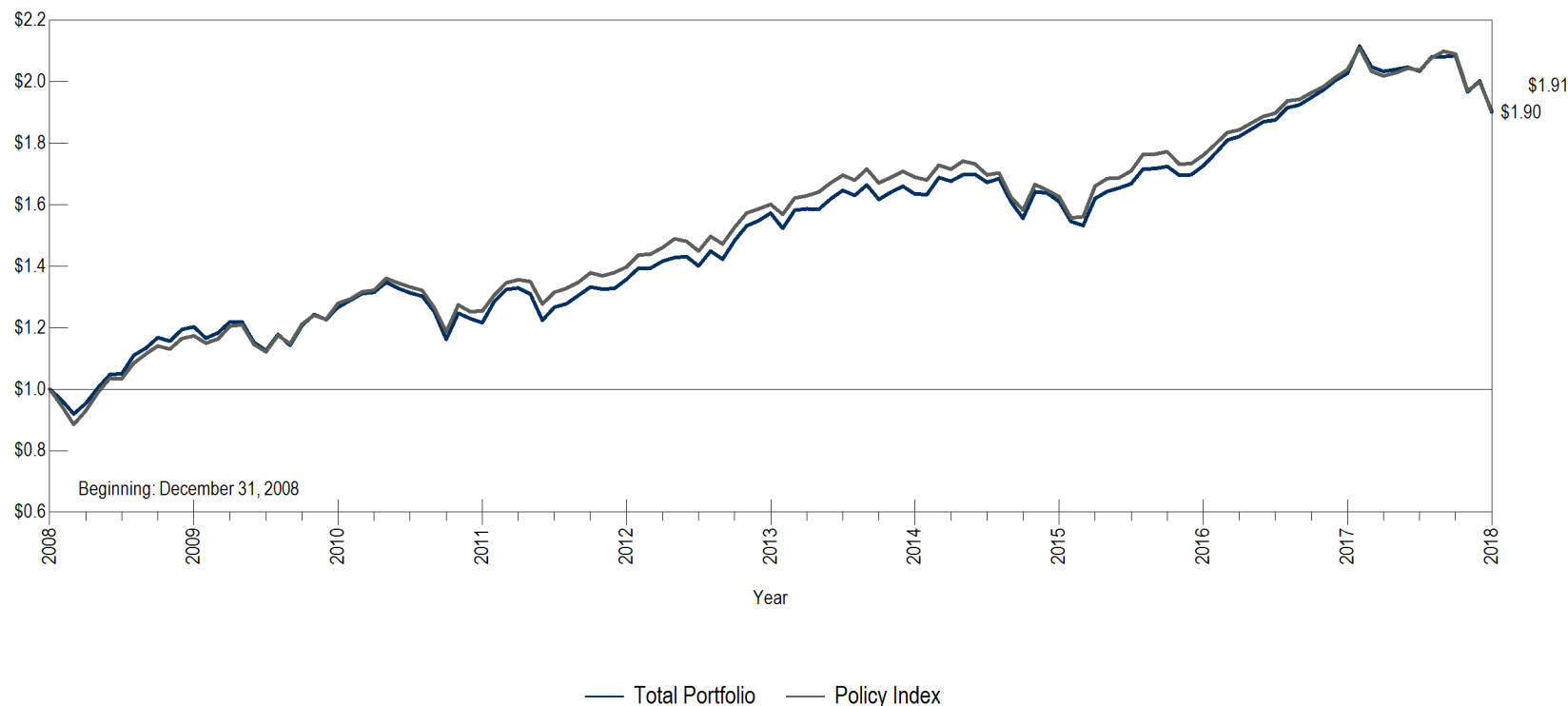
- Policy Index = 5% Alerian MLP TR USD / 10% FTSE WGBI ex US TR / 15% MSCI EAFE / 10% MSCI Emerging Markets / 20% BBgBarc US Aggregate TR / 12.5% Russell 1000 Growth / 12.5% Russell 1000 Value / 10% Russell 2500 / 5% Wilshire REIT

- 6.2% Total Return Index = Target Return 6.2%

Total Portfolio Information

As of December 31, 2018

Growth of a Dollar



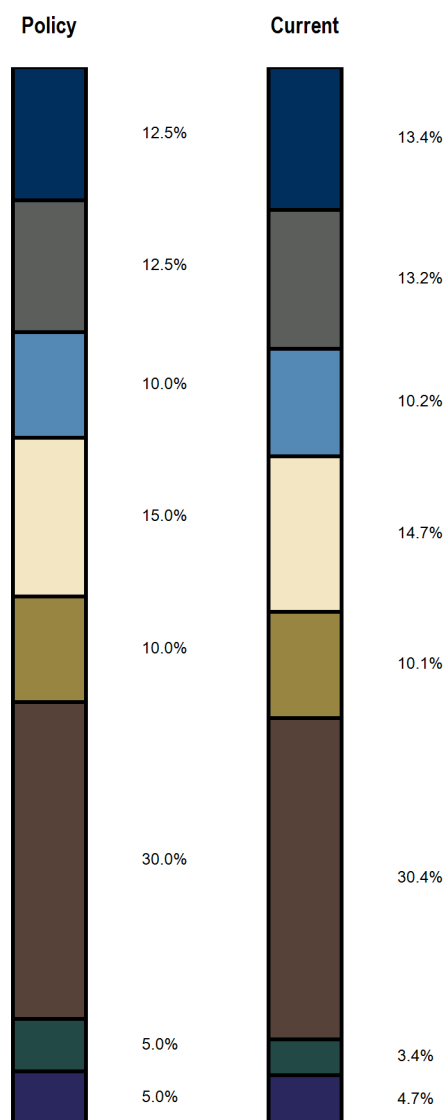
Summary Of Cash Flows

	Quarter-To-Date	One Year	Three Years	Five Years	Seven Years	Ten Years	Inception 12/31/08
Beginning Market Value	\$21,549,759	\$21,475,904	\$17,236,719	\$14,360,469	\$7,694,368	\$1,523,620	\$1,500,000
Contributions	\$0	\$60,000	\$693,670	\$3,481,755	\$7,300,161	\$13,556,826	\$13,556,826
Withdrawals	-\$29,495	-\$491,229	-\$1,000,591	-\$1,000,591	-\$1,000,591	-\$1,000,591	-\$1,000,591
Fees	-\$41,755	-\$162,241	-\$449,274	-\$704,461	-\$884,534	-\$1,014,925	-\$1,021,112
Net Cash Flow	-\$29,495	-\$431,229	-\$306,921	\$2,481,164	\$6,299,570	\$12,556,235	\$12,556,235
Net Investment Change	-\$1,848,974	-\$1,373,385	\$2,741,493	\$2,829,658	\$5,677,353	\$5,591,436	\$5,615,056
Ending Market Value	\$19,671,290	\$19,671,290	\$19,671,290	\$19,671,290	\$19,671,290	\$19,671,290	\$19,671,290

Total Portfolio

Total Portfolio Allocation

As of December 31, 2018

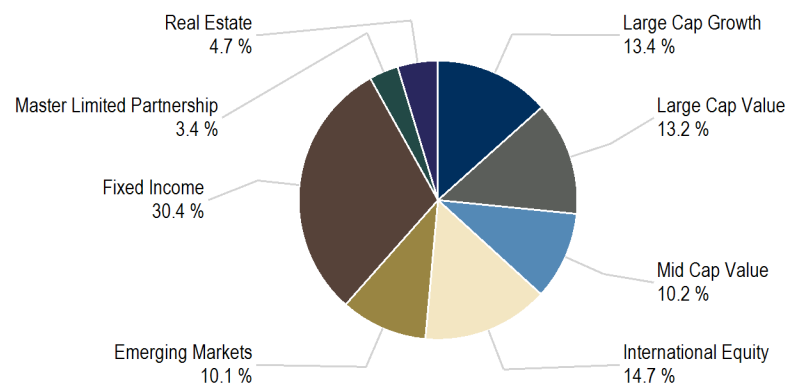


	Current Balance	Current Allocation	Target	Target Range	Difference	Within IPS Range?
Large Cap Growth	\$2,639,557	13.4%	12.5%	5.0% - 20.0%	0.9%	Yes
Large Cap Value	\$2,589,574	13.2%	12.5%	5.0% - 20.0%	0.7%	Yes
Mid Cap Value	\$2,001,914	10.2%	10.0%	5.0% - 15.0%	0.2%	Yes
International Equity	\$2,895,796	14.7%	15.0%	5.0% - 25.0%	-0.3%	Yes
Emerging Markets	\$1,978,706	10.1%	10.0%	5.0% - 20.0%	0.1%	Yes
Fixed Income	\$5,978,470	30.4%	30.0%	20.0% - 40.0%	0.4%	Yes
Master Limited Partnership	\$671,636	3.4%	5.0%	1.0% - 10.0%	-1.6%	Yes
Real Estate	\$915,637	4.7%	5.0%	1.0% - 10.0%	-0.3%	Yes
Total	\$19,671,290	100.0%	100.0%			

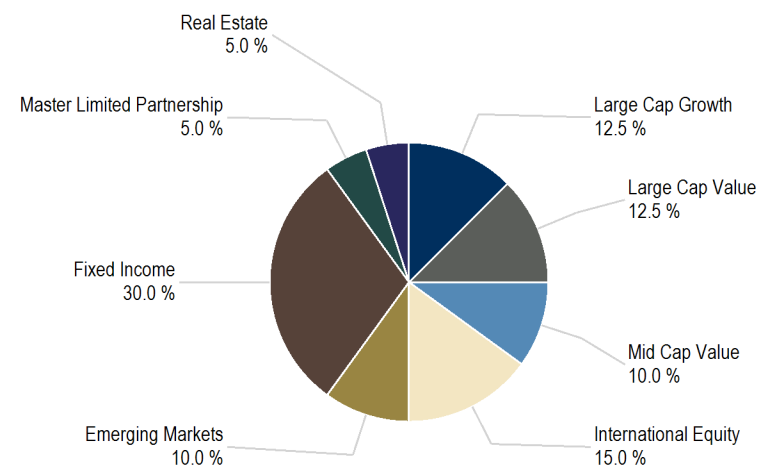
Total Portfolio Allocation

As of December 31, 2018

Current Allocation



Target Allocation



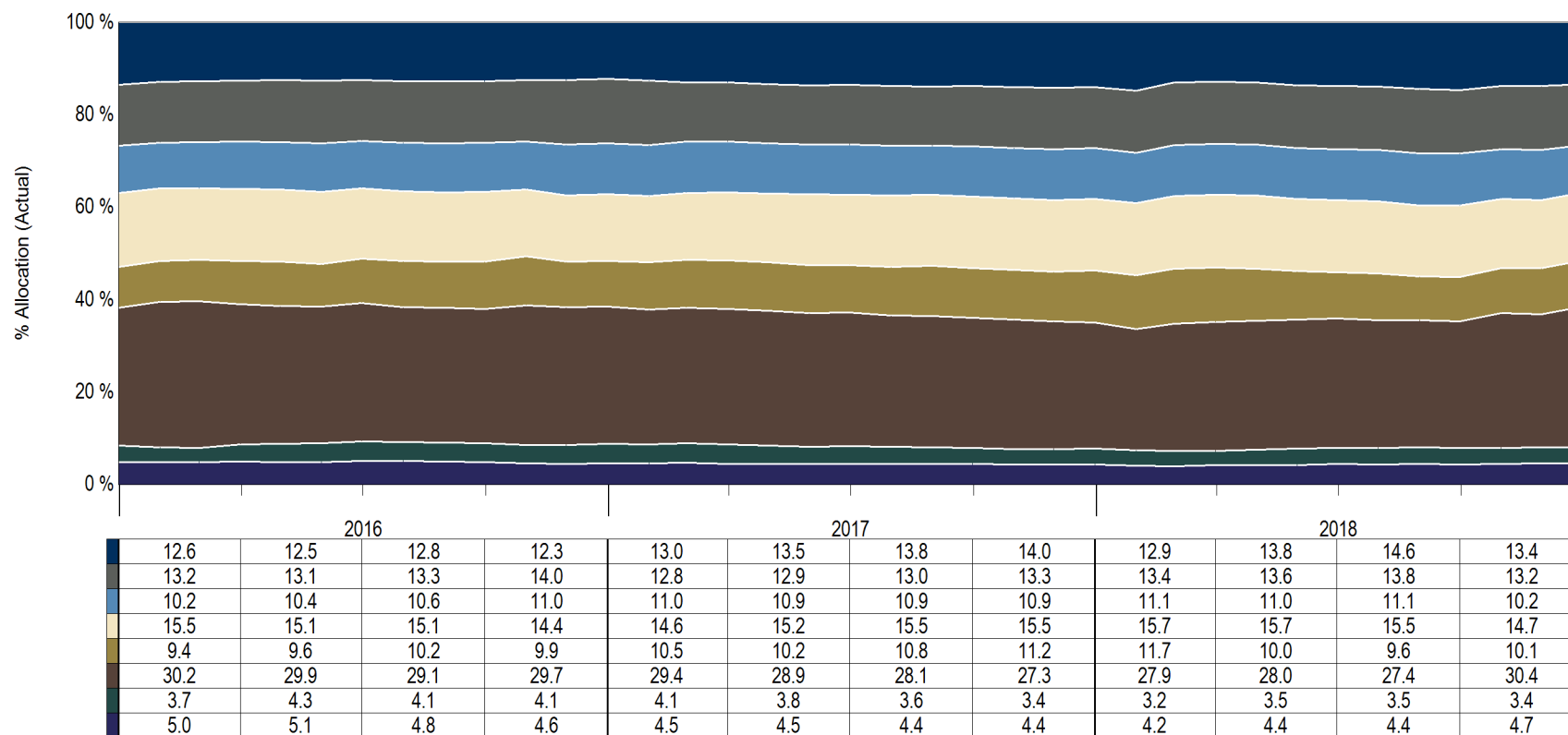
Allocation vs. Targets and Policy

	Current Balance	Current Allocation	Target	Difference	Target Range	Within IPS Range?
Large Cap Growth	\$2,639,557	13.4%	12.5%	\$180,646	5.0% - 20.0%	Yes
Large Cap Value	\$2,589,574	13.2%	12.5%	\$130,663	5.0% - 20.0%	Yes
Mid Cap Value	\$2,001,914	10.2%	10.0%	\$34,785	5.0% - 15.0%	Yes
International Equity	\$2,895,796	14.7%	15.0%	-\$54,898	5.0% - 25.0%	Yes
Emerging Markets	\$1,978,706	10.1%	10.0%	\$11,577	5.0% - 20.0%	Yes
Fixed Income	\$5,978,470	30.4%	30.0%	\$77,083	20.0% - 40.0%	Yes
Master Limited Partnership	\$671,636	3.4%	5.0%	-\$311,928	1.0% - 10.0%	Yes
Real Estate	\$915,637	4.7%	5.0%	-\$67,928	1.0% - 10.0%	Yes
Total	\$19,671,290	100.0%	100.0%			

Total Portfolio Allocation History

As of December 31, 2018

Asset Allocation History
3 Years Ending December 31, 2018

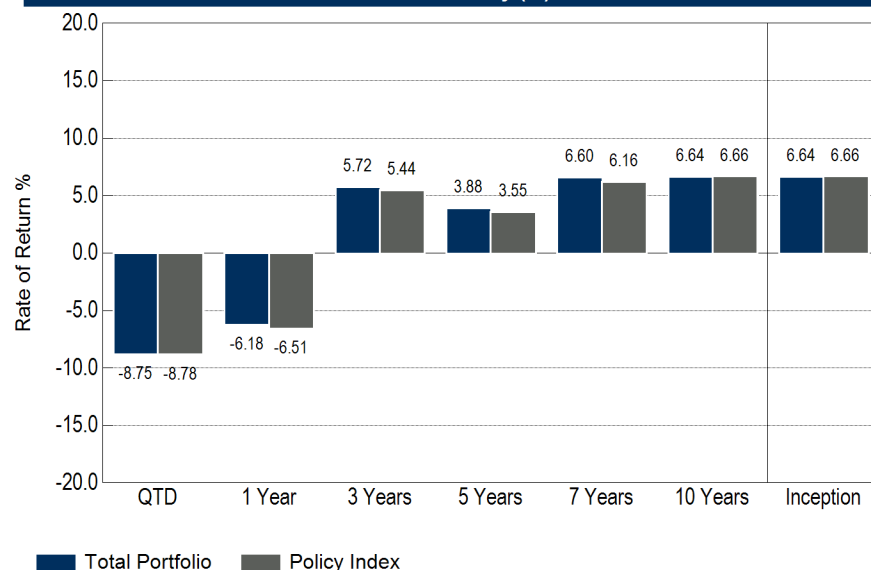


- Large Cap Growth
- Mid Cap Value
- Emerging Markets
- Master Limited Partnership
- Real Estate
- Large Cap Value
- International Equity
- Fixed Income

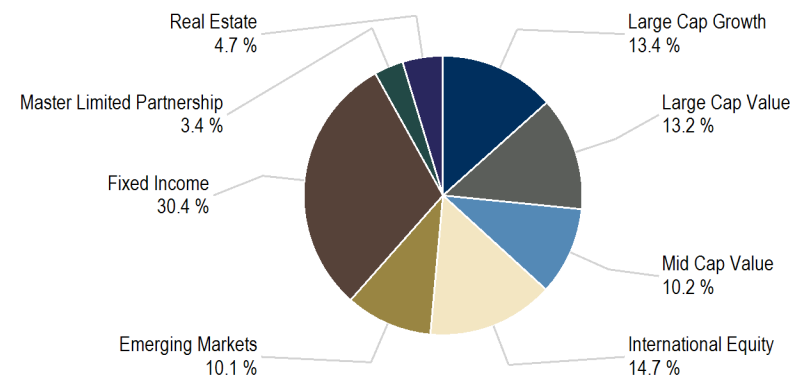
Total Portfolio Performance

As of December 31, 2018

Return Summary (%)



Current Allocation

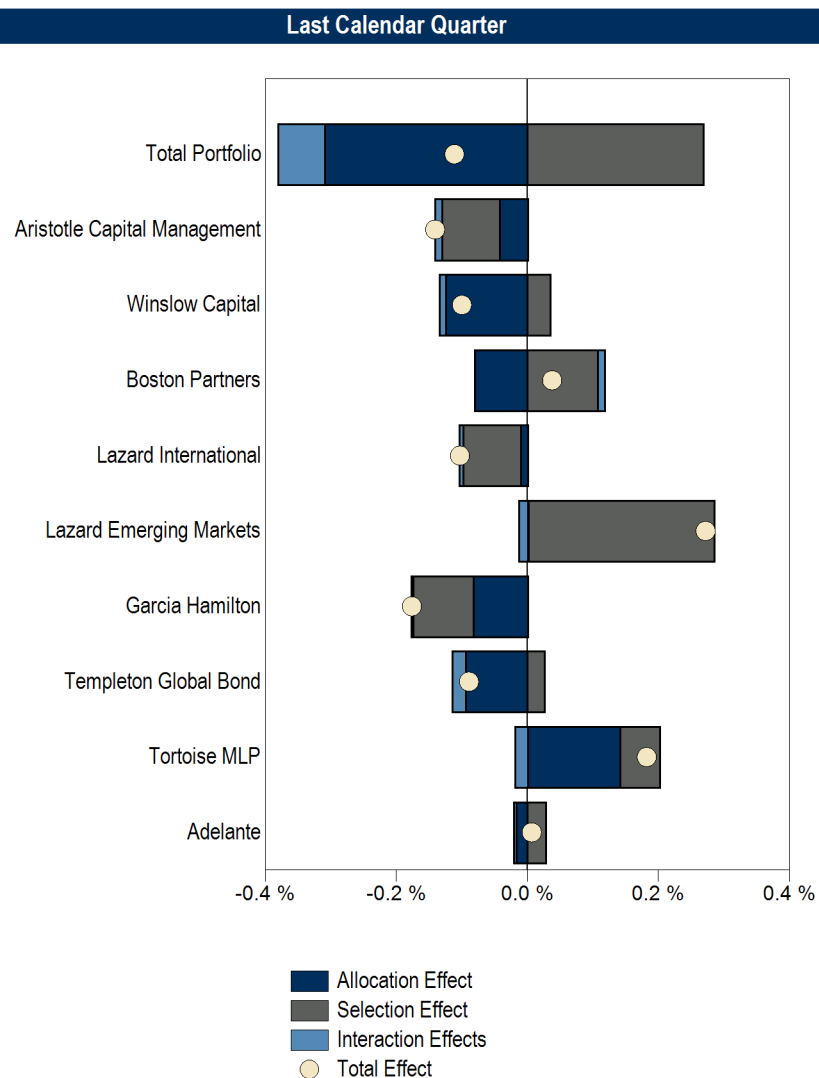


Summary of Cash Flows

	Quarter-To-Date	One Year	Three Years	Five Years	Seven Years	Ten Years	Inception 12/31/08
Beginning Market Value	\$21,549,759	\$21,475,904	\$17,236,719	\$14,360,469	\$7,694,368	\$1,523,620	\$1,500,000
Contributions	\$0	\$60,000	\$693,670	\$3,481,755	\$7,300,161	\$13,556,826	\$13,556,826
Withdrawals	-\$29,495	-\$491,229	-\$1,000,591	-\$1,000,591	-\$1,000,591	-\$1,000,591	-\$1,000,591
Fees	-\$41,755	-\$162,241	-\$449,274	-\$704,461	-\$884,534	-\$1,014,925	-\$1,021,112
Net Cash Flow	-\$29,495	-\$431,229	-\$306,921	\$2,481,164	\$6,299,570	\$12,556,235	\$12,556,235
Net Investment Change	-\$1,848,974	-\$1,373,385	\$2,741,493	\$2,829,658	\$5,677,353	\$5,591,436	\$5,615,056
Ending Market Value	\$19,671,290	\$19,671,290	\$19,671,290	\$19,671,290	\$19,671,290	\$19,671,290	\$19,671,290

Total Portfolio Attribution Analysis

As of December 31, 2018



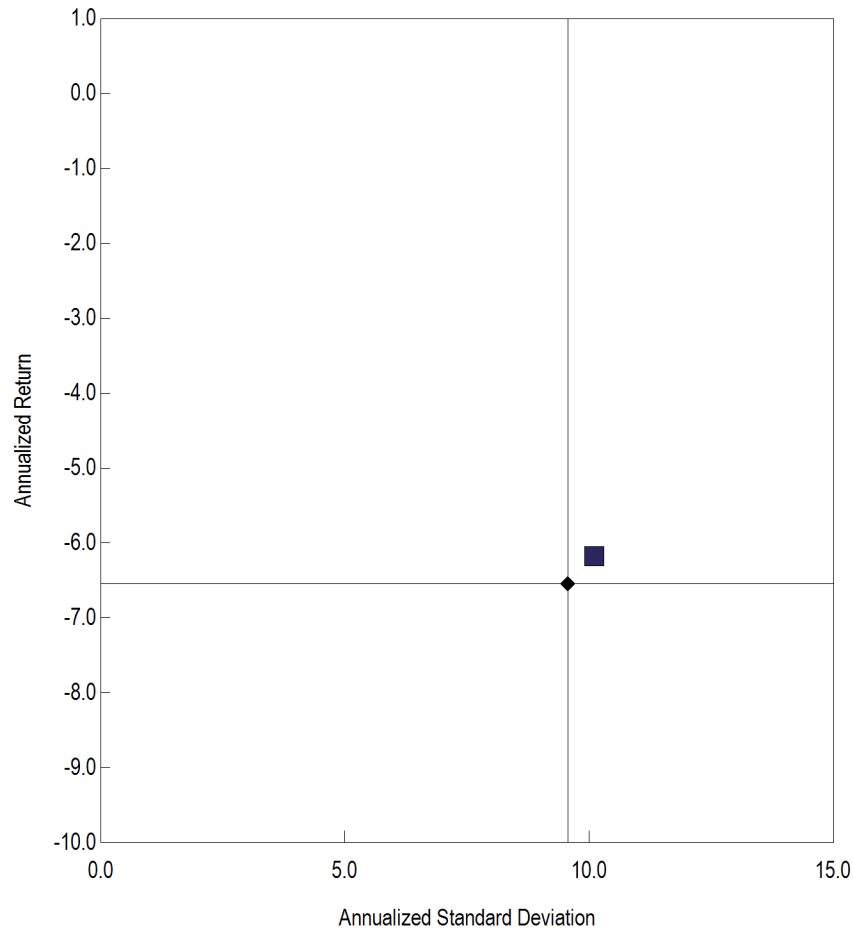
Last Calendar Quarter

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Aristotle Capital Management	-12.43%	-11.72%	-0.71%	-0.09%	-0.04%	-0.01%	-0.14%
Winslow Capital	-15.72%	-15.89%	0.16%	0.03%	-0.12%	-0.01%	-0.10%
Boston Partners	-16.09%	-17.12%	1.03%	0.11%	-0.08%	0.01%	0.04%
Lazard International	-13.13%	-12.54%	-0.60%	-0.09%	-0.01%	0.00%	-0.10%
Lazard Emerging Markets	-4.43%	-7.47%	3.04%	0.28%	0.00%	-0.01%	0.27%
Garcia Hamilton	1.17%	1.64%	-0.46%	-0.09%	-0.08%	0.00%	-0.18%
Templeton Global Bond	1.71%	1.31%	0.40%	0.03%	-0.09%	-0.02%	-0.09%
Tortoise MLP	-16.18%	-17.30%	1.11%	0.06%	0.14%	-0.02%	0.18%
Adelante	-6.39%	-6.93%	0.54%	0.03%	-0.02%	0.00%	0.01%
Total	-8.75%	-8.63%	-0.11%	0.27%	-0.31%	-0.07%	-0.11%

Total Portfolio Risk/Return

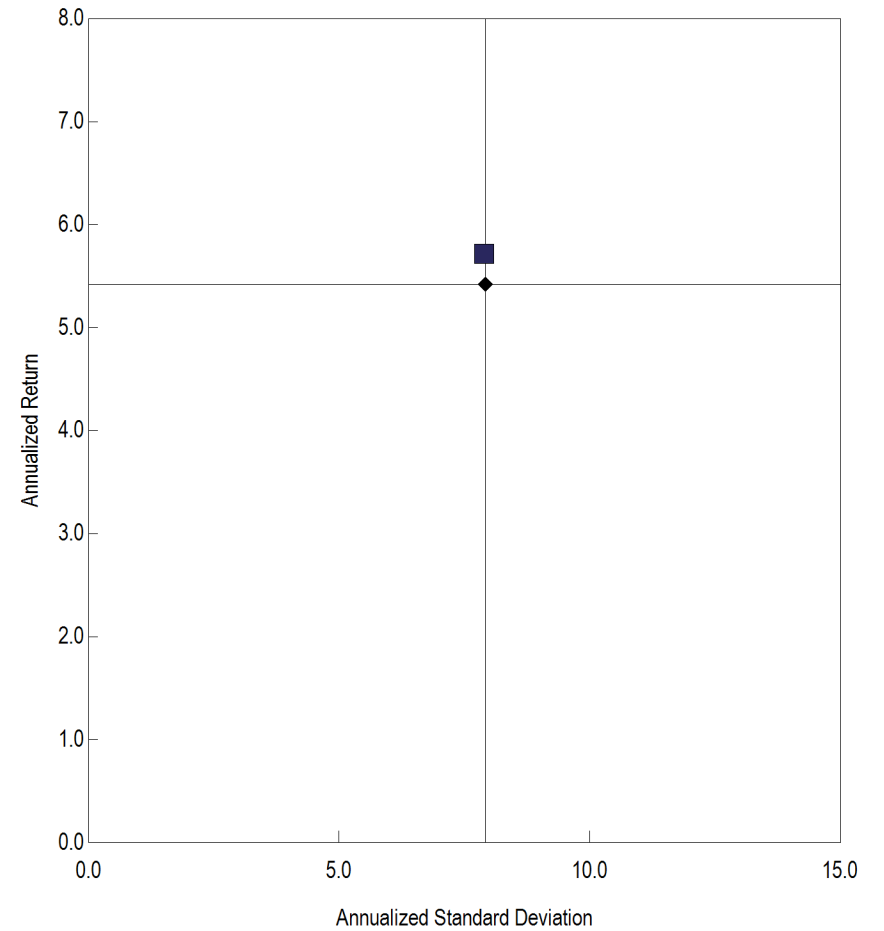
As of December 31, 2018

Year Ending 2018 Risk/Return



■ Total Portfolio ♦ Policy Index □ 68% Confidence Interval

3 Year Risk/Return

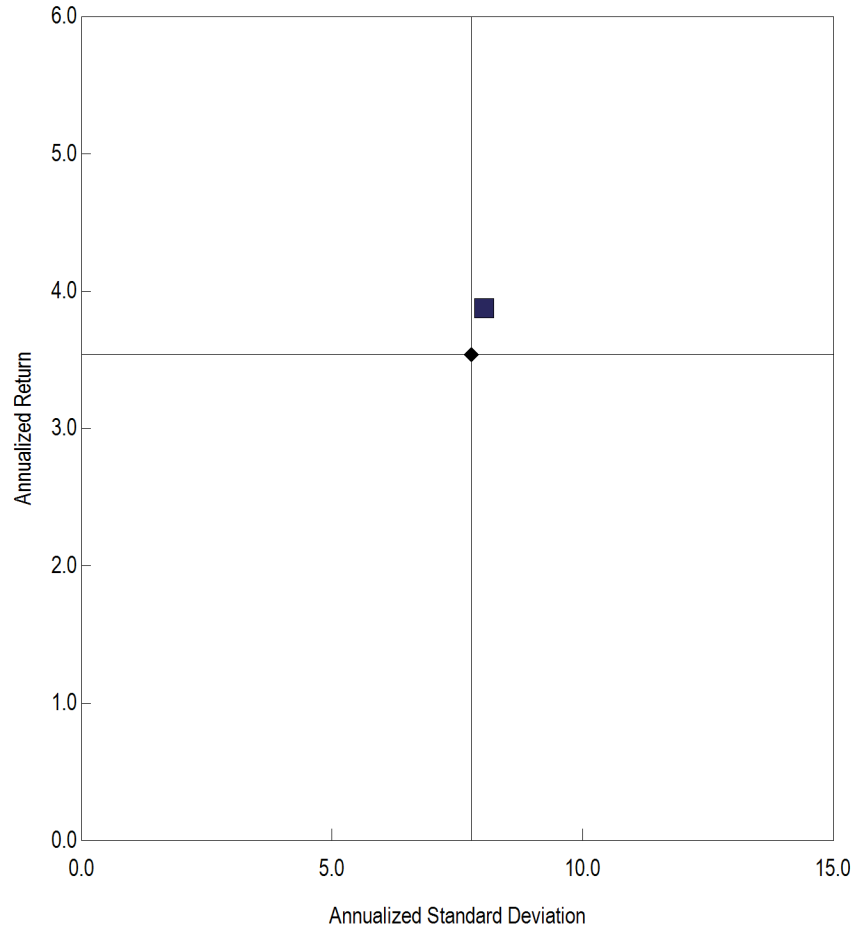


■ Total Portfolio ♦ Policy Index □ 68% Confidence Interval

Total Portfolio Risk/Return

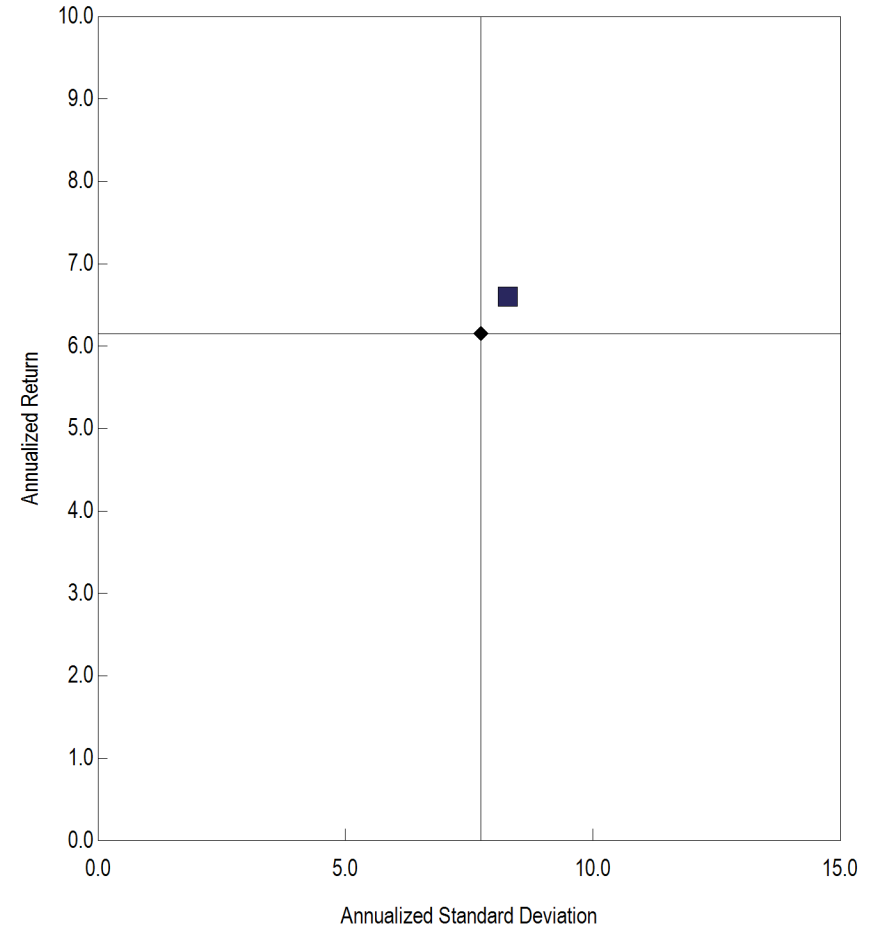
As of December 31, 2018

5 Year Risk/Return



■ Total Portfolio ♦ Policy Index □ 68% Confidence Interval

7 Year Risk/Return



■ Total Portfolio ♦ Policy Index □ 68% Confidence Interval

Total Portfolio Risk Statistics

As of December 31, 2018

3 Year Risk Statistics

	Annualized Return (%)	Annualized Standard Deviation	Annualized Alpha (%)	Beta	R-Squared	Tracking Error	Up Market Capture Ratio (%)	Down Market Capture Ratio (%)	Sharpe Ratio	Information Ratio
Total Portfolio	5.72	7.90	0.38	0.98	0.97	1.46	98.71	95.20	0.59	0.19
Policy Index	5.42	7.92	-0.02	1.00	1.00	0.02	99.85	100.04	0.55	-1.35
Aristotle Capital Management	10.32	11.54	3.30	1.01	0.92	3.24	115.54	91.28	0.80	1.04
Russell 1000 Value	6.95	10.98	0.00	1.00	1.00	0.00	100.00	100.00	0.54	--
Winslow Capital	10.96	13.95	-1.07	1.08	0.90	4.43	106.95	109.21	0.71	-0.04
Russell 1000 Growth	11.15	12.30	0.00	1.00	1.00	0.00	100.00	100.00	0.82	--
Boston Partners	5.68	12.69	-0.03	0.87	0.88	4.70	81.27	87.28	0.37	-0.19
Russell 2500 Value	6.59	13.77	0.00	1.00	1.00	0.00	100.00	100.00	0.40	--
Lazard International	2.67	11.12	0.02	0.92	0.89	3.78	86.39	90.42	0.15	-0.05
MSCI EAFE	2.87	11.40	0.00	1.00	1.00	0.00	100.00	100.00	0.16	--
Lazard Emerging Markets	11.07	15.56	2.28	0.95	0.82	6.67	114.46	103.76	0.65	0.27
MSCI Emerging Markets	9.25	14.81	0.00	1.00	1.00	0.00	100.00	100.00	0.55	--
Garcia Hamilton	2.57	2.51	0.90	0.81	0.87	1.04	90.77	68.28	0.61	0.50
BBgBarc US Aggregate TR	2.06	2.88	0.00	1.00	1.00	0.00	100.00	100.00	0.35	--
Templeton Global Bond	3.54	6.37	4.00	-0.14	0.03	10.85	3.32	-40.19	0.39	0.02
FTSE WGBI ex US TR	3.32	7.76	0.00	1.00	1.00	0.00	100.00	100.00	0.29	--
Adelante	2.66	12.61	0.78	0.91	0.97	2.39	87.16	88.49	0.13	0.25
Wilshire REIT	2.06	13.67	0.00	1.00	1.00	0.00	100.00	100.00	0.08	--

As of December 31, 2018

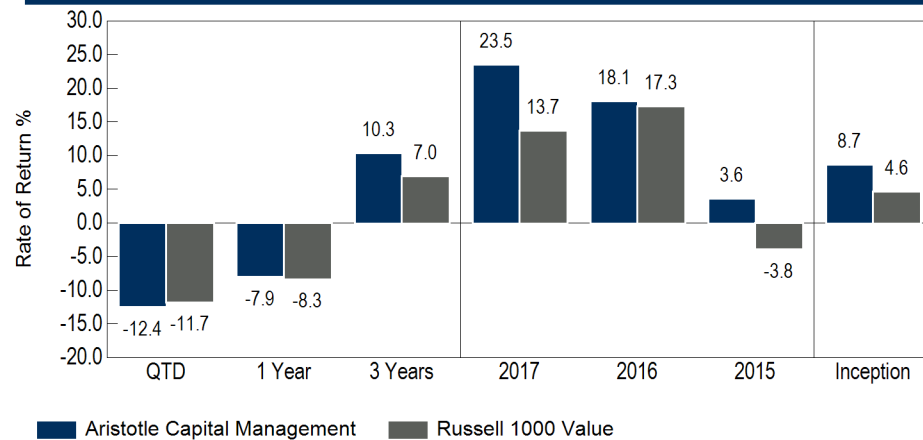
Account Information

Account Name	Aristotle Capital Management
Account Structure	Separate Account
Investment Style	Active
Inception Date	10/31/14
Account Type	US Stock Large Cap Value
Benchmark	Russell 1000 Value
Universe	eV US Large Cap Value Equity Gross

3 Year Risk/Return Statistics

	Aristotle Capital Management	Russell 1000 Value
RETURN SUMMARY STATISTICS		
Number of Periods	36	36
Maximum Return	6.67	7.20
Minimum Return	-8.96	-9.60
Annualized Return	10.32	6.95
Total Return	34.26	22.35
Annualized Excess Return Over Risk Free	9.28	5.92
Annualized Excess Return	3.36	0.00

Return Summary



RISK SUMMARY STATISTICS

Beta	1.01	1.00
Upside Deviation	5.94	6.15
Downside Deviation	10.68	10.33

RISK/RETURN SUMMARY STATISTICS

Annualized Standard Deviation	11.54	10.98
Alpha	0.26	0.00
Sharpe Ratio	0.80	0.54
Excess Return Over Market / Risk	0.29	0.00
Tracking Error	3.24	0.00
Information Ratio	1.04	--

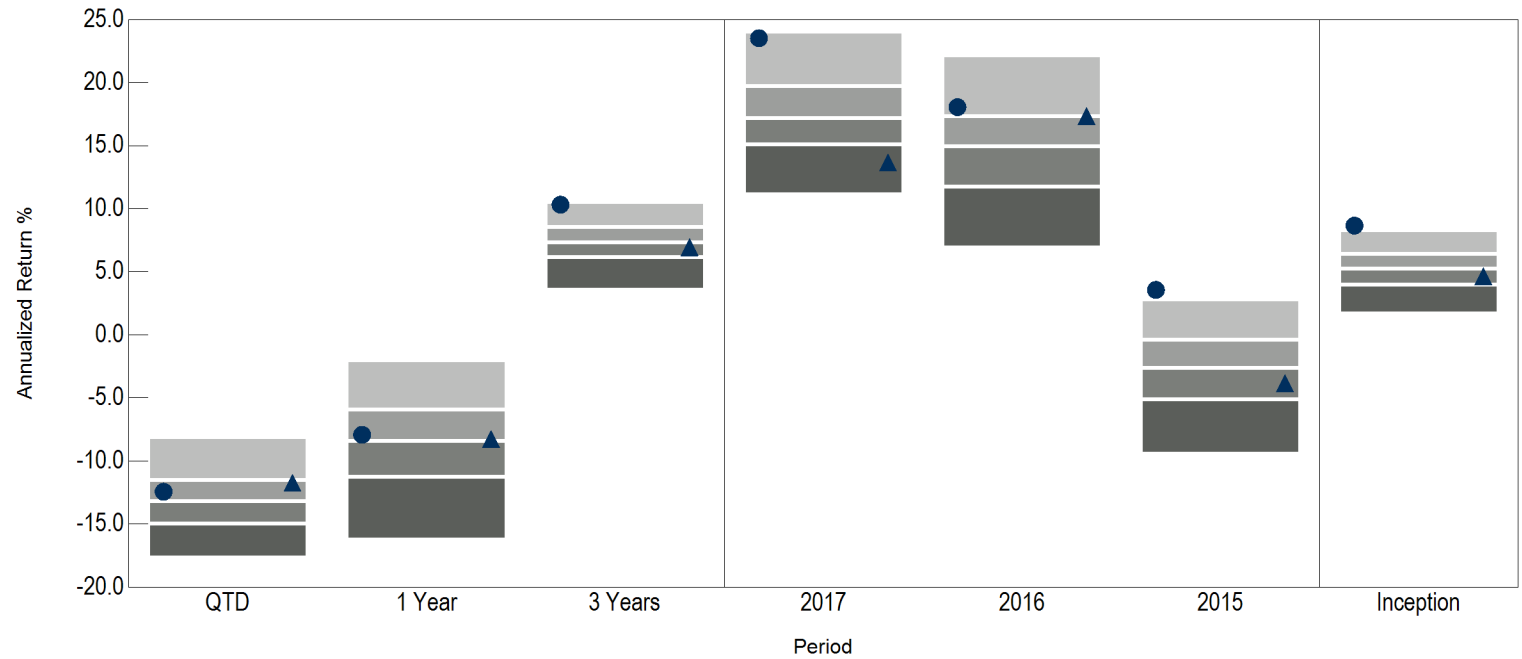
CORRELATION STATISTICS

R-Squared	0.92	1.00
Correlation	0.96	1.00

Summary Of Cash Flows

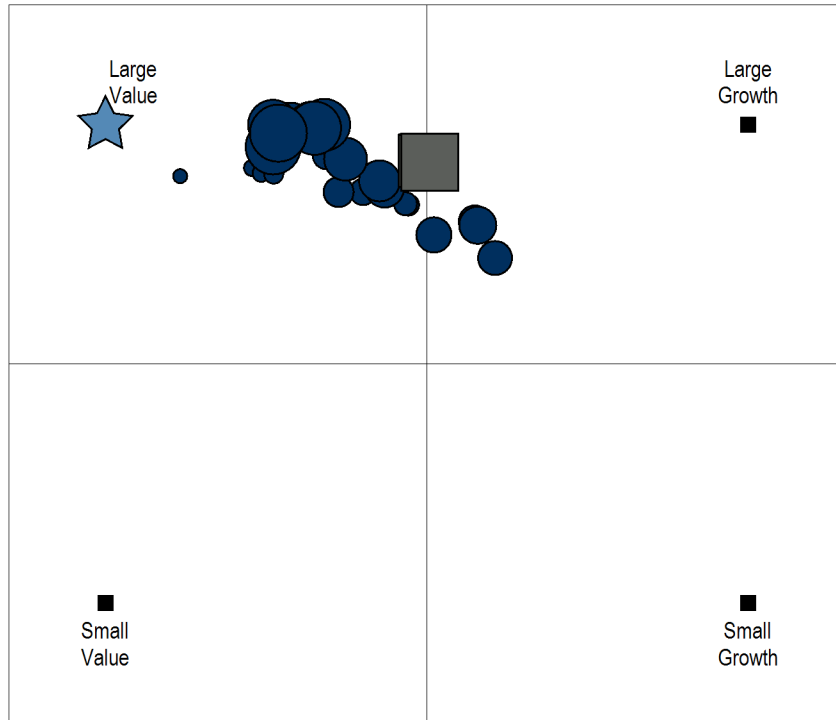
	Quarter-To-Date	One Year	Three Years	Inception 10/31/14
Beginning Market Value	\$2,974,902	\$2,848,861	\$2,282,513	\$2,402,187
Contributions	\$0	\$0	\$0	\$214,756
Withdrawals	-\$10,000	-\$10,000	-\$352,494	-\$786,894
Fees	-\$6,362	-\$24,591	-\$67,683	-\$72,300
Net Cash Flow	-\$10,000	-\$10,000	-\$352,494	-\$572,138
Net Investment Change	-\$375,328	-\$249,287	\$659,555	\$759,525
Ending Market Value	\$2,589,574	\$2,589,574	\$2,589,574	\$2,589,574

Aristotle Capital Management vs. eV US Large Cap Value Equity Gross



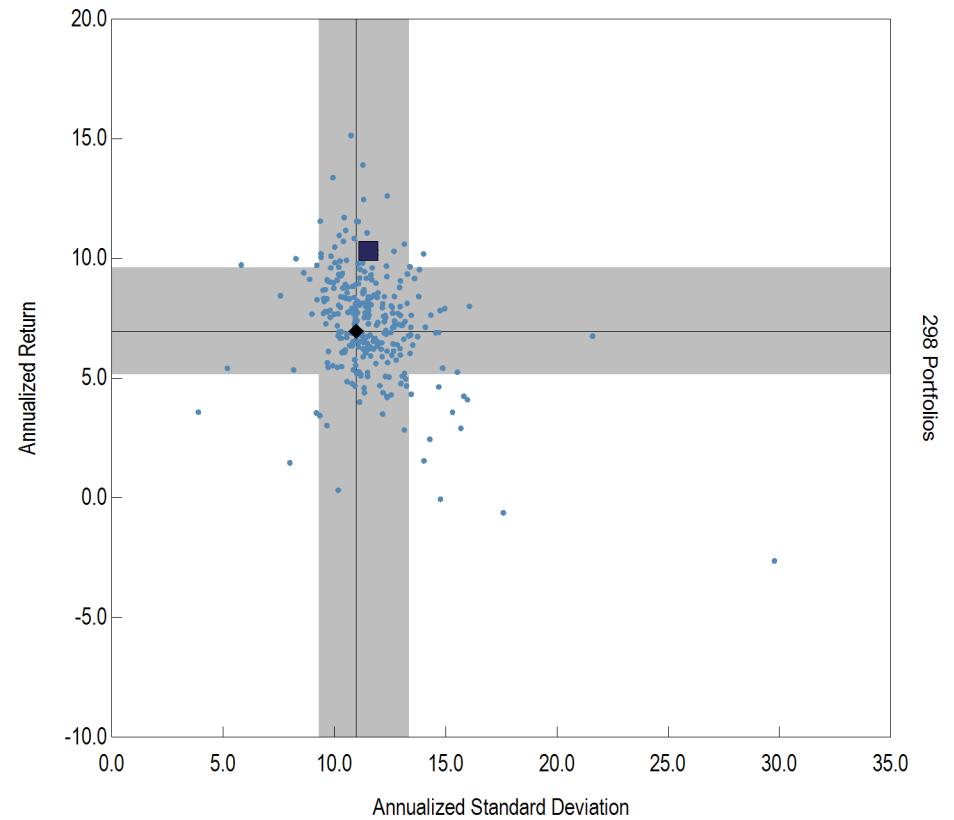
	Return (Rank)														
5th Percentile	-8.11	-2.03	10.50	24.00	22.12	2.77	8.27								
25th Percentile	-11.47	-5.87	8.59	19.77	17.38	-0.35	6.44								
Median	-13.15	-8.36	7.38	17.24	14.98	-2.61	5.27								
75th Percentile	-14.92	-11.20	6.19	15.12	11.77	-5.09	4.03								
95th Percentile	-17.64	-16.19	3.58	11.16	6.96	-9.42	1.71								
# of Portfolios	299	299	298	342	346	312	295								
● Aristotle Capital Management	-12.43	(38)	-7.92	(44)	10.32	(6)	23.52	(7)	18.05	(21)	3.56	(4)	8.66	(4)	
▲ Russell 1000 Value	-11.72	(30)	-8.27	(49)	6.95	(58)	13.66	(87)	17.34	(26)	-3.83	(64)	4.64	(63)	

3 Year Style Map



- Aristotle Capital Management
- ★ Russell 1000 Value
- Dow Jones U.S. Total Stock
- Market

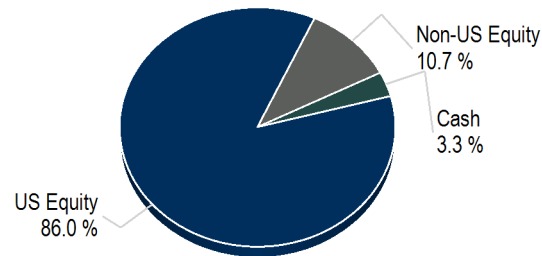
3 Year Risk/Return



- Aristotle Capital Management
- ◆ Russell 1000 Value
- 68% Confidence Interval
- eV US Large Cap Value Equity Gross

As of December 31, 2018

Current Allocation



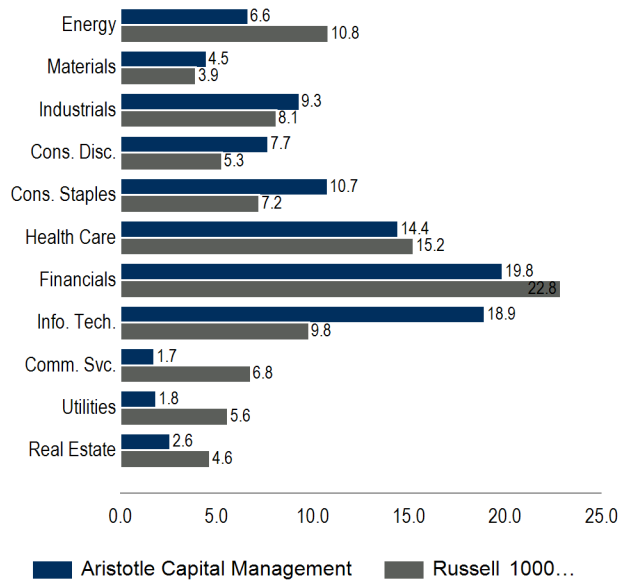
Characteristics

	Portfolio	Russell 1000 Value
Number of Holdings	44	725
Weighted Avg. Market Cap. (\$B)	77.22	111.52
Median Market Cap. (\$B)	35.04	8.19
Price To Earnings	19.38	18.10
Price To Book	4.46	2.57
Price To Sales	3.89	3.05
Return on Equity (%)	22.30	14.22
Yield (%)	2.12	2.83
Beta	1.01	1.00
R-Squared	0.92	1.00

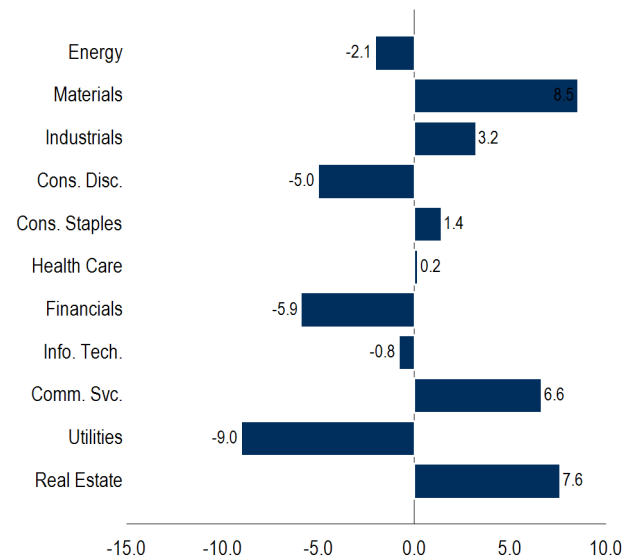
Top Ten Holdings

ADOBE (NAS)	4.95%
MICROSOFT (SGO)	4.20%
DANAHER	3.42%
AMGEN	3.28%
CASH - USD	3.24%
PAYPAL HOLDINGS	3.18%
MEDTRONIC	3.16%
BANK OF AMERICA	3.14%
COCA COLA	3.11%
ANSYS	2.70%
Total	34.38%

Sector Allocation (%)



Sector Excess Returns (%)



Top Contributors

	Portfolio Weight %	Return %
JP MORGAN CHASE & CO.	1.96%	-12.89%
COCA COLA	3.11%	3.33%
TWITTER	2.02%	0.98%
EQUITY LIFESTYLE PROPS.	0.00%	1.28%
SUN COMMUNITIES	0.00%	0.87%
LENNAR 'B'	0.03%	-18.53%
NOVARTIS 'B' SPN.ADR 1:1	2.35%	-0.41%
ABBVIE	1.85%	-1.50%
CHUBB	2.19%	-2.77%
UNILEVER N Y SHS.ADR 1:1	2.53%	-2.35%

Bottom Contributors

	Portfolio Weight %	Return %
ADOBE (NAS)	4.95%	-16.19%
ANSYS	2.70%	-23.43%
AMERIPRISE FINL.	2.02%	-28.81%
HALLIBURTON	1.37%	-34.02%
PHILLIPS 66	2.66%	-22.94%
SONY ADR 1:1	2.52%	-20.40%
EAST WEST BANCORP	1.65%	-27.58%
GENERAL DYNAMICS	2.06%	-22.86%
HOME DEPOT	2.65%	-16.57%
PARKER-HANNIFIN	2.41%	-18.55%

Performance Attribution vs. Russell 1000 Value
Quarter Ending December 31, 2018

	Attribution Effects				Returns		Ending Sector Weights				
	Total Effects	Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	0.32%	-0.27%	0.50%	0.09%	-26.42%	-24.37%	5.56%	9.29%			
Materials	0.39%	0.32%	0.01%	0.07%	-5.64%	-14.17%	4.81%	3.77%			
Industrials	0.16%	0.37%	-0.07%	-0.15%	-16.30%	-19.51%	8.74%	7.35%			
Consumer Discretionary	-0.44%	-0.28%	-0.03%	-0.13%	-17.82%	-12.80%	7.22%	5.23%			
Consumer Staples	0.45%	0.11%	0.26%	0.08%	-2.77%	-4.17%	11.92%	7.83%			
Health Care	0.03%	0.01%	0.01%	0.00%	-6.84%	-7.01%	15.37%	15.73%			
Financials	-1.00%	-1.36%	0.10%	0.26%	-19.35%	-13.45%	18.51%	22.47%			
Information Technology	-0.18%	-0.06%	-0.08%	-0.04%	-13.14%	-12.33%	17.73%	9.31%			
Communication Services	-0.21%	0.59%	-0.30%	-0.51%	0.98%	-5.66%	2.02%	7.29%			
Utilities	-0.63%	-0.50%	-0.47%	0.33%	-7.94%	1.09%	1.93%	6.47%			
Real Estate	0.09%	0.32%	-0.10%	-0.13%	1.08%	-6.53%	0.00%	4.95%			
Cash	0.30%	0.00%	0.30%	0.00%	0.55%	--	3.24%	0.00%			
Portfolio	-0.71%	=	-0.73%	+	0.15%	+	-0.14%	-12.41%	-11.70%	97.03%	99.69%

As of December 31, 2018

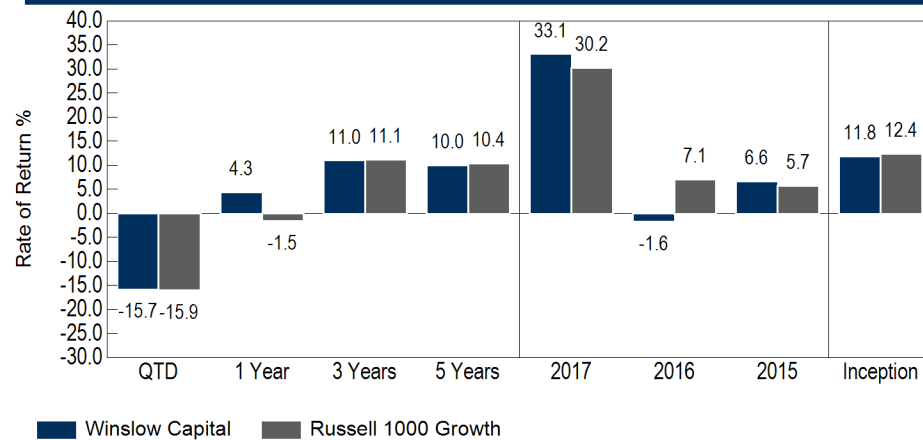
Account Information

Account Name	Winslow Capital
Account Structure	Separate Account
Investment Style	Active
Inception Date	1/31/11
Account Type	US Stock Large Cap Growth
Benchmark	Russell 1000 Growth
Universe	eV US Large Cap Growth Equity Gross

3 Year Risk/Return Statistics

	Winslow Capital	Russell 1000 Growth
RETURN SUMMARY STATISTICS		
Number of Periods	36	36
Maximum Return	10.26	7.08
Minimum Return	-10.72	-8.94
Annualized Return	10.96	11.15
Total Return	36.62	37.32
Annualized Excess Return Over Risk Free	9.92	10.11
Annualized Excess Return	-0.19	0.00

Return Summary



RISK SUMMARY STATISTICS

Beta	1.08	1.00
Upside Deviation	8.19	6.61
Downside Deviation	12.64	11.36

RISK/RETURN SUMMARY STATISTICS

Annualized Standard Deviation	13.95	12.30
Alpha	-0.07	0.00
Sharpe Ratio	0.71	0.82
Excess Return Over Market / Risk	-0.01	0.00
Tracking Error	4.43	0.00
Information Ratio	-0.04	--

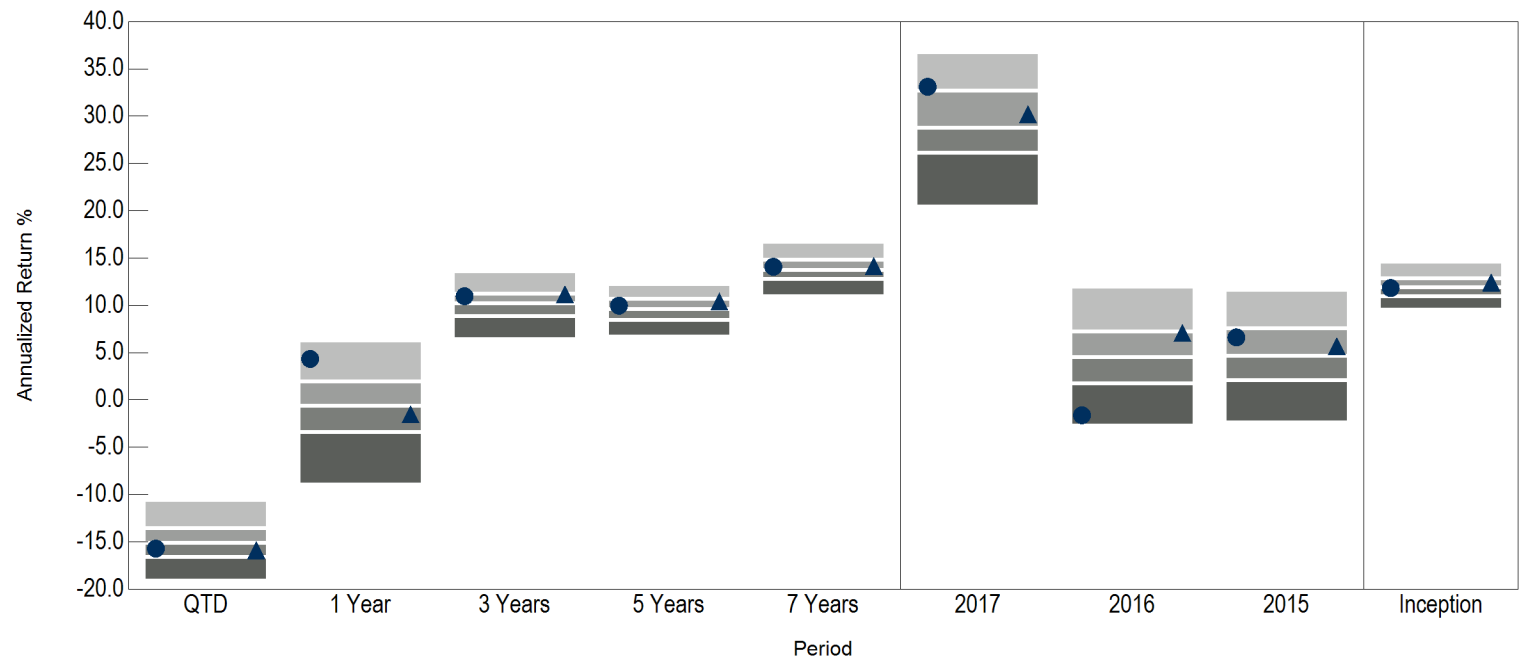
CORRELATION STATISTICS

R-Squared	0.90	1.00
Correlation	0.95	1.00

Summary Of Cash Flows

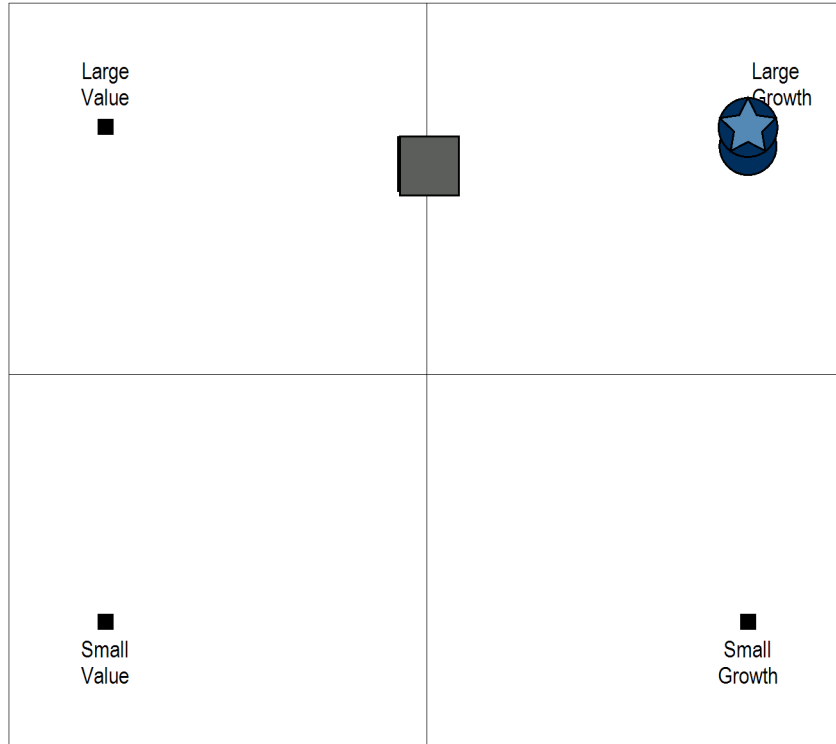
	Quarter-To-Date	One Year	Three Years	Five Years	Seven Years	Inception 1/31/11
Beginning Market Value	\$3,150,830	\$3,003,905	\$2,331,139	\$2,301,323	\$1,139,315	\$823,667
Contributions	\$0	\$0	\$0	\$2,293,812	\$2,762,695	\$3,121,562
Withdrawals	-\$10,000	-\$473,390	-\$474,781	-\$3,114,468	-\$3,247,295	-\$3,255,275
Fees	-\$6,733	-\$25,158	-\$64,489	-\$68,881	-\$68,881	-\$68,881
Net Cash Flow	-\$10,000	-\$473,390	-\$474,781	-\$820,656	-\$484,600	-\$133,713
Net Investment Change	-\$501,273	\$109,042	\$783,199	\$1,158,890	\$1,984,842	\$1,949,603
Ending Market Value	\$2,639,557	\$2,639,557	\$2,639,557	\$2,639,557	\$2,639,557	\$2,639,557

Winslow Capital vs. eV US Large Cap Growth Equity Gross



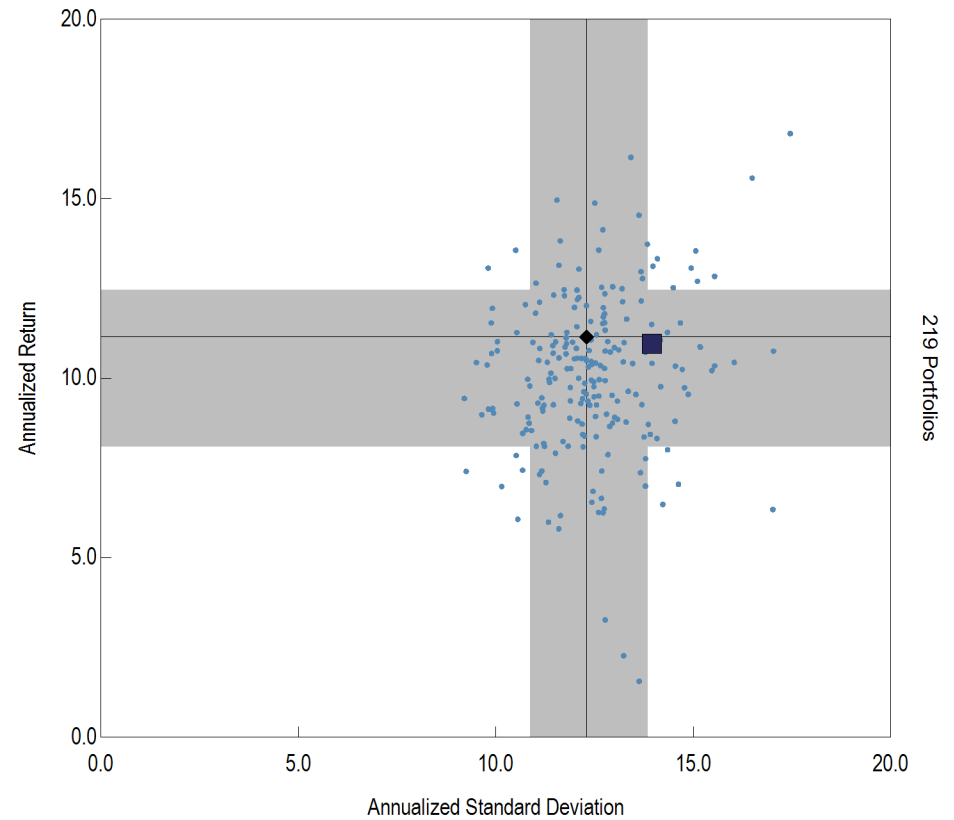
	Return (Rank)																	
5th Percentile	-10.58	6.29	13.55	12.24	16.68	36.71	11.98	11.63	14.58									
25th Percentile	-13.50	2.00	11.27	10.73	14.86	32.72	7.25	7.61	12.89									
Median	-15.10	-0.57	10.27	9.64	13.80	28.80	4.58	4.69	11.94									
75th Percentile	-16.59	-3.36	8.90	8.48	12.84	26.16	1.79	2.14	10.97									
95th Percentile	-19.06	-8.89	6.47	6.73	11.03	20.48	-2.67	-2.37	9.57									
# of Portfolios	226	226	219	215	200	265	282	270	198									
● Winslow Capital	-15.72	(60)	4.33	(10)	10.96	(33)	9.96	(42)	14.07	(44)	33.10	(22)	-1.62	(93)	6.61	(33)	11.83	(55)
▲ Russell 1000 Growth	-15.89	(63)	-1.51	(57)	11.15	(28)	10.40	(31)	14.14	(43)	30.21	(42)	7.08	(26)	5.67	(42)	12.42	(38)

3 Year Style Map



● Winslow Capital
 ■ Dow Jones U.S. Total Stock Market
 ★ Russell 1000 Growth Market

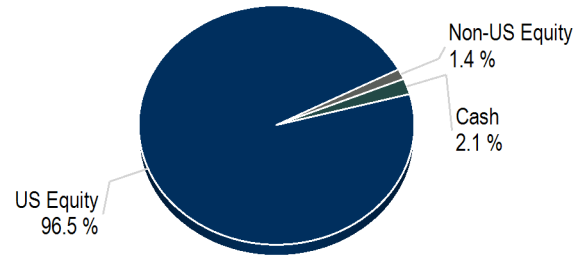
3 Year Risk/Return



■ Winslow Capital
 ■ 68% Confidence Interval
 ◆ Russell 1000 Growth
 ● eV US Large Cap Growth Equity Gross

As of December 31, 2018

Current Allocation



Characteristics

	Portfolio	Russell 1000 Growth
Number of Holdings	51	546
Weighted Avg. Market Cap. (\$B)	153.03	222.12
Median Market Cap. (\$B)	56.04	10.28
Price To Earnings	40.94	23.28
Price To Book	12.33	8.63
Price To Sales	6.57	5.46
Return on Equity (%)	34.36	32.72
Yield (%)	0.80	1.45
Beta	1.08	1.00
R-Squared	0.90	1.00

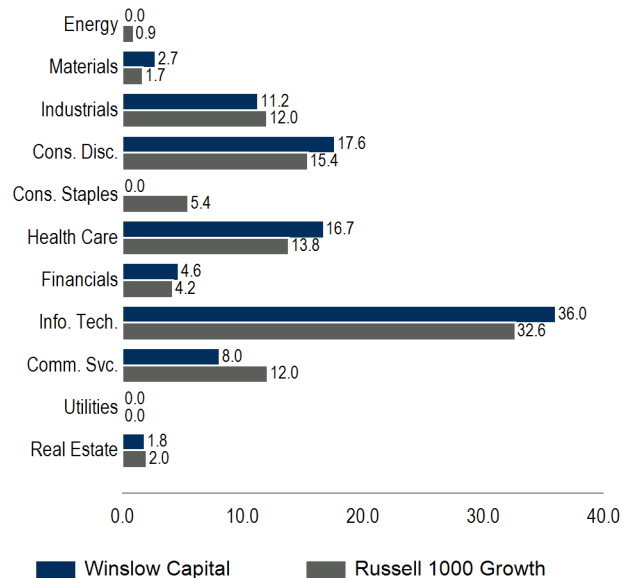
Top Ten Holdings

MICROSOFT (SGO)	7.16%
AMAZON.COM	5.92%
VISA 'A'	4.75%
UNITEDHEALTH GROUP	4.02%
SALESFORCE.COM	3.32%
ALPHABET 'C'	3.10%
ALPHABET A	3.09%
PAYPAL HOLDINGS	2.99%
MASTERCARD	2.91%
NIKE 'B'	2.67%
Total	39.93%

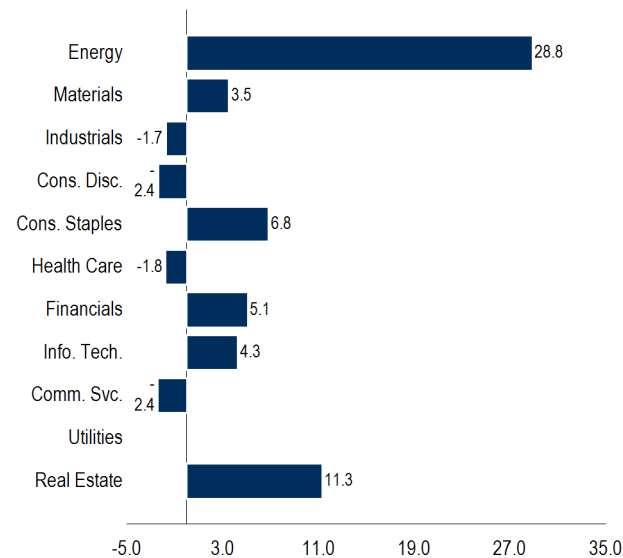
Top Contributors

	Portfolio Weight %	Return %
AMERICAN TOWER	0.00%	9.45%
XILINX	1.77%	6.68%
INTERCONTINENTAL EX.	1.74%	0.90%
ALPHABET 'C'	3.10%	-13.23%
WORKDAY CLASS A	0.42%	9.38%
ABIOMED	0.95%	-27.73%
INTUITIVE SURGICAL	1.51%	-16.56%
AGILENT TECHS.	1.11%	-3.93%
ABBOTT LABORATORIES	1.48%	-1.01%
ELI LILLY	1.02%	8.39%

Sector Allocation (%)



Sector Excess Returns (%)



Bottom Contributors

	Portfolio Weight %	Return %
NVIDIA	0.95%	-52.45%
ELECTRONIC ARTS	1.05%	-34.51%
SALESFORCE.COM	3.32%	-13.87%
FERRARI	1.34%	-27.37%
ALIGN TECHNOLOGY	1.16%	-46.47%
VISA 'A'	4.75%	-11.94%
GODADDY CL.A	1.18%	-21.31%
NORTHROP GRUMMAN	1.35%	-22.48%
LOWE'S COMPANIES	2.36%	-19.17%
ADOBE (NAS)	2.13%	-16.19%

As of December 31, 2018

Performance Attribution vs. Russell 1000 Growth
Quarter Ending December 31, 2018

	Attribution Effects				Returns		Ending Sector Weights				
	Total Effects	Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	0.11%	--	0.11%	--	--	-28.84%	0.00%	0.76%			
Materials	0.13%	0.05%	0.06%	0.02%	-8.54%	-12.04%	1.01%	1.40%			
Industrials	-0.21%	-0.23%	0.01%	0.01%	-18.32%	-16.59%	9.89%	11.83%			
Consumer Discretionary	-0.52%	-0.36%	-0.12%	-0.05%	-19.51%	-17.15%	14.83%	15.14%			
Consumer Staples	-0.49%	--	-0.49%	--	--	-6.81%	0.00%	6.03%			
Health Care	-0.04%	-0.22%	0.22%	-0.04%	-13.98%	-12.23%	20.70%	14.28%			
Financials	0.26%	0.21%	0.03%	0.02%	-6.86%	-11.93%	3.45%	4.40%			
Information Technology	1.42%	1.37%	-0.12%	0.17%	-14.58%	-18.83%	34.24%	31.46%			
Communication Services	-0.10%	-0.28%	0.07%	0.11%	-19.69%	-17.30%	9.21%	11.93%			
Utilities	0.00%	--	--	--	--	--	0.00%	0.00%			
Real Estate	0.20%	0.20%	0.00%	0.00%	9.45%	-1.83%	0.00%	2.32%			
Cash	0.19%	0.00%	0.19%	0.00%	0.55%	--	2.03%	0.00%			
Portfolio	0.94%	=	0.76%	+	-0.06%	+	0.24%	-14.98%	-15.92%	95.36%	99.55%

As of December 31, 2018

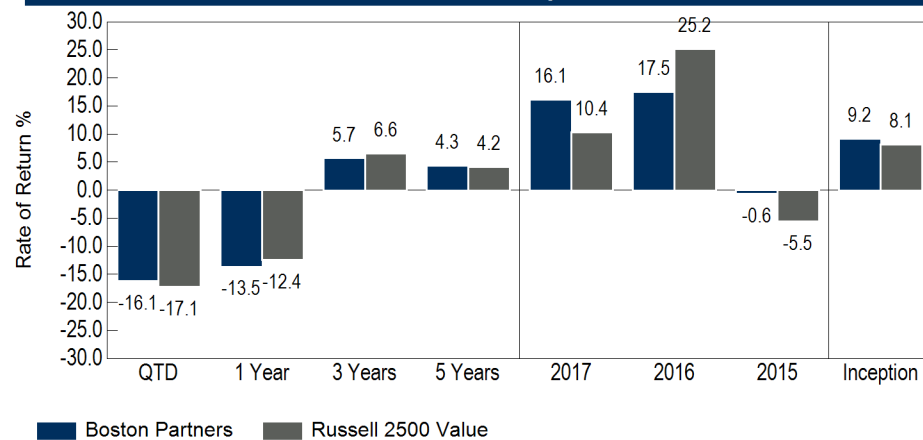
Account Information

Account Name	Boston Partners
Account Structure	Separate Account
Investment Style	Active
Inception Date	1/31/11
Account Type	US Stock Mid Cap Value
Benchmark	Russell 2500 Value
Universe	eV US Mid Cap Value Equity Gross

3 Year Risk/Return Statistics

	Boston Partners	Russell 2500 Value
RETURN SUMMARY STATISTICS		
Number of Periods	36	36
Maximum Return	9.10	9.59
Minimum Return	-10.24	-11.05
Annualized Return	5.68	6.59
Total Return	18.03	21.10
Annualized Excess Return Over Risk Free	4.64	5.55
Annualized Excess Return	-0.91	0.00

Return Summary



RISK SUMMARY STATISTICS

Beta	0.87	1.00
Upside Deviation	7.40	8.25
Downside Deviation	12.12	12.48

RISK/RETURN SUMMARY STATISTICS

Annualized Standard Deviation	12.69	13.77
Alpha	0.00	0.00
Sharpe Ratio	0.37	0.40
Excess Return Over Market / Risk	-0.07	0.00
Tracking Error	4.70	0.00
Information Ratio	-0.19	--

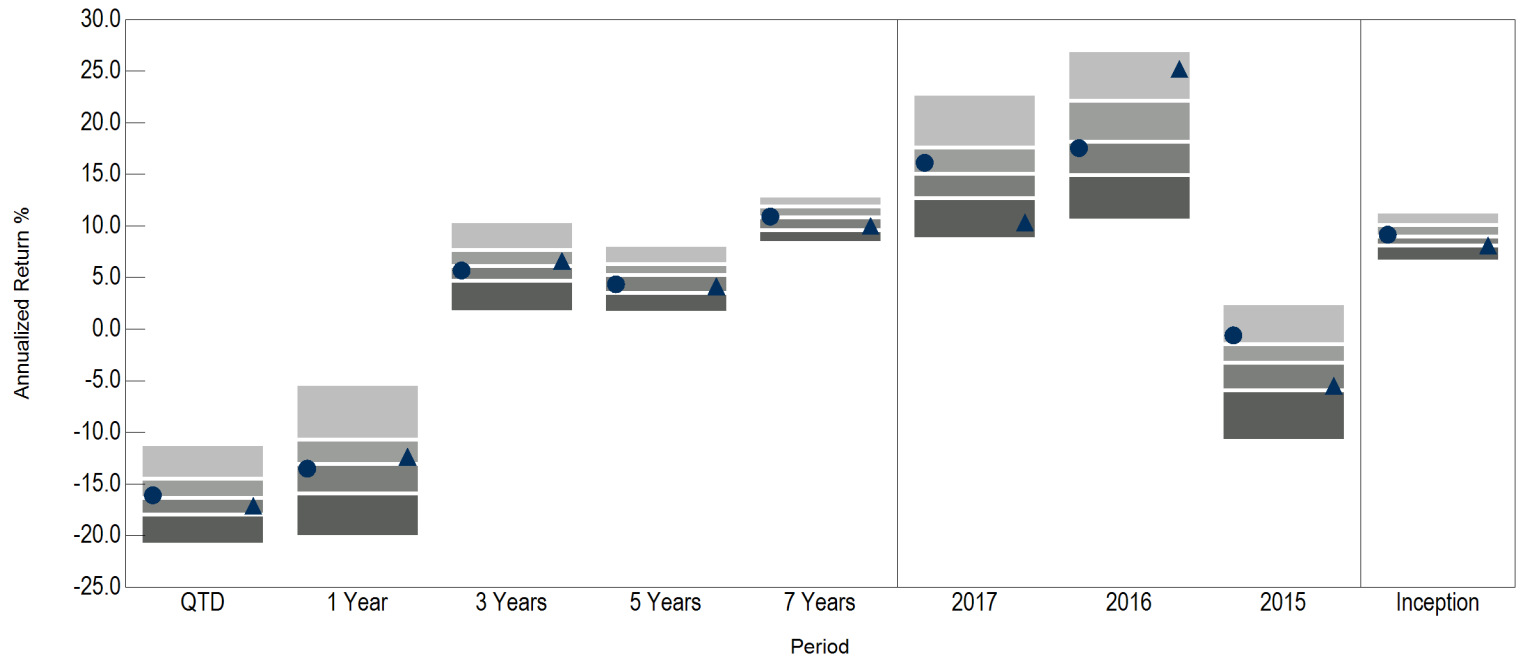
CORRELATION STATISTICS

R-Squared	0.88	1.00
Correlation	0.94	1.00

Summary Of Cash Flows

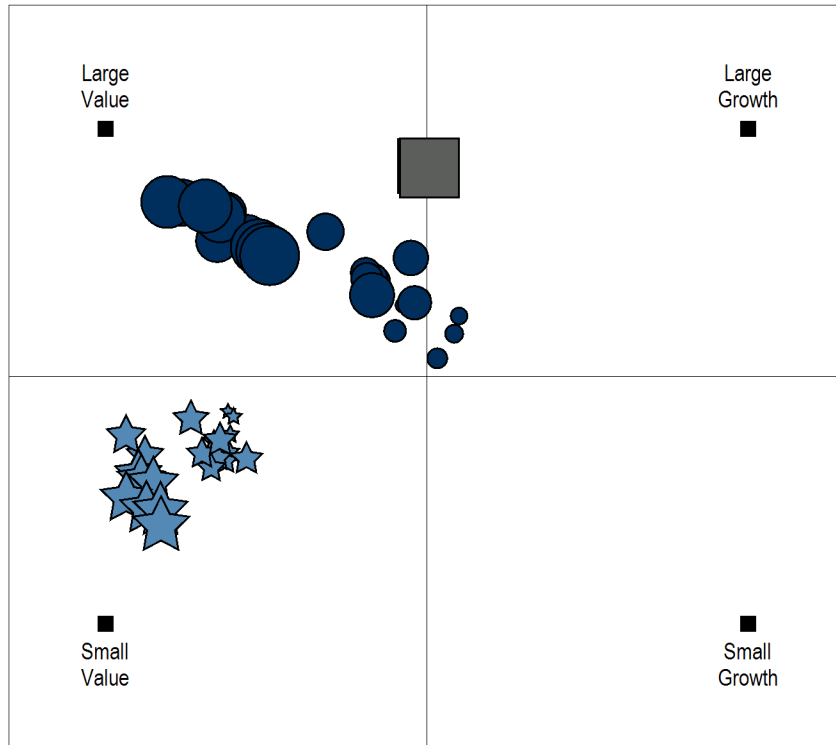
	Quarter-To-Date	One Year	Three Years	Five Years	Seven Years	Inception 1/31/11
Beginning Market Value	\$2,401,733	\$2,345,110	\$1,749,241	\$1,631,606	\$788,774	\$823,737
Contributions	\$0	\$0	\$0	\$73,854	\$326,122	\$326,130
Withdrawals	-\$9,495	-\$9,495	-\$9,495	-\$36,783	-\$99,740	-\$109,389
Fees	-\$5,157	-\$20,046	-\$54,726	-\$58,099	-\$58,099	-\$58,099
Net Cash Flow	-\$9,495	-\$9,495	-\$9,495	\$37,071	\$226,382	\$216,741
Net Investment Change	-\$390,324	-\$333,701	\$262,168	\$333,237	\$986,758	\$961,436
Ending Market Value	\$2,001,914	\$2,001,914	\$2,001,914	\$2,001,914	\$2,001,914	\$2,001,914

Boston Partners vs. eV US Mid Cap Value Equity Gross



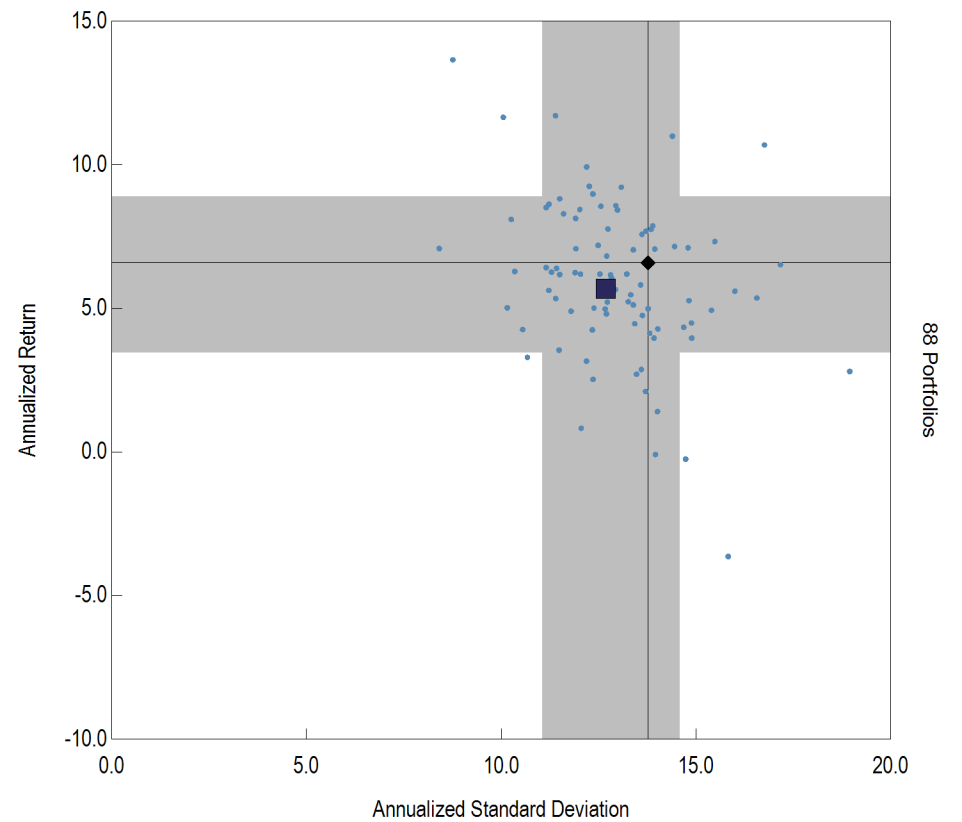
	Return (Rank)									
5th Percentile	-11.15	-5.32	10.42	8.16	12.89	22.80	26.98	2.48	11.34	
25th Percentile	-14.47	-10.65	7.70	6.35	11.90	17.65	22.15	-1.40	10.14	
Median	-16.31	-13.03	6.17	5.25	10.86	15.06	18.21	-3.23	8.99	
75th Percentile	-17.92	-15.86	4.69	3.52	9.63	12.75	14.98	-5.92	8.12	
95th Percentile	-20.87	-20.13	1.65	1.58	8.37	8.77	10.55	-10.77	6.58	
# of Portfolios	88	88	88	87	83	101	96	93	81	
● Boston Partners	-16.09 (47)	-13.52 (54)	5.68 (54)	4.34 (65)	10.91 (48)	16.12 (38)	17.53 (57)	-0.61 (20)	9.15 (47)	
▲ Russell 2500 Value	-17.12 (62)	-12.36 (41)	6.59 (38)	4.16 (66)	10.00 (72)	10.36 (94)	25.20 (9)	-5.49 (69)	8.11 (76)	

3 Year Style Map



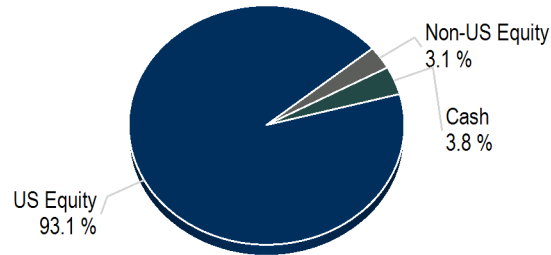
- Boston Partners
- Dow Jones U.S. Total Stock Market
- ★ Russell 2500 Value

3 Year Risk/Return



- Boston Partners
- ◆ Russell 2500 Value
- 68% Confidence Interval
- eV US Mid Cap Value Equity Gross

Current Allocation



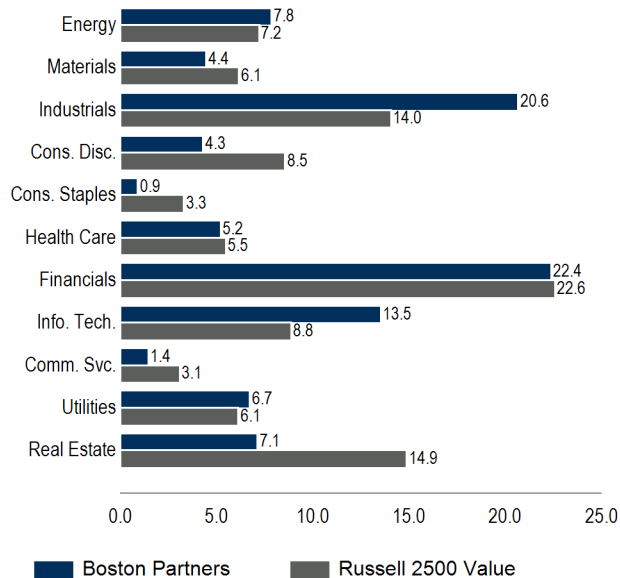
Characteristics

	Portfolio	Russell 2500 Value
Number of Holdings	134	1,748
Weighted Avg. Market Cap. (\$B)	16.03	4.29
Median Market Cap. (\$B)	10.93	0.89
Price To Earnings	17.05	16.36
Price To Book	2.70	1.82
Price To Sales	2.44	2.98
Return on Equity (%)	19.40	9.78
Yield (%)	1.99	2.41
Beta	0.87	1.00
R-Squared	0.88	1.00

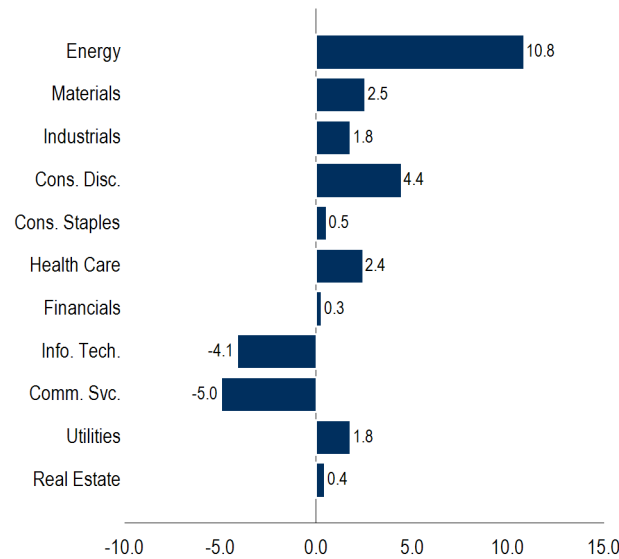
Top Ten Holdings

CASH - USD	3.47%
ALLEGHANY	2.24%
DISCOVER FINANCIAL SVS.	2.07%
PINNACLE WEST CAP.	1.83%
FIDELITY NAT.INFO.SVS.	1.71%
XCEL ENERGY	1.64%
AMETEK	1.63%
REINSURANCE GROUP OF AM.	1.60%
BOSTON PROPERTIES INCORPORATED REIT	1.57%
TD AMERITRADE HOLDING	1.51%
Total	19.27%

Sector Allocation (%)



Sector Excess Returns (%)



Top Contributors

	Portfolio Weight %	Return %
PINNACLE WEST CAP.	1.83%	8.57%
ENTERGY	1.19%	7.22%
XCEL ENERGY	1.64%	5.16%
DOLLAR TREE	0.51%	10.75%
AMER.ELEC.PWR.	0.49%	6.40%
OMNICOM GROUP	0.30%	8.57%
EVERGY	0.00%	4.20%
DTE ENERGY	1.15%	1.88%
NETEASE ADR 1:25	0.31%	3.33%
COCA COLA EUROPEAN PARTNERS	0.57%	1.52%

Bottom Contributors

	Portfolio Weight %	Return %
DXC TECHNOLOGY	0.00%	-42.97%
DISCOVER FINANCIAL SVS.	2.07%	-22.40%
TEXTRON	0.36%	-35.63%
SUNTRUST BANKS	1.35%	-23.88%
EAST WEST BANCORP	1.14%	-27.58%
LABORATORY CORP.OF AM. HDG.	0.73%	-27.25%
HUNTINGTON BCSH.	1.33%	-19.17%
CIMAREX EN.	0.66%	-33.53%
NOBLE ENERGY	0.58%	-39.60%
HP	1.45%	-20.04%

As of December 31, 2018

Performance Attribution vs. Russell 2500 Value
Quarter Ending December 31, 2018

	Attribution Effects				Returns		Ending Sector Weights				
	Total Effects	Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	0.83%	0.84%	0.01%	-0.03%	-30.56%	-41.37%	4.42%	4.90%			
Materials	0.22%	0.19%	0.07%	-0.04%	-18.78%	-21.33%	4.29%	5.91%			
Industrials	0.12%	0.27%	-0.21%	0.07%	-18.95%	-20.71%	18.57%	13.50%			
Consumer Discretionary	0.29%	0.37%	0.08%	-0.16%	-14.57%	-19.00%	5.27%	8.34%			
Consumer Staples	-0.20%	0.03%	-0.20%	-0.02%	-7.37%	-7.88%	1.24%	3.33%			
Health Care	0.11%	0.13%	-0.01%	0.00%	-19.33%	-21.74%	6.31%	5.01%			
Financials	0.03%	0.04%	0.01%	-0.02%	-15.10%	-15.37%	23.78%	23.27%			
Information Technology	-0.56%	-0.39%	0.02%	-0.19%	-20.49%	-16.35%	13.18%	8.97%			
Communication Services	-0.12%	-0.15%	-0.04%	0.07%	-19.66%	-14.68%	1.37%	3.21%			
Utilities	0.19%	0.07%	0.13%	-0.01%	1.62%	-0.14%	7.73%	7.46%			
Real Estate	-0.51%	0.07%	-0.53%	-0.05%	-9.37%	-9.79%	0.00%	16.06%			
Cash	0.72%	0.00%	0.72%	0.00%	0.55%	--	3.47%	0.00%			
Portfolio	1.14%	=	1.46%	+	0.04%	+	-0.37%	-15.90%	-17.05%	89.63%	99.95%

As of December 31, 2018

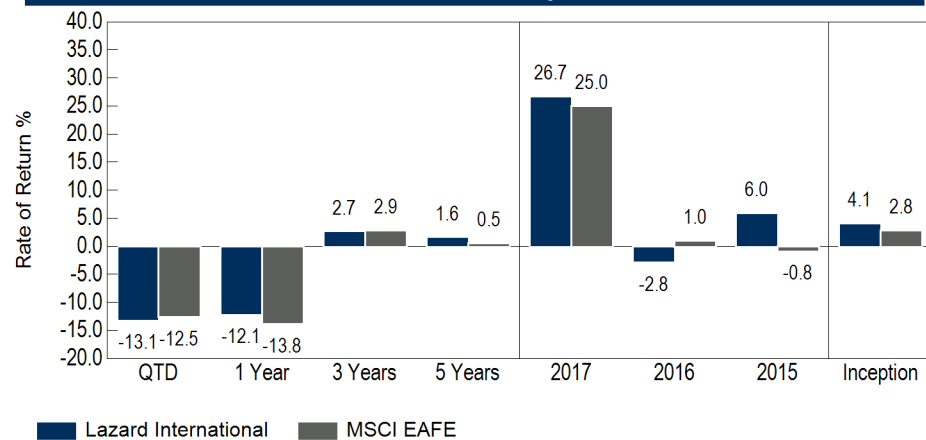
Account Information

Account Name	Lazard International
Account Structure	Separate Account
Investment Style	Active
Inception Date	5/31/13
Account Type	
Benchmark	MSCI EAFE
Universe	eV EAFE Core Equity Gross

3 Year Risk/Return Statistics

	Lazard International	MSCI EAFE
RETURN SUMMARY STATISTICS		
Number of Periods	36	36
Maximum Return	6.17	6.51
Minimum Return	-8.86	-7.96
Annualized Return	2.67	2.87
Total Return	8.22	8.87
Annualized Excess Return Over Risk Free	1.63	1.84
Annualized Excess Return	-0.20	0.00

Return Summary



RISK SUMMARY STATISTICS

Beta	0.92	1.00
Upside Deviation	4.91	5.43
Downside Deviation	9.16	8.26

RISK/RETURN SUMMARY STATISTICS

Annualized Standard Deviation	11.12	11.40
Alpha	0.00	0.00
Sharpe Ratio	0.15	0.16
Excess Return Over Market / Risk	-0.02	0.00
Tracking Error	3.78	0.00
Information Ratio	-0.05	--

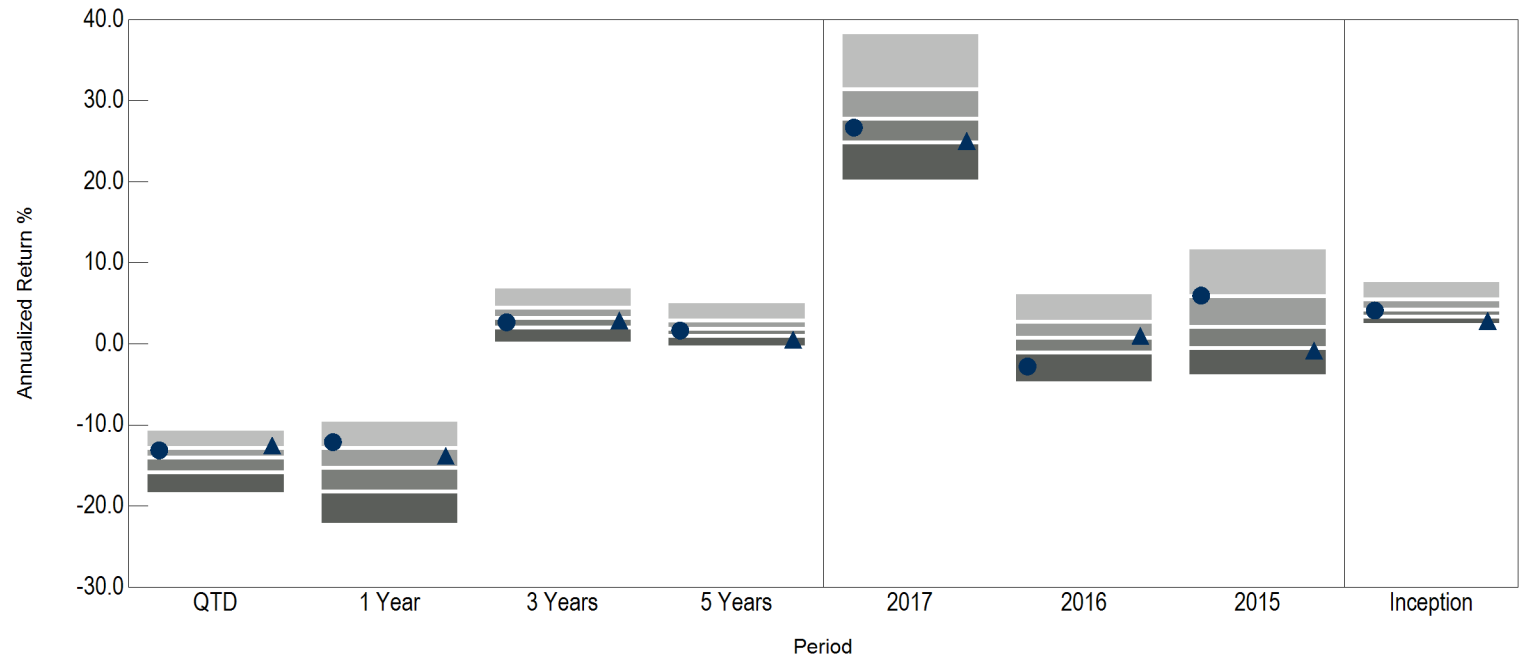
CORRELATION STATISTICS

R-Squared	0.89	1.00
Correlation	0.94	1.00

Summary Of Cash Flows

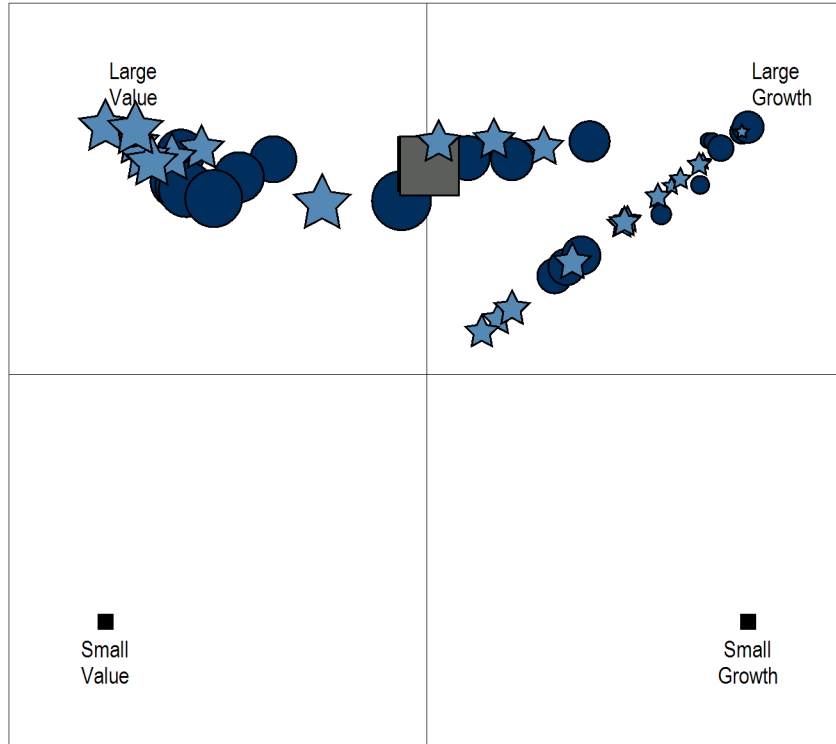
	Quarter-To-Date	One Year	Three Years	Five Years	Inception 5/31/13
Beginning Market Value	\$3,341,518	\$3,336,776	\$2,769,642	\$2,287,674	\$1,673,540
Contributions	\$0	\$0	\$9,352	\$529,074	\$835,011
Withdrawals	\$0	-\$1,682	-\$1,682	-\$34,557	-\$39,348
Fees	-\$7,176	-\$28,363	-\$77,908	-\$83,186	-\$83,186
Net Cash Flow	\$0	-\$1,682	\$7,670	\$494,517	\$795,663
Net Investment Change	-\$445,722	-\$439,298	\$118,484	\$113,605	\$426,593
Ending Market Value	\$2,895,796	\$2,895,796	\$2,895,796	\$2,895,796	\$2,895,796

Lazard International vs. eV EAFE Core Equity Gross



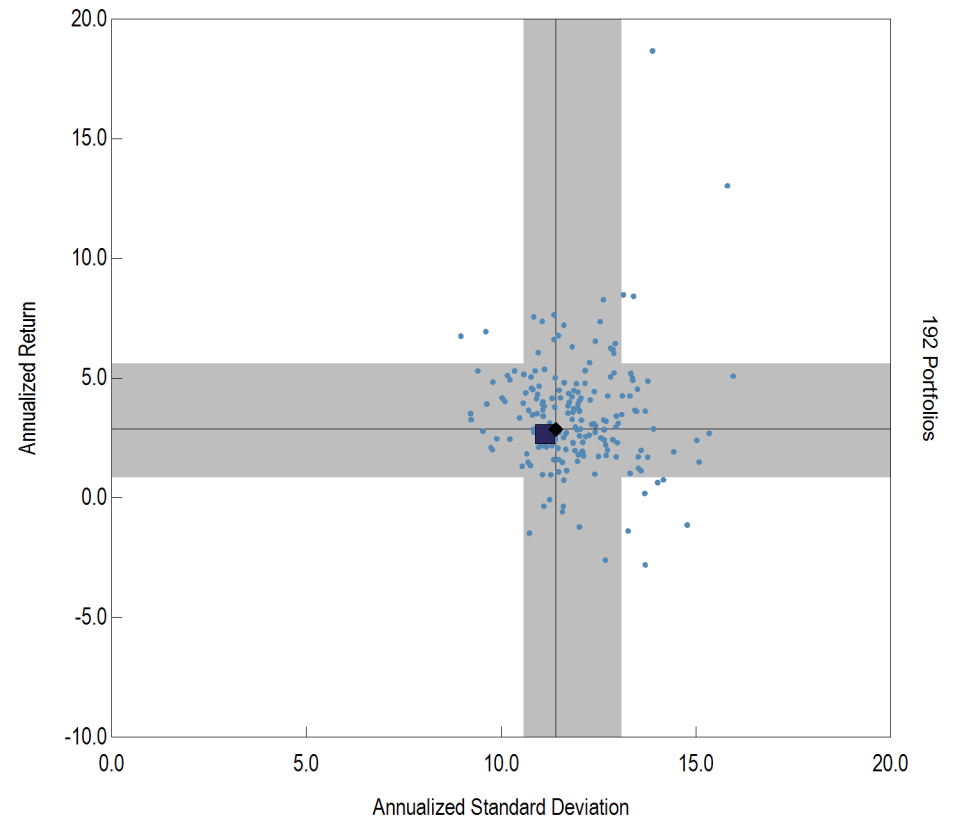
	Return (Rank)															
5th Percentile	-10.49	-9.38	7.07	5.18	38.38	6.29	11.86	7.81								
25th Percentile	-12.81	-12.77	4.49	2.96	31.47	2.77	5.94	5.53								
Median	-13.97	-15.25	3.22	1.94	27.80	0.81	2.13	4.24								
75th Percentile	-15.83	-18.21	2.09	1.03	24.88	-0.99	-0.44	3.40								
95th Percentile	-18.51	-22.24	0.07	-0.43	20.04	-4.83	-3.93	2.39								
# of Portfolios	201	199	192	173	206	189	156	165								
● Lazard International	-13.13	(31)	-12.12	(21)	2.67	(62)	1.64	(61)	26.67	(58)	-2.79	(88)	5.95	(25)	4.12	(55)
▲ MSCI EAFE	-12.54	(22)	-13.79	(37)	2.87	(56)	0.53	(87)	25.03	(74)	1.00	(46)	-0.81	(81)	2.82	(93)

3 Year Style Map



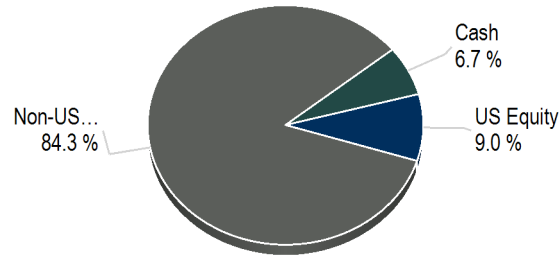
- Lazard International
- Dow Jones U.S. Total Stock Market
- ★ MSCI EAFE

3 Year Risk/Return

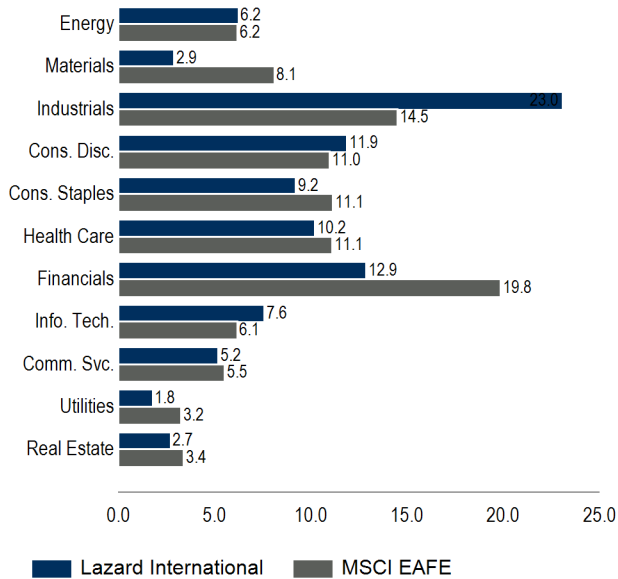


- Lazard International
- ◆ MSCI EAFE
- 68% Confidence Interval
- eV EAFE Core Equity Gross

Current Allocation



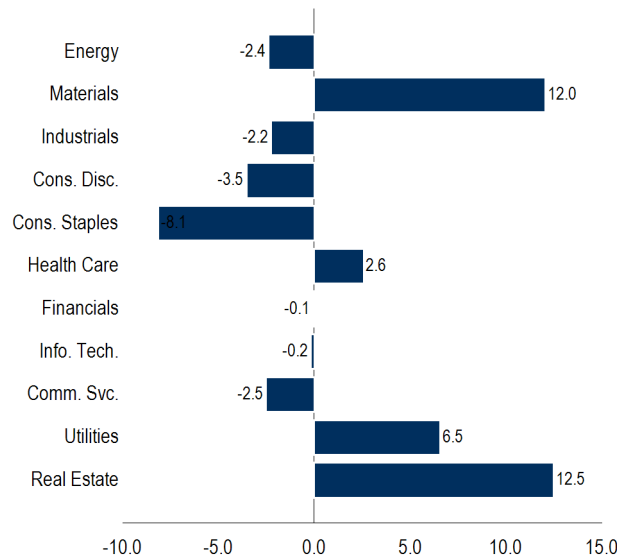
Sector Allocation (%)



Characteristics

	Portfolio	MSCI EAFE
Number of Holdings	47	920
Weighted Avg. Market Cap. (\$B)	54.90	52.55
Median Market Cap. (\$B)	30.08	9.12
Price To Earnings	19.78	16.68
Price To Book	4.10	2.30
Price To Sales	2.83	2.36
Return on Equity (%)	22.40	14.66
Yield (%)	3.28	3.63
Beta	0.92	1.00
R-Squared	0.89	1.00

Sector Excess Returns (%)



Top Ten Holdings

CASH - USD	6.70%
NOVARTIS 'B' SPN.ADR 1:1	3.86%
SAP AE ADR 1:1	3.35%
MEDTRONIC	3.31%
ROYAL DUTCH SHELL A ADR 1:2	3.27%
BHP GROUP ADR 1:2	3.15%
ACCENTURE CLASS A	3.01%
PRUDENTIAL ADR 1:2	2.94%
SAFRAN ADR 4:1	2.89%
AON CLASS A	2.69%
Total	35.18%

Top Contributors

	Portfolio Weight %	Return %
DAIWA HOUSE IND.ADR 1:1	2.16%	7.69%
RED ELECTRICA CORPORACION ADR 2:1	2.53%	6.48%
TELENOR ASA ADR 1:1	1.99%	1.91%
GENMAB 10 SPONSORED ADR 10:1	0.49%	4.60%
CANADIAN NAT.RY. (NYS)	0.00%	-17.13%
VIVENDI UNSP.ADR 1:1	2.35%	-5.81%
ROGERS COMMS.'B'	2.25%	0.35%
AIA GROUP ADR 1:4	1.81%	-7.64%
ROGERS COMMS.'B' (NYS)	0.00%	0.39%
SONOVA HOLDING ADR 5:1	0.70%	-17.26%

Bottom Contributors

	Portfolio Weight %	Return %
PRUDENTIAL ADR 1:2	2.94%	-22.92%
BRITISH AMER.TOB.ADR 1:1	0.00%	-29.15%
SAP AE ADR 1:1	3.35%	-19.07%
MAKITA ADR 1:1	1.97%	-29.69%
FRESENIUS SPN.ADR 4:1	0.00%	-33.53%
VALEO ADR 2:1	0.00%	-32.58%
SUNCOR ENERGY	2.01%	-27.19%
RYOHIN KEIKAKU UNSP.ADR 5:1	2.50%	-19.22%
ACCENTURE CLASS A	3.01%	-16.39%
ANHEUSER-BUSCH INBEV SPN.ADR 1:1	2.07%	-23.95%

Lazard International Performance Attribution vs. MSCI EAFE
Quarter Ending December 31, 2018

	Attribution Effects				Returns		Ending Sector Weights				
	Total Effects	Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	-0.18%	-0.23%	-0.02%	0.07%	-19.74%	-17.36%	6.24%	5.88%			
Materials	0.52%	0.86%	0.11%	-0.46%	-3.11%	-15.15%	3.15%	7.37%			
Industrials	-0.74%	-0.28%	-0.25%	-0.22%	-16.87%	-14.63%	21.90%	14.31%			
Consumer Discretionary	-0.46%	-0.34%	0.02%	-0.14%	-18.14%	-14.61%	9.47%	11.20%			
Consumer Staples	-0.81%	-0.99%	-0.10%	0.28%	-16.46%	-8.32%	7.25%	11.58%			
Health Care	0.26%	0.21%	-0.03%	0.08%	-7.49%	-10.05%	8.36%	11.22%			
Financials	0.09%	-0.17%	0.04%	0.23%	-13.75%	-13.68%	16.83%	19.49%			
Information Technology	-0.06%	0.02%	-0.06%	-0.03%	-16.77%	-16.59%	6.37%	5.96%			
Communication Services	0.00%	-0.13%	0.03%	0.09%	-12.15%	-9.64%	9.05%	5.56%			
Utilities	-0.02%	0.17%	-0.15%	-0.04%	6.48%	-0.07%	2.53%	3.76%			
Real Estate	0.20%	0.39%	-0.08%	-0.11%	7.69%	-4.79%	2.16%	3.69%			
Cash	0.71%	0.00%	0.71%	0.00%	0.55%	--	6.70%	0.00%			
Portfolio	-0.49%	=	-0.49%	+	0.23%	+	-0.23%	-12.96%	-12.46%	100.00%	100.00%

Lazard Emerging Markets

As of December 31, 2018

Account Information

Account Name	Lazard Emerging Markets
Account Structure	Separate Account
Investment Style	Active
Inception Date	1/31/11
Account Type	
Benchmark	MSCI Emerging Markets
Universe	eV Emg Mkts Equity Gross

3 Year Risk/Return Statistics

	Lazard Emerging Markets	MSCI Emerging Markets
RETURN SUMMARY STATISTICS		
Number of Periods	36	36
Maximum Return	12.60	13.23
Minimum Return	-6.98	-8.71
Annualized Return	11.07	9.25
Total Return	37.04	30.39
Annualized Excess Return Over Risk Free	10.04	8.21
Annualized Excess Return	1.83	0.00

Return Summary



RISK SUMMARY STATISTICS

	Lazard Emerging Markets	MSCI Emerging Markets
Beta	0.95	1.00
Upside Deviation	10.04	10.43
Downside Deviation	7.93	8.62

RISK/RETURN SUMMARY STATISTICS

	Lazard Emerging Markets	MSCI Emerging Markets
Annualized Standard Deviation	15.56	14.81
Alpha	0.19	0.00
Sharpe Ratio	0.65	0.55
Excess Return Over Market / Risk	0.12	0.00
Tracking Error	6.67	0.00
Information Ratio	0.27	--

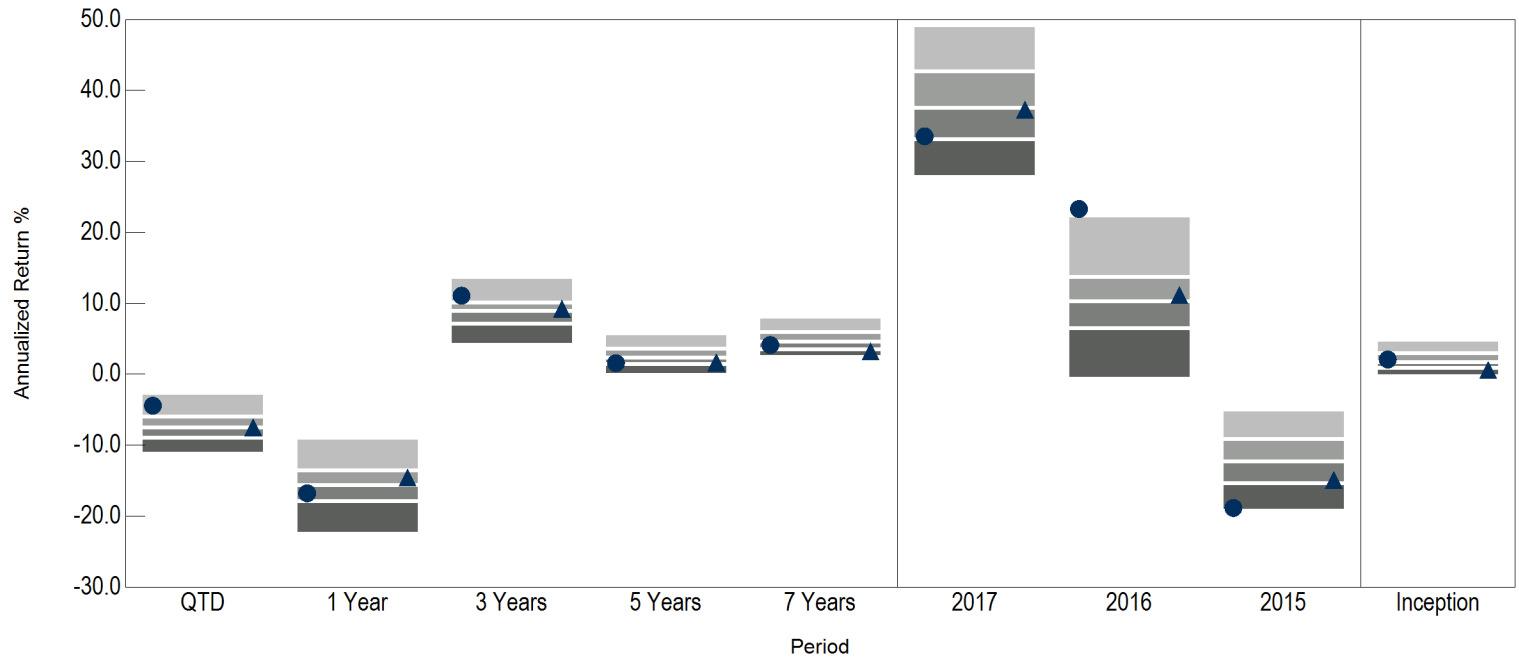
CORRELATION STATISTICS

	Lazard Emerging Markets	MSCI Emerging Markets
R-Squared	0.82	1.00
Correlation	0.90	1.00

Summary Of Cash Flows

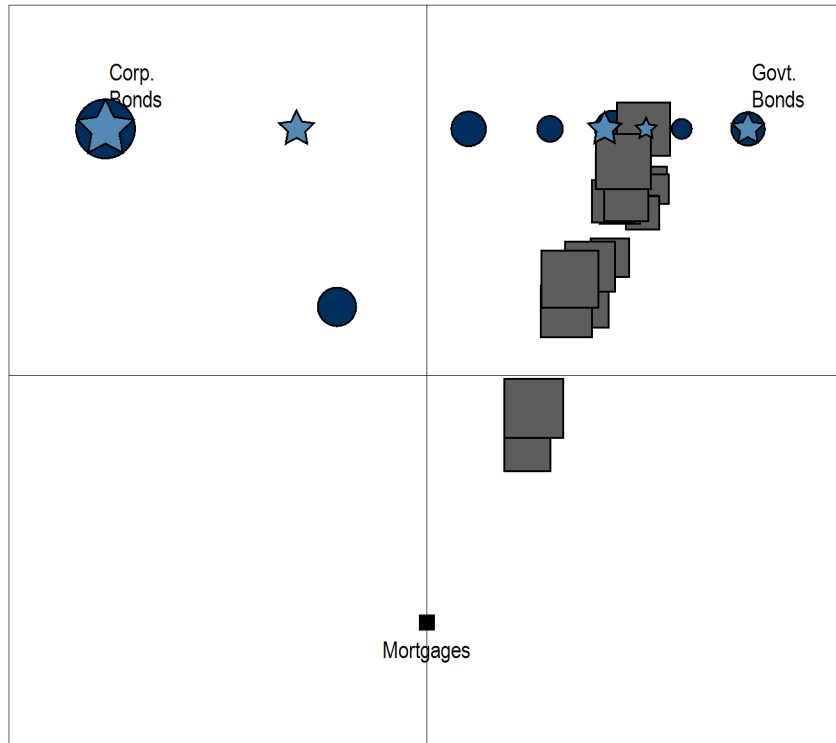
	Quarter-To-Date	One Year	Three Years	Five Years	Seven Years	Inception 1/31/11
Beginning Market Value	\$2,075,114	\$2,406,847	\$1,501,748	\$1,471,813	\$722,503	\$823,667
Contributions	\$0	\$0	\$614	\$450,878	\$1,008,759	\$1,832,426
Withdrawals	\$0	\$0	-\$4,000	-\$24,897	-\$81,992	-\$91,591
Fees	-\$4,456	-\$19,298	-\$51,777	-\$54,730	-\$54,730	-\$54,730
Net Cash Flow	\$0	\$0	-\$3,386	\$425,981	\$926,767	\$1,740,835
Net Investment Change	-\$96,408	-\$428,141	\$480,344	\$80,912	\$329,436	-\$585,796
Ending Market Value	\$1,978,706	\$1,978,706	\$1,978,706	\$1,978,706	\$1,978,706	\$1,978,706

Lazard Emerging Markets vs. eV Emg Mkts Equity Gross



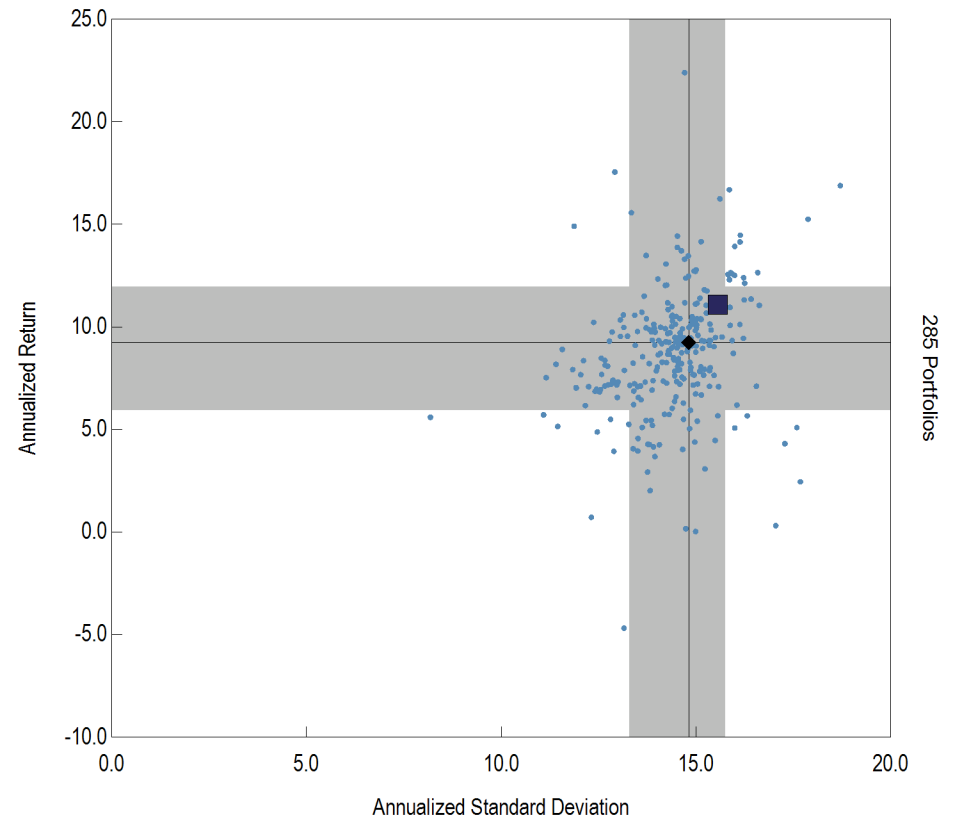
	Return (Rank)																	
5th Percentile	-2.68	-8.97	13.66	5.70	8.04	49.19	22.39	-5.03	4.84									
25th Percentile	-5.93	-13.49	10.14	3.63	5.97	42.78	13.75	-9.04	2.98									
Median	-7.43	-15.57	8.95	2.39	4.61	37.61	10.37	-12.20	1.80									
75th Percentile	-8.94	-17.79	7.14	1.52	3.60	33.19	6.55	-15.30	0.99									
95th Percentile	-11.11	-22.48	4.17	-0.04	2.46	27.83	-0.55	-19.17	-0.20									
# of Portfolios	299	298	285	251	190	343	337	273	164									
● Lazard Emerging Markets	-4.43	(12)	-16.77	(65)	11.07	(17)	1.58	(73)	4.12	(66)	33.54	(74)	23.30	(5)	-18.85	(95)	2.09	(42)
▲ MSCI Emerging Markets	-7.47	(52)	-14.58	(39)	9.25	(44)	1.65	(70)	3.23	(85)	37.28	(53)	11.19	(45)	-14.92	(70)	0.59	(84)

3 Year Style Map



- Lazard Emerging Markets
- ★ MSCI Emerging Markets
- BBgBarc US Aggregate TR

3 Year Risk/Return



- Lazard Emerging Markets
- ◆ MSCI Emerging Markets
- 68% Confidence Interval
- eV Emg Mkts Equity Gross

As of December 31, 2018

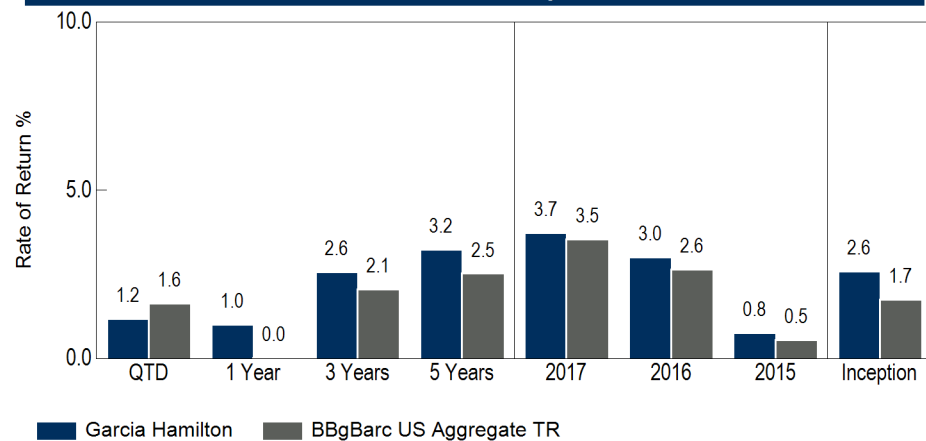
Account Information

Account Name	Garcia Hamilton
Account Structure	Separate Account
Investment Style	Active
Inception Date	12/31/12
Account Type	US Fixed Income
Benchmark	BBgBarc US Aggregate TR
Universe	eV All US Fixed Inc Gross

3 Year Risk/Return Statistics

	Garcia Hamilton	BBgBarc US Aggregate TR
RETURN SUMMARY STATISTICS		
Number of Periods	36	36
Maximum Return	1.83	1.84
Minimum Return	-1.91	-2.37
Annualized Return	2.57	2.06
Total Return	7.92	6.29
Annualized Excess Return Over Risk Free	1.54	1.02
Annualized Excess Return	0.52	0.00

Return Summary



RISK SUMMARY STATISTICS

Beta	0.81	1.00
Upside Deviation	1.71	1.72
Downside Deviation	1.71	2.18

RISK/RETURN SUMMARY STATISTICS

Annualized Standard Deviation	2.51	2.88
Alpha	0.07	0.00
Sharpe Ratio	0.61	0.35
Excess Return Over Market / Risk	0.21	0.00
Tracking Error	1.04	0.00
Information Ratio	0.50	--

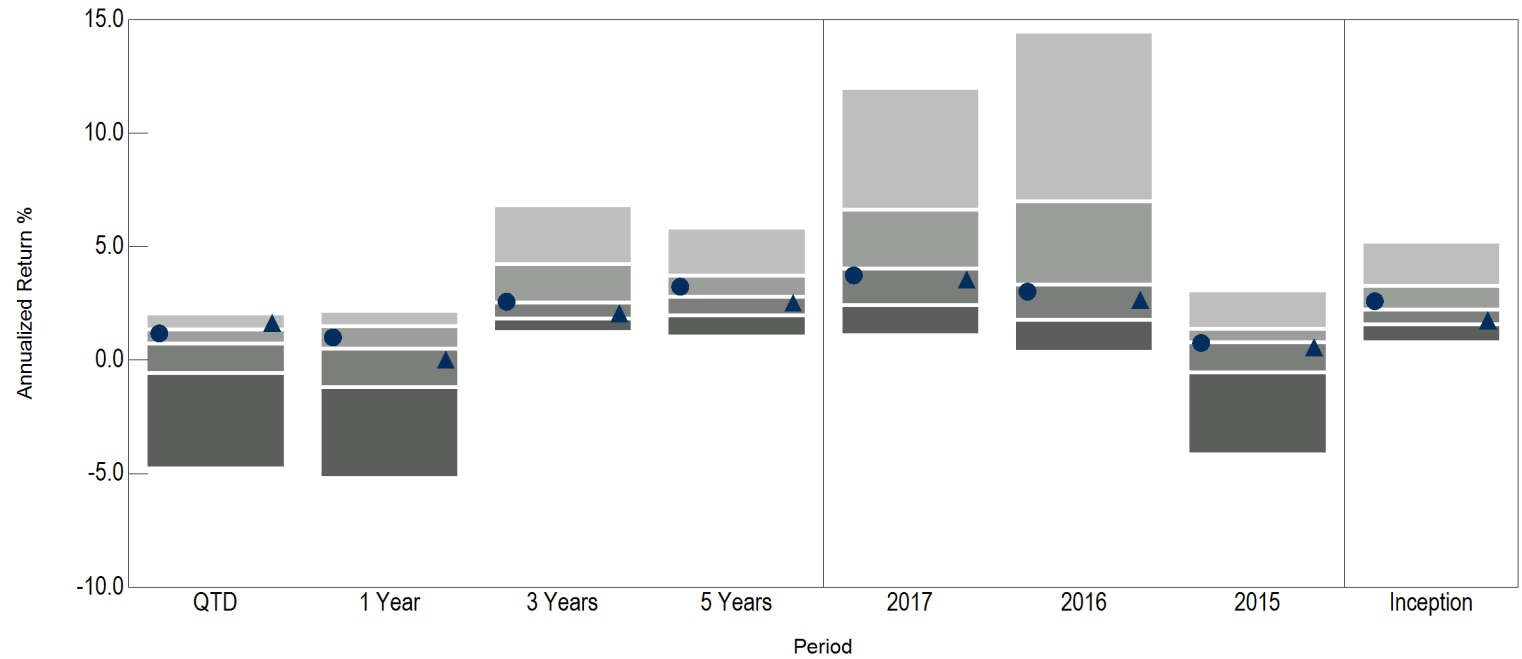
CORRELATION STATISTICS

R-Squared	0.87	1.00
Correlation	0.93	1.00

Summary Of Cash Flows

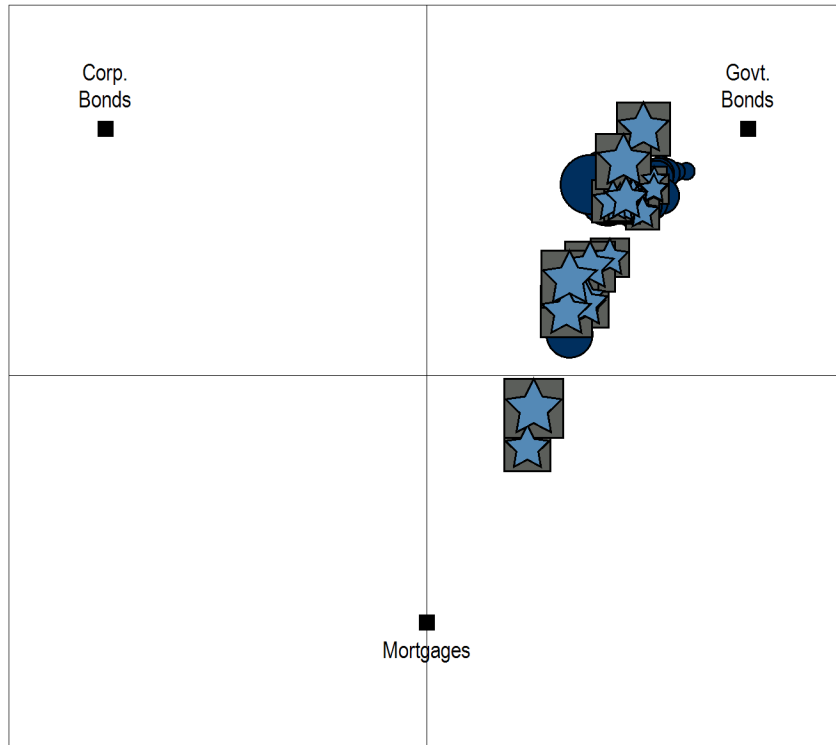
	Quarter-To-Date	One Year	Three Years	Five Years	Inception 12/31/12
Beginning Market Value	\$4,037,945	\$3,994,272	\$3,491,366	\$3,263,940	\$2,809,620
Contributions	\$0	\$68,440	\$543,281	\$1,578,355	\$2,054,699
Withdrawals	\$0	\$0	-\$169,368	-\$1,319,273	-\$1,328,564
Fees	-\$6,098	-\$24,149	-\$71,078	-\$77,555	-\$77,555
Net Cash Flow	\$0	\$68,440	\$373,913	\$259,082	\$726,135
Net Investment Change	\$41,211	\$16,444	\$213,877	\$556,134	\$543,401
Ending Market Value	\$4,079,156	\$4,079,156	\$4,079,156	\$4,079,156	\$4,079,156

Garcia Hamilton vs. eV All US Fixed Inc Gross



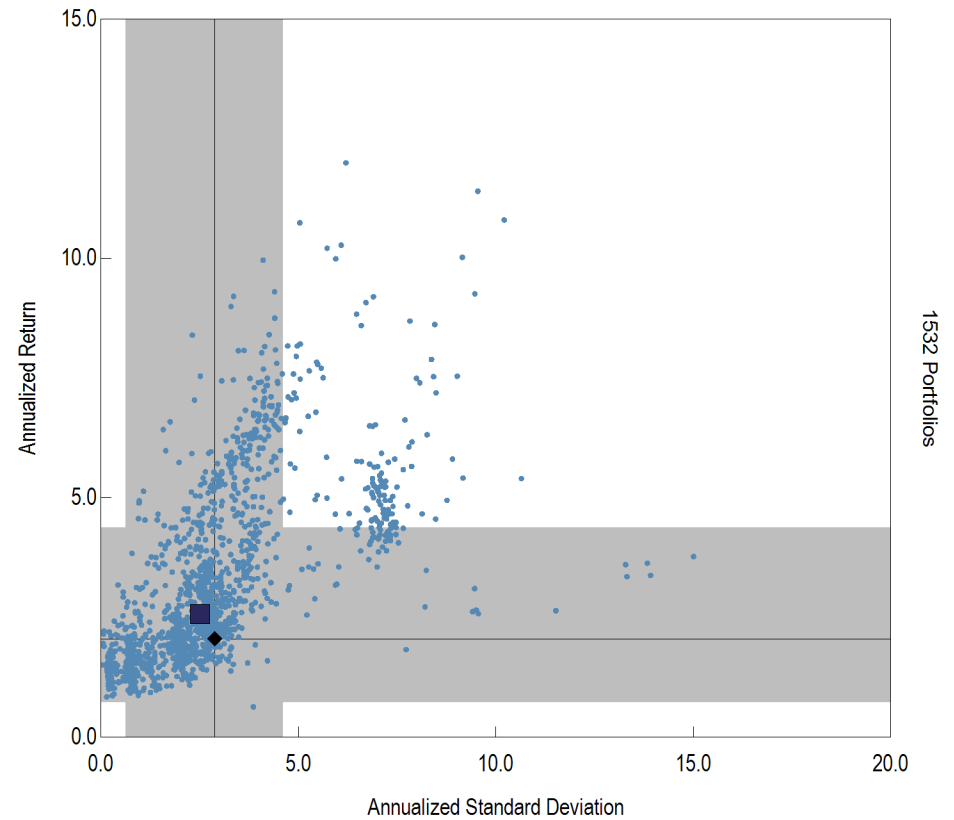
	Return (Rank)															
5th Percentile	2.04	2.17	6.81	5.83	11.96	14.46	3.05	5.20								
25th Percentile	1.36	1.52	4.23	3.73	6.65	7.00	1.39	3.29								
Median	0.75	0.51	2.55	2.81	4.06	3.33	0.79	2.24								
75th Percentile	-0.57	-1.18	1.85	1.99	2.43	1.79	-0.52	1.60								
95th Percentile	-4.75	-5.18	1.26	1.05	1.11	0.38	-4.15	0.80								
# of Portfolios	1,573	1,572	1,532	1,464	1,843	1,722	1,394	1,420								
● Garcia Hamilton	1.17	(33)	1.00	(40)	2.57	(50)	3.23	(38)	3.73	(56)	3.01	(55)	0.75	(52)	2.59	(41)
▲ BBgBarc US Aggregate TR	1.64	(14)	0.01	(60)	2.06	(67)	2.52	(61)	3.54	(59)	2.65	(60)	0.55	(60)	1.75	(68)

3 Year Style Map



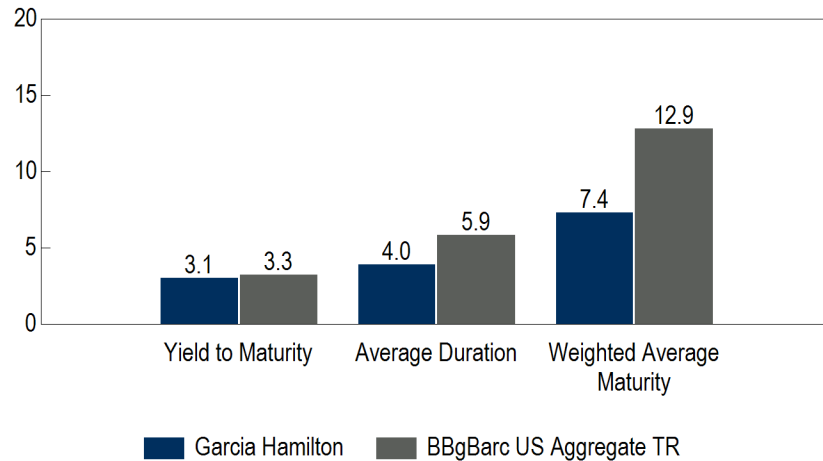
- Garcia Hamilton
- ★ BBgBarc US Aggregate TR
- BBgBarc US Aggregate TR

3 Year Risk/Return

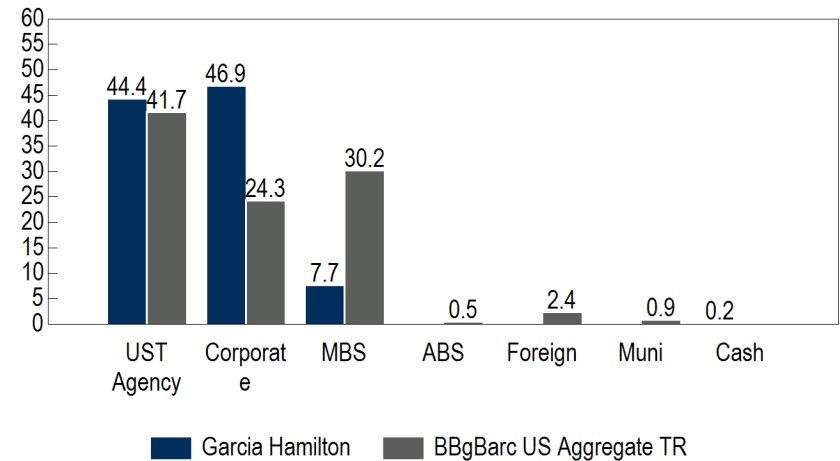


- Garcia Hamilton
- ◆ BBgBarc US Aggregate TR
- 68% Confidence Interval
- eV All US Fixed Inc Gross

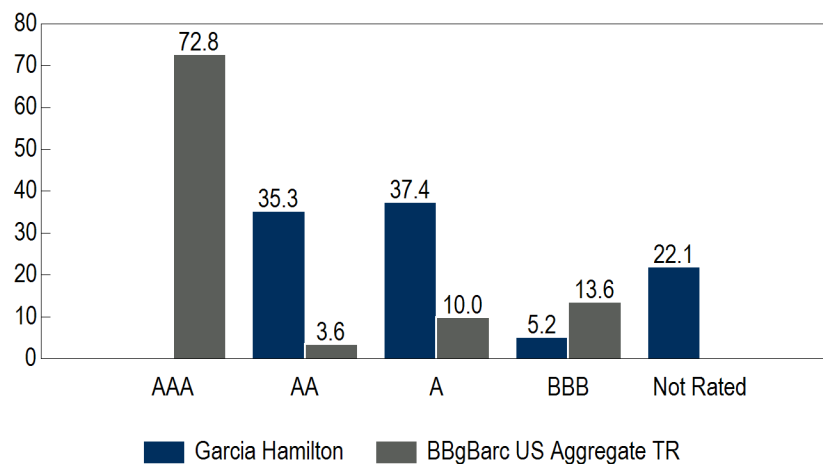
Fixed Income Characteristics



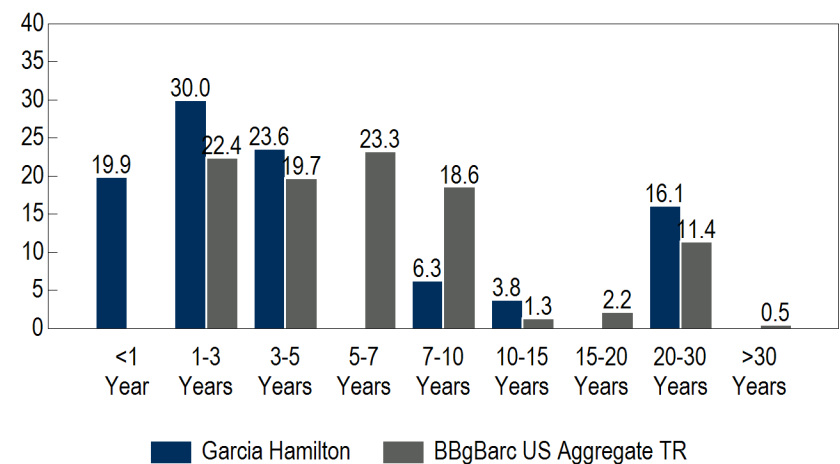
US Sector Allocation



Credit Quality Allocation



Maturity Allocation



Templeton Global Bond

As of December 31, 2018

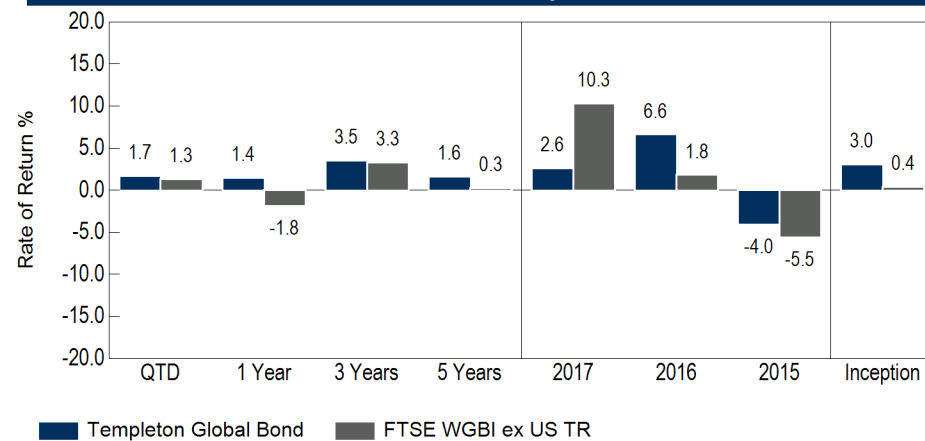
Account Information

Account Name	Templeton Global Bond
Account Structure	Mutual Fund
Investment Style	Active
Inception Date	1/31/11
Account Type	Fixed
Benchmark	FTSE WGBI ex US TR
Universe	World Bond MStar MF

3 Year Risk/Return Statistics

	Templeton Global Bond	FTSE WGBI ex US TR
RETURN SUMMARY STATISTICS		
Number of Periods	36	36
Maximum Return	4.25	4.42
Minimum Return	-3.73	-5.66
Annualized Return	3.54	3.32
Total Return	10.99	10.28
Annualized Excess Return Over Risk Free	2.50	2.28
Annualized Excess Return	0.22	0.00

Return Summary



RISK SUMMARY STATISTICS

Beta	-0.14	1.00
Upside Deviation	4.47	4.55
Downside Deviation	3.41	5.30

RISK/RETURN SUMMARY STATISTICS

Annualized Standard Deviation	6.37	7.76
Alpha	0.35	0.00
Sharpe Ratio	0.39	0.29
Excess Return Over Market / Risk	0.03	0.00
Tracking Error	10.85	0.00
Information Ratio	0.02	--

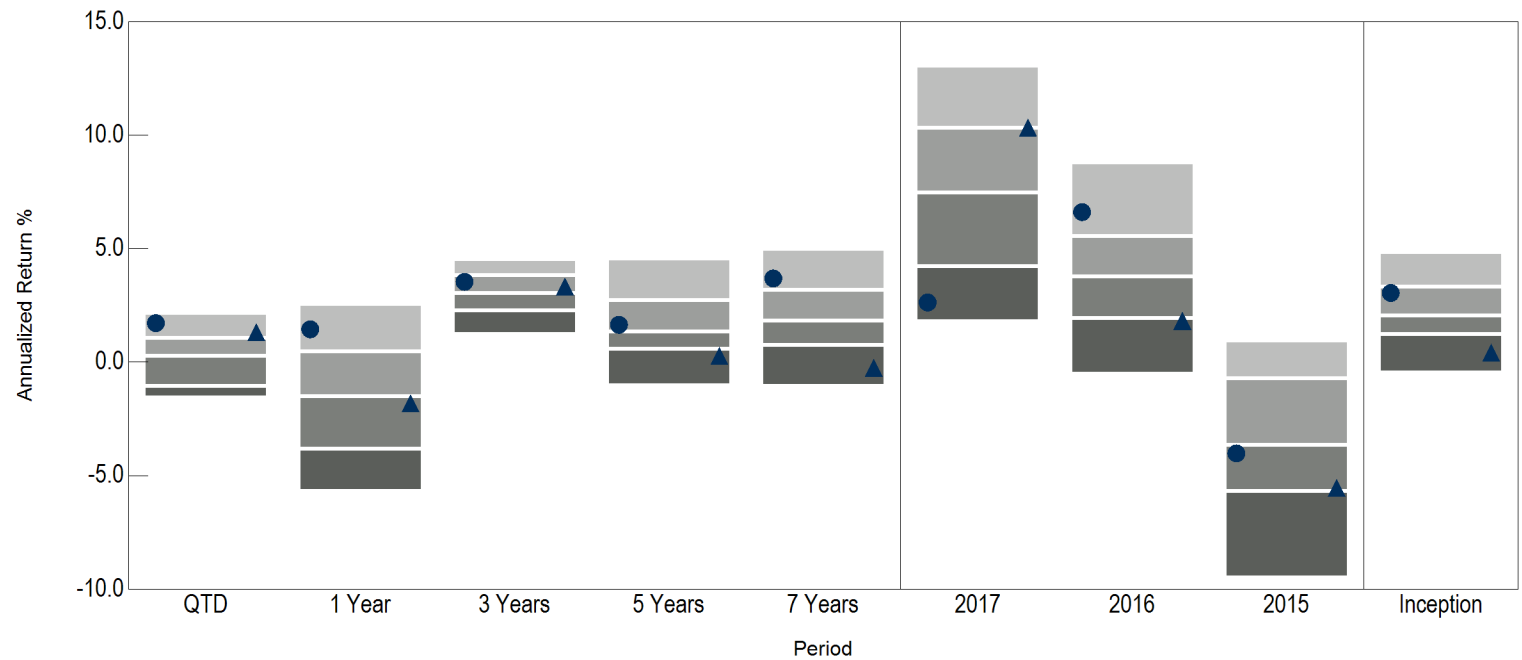
CORRELATION STATISTICS

R-Squared	0.03	1.00
Correlation	-0.17	1.00

Summary Of Cash Flows

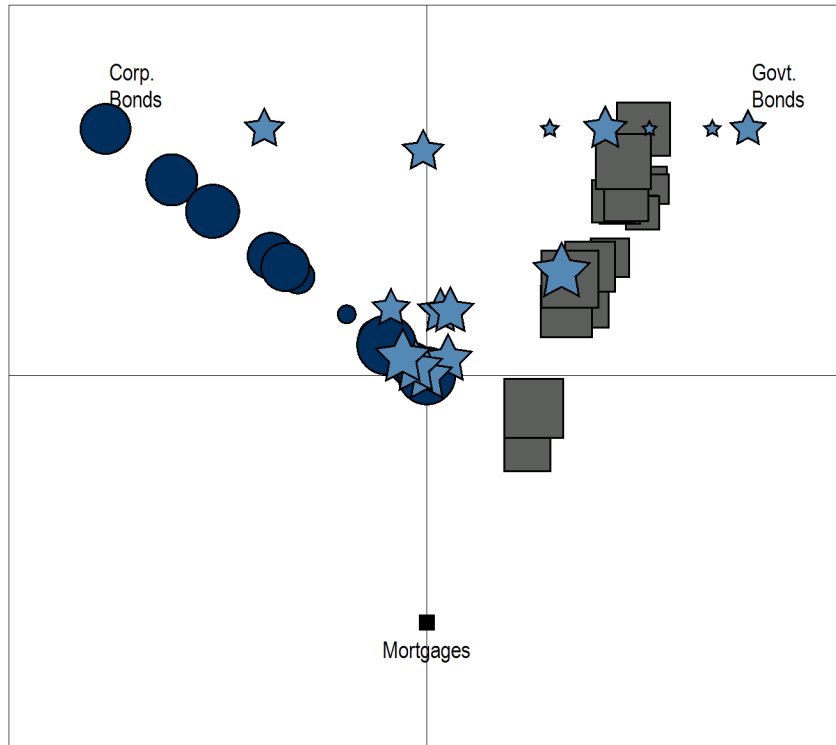
	Quarter-To-Date	One Year	Three Years	Five Years	Seven Years	Inception 1/31/11
Beginning Market Value	\$1,868,934	\$1,873,995	\$1,666,313	\$1,252,178	\$806,511	\$823,666
Contributions	\$0	\$4,901	\$64,083	\$539,737	\$800,926	\$800,926
Withdrawals	\$0	\$0	\$0	-\$9,300	-\$16,486	-\$20,895
Fees	-\$1,658	-\$6,624	-\$19,957	-\$21,547	-\$21,547	-\$21,547
Net Cash Flow	\$0	\$4,901	\$64,083	\$530,437	\$784,440	\$780,031
Net Investment Change	\$30,380	\$20,418	\$168,918	\$116,699	\$308,363	\$295,617
Ending Market Value	\$1,899,314	\$1,899,314	\$1,899,314	\$1,899,314	\$1,899,314	\$1,899,314

Templeton Global Bond vs. World Bond MStar MF



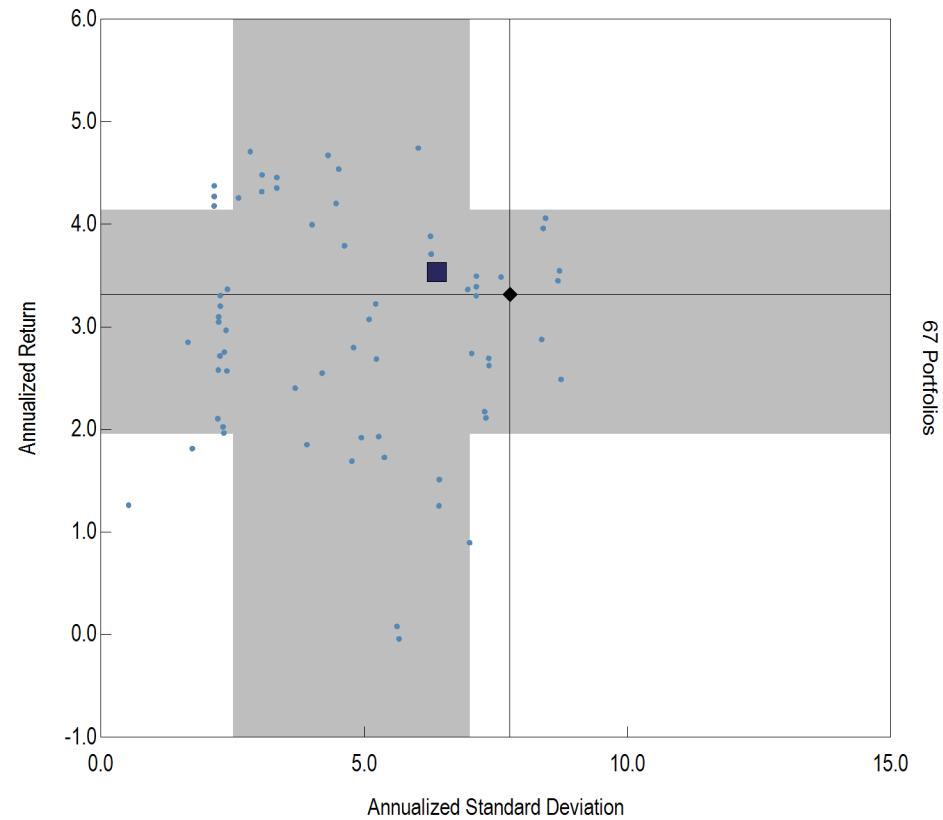
	Return (Rank)																	
5th Percentile	2.15	(9)	2.56	(17)	4.52	(30)	4.54	(43)	4.98	(14)	13.05	(86)	8.79	(14)	0.95	(54)	4.85	(32)
25th Percentile	1.09	(14)	0.49	(52)	3.84	(41)	2.73	(84)	3.19	(87)	10.34	(26)	5.56	(79)	-0.71	(74)	3.34	(85)
Median	0.29		-1.49		3.05		1.36		1.85		7.48		3.78		-3.62		2.07	
75th Percentile	-1.04		-3.81		2.29		0.60		0.77		4.24		1.97		-5.66		1.25	
95th Percentile	-1.53		-5.66		1.26		-1.00		-1.02		1.80		-0.49		-9.47		-0.43	
# of Portfolios	78		75		67		66		59		72		71		74		56	
● Templeton Global Bond	1.71	(9)	1.44	(17)	3.54	(30)	1.64	(43)	3.68	(14)	2.63	(86)	6.61	(14)	-4.02	(54)	3.04	(32)
▲ FTSE WGBI ex US TR	1.31	(14)	-1.82	(52)	3.32	(41)	0.27	(84)	-0.26	(87)	10.33	(26)	1.81	(79)	-5.54	(74)	0.41	(85)

3 Year Style Map



- Templeton Global Bond
- ★ FTSE WGBI ex US TR
- BBgBarc US Aggregate TR

3 Year Risk/Return

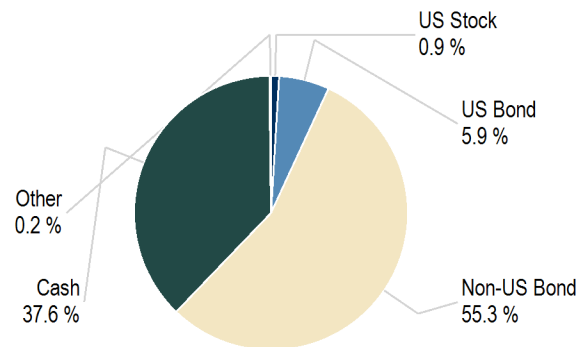


- Templeton Global Bond
- ◆ FTSE WGBI ex US TR
- 68% Confidence Interval
- World Bond MStar MF

Templeton Global Bond

As of December 31, 2018

Mutual Fund Allocation as of September 30, 2018



Fund Information as of September 30, 2018

Fund Name	TEMPLETON GLOBAL BOND ADV
Ticker	TGBAX
Morningstar Category	World Bond
Benchmark	FTSE WGBI ex US TR
Expense Ratio	0.71%
Fund Assets (\$mm)	19,747.01
Share Class Inception Date	1/2/1997
Manager Tenure	17

Top Holdings as of September 30, 2018

MEXICO (UNITED MEXICAN STATES) 8%	8.43%
MEXICO (UNITED MEXICAN STATES) 6.5%	4.33%
BRAZIL (FEDERATIVE REPUBLIC) 9.76%	3.31%
BRAZIL (FEDERATIVE REPUBLIC) 9.76%	2.68%
INDIA (REPUBLIC OF) 8.83%	2.20%
SECRETARIA TESOURO NACIONAL 0%	2.07%
INDONESIA (REPUBLIC OF) 8.38%	2.02%
REPUBLIC OF COLOMBIA 7.75%	1.76%
UNITED STATES TREASURY BILLS 0%	1.68%
SECRETARIA TESOURO NACIONAL 0%	1.54%

Fund Characteristics as of September 30, 2018

Sharpe Ratio (3 Year)	0.41
Average Duration	-1.34
Average Coupon	8.91%
Average Effective Maturity	2.91
Average Credit Quality	BBB (7.48)
R-Squared (3 Year)	0.03
Alpha (3 Year)	0.36%
Beta (3 Year)	-0.16

Fixed Income Sectors as of September 30, 2018

GOVERNMENT	60.53%
MUNICIPAL	0.00%
CORPORATE	0.89%
SECURITIZED	0.00%
CASH & EQUIVALENTS	38.59%
DERIVATIVE	0.00%

Credit Quality as of September 30, 2018

AAA	15.67%
AA	6.64%
A	18.42%
BBB	33.08%
BB	15.15%
B	8.58%
Below B	0.00%
Not Rated	2.45%

Maturities as of September 30, 2018

1 to 3 Years	41.65%
3 to 5 Years	15.93%
5 to 7 Years	14.94%
7 to 10 Years	8.97%
10 to 15 Years	5.45%
15 to 20 Years	0.94%
20 to 30 Years	2.04%
Greater than 30 Years	0.00%

Tortoise MLP

As of December 31, 2018

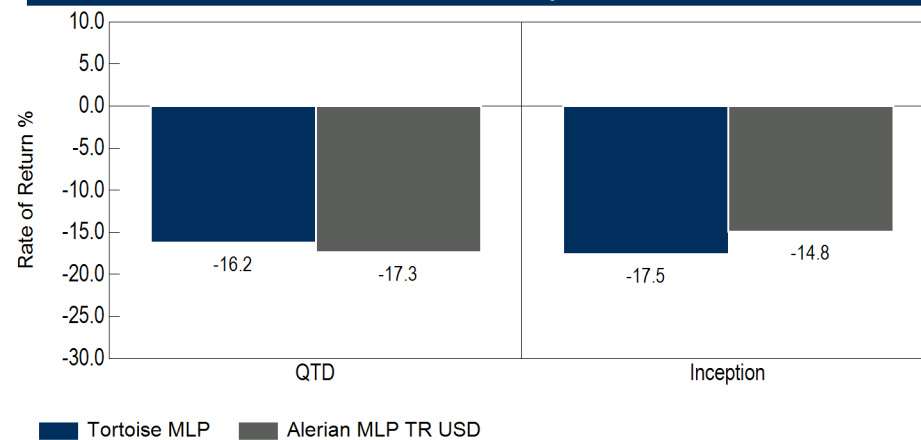
Account Information

Account Name	Tortoise MLP
Account Structure	Separate Account
Investment Style	Active
Inception Date	6/07/18
Account Type	MLP
Benchmark	Alerian MLP TR USD
Universe	eV Master Limited Partnership (MLP) Gross

Since Inception Risk/Return Statistics

	Tortoise MLP	Alerian MLP TR USD
RETURN SUMMARY STATISTICS		
Number of Periods	7	7
Maximum Return	5.12	6.58
Minimum Return	-8.76	-9.36
Annualized Return	-17.54	-13.22
Total Return	-17.54	-13.22
Annualized Excess Return Over Risk Free	-18.74	-14.42
Annualized Excess Return	-4.32	0.00

Return Summary



RISK SUMMARY STATISTICS

	Tortoise MLP	Alerian MLP TR USD
Beta	0.88	1.00
Upside Deviation	10.76	12.25
Downside Deviation	12.41	14.10

RISK/RETURN SUMMARY STATISTICS

	Tortoise MLP	Alerian MLP TR USD
Annualized Standard Deviation	17.13	18.88
Alpha	-0.96	0.00
Sharpe Ratio	-1.09	-0.76
Excess Return Over Market / Risk	-0.25	0.00
Tracking Error	4.72	0.00
Information Ratio	-0.92	--

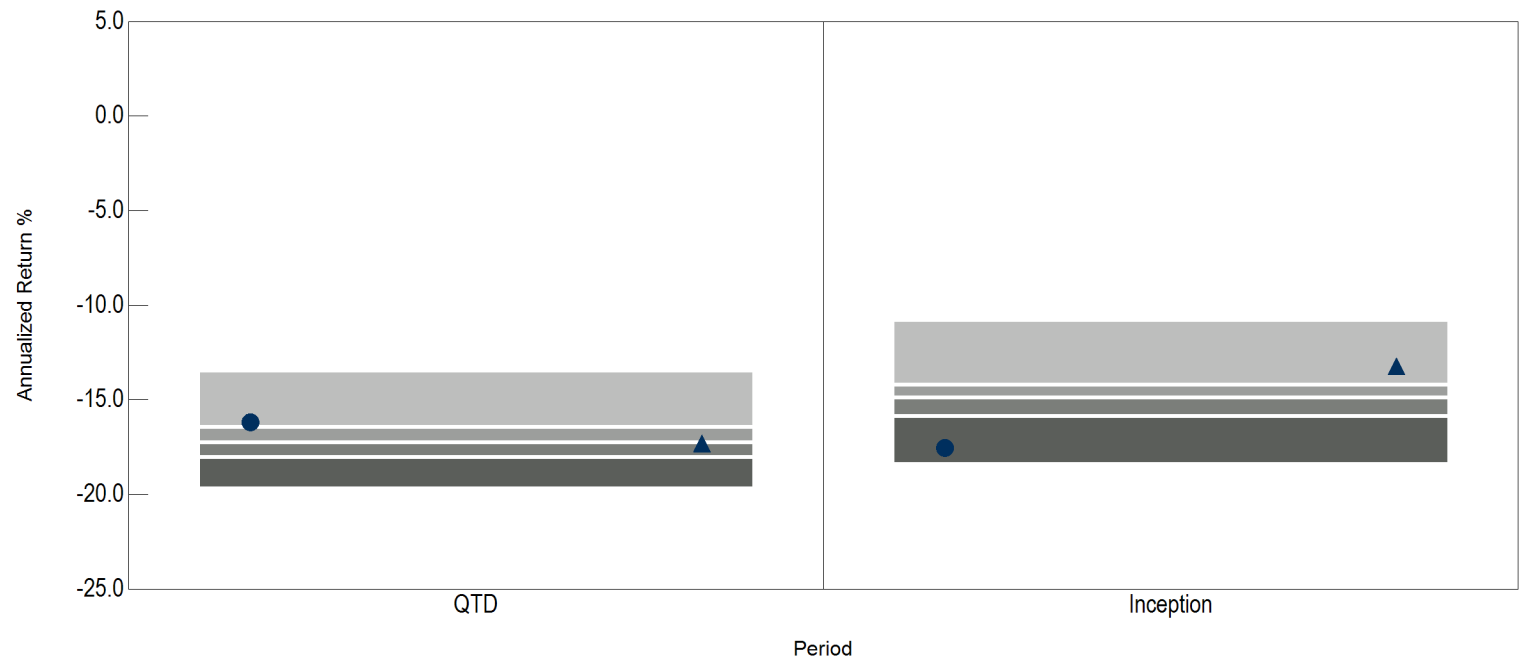
CORRELATION STATISTICS

	Tortoise MLP	Alerian MLP TR USD
R-Squared	0.94	1.00
Correlation	0.97	1.00

Summary Of Cash Flows

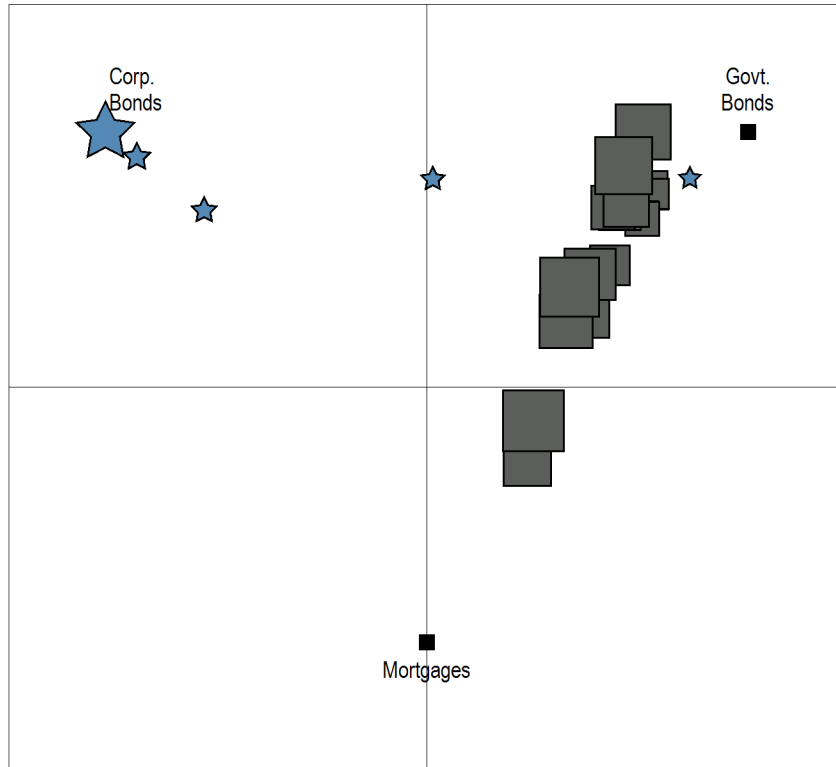
	Quarter-To-Date	Inception 6/7/18
Beginning Market Value	\$757,998	\$771,333
Contributions	\$37,000	\$37,221
Withdrawals	\$0	\$0
Fees	-\$672	-\$1,750
Net Cash Flow	\$37,000	\$37,221
Net Investment Change	-\$123,362	-\$136,918
Ending Market Value	\$671,636	\$671,636

Tortoise MLP vs. eV Master Limited Partnership (MLP) Gross



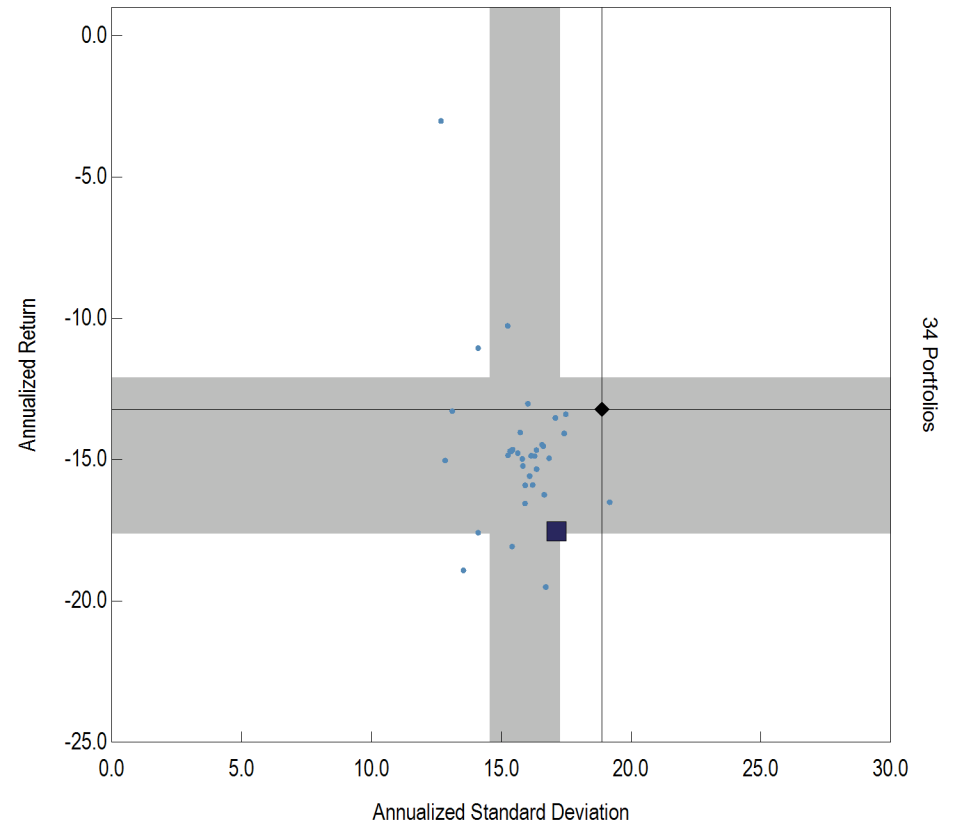
	Return (Rank)			
5th Percentile	-13.45		-10.78	
25th Percentile	-16.42		-14.17	
Median	-17.22		-14.86	
75th Percentile	-18.00		-15.82	
95th Percentile	-19.66		-18.37	
# of Portfolios	34		34	
● Tortoise MLP	-16.18	(22)	-17.54	(91)
▲ Alerian MLP TR USD	-17.30	(55)	-13.22	(12)

3 Year Style Map



● Tortoise MLP ■ BBgBarc US Aggregate TR ★ Alerian MLP TR USD

Since Inception Risk/Return



■ Tortoise MLP ◆ Alerian MLP TR USD ● eV Master Limited Partnership (MLP) Gross

■ 68% Confidence Interval

As of December 31, 2018

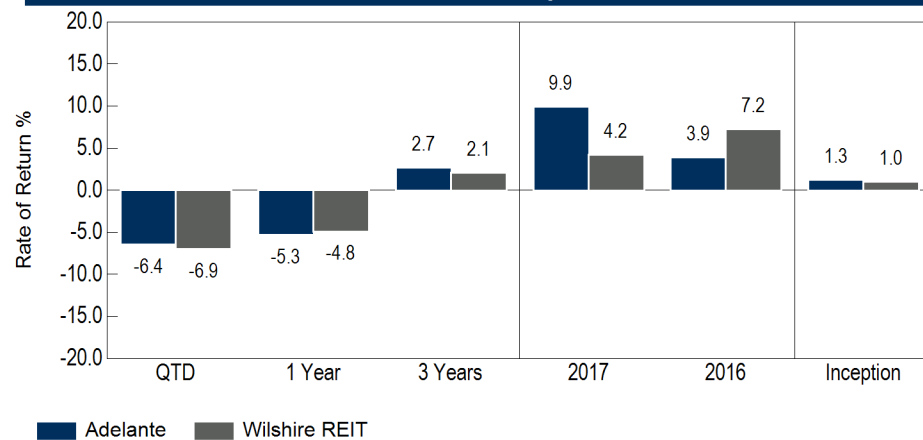
Account Information

Account Name	Adelante
Account Structure	Separate Account
Investment Style	Active
Inception Date	1/31/15
Account Type	Real Estate
Benchmark	Wilshire REIT
Universe	eV US REIT Gross

3 Year Risk/Return Statistics

	Adelante	Wilshire REIT
RETURN SUMMARY STATISTICS		
Number of Periods	36	36
Maximum Return	10.00	10.40
Minimum Return	-8.44	-8.37
Annualized Return	2.66	2.06
Total Return	8.20	6.32
Annualized Excess Return Over Risk Free	1.62	1.03
Annualized Excess Return	0.60	0.00

Return Summary



RISK SUMMARY STATISTICS

Beta	0.91	1.00
Upside Deviation	8.17	8.19
Downside Deviation	7.61	8.36

RISK/RETURN SUMMARY STATISTICS

Annualized Standard Deviation	12.61	13.67
Alpha	0.06	0.00
Sharpe Ratio	0.13	0.08
Excess Return Over Market / Risk	0.05	0.00
Tracking Error	2.39	0.00
Information Ratio	0.25	--

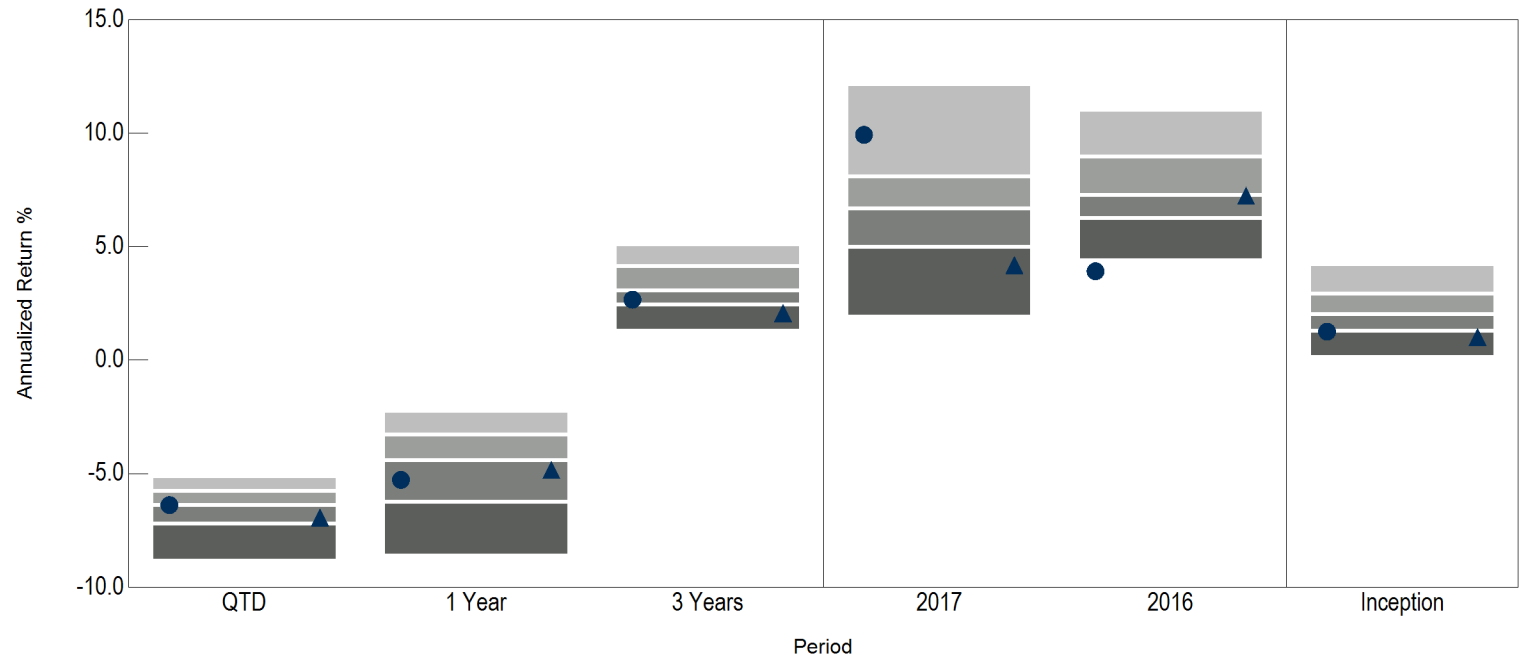
CORRELATION STATISTICS

R-Squared	0.97	1.00
Correlation	0.99	1.00

Summary Of Cash Flows

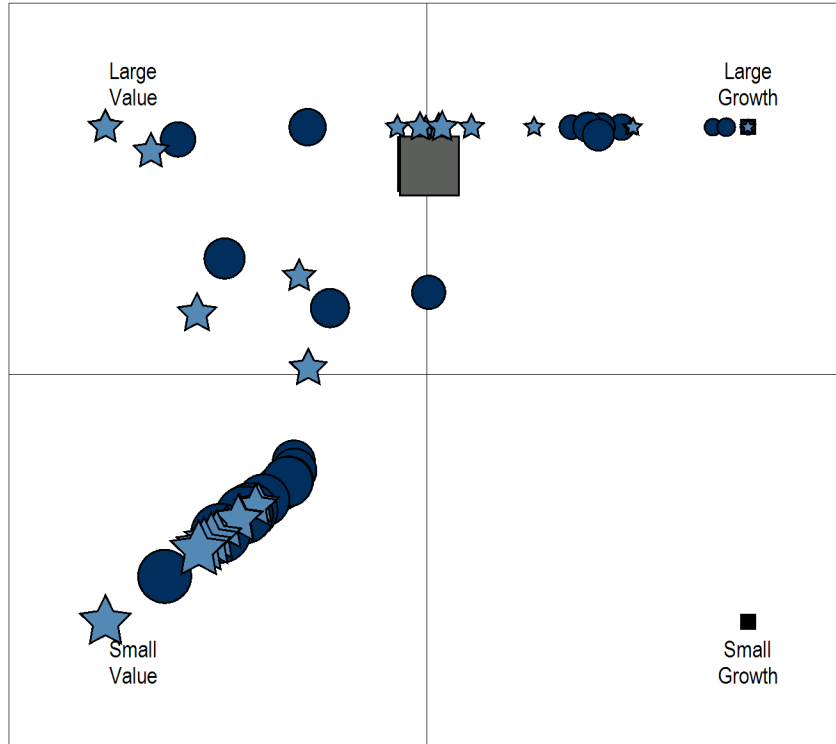
	Quarter-To-Date	One Year	Three Years	Inception 1/31/15
Beginning Market Value	\$940,785	\$935,674	\$833,221	\$868,000
Contributions	\$37,000	\$37,000	\$37,000	\$37,000
Withdrawals	\$0	\$0	\$0	-\$4,712
Fees	-\$2,020	-\$7,872	-\$22,782	-\$23,677
Net Cash Flow	\$37,000	\$37,000	\$37,000	\$32,288
Net Investment Change	-\$62,148	-\$57,037	\$45,416	\$15,349
Ending Market Value	\$915,637	\$915,637	\$915,637	\$915,637

Adelante vs. eV US REIT Gross



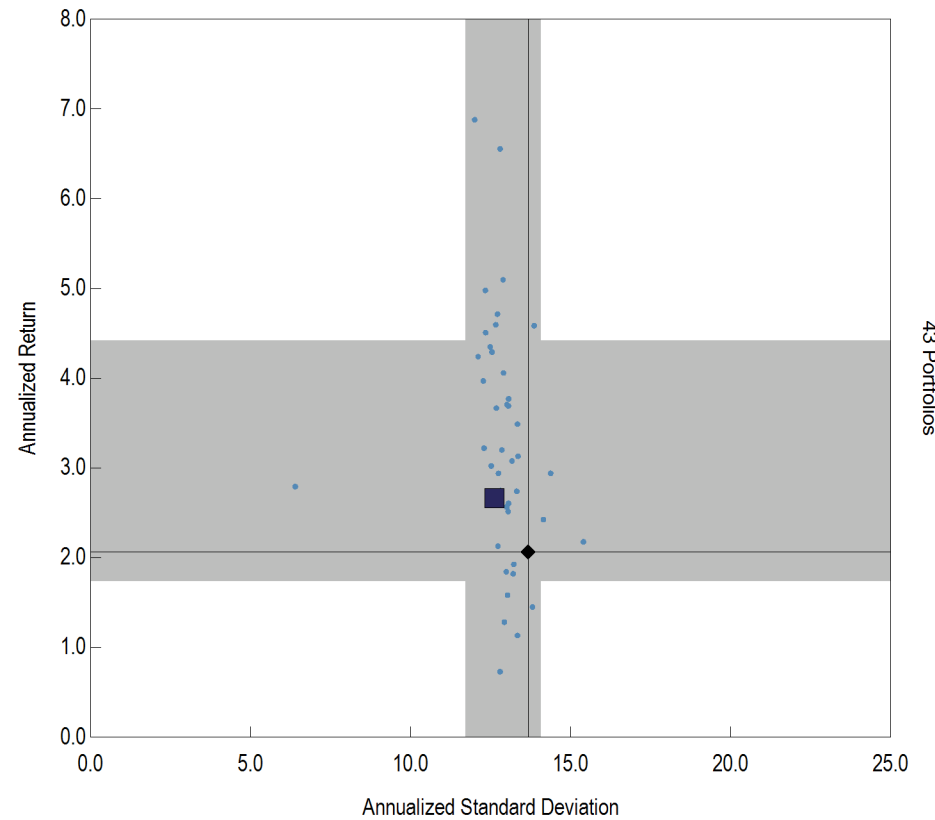
	Return (Rank)											
5th Percentile	-5.12	-2.24	5.08	12.14	11.00	4.22						
25th Percentile	-5.75	-3.26	4.15	8.11	8.99	2.95						
Median	-6.36	-4.38	3.08	6.70	7.27	2.03						
75th Percentile	-7.17	-6.23	2.47	4.99	6.28	1.32						
95th Percentile	-8.82	-8.59	1.30	1.94	4.42	0.14						
# of Portfolios	45	45	43	51	48	43						
● Adelante	-6.39	(53)	-5.28	(64)	2.66	(66)	9.92	(11)	3.91	(98)	1.25	(77)
▲ Wilshire REIT	-6.93	(64)	-4.84	(58)	2.06	(82)	4.18	(87)	7.24	(51)	1.01	(85)

3 Year Style Map



● Adelante ■ Dow Jones U.S. Total Stock Market ★ Wilshire REIT

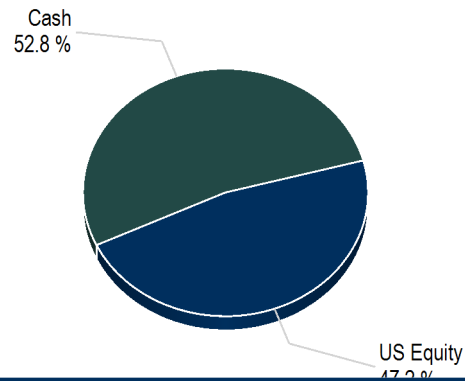
3 Year Risk/Return



■ Adelante ■ 68% Confidence Interval ● eV US REIT Gross
◆ Wilshire REIT

As of December 31, 2018

Current Allocation



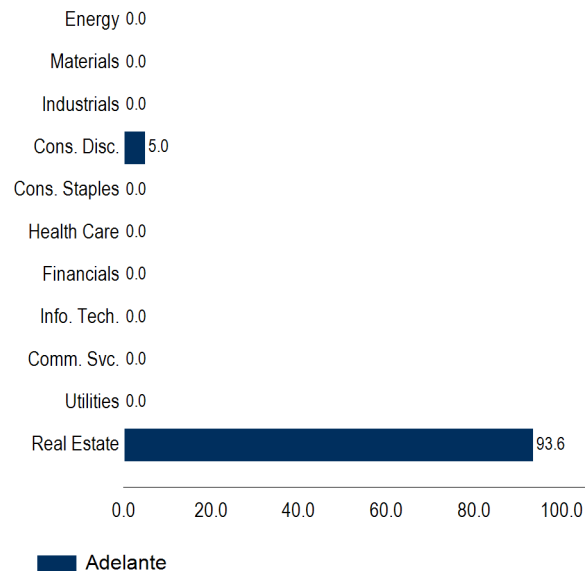
Characteristics

	Portfolio
Number of Holdings	34
Weighted Avg. Market Cap. (\$B)	23.15
Median Market Cap. (\$B)	21.29
Price To Earnings	19.35
Price To Book	9.13
Price To Sales	7.24
Return on Equity (%)	46.44
Yield (%)	0.91
Beta	
R-Squared	

Top Ten Holdings

SIMON PROPERTY GROUP INCORPORATED NEW REIT	9.49%
PROLOGIS INCORPORATED REIT	6.63%
EQUITY RESIDENTIAL SH BEN INT REIT	5.43%
CASH - USD	5.12%
EQUINIX INCORPORATED COM PAR 0.001 REIT	5.04%
ESSEX PROPERTY TR INCORPORATED REIT	4.20%
ALEXANDRIA REAL ESTATE EQ INCORPORATED REIT	4.07%
BOSTON PROPERTIES INCORPORATED REIT	4.04%
REGENCY CTRS CORPORATION REIT	3.72%
EXTRA SPACE STORAGE INCORPORATED REIT	3.55%
Total	51.29%

Sector Allocation (%)



Top Contributors

	Portfolio	
	Weight %	Return %
WELLTOWER	0.00%	9.28%
VENTAS	0.00%	9.20%
AMERICAN TOWER	0.00%	9.45%
EXTRA SPACE STRG.	0.00%	5.35%
NATIONAL RETAIL PROPS.	0.00%	9.37%
CUBESMART	0.00%	1.68%
PUBLIC STORAGE	0.00%	1.34%
SUN COMMUNITIES	0.00%	0.87%
EQUITY RESD.TST.PROPS. SHBI	0.00%	0.44%
FOUR CORNERS PR.TST.	0.00%	1.99%

Bottom Contributors

	Portfolio	
	Weight %	Return %
PROLOGIS	0.00%	-12.70%
EQUINIX REIT	0.00%	-18.07%
CORPORATE OFFICE PROPS. TST.	0.00%	-28.58%
VORNADO REALTY TRUST	0.00%	-14.23%
PEBBLEBROOK HOTEL TRUST	0.00%	-21.24%
KILROY REALTY	0.00%	-11.64%
HIGHWOODS PROPERTIES	0.00%	-17.28%
MARRIOTT INTL.'A'	2.03%	-17.48%
SIMON PROPERTY GROUP	0.00%	-3.91%
ALEXANDRIA RLST.EQTIES.	0.00%	-7.61%

IMPORTANT DISCLOSURES

This information is provided for your convenience, but should not be used as a substitute for your account's monthly statements and trade confirmations. Material is provided for informational purposes only and does not constitute a recommendation. It has been gathered in a manner which we believe to be reliable, but accuracy is not guaranteed. It is not intended as tax advice. Past performance does not guarantee future results.

Diversification and strategic asset allocation does not ensure a profit or protect against a loss. No investment strategy can guarantee success. Investments are subject to market risk, including possible loss of principal.

Investing in small and mid-cap stocks are riskier investments which include price volatility, less liquidity and the threat of competition. International investing involves additional risks such as currency fluctuations, differing financial accounting standards and possible political and economic instability. These risks are greater in emerging markets. Alternative investment strategies involve greater risks and are only appropriate for the most sophisticated, knowledgeable and wealthiest of investors. Managed futures involve specific risks that maybe greater than those associated with traditional investments and may be offered only to clients who meet specific suitability requirements, including minimum net worth tests. ou should consider the special risks with alternative investments including limited liquidity, tax considerations, incentive fee structures, potentially speculative investment strategies, and different regulatory and reporting requirements. Commodities are generally considered speculative because of the significant potential for investment loss. REITs are financial vehicles that pool investors' capital to purchase or finance real estate. REITs involve risks such as refinancing, economic conditions in the real estate industry, changes in property values and dependency on real estate management.

Alternative investments such as Hedge Funds involve substantial risks that may be greater than those associated with traditional investments and are not suitable for all investors. They may be offered only to clients who meet specific suitability requirements, including minimum-net-worth tests. These risks include, but are not limited to, limited liquidity, tax considerations, incentive fee structures, potentially speculative investment strategies, and different regulatory and reporting requirements. Investors should only invest in hedge funds if they do not require a liquid investment and can bear the risk of substantial losses. There is no assurance that any investment will meet its investment objectives or that substantial losses will be avoided. Investors should carefully review any offering materials or prospectuses prior to investing. A Non marketable security is typically a debt security, that is difficult to buy or sell due to the fact that they are not traded on any normal, major secondary market exchanges. Such securities, if traded in any secondary market, are usually only bought and sold through private transactions or in an over-the-counter (OTC) market. For the holder of a non-marketable security, finding a buyer can be difficult, and some non-marketable securities cannot be resold at all because government regulations prohibit any resale.

Performance: Performance results are annualized for time periods greater than one year and include all cash and cash equivalents, realized and unrealized capital gains and losses, and dividends, interest and income. The investment results depicted herein represent historical performance. As a result of recent market activity, current performance may vary from the figures shown. Please contact your Financial Advisor for up to date performance information.

Indices: Raymond James reserve the right to change the indices at any time. Benchmark indices and blends included in this material are for informational purposes only, are provided solely as a comparison tool and may not reflect the underlying composition and/or investment objective(s) associated with the account(s). In some circumstances, the benchmark index may not be an appropriate benchmark for use with the specific composite portfolio. For instance, an index may not take into consideration certain changes that may have occurred in the portfolio since the inception of the account(s), (e.g., changes from a brokerage to an advisory account or from one advisory program to another, asset class changes, or index changes for individual managers). The volatility of the index used for comparison may be materially different from that of the performance shown. Indices are unmanaged and not available for direct investment. Index returns do not take into account fees or other charges. Such fees and charges would reduce performance. Please see the Benchmark Definitions section of this material for additional information on the indices used for comparison.

Performance Inception Month End: Performance Inception Month End refers to performance calculated from the end of the month in which the accounts became eligible for performance. Calculating performance from the Performance Inception Month End allows for a comparison to be made to appropriate benchmarks. Performance Inception Month End does not necessarily correspond to the account opening date.

Realized/Unrealized Gain/Loss: The gain and loss information is provided for informational purposes only, may not be complete, is not a substitute 1099 form (or any other appropriate tax form), and should not be used for tax planning or preparation. Gain and loss values are estimates and should be independently verified. We are not responsible for any gain and loss information provided by you or another financial institution. ou are responsible for ensuring the accuracy of such information.

Projected 12 Month Income: Projected Next 12 Months income includes cash income such as interest and cash dividends, based on current yields and may include income from Raymond James & Associates, Inc. and externally held accounts where data is available. These are projections based on historical data and the actual income may be lower or higher than the projections. Raymond James & Associates, Inc. member New York Stock Exchange/SIPC. Investment advisory services offered through Raymond James & Associates.

Investors should consider the investment objectives, risks, charges and expenses of an investment company carefully before investing. The prospectus contains this and other information and should be read carefully before investing. The prospectus is available from your investment professional.

Index Descriptions

It is not possible to invest directly in an index.

31 Day T-Bills – The average discount rate at which the US government is issuing short term-debt.

Barclays Municipal Bond: 1-10 Year Blend - A component of the Barclays Capital Municipal Bond Index with municipal bonds in the 1-10 year blend (1-12) maturity range.

Barclays 1-5 Government/Credit - Barclays 1-5 Year Government/Credit Index: Includes all medium and larger issues of U.S. government, investment-grade corporate, and investment-grade international dollar-denominated bonds that have maturities of between 1 and 5 years and are publicly issued.

Barclays 1-5 Year Government - An inclusion of securities within the Barclays Government Index that have a maturity range from 1 up to (but not including) 5 years.

Barclays 1-5 yr Treasury - The 1-5 year component of the Barclays Capital U.S. Treasury Index with securities in the maturity range from 1 year (but not including) 5 years.

Barclays Credit 1-3 Year - Barclays 1-5 Year Credit Index: Includes all medium and larger issues of U.S. government, investment-grade corporate, and investment-grade international dollar denominated bonds that have maturities of between 1 and 3 years and are publicly issued.

Barclays U.S. Government/Credit (BCGC) - The Government/Credit component of the U.S. Aggregate. The government portion includes treasuries (public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (publicly issued debt of the U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The credit portion includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. Must be a publicly issued, dollar-denominated and non-convertible, U.S. Government or Investment Grade Credit security. Must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following rating agencies: Moody's, S&P, Fitch; regardless of call features, have at least one year to final maturity, and have an outstanding par value amount of at least \$250 million.

Barclays Intermediate U.S. Government/Credit (BCIGC) - The intermediate component of the Barclays Capital Government/Credit Index with securities in the maturity range from 1 up to (but not including) 10 years.

Barclays Global Aggregate - The index is designed to be a broad based measure of the global investment-grade, fixed rate, fixed income corporate markets. The major components of this index are the US Aggregate, Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-denominated corporate bonds, Canadian government, agency and corporate securities.

Barclays Global Aggregate Intermediate - The intermediate component of the Barclays Global Aggregate index with securities in the maturity range from 1 up to (but not including) 10 years.

Barclays U.S. Government: Intermediate - The intermediate component of the Barclays Capital U.S. Government Index with securities in the maturity range from 1 up to (but not including) 10 years.

Barclays U.S. Government: Long - The long component of the Barclays Capital U.S. Government Index with securities in the maturity range from 10 years or more.

Barclays LT Muni - A component of the Barclays Capital Municipal Bond Index with municipal bonds with a maturity range greater than 20 years.

Barclays Municipal Bond Index - A rules-based, market-value weighted index that is engineered for the long-term tax-exempt bond market. Bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following rating agencies: Moody's, S&P, Fitch. The bonds must be fixed rate, have a dated-date after December 31, 1990, have an outstanding par value of at least \$7million, and be issued as part of a transaction of at least \$75 million. The four main sectors of the index are: general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and prefunded bonds. Remarketed issues, taxable municipal bonds, floating rate bonds, and derivatives, are excluded from the benchmark.

Barclays U.S. Treasury - A component of the U.S. Government Index. Must be publicly issued, dollar-denominated and non-convertible, fixed rate (although it may carry a coupon that steps up or changes according to a predetermined schedule) U.S. Treasury security. Must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following rating agencies: Moody's, S&P, Fitch; regardless of call features, have at least one year to final maturity, and have an outstanding par value amount of at least \$250 million.

Barclays U.S. Treasury: Intermediate (BCIT) - The intermediate component of the Barclays Capital U.S. Treasury Index with securities in the maturity range from 1 year (but not including) 10 years.

Barclays U.S. Treasury: Long - The long component of the Barclays Capital U.S. Treasury Index with securities in the maturity range from 10 years or more.

Barclays U.S. Treasury: U.S. TIPS - Comprised of Inflation-Protection securities issued by the U.S. Treasury. Must be a fixed rate, publicly issued U.S. Treasury Inflation Note that is dollar-denominated and non-convertible. Must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following rating agencies: Moody's, S&P, Fitch; have at least one year to final maturity, and have an outstanding par value amount of at least \$250 million.

Barclays High Yield Composite BB - A component of the Barclays U.S. Corporate High Yield Bond Index with bonds in the BB or better.

Citigroup 1-3 Year U.S. Treasury - Component of the Citigroup U.S. Treasury that measures total returns for U.S. Treasuries with a maturity between 1-3 years.

Citigroup 3 Month U.S. Treasury Bill - This index measures monthly return equivalents of yield averages that are not marked to market. The Three-Month Treasury Bill Indices consist of the last three three-month Treasury bill issues.

Citigroup World Government Bond - Citigroup World Government Bond Index (WGBI), includes the most significant and liquid government bond markets globally that carry at least an investment grade rating.

Citigroup World Government Bond ex US – Similar to the Citigroup World Government Bond Index (WGBI), includes the most significant and liquid government bond markets globally that carry at least an investment grade rating but excludes bonds from the United States.

Consumer Price Index - All Urban Consumers (CPI-U) - As an economic indicator, and as the most widely used measure of inflation, the Consumer Price Index (CPI) is an indicator of the effectiveness of government policy, and as a guide in making economic decisions for business executives, labor leaders, and other private citizens. Published on a monthly basis by the U.S. Bureau of Labor Statistics (BLS), the CPI is a measure of the average change in prices over time of goods and services purchased by households. CPI for All Urban Consumers (CPI-U) encompasses approximately 87 percent of the total U.S. population which includes, in addition to wage earner and clerical worker households, groups such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force.

Dow Jones UBS Commodity - Provides a diversified representation of commodity markets as an asset class. The index is comprised of exchange-traded futures on physical commodities; representing 19 commodities which are weighted for economic significance and market liquidity. To promote diversification, weighting restrictions are placed on individual commodities and commodity groups.

FTSE NAREIT U.S. Real Estate - All REITs - The index is designed to represent a comprehensive performance of publicly traded REITs which covers the commercial real estate space across the US economy, offering exposure to all investment and property sectors. It is not free float adjusted, and constituents are not required to meet minimum size and liquidity criteria.

HFRI Equity Hedge Fund Index - The index is designed to represent strategies which maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. Equity Hedge managers would typically maintain at least 50% exposure to, and may in some cases be entirely invested in, equities - both long and short.

HFRI (Hedge Fund Research, Inc.) Fund of Funds Composite Index (1) - The index only contains fund of funds, which invest with multiple managers through funds or managed accounts. It is an equalweighted index, which includes over 650 domestic and offshore funds that have at least \$50 Million under management or have been actively trading for at least 12 months. All funds report assets in US Dollar, and Net of All Fees returns which are on a monthly basis.

MSCI ACWI - A free float-adjusted market capitalization index that is designed to measure the equity market performance of both developed and emerging markets. This "All Country World Index" reflects performance across the Americas, Europe & the Middle East, Africa, Asia, and the Pacific.

MSCI EAFE - A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. As of December 31, 2010 the MSCI EAFE Index consists of 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI EAFE Value -Net Dividend - A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. Value attribute for index construction is defined using: book value to price ratio, 12-months forward earnings to price ratio, and dividend yield. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

MSCI EAFE Growth -Net Dividend - A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. Growth attribute for index construction is defined using: long-term forward earnings per share (EPS) growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend, long-term historical sales per share growth trend. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

MSCI Emerging Markets - A free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of December 31, 2010, the MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

MSCI World - A free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. As of December 31, 2010, the MSCI World Index consists of the following 24 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

NCREIF - The index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. Information on this index is available at ncreif.com.

Russell 1000 - Based on a combination of their market cap and current index membership, this index is comprised of approximately 1,000 of the largest securities from the Russell 3000. Representing approximately 92% of the Russell 3000, the index is created to provide a full and unbiased indicator of the large cap segment.

Russell 1000 Growth - Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value - Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

Russell 2000 - Based on a combination of their market cap and current index membership, this index is comprised of approximately 2,000 of the smaller securities from the Russell 3000. Representing approximately 8% of the Russell 3000, the index is created to provide a full and unbiased indicator of the small cap segment.

Russell 2000 Growth - Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Value - Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower expected growth values.

Russell 2500 - Based on a combination of their market cap and current index membership, this index is comprised of approximately 2,500 of the smallest securities from the Russell 3000. Measures the performance of the small to mid-cap (smid) segment of the U.S. equity universe.

Russell 2500 Growth - Measures the performance of those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2500 Value - Measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower expected growth values.

Russell 3000 - Representing approximately 98% of the investable U.S. equity market, the Russell 3000 index measures the performance of the largest 3,000 U.S. companies.

Russell 3000 Growth - Measures the performance of the broad growth segment of the U.S. equity universe which includes Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 3000 Value - Measures the performance of the broad growth segment of the U.S. equity universe which includes Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap - A subset of the Russell 1000 index, the Russell Midcap index measures the performance of the mid-cap segment of the U.S. equity universe. Based on a combination of their market cap and current index membership, includes approximately 800 of the smallest securities which represents approximately 27% of the total market capitalization of the Russell 1000 companies. The index is created to provide a full and unbiased indicator of the mid-cap segment.

Russell Midcap Growth - Measures the performance of those Russell Mid-cap companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap Value - Measures the performance of those Russell Mid-cap companies with lower price-to-book ratios and lower expected growth values.

Standard & Poor's 400 MidCap - Comprised of 400 domestic stocks that are chosen based upon market capitalization, liquidity and industry representation. The medium size US firms range with a market capitalization between \$2 billion to \$10 billion, and are between the S&P 500 Index and the S&P Smallcap 600 Index. It is a market-weighted index, which represents approximately 7% of the aggregate market value of US companies.

Standard & Poor's 500 - Representing approximately 75% of the investable US equity market, the S&P 500 measures changes in stock market conditions based on the average performance of 500 widely held common stocks. It is a market-weighted index calculated on a total return basis with dividend reinvested.

Stark 300 Trader - The Stark 300 index tracks the performance of the top-300 futures and forex traders. The index is calculated monthly using an equity-weighted formula to determine performance.

Index Abbreviations

Bloomberg Barclays – Abbreviated as BbgBarc and then a descriptor. For example BbgBarc US Aggregate TR is the Bloomberg Barclays United States Aggregate Total Return.

Statistics and General Definitions

Alpha – Measures how well a portfolio performed versus its benchmark after factoring in the amount of risk (as measured by beta) taken. Technically, alpha is the difference between the excess return of a portfolio and the excess return of the benchmark multiplied by beta. Excess return is simply the actual return minus the return of the risk-free asset, U.S. Treasury Bill. A positive alpha indicates the portfolio has performed better than the benchmark on a risk-adjusted basis.

Allocation Effect – Attributable to the asset allocation of the portfolio.

Annual Standard Deviation – A measure of variability in returns. The annual standard deviation measures the dispersion of annual returns around the average annualized return.

Annualized Return – A statistical technique whereby returns covering periods greater than one year are converted to cover a one year period.

Attribution – Analytical technique used to evaluate the performance of the portfolio relative to a benchmark. Attribution shows where value was added or subtracted as a result of the investment manager's decisions. The four main attribution effects are: Selection or Manager Effect, Allocation Effect, Currency Effect, and Interaction Effect.

Beta – A coefficient measuring a portfolio's relative volatility with respect to its market. Technically, beta is the covariance of a portfolio's return with the benchmark portfolio's return divided by the variance of the benchmark portfolio's return. Thus, a portfolio with a beta greater than 1.00, indicates the portfolio experienced greater volatility than the benchmark, whereas a portfolio with a beta less than 1.00, indicates the portfolio experienced less volatility than the benchmark.

Commitments – Also called Committed Capital. The amount an investor has agreed to contribute towards the funding of a venture capital fund. May be paid at one time or over a longer period.

Consumer Price Index – Measures the change in consumer prices, as determined by a monthly survey of the U.S. Bureau of Labor Statistics. CPI components include housing costs, food, transportation and electricity.

Correlation – Measures the strength of association between two variables. The value ranges between -1 and +1. The strongest linear relationship is indicated by a correlation of -1 or +1. The weakest linear relationship is indicated by a correlation of 0. Positive correlation means if one variable gets bigger, the other variable tends to get bigger. Negative correlation means that if one variable gets bigger, the other variable tends to get smaller.

Currency Effect – The effect that changes in currency exchange rates over time affect excess performance

Downside Capture Ratio – Measures investment manager's performance in down markets relative to a particular benchmark. A down-market is defined as those periods (months or quarters) in which market return is less than 0%.

Duration – A measure of the price sensitivity of a bond or bond portfolio to a change in interest rates.

Information Ratio – Describes the risk / reward trade-off of alpha and tracking error. Because the formula for calculating information ratio is Alpha divided by Tracking Error, the larger the information ratio, the more attractive the portfolio is from an overall risk return profile.

Interaction Effect – The portion that is not accounted for by the Selection/Manager Effect or Allocation effects.

R2 – Also called the coefficient of determination. On the detail page, R2 measures how much of the variation in the investment manager's returns can be explained by movements in the market (benchmark).

Sharpe Ratio – A risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe ratio, the better the manager's historical risk-adjusted performance.

Selection or Manager Effect – attributable to the investment manager's stock selection decisions

Tracking Error – A measure that describes the volatility of the expected excess return (alpha) achieved through active management. Since excess return can only be achieved through a portfolio that actively differs from the benchmark, the level of tracking error is indicative of how different the portfolio will perform relative to any given benchmark.

Upside Capture Ratio – Measures investment manager's performance in up markets relative to a particular benchmark. An up-market is defined as those periods (months or quarters) in which market return is greater than 0%.



Ngermeskang Bird Sanctuary– Micronesian Pigeon (Belochel)©Ngermeskang Staff

Appendices A2 Audit Report

PROTECTED AREAS NETWORK FUND
(A COMPONENT UNIT OF THE REPUBLIC OF PALAU)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

INDEPENDENT AUDITORS' REPORT

Board of Directors
Protected Areas Network Fund:

Report on the Financial Statements

We have audited the accompanying financial statements of the Protected Areas Network Fund (PAN Fund), a component unit of the Republic of Palau, which comprise the statements of net position as of September 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Protected Areas Network Fund as of September 30, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise PAN Fund's basic financial statements. The Schedule of Investments as of September 30, 2018 (pages 20 through 23) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Investments is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Investments is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2019 on our consideration of PAN Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PAN Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PAN Fund's internal control over financial reporting and compliance.

Deloitte & Touche LLC

March 7, 2019



Protected Areas Network Fund

Tommy E. Remengesau Jr. Building
P.O. Box 6094, Koror, Palau 96940
Phone: (680) 488-FUND (3863) | Direct: (680) 488-1313
Fax: (680) 488-1314 | Website: www.palaupanfund.org

Management's Discussion and Analysis Year Ended September 30, 2018

This report presents a management's discussion and analysis of the Protected Areas Network Fund's (PAN Fund) financial performance during the fiscal year ended September 30, 2018, with selected comparative information for the fiscal years ended September 30, 2017 and 2016.

ORGANIZATION AND PURPOSE

Republic of Palau Public Law (RPPL) 6-39 (the PAN Act) established a national system of support from the National Government of Palau to the States for its conservation programs to preserve, conserve and manage its natural resources and ecological biodiversity. RPPL 7-42 was then enacted creating PAN Fund, which is a national financial mechanism for the Protected Areas Network (PAN). PAN Fund is a registered non-profit corporation governed by a nine-member Board of Directors appointed by the initial four-member incorporators; namely The Nature Conservancy (TNC), Conservation International (CI), the Ministry of Natural Resources, Environment and Tourism (MNRET) and the Ministry of Finance (MOF) with advice and consent of the Senate of the Olbiil Era Kelulau (OEK-Palau National Congress). The Board of Directors' major responsibilities include governance, fiduciary and grant-making.

The mission of PAN Fund is to "efficiently and equitably provide funding to the Protected Areas Network, and its associated activities, through strategic actions and medium to long-term financial support that will advance effective management and conservation of Palau's natural and cultural resources." The types of funds administered, managed and invested by PAN Fund as the financial trustee corporation to the PAN include the environmental protection fee, donations, grants and income and other property derived from or attributable to the investment. The "green fee" or environmental impact fee allocation and distribution to the PAN Member States are prioritized based on annual work plans as per management plans to effectively implement each respective conservation program. The "green fee" is disbursed quarterly and is subject to verification of activities and program implementation.

OVERVIEW OF FINANCIAL STATEMENTS

Statements of Net Position:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current assets	\$ 3,920,576	\$ 3,880,195	\$ 3,032,023
Capital assets	<u>7,733</u>	<u>9,081</u>	<u>12,590</u>
Total assets	<u>3,928,309</u>	<u>3,889,276</u>	<u>3,044,613</u>
Current liabilities	<u>337,771</u>	<u>369,748</u>	<u>104,425</u>
Net position:			
Net investment in capital assets	7,733	9,081	12,590
Restricted	<u>3,582,805</u>	<u>3,510,447</u>	<u>2,927,598</u>
Total net position	<u>\$ 3,590,538</u>	<u>\$ 3,519,528</u>	<u>\$ 2,940,188</u>

OVERVIEW OF FINANCIAL STATEMENTS, CONTINUED

Statements of Revenues, Expenses and Changes in Net Position:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues	\$ -	\$ -	\$ -
Operating expenses	<u>2,250,524</u>	<u>1,824,231</u>	<u>1,837,479</u>
Operating loss	(2,250,524)	(1,824,231)	(1,837,479)
Nonoperating revenues	<u>2,321,534</u>	<u>2,403,571</u>	<u>2,011,276</u>
Change in net position	71,010	579,340	173,797
Net position at beginning of year	<u>3,519,528</u>	<u>2,940,188</u>	<u>2,766,391</u>
Net position at end of year	\$ <u>3,590,538</u>	\$ <u>3,519,528</u>	\$ <u>2,940,188</u>

Statements of Cash Flows:

Cash flows from operating activities	\$ (2,173,718)	\$ (1,703,024)	\$ (2,047,906)
Cash flows from investing activities	(714,547)	435,362	-
Cash flows from noncapital financing activities	<u>1,789,777</u>	<u>1,980,912</u>	<u>2,011,276</u>
Net (decrease) increase in cash	(1,098,488)	713,250	(36,630)
Cash at beginning of year	<u>3,741,519</u>	<u>3,028,269</u>	<u>3,064,899</u>
Cash at end of year	\$ <u>2,643,031</u>	\$ <u>3,741,519</u>	\$ <u>3,028,269</u>

FINANCIAL HIGHLIGHTS

PAN Fund's capital assets decreased by 15% from \$9,081 in fiscal year 2017 to \$7,733 in fiscal year 2018 and by 28% from \$12,590 in fiscal year 2016 to \$9,081 in fiscal year 2017. See note 3 to the financial statements for more detailed information on PAN Fund's capital assets and changes therein.

PAN Fund's total net position increased by 2% from \$3,519,528 in fiscal year 2017 to \$3,590,538 in fiscal year 2018 and by 20% from \$2,940,188 in fiscal year 2016 to \$3,519,528 in fiscal year 2017. The increase is attributed to a slight increase in investment earnings from the Micronesia Conservation Trust Endowment Fund.

Total liabilities decreased by 9% from \$369,748 in fiscal year in 2017 to \$337,771 in fiscal year 2018 and increased by 254% from \$104,425 in fiscal year 2016 to \$369,748 in fiscal year 2017. Accounts payable to PAN Member States represents the bulk of the liabilities.

Total operating expenses increased by 23% from \$1,824,231 in fiscal year 2017 to \$2,250,524 in fiscal year 2018 and decreased by 1% from \$1,837,479 in fiscal year 2016 to \$1,824,231 in fiscal year 2017. The increase in operating expenses for fiscal year 2018 was attributed to increases in expenditures for PAN site/states, grant programs and salaries and wages. It should be noted that the budgeting process adopted by PAN Fund uses prior year collection of green fees to fund current year operations, with the exception of grants.

Net cash at the end of the year decreased by 29% from \$3,741,519 in fiscal year 2017 to \$2,643,031 in fiscal year 2018 and increased by 24% from \$3,028,269 in fiscal year 2016 to \$3,741,519 in fiscal year 2017.

ECONOMIC OUTLOOK

PAN Fund is aware that going forward there are several factors that need to be monitored and managed appropriately. Managing these challenges while taking advantage of opportunities will be key to financing management and at the same time ensure long-term sustainable financing for the PAN.

ECONOMIC OUTLOOK, CONTINUED

The tourism industry will always fluctuate and will continue to experience sharp decreases or increases to monthly revenues, resulting from termination of old airline flights and introduction of new airline flights. It will be necessary to review visitor arrivals and adjust projections accordingly. The implementation of the Pristine Paradise Environmental Fee (PPEF) changed the collection process for green fees which could potentially lead to high levels of receivables. Receivables should be managed accordingly to prevent a reduction in the required annual funding for the PAN. The current policy and any proposed policy on allocation of the green fee should be reviewed and monitored consistently. The current policy places a cap of \$15 for every \$30 green fee and a cap of \$2 million on the total green fee that PAN Fund is eligible to receive from the National Government each fiscal year. While we understand the need, these caps on funding will continue to restrict PAN Fund's ability to finance the PAN at a sufficient level of management. The caps also represent a lost opportunity for PAN Fund to further expand its investment programs as it reduces capital contributions for investments.

As with challenges, there are opportunities that PAN Fund hopes to capitalize on to reinforce the overall financing for PAN. The prospect of working with PAN Member States in establishing not only site-based revenue-generating systems, but development of investment partnership programs is highly positive. While there is significant progress in the number of sites now generating revenue, PAN Fund is now in the process of developing and implementing its investment partnership program. This program is aimed at supporting interested PAN Member States to invest their funds with PAN Fund's unrestricted reserve funds, through a pooled investment scheme. Through this program, PAN Member States can establish their own program endowment fund while realizing opportunities for economies of scale, technical support and expertise.

The prospect of partnership to achieve a common goal will remain a priority for PAN Fund. We believe that a more organized financing of conservation activities in Palau will be necessary in order to realize savings that can be reallocated to other key program activities or initiatives. Going forward, it will also be necessary for PAN Fund to work very closely with all conservation partners to enhance this process. Included in this strategy is the need for PAN Fund to explore and implement a consolidated approach to purchasing that will work toward consolidating major purchases for the PAN (i.e., asset purchase, employee benefits, etc.). Through this process, costs can be controlled and good partnerships can be developed.

CONCLUDING SUMMARY

The Management's Discussion and Analysis for the year ended September 30, 2017 is set forth in PAN Fund's report on the audit of financial statements, which is dated February 16, 2018. That Discussion and Analysis explains the major factors impacting the 2017 financial statements and can be viewed at the Office of the Public Auditor's website at www.palauopa.org.

CONTACTING PAN FUND'S FINANCIAL MANAGEMENT

This report is designed to provide a general overview of PAN Fund's finances and to demonstrate PAN Fund's accountability for the money it receives and manages for PAN and the opportunities and challenges faced in achieving sustainable financing for the Palau Protected Areas Network. If you have questions about this report, or need additional information, please send inquiries via the Protected Areas Network Fund, P.O. Box 6094, Koror, Republic of Palau 96940, or contact the following: Phone: (680) 488-FUND (3863) | Fax: (680) 488-1314 | Email: info@palaupanfund.org.

PROTECTED AREAS NETWORK FUND

Statements of Net Position
September 30, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash	\$ 2,643,031	\$ 3,741,519
Investments:		
Corporate stock	724,428	-
Money market funds	259,951	-
U.S. Government obligations	132,105	-
Corporate bonds	97,568	-
Total investments	<u>1,214,052</u>	<u>-</u>
Due from Republic of Palau	<u>59,535</u>	<u>135,058</u>
Prepaid expenses	<u>3,958</u>	<u>3,618</u>
Total current assets	<u>3,920,576</u>	<u>3,880,195</u>
Capital assets, net	<u>7,733</u>	<u>9,081</u>
	<u>\$ 3,928,309</u>	<u>\$ 3,889,276</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 209,552	\$ 115,328
Accrued expenses	11,958	8,909
Due to Micronesia Conservation Trust	76,275	97,750
Unearned revenue	39,986	147,761
Total liabilities	<u>337,771</u>	<u>369,748</u>
Commitment		
Net position:		
Net investment in capital assets	7,733	9,081
Restricted	<u>3,582,805</u>	<u>3,510,447</u>
Total net position	<u>3,590,538</u>	<u>3,519,528</u>
	<u>\$ 3,928,309</u>	<u>\$ 3,889,276</u>

See accompanying notes to financial statements.

PROTECTED AREAS NETWORK FUND

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues	\$ -	\$ -
Operating expenses:		
PAN site/states	1,399,991	1,182,068
Grants	270,775	239
PAN Institutional System	195,500	200,000
Salaries and wages	112,968	96,615
Special projects	79,208	130,153
Micronesia Conservation Trust contribution	76,425	97,750
Professional development	29,094	26,838
Rent	24,000	17,800
Employee benefits	13,064	10,954
Communications	10,768	8,391
Audit	8,000	9,000
Outreach/awareness meetings	5,170	11,355
Utilities	3,182	3,639
Depreciation	1,348	3,509
Professional fees	1,150	2,676
Repairs and maintenance	870	1,018
Advertisements	807	3,302
Other	18,204	18,924
Total operating expenses	<u>2,250,524</u>	<u>1,824,231</u>
Operating loss	<u>(2,250,524)</u>	<u>(1,824,231)</u>
Nonoperating revenues:		
Transfer in from Republic of Palau	1,548,027	1,964,360
Investment earnings from MCT	461,734	435,362
Grant revenue	270,775	239
Investment income, net	37,771	-
Interest income	3,227	3,610
Total nonoperating revenues	<u>2,321,534</u>	<u>2,403,571</u>
Change in net position	71,010	579,340
Net position at beginning of year	<u>3,519,528</u>	<u>2,940,188</u>
Net position at end of year	<u>\$ 3,590,538</u>	<u>\$ 3,519,528</u>

See accompanying notes to financial statements.

PROTECTED AREAS NETWORK FUND

Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Micronesia Conservation Trust contribution	\$ (97,750)	\$ (100,000)
Cash payments to PAN sites/states and institutional system	(1,386,203)	(1,267,004)
Cash payments to suppliers for goods and services	(567,953)	(232,671)
Cash payments to employees for services	<u>(121,812)</u>	<u>(103,349)</u>
Net cash used for operating activities	<u>(2,173,718)</u>	<u>(1,703,024)</u>
Cash flows from investing activities:		
Investment earnings	461,734	435,362
Transfer to investments	<u>(1,176,281)</u>	<u>-</u>
Net cash (used for) provided by investing activities	<u>(714,547)</u>	<u>435,362</u>
Cash flows from noncapital financing activities:		
Transfer in from Republic of Palau	1,623,550	1,829,302
Cash received from grants	163,000	148,000
Interest income	<u>3,227</u>	<u>3,610</u>
Net cash provided by noncapital financing activities	<u>1,789,777</u>	<u>1,980,912</u>
Net (decrease) increase in cash	(1,098,488)	713,250
Cash at beginning of year	<u>3,741,519</u>	<u>3,028,269</u>
Cash at end of year	<u>\$ 2,643,031</u>	<u>\$ 3,741,519</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (2,250,524)	\$ (1,824,231)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	1,348	3,509
(Increase) decrease in assets:		
Prepaid expenses	(340)	136
Increase (decrease) in liabilities:		
Accounts payable	94,224	115,328
Accrued expenses	3,049	4,484
Due to Micronesia Conservation Trust	<u>(21,475)</u>	<u>(2,250)</u>
Net cash used for operating activities	<u>\$ (2,173,718)</u>	<u>\$ (1,703,024)</u>

See accompanying notes to financial statements.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(1) Organization

The Protected Areas Network Fund (PAN Fund), a component unit of the Republic of Palau (ROP), was formed on May 2, 2008, under the provisions of the Republic of Palau Public Law (RPPL) No. 7-42 for the purpose of administering and managing all funds received for the financial sustainability of the Protected Areas Network (the PAN) in Palau and for other related purposes. Portions of RPPL 7-42 were revised by RPPL 8-9 and RPPL 8-18. The Law created a registered non-profit corporation under the ROP corporate registry managed by a Board of Directors, consisting of seven voting members and the ROP Minister of Finance and the ROP Minister of Resources and Development, appointed in accordance with PAN Fund's Articles of Incorporation and approved by no less than two thirds of the Senate of the Olbiil Era Kelulau (ROP National Congress). PAN Fund's non-profit corporate charter was issued on November 2, 2010 by ROP and operations formally launched on March 24, 2012 upon receiving tourist and visitor environmental protection and arrival fee (Green Fee) monies from the ROP Ministry of Finance (MOF).

RPPL 7-42 authorized MOF to implement Green Fees to be used for the purpose of the operation of the PAN and to be deposited into an account at the National Treasury. The ROP Minister of Finance shall subsequently transfer the funds collected to the PAN Fund. RPPL 9-15, passed into law on August 29, 2013 and effective for fiscal year 2014, reduced amounts transferred to the PAN Fund to 50% of Green Fees collected or \$2,000,000, whichever is less. During the years ended September 30, 2018 and 2017, MOF remitted \$1,540,027 and \$1,955,360, respectively, for this purpose, which PAN Fund recorded as transfers in from ROP. PAN Fund recorded \$8,000 and \$9,000 as transfers in from ROP for audit expense reimbursement for the years ended September 30, 2018 and 2017, respectively. The receivables and transfers with ROP constitute all of PAN Fund's related party transactions, except for grants described in note 4.

Funds administered, managed and invested by PAN Fund as the financial trustee corporation of the PAN include:

- Green Fees from ROP which are used for general operations of the PAN. PAN Fund allocates five percent (5%) of Green Fees and any unallocated funds remaining at the end of each fiscal year in the Micronesia Conservation Trust (MCT) Endowment, net investment revenues from which are available for PAN Fund's exclusive use at a later time, pursuant to guidelines of MCT. PAN Fund recorded MCT contributions of \$76,425 and \$97,750 for the years ended September 30, 2018 and 2017, respectively. PAN Fund considers its ensuing year budget to be an allocation of funds and therefore has not recorded a liability to MCT for any unallocated funds at September 30, 2018 and 2017;
- Donations, grants and other aid given to PAN Fund; and
- Income and other property derived from or attributed to the investment or application of property.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(1) Organization, Continued

PAN Fund disburses all funding for:

- The implementation of PAN management, sustainable development and work plans for PAN sites based on performance, impact/outcome and appropriate management costs for the continuing sustainable operation of the PAN Fund. During the years ended September 30, 2018 and 2017, PAN Fund provided funding to PAN sites/states for mobilization and implementation of PAN work plan of \$1,399,991 and \$1,182,068, respectively, and is recorded as PAN sites/states expense in the accompanying statements of revenue, expenses and changes in net position. Additionally, PAN Fund provided technical assistance for PAN sites/states special projects of \$79,208 and \$130,153 for the years ended September 30, 2018 and 2017, respectively.
- The undertaking of necessary research and educational activities substantially related to carrying out the provisions of RPPL No. 7-42;
- The performance of any other functions that is necessary in order to carry out the purposes of RPPL No. 7-42 including the operation of the PAN Office. The PAN Office operates under the ROP Ministry of Natural Resources, Environment and Tourism. During the years ended September 30, 2018 and 2017, PAN Fund provided funding for activities specified in an annual work plan of PAN Office in the amounts of \$195,500 and \$200,000, respectively; and
- Emergency funding to help PAN sites address exceptional needs arising from natural disasters or accidents.

PAN Fund's financial statements are incorporated into the financial statements of ROP as a component unit.

(2) Summary of Significant Accounting Policies

The accounting policies of PAN Fund conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. PAN Fund utilizes the flow of economic resources measurement focus. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting

All proprietary funds are accounted for on a flow of economic resources, measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included in the statements of net position. Proprietary fund operating statements reflect increases and decreases in net total assets and utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budget and Appropriation

In each year's national government fiscal year budget, the Olbil Era Kelulau must authorize and appropriate all money collected through the environmental protection arrival fee which must be used for the sole purpose of the operation of the Protected Areas Network including authorization and appropriation of no more than ten percent (10%) of such amount to be allocated to PAN Fund for reasonable administrative costs of operation of PAN Fund. Budgetary financial statements are not considered to be a disclosure requirement by management.

Cash

For purposes of the statements of net position and of cash flows, cash is defined as cash on hand and cash in bank. As of September 30, 2018 and 2017, cash was \$2,643,031 and \$3,741,519, respectively, and the corresponding bank balances were \$2,694,527 and \$3,743,827, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2018 and 2017, bank deposits of \$250,000 and \$250,282, respectively, were FDIC insured. Collateralization of deposits is not required; therefore, uninsured deposits are exposed to custodial credit risk.

Custodial credit risk is the risk that in the event of a bank failure, PAN Fund's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. PAN Fund does not have a deposit policy for custodial credit risk.

Investments

PAN Fund's investment policy governs the investment of assets of PAN Fund as follows:

(1) General

- (A) Any restrictions set forth by applicable law governing allocation limits, size, or quality of investments, if more stringent than those of this Statement, will be the governing restriction.
- (B) U.S. and Non-U.S. common stocks, ADRs (American Depository Receipts), convertible bonds, preferred stocks, fixed-income securities, mutual funds and short-term securities are permissible investments.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

(1) General, Continued

- (C) No individual security of any issuer, other than that of the US Government, shall constitute more than 10% (at cost) of any Investment Managers portfolio.
- (D) The following securities and transactions are not authorized without prior Board approval: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; short sales; margin transactions; and, options and futures.

(2) Cash & Equivalents

(A) The following investments are permitted:

- U.S. Government obligations, U.S. Government agency obligations, and U.S. Government instrumentality obligations.
- Commercial Paper - All commercial paper issuers must maintain an "A-1" rating by Standard & Poor's and a "P-1" rating by Moody's Investor Service and be issued by Corporations domiciled within the United States having total assets in excess of one billion dollars (\$1,000,000,000).
- Certificates of Deposit - All certificate of deposit issuers must have a minimum capital of ten million dollars (\$10,000,000).

For assets managed by Investment Committee - From time to time Investment Committee may choose to invest working capital and pending loan funds in certificates of deposit offered by minority and/or community financial institutions. These financial institutions may not meet the minimum capital requirements set forth above.

- Repurchase Agreements - Repurchase agreements must be collateralized with either: (1) U.S. Treasury or Agency Securities with a market value of 102%, marked to market daily; or, (2) money market instruments which meet the qualifications of the investment policy statement and with a market value of 102%, marked to market daily.
- Money Market Funds - Money Market Funds must be registered with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940.

(B) No single issue shall have a maturity of greater than one (1) year.

(C) Money market funds must have an average maturity of less than one (1) year.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

(3) Fixed Income

- (A) All fixed income securities held in the portfolio shall have a Moody's or Standard & Poor's credit quality rating of no less than "BBB". U.S. Treasury and Agency securities, while non-rated, qualify for inclusion in the portfolio.
- (B) Total portfolio quality (capitalization weighted) shall maintain an "A" minimum rating.
- (C) It is the policy of the Board to place assets in Local Certificates of Deposit (Local CDs) issued by local Funding institutions, with the express purpose of making funds available to the local community in the form of loans. These Local CDs will not be included in the strategic asset allocation included herein. However, these Local CDs and the local Funding institutions must meet the following criteria on an ongoing basis:
 - Local CDs must offer a competitive return relative to alternative issuers.
 - The local Funding institutions must provide quarterly financial statements for Investment Committee review. The Investment Committee is charged with monitoring the financial health of the local Funding institutions. Should concerns arise with respect to the financial condition of the local Funding institutions, the Investment Committee will immediately notify the Board so that appropriate action can be determined and taken.

(4) Equities

- (A) Consistent with the desire to maintain broad diversification, allocations to any economic or industry sector should not be excessive. Comparisons to peer group characteristics will be used to evaluate and to assure consistency of each manager's stated strategy and style.
- (B) Equity holdings shall be restricted to readily marketable securities of corporations that are actively traded on major exchanges.
- (C) The Investment Managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the Investment Managers will be evaluated against their peers on the performance of the total funds under their direct management.
- (D) Common stock and preferred stock of any institution or entity created or existing under the laws of the United States or any state, district, territory, or of any foreign country (ADR only) are permissible investments.

GASB Statement No. 40 requires entities to provide information about the credit risk associated with their investments by disclosing the credit quality ratings.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, PAN Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. PAN Fund's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on these agreements, all of these investments were held in PAN Fund's name by PAN Fund's custodial financial institutions at September 30, 2018.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The following is a listing of PAN Fund's fixed income securities at September 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>				<u>Ratings</u>
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>	
U.S. Treasury notes	\$ 77,761	\$ -	\$ 56,961	\$ 20,800	\$ -	Aaa
U.S. Treasury bond	18,330	-	-	-	18,330	Aaa
Other U.S. government obligations	36,014	-	36,014	-	-	Aaa
Corporate bonds	22,552	-	-	14,738	7,814	A2
Corporate bonds	44,678	-	7,775	36,903	-	A3
Corporate bonds	18,945	-	-	11,936	7,009	Baa1
Corporate bonds	11,393	-	-	11,393	-	Baa2
	<u>\$ 229,673</u>	<u>\$ -</u>	<u>\$ 100,750</u>	<u>\$ 95,770</u>	<u>\$ 33,153</u>	

PAN Fund has no fixed income securities at September 30, 2017.

Fair Value Measurement of the Investments

Investments and related investment earnings are reported at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

PAN Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. PAN Fund has the following fair value measurements:

	<u>09/30/18</u>	<u>Fair Value Measurement Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
Debt securities:				
U.S. Treasury securities	\$ 96,091	\$ 96,091	\$ -	\$ -
Other U.S. Government obligations	36,014	-	36,014	-
Corporate bonds	97,568	-	97,568	-
Equity securities:				
Common stock	<u>724,428</u>	<u>724,428</u>	-	-
Total investments by fair value level	<u>\$ 954,101</u>	<u>\$ 820,519</u>	<u>\$ 133,582</u>	<u>\$ -</u>
Investments measured at cost based measure:				
Money market funds	<u>\$ 259,951</u>			

Capital Assets

Capital assets are stated at cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of the respective assets. Current policy is to capitalize items in excess of \$1,000.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan

On October 5, 2017, PAN Fund adopted a 401K Retirement Savings Plan (the Plan) to provide an individual account retirement system for the employees of PAN Fund. PAN Fund's General Manager is responsible for the general administration and operation of the Plan. Each member of the Plan is required to contribute to the members' individual account an amount equal to 4% of the member's gross salary. PAN Fund is required to provide matching contributions on behalf of each member equal to the employees' contributions. PAN Fund recorded \$3,353 contribution to the Plan for the year ended September 30, 2018.

On August 8, 2013, PAN Fund withdrew from the Palau Civil Service Pension Trust Fund (the Fund) as the Fund considers PAN Fund to be a non-profit, non-governmental organization, and to be exempt from participation in the Fund.

Net Position

PAN Fund's net position is classified as follows:

- Net investment in capital assets: capital assets, net of accumulated depreciation, plus construction or improvement of those assets.
- Restricted: net position subject to externally imposed stipulations that can be fulfilled by actions of PAN Fund pursuant to those stipulations or that expire by the passage of time. PAN Fund considers all assets, except investments in capital assets, to be restricted in accordance with the provisions of RPPL 7-42.
- Unrestricted: net position that is not subject to externally imposed stipulations. As PAN Fund considers all assets, except investments in capital assets, to be restricted in accordance with the provisions of RPPL 7-42, PAN Fund does not have unrestricted net position at September 30, 2018 and 2017.

New Accounting Standards

During the year ended September 30, 2018, PAN Fund implemented the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).
- GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

The implementation of these statements did not have a material effect on PAN Fund's financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(3) Capital Assets

Capital assets of PAN Fund as of September 30, 2018 and 2017, are summarized below:

	Estimated Useful Lives	Balance at October 1, 2017	Additions	Deletions	Balance at September 30, 2018
Furniture, fixtures and equipment	3 years	\$ 20,694	\$ -	\$ -	\$ 20,694
Vehicle	3 years	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>7,000</u>
		27,694	-	-	27,694
Less accumulated depreciation		<u>(18,613)</u>	<u>(1,348)</u>	<u>-</u>	<u>(19,961)</u>
		\$ <u>9,081</u>	\$ <u>(1,348)</u>	\$ <u>-</u>	\$ <u>7,733</u>
	Estimated Useful Lives	Balance at October 1, 2016	Additions	Deletions	Balance at September 30, 2017
Furniture, fixtures and equipment	3 years	\$ 20,694	\$ -	\$ -	\$ 20,694
Vehicle	3 years	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>7,000</u>
		27,694	-	-	27,694
Less accumulated depreciation		<u>(15,104)</u>	<u>(3,509)</u>	<u>-</u>	<u>(18,613)</u>
		\$ <u>12,590</u>	\$ <u>(3,509)</u>	\$ <u>-</u>	\$ <u>9,081</u>

(4) Unearned Revenue

On December 27, 2016, Oceans 5, a sponsored project of Rockefeller Philanthropy Advisors, Inc., approved a \$216,000 grant to PAN Fund to support implementation of the Palau National Marine Sanctuary, created by RPPL No. 9-49. The grant period is for one year which expires on December 31, 2017. On April 4, 2017, PAN Fund received \$108,000 from Oceans 5 representing 50% of the grant. On May 11, 2017, a memorandum of understanding between PAN Fund and ROP, represented by the Palau National Marine Sanctuary Office (PNMS), was signed to provide a framework for ongoing cooperation between PAN Fund and PNMS and to establish parameters of assistance to be provided by PAN Fund to PNMS in receiving, administering, accounting for and disbursing contributions to PNMS from foreign governmental, private and non-profit sources. On October 25, 2017, PAN Fund transferred \$108,000 to PNMS. On August 8, 2018, PAN Fund transferred an additional \$88,000 to PNMS. These transfers were recorded by PAN Fund as grant expenses. On January 12, 2018, PAN Fund received the remaining 50% of the grant (\$108,000). During the years ended September 30, 2018 and 2017, PAN Fund recorded \$210,081 and \$-0- of expenses related to the grant. Accordingly, the remaining amount of \$5,919 is recorded as unearned revenue in the accompanying financial statements.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(4) Unearned Revenue, Continued

On January 31, 2017, a memorandum of agreement between PAN Fund and the ROP Ministry of Natural Resources, Environment and Tourism (MNRET) was signed to implement the Global Environment Facility Ridge-to-Reef System of Transparent Allocation of Resources (GEF R2R STAR) project. The purpose of GEF R2R STAR is to improve the Protected Areas Network, effectively implement Palau's Sustainable Land Management policy and ensure integrated coordination, mainstreaming and project management. PAN Fund must implement activities outlined in the four-year action plan and MNRET must fund the activities at quarterly disbursements. On June 23, 2017, PAN Fund received \$40,000 or the second quarter budget of the work plan from MNRET. On December 8, 2017, PAN Fund received an additional \$55,000 from MNRET. During the years ended September 30, 2018 and 2017, PAN Fund recorded \$60,694 and \$239, respectively, of expenses related to the GEF R2R STAR project. Accordingly, the remaining amount of \$34,067 is recorded as unearned revenue in the accompanying financial statements.

(5) Contributions

The Micronesia Challenge (MC) is a commitment by the Chief Executives of the Republic of Palau, the Federated States of Micronesia (FSM), the Republic of the Marshall Islands, the U.S. Territory of Guam and the U.S. Commonwealth of the Northern Mariana Islands to effectively conserve at least 30% of the near-shore marine resources and 20% of the terrestrial resources across Micronesia by 2020.

Micronesia Conservation Trust (MCT) is a non-profit trust corporation registered in the FSM whose mission is to support biodiversity conservation and related sustainable development of the people of Micronesia by providing long-term sustained funding opportunities, management and investment services. MCT holds MC assets in restricted endowment funds. During the years ended September 30, 2018, 2017, 2016, 2015, 2014, 2013 and 2012, PAN Fund contributed \$76,425, \$97,750, \$100,000, \$98,177, \$96,750, \$84,596 and \$1,400,000, respectively, to the MC endowment funds held by MCT. In previous years, ROP, The Nature Conservancy, Global Environmental Facility and Conservation International made contributions to MCT of \$400,000, \$2,000,000, \$1,684,848 and \$1,000,000, respectively, on Palau's behalf. During the years ended September 30, 2018 and 2017, PAN Fund withdrew investment income of \$461,734 and \$435,362, respectively, from MCT. The investment income from MCT represents 5% of a three-year moving average of PAN Fund's average MCT endowment fund balance. At September 30, 2018 and 2017, the Palau portion of MC endowment funds held by MCT was \$10,184,125 and \$9,715,265, respectively.

(6) Commitment

PAN Fund leases office space in Koror, Palau. Total future minimum lease payment under this lease for the subsequent year ending September 30, 2019 is \$14,000.

PROTECTED AREAS NETWORK FUND

Schedule of Investments
September 30, 2018

	Face Value	Cost	Fair Value	
<u>Money Market Funds</u>				
Raymond James Bank N.A. - Account # 205HV032	\$ 239,133	\$ 239,133	\$ 239,133	
Cash/Client Interest program - Account # 515WW289	2,299	2,299	2,299	
Cash/Client interest program - Account # 770FJ508	6,565	6,565	6,565	
Cash/Client interest program - Account # 4700F423	3,932	3,932	3,932	
Goldman Sachs Bank USA - Account # 5263Y601	8,022	8,022	8,022	
Total Money Market Funds	<u>\$ 259,951</u>	<u>\$ 259,951</u>	<u>\$ 259,951</u>	
	Face Value	Cost	Fair Value	Rating
<u>U.S. Government Obligations</u>				
US Treasury Bonds, 3.0% due on 11/15/2044	\$ 14,000	\$ 14,385	\$ 13,514	Aaa
US Treasury Bonds, 3.0% due on 05/15/2047	5,000	5,115	4,816	Aaa
US Treasury Notes, 2.0% due on 10/31/2021	15,000	14,982	14,608	Aaa
US Treasury Notes, 2.25% due on 11/15/2025	10,000	9,909	9,505	Aaa
US Treasury Notes, 3.5% due on 05/15/2020	16,000	16,404	16,177	Aaa
US Treasury Notes, 2.0% due on 02/15/2023	7,000	6,958	6,730	Aaa
US Treasury Notes, 2.25% due on 02/15/2027	12,000	11,747	11,295	Aaa
US Treasury Notes, 2.5% due on 08/15/2023	10,000	10,131	9,797	Aaa
US Treasury Notes, 1.875% due on 04/30/2022	10,000	9,775	9,649	Aaa
Total U.S. Treasury Securities - Account # 5263Y601	<u>99,000</u>	<u>99,406</u>	<u>96,091</u>	
Federal National Mortgage Association Note, 1.375% due on 02/26/2021	20,000	19,654	19,308	Aaa
Federal Home Loan Mortgage Corporation Note, 2.375% due on 01/13/2022	17,000	17,093	16,706	Aaa
Total U.S. Government Sponsored Enterprise - Account # 5263Y601	<u>37,000</u>	<u>36,747</u>	<u>36,014</u>	
Total U.S. Government Obligations	<u>\$ 136,000</u>	<u>\$ 136,153</u>	<u>\$ 132,105</u>	
<u>Corporate Bonds</u>				
AT&T Inc. NTS ISIN US00206RCE09, 3.9% due on 03/11/2024	\$ 6,000	\$ 6,207	\$ 5,964	Baa2
Abbott Laboratories NTS ISIN Us002824Bf69, 3.75% due on 11/30/2026	6,000	6,164	5,983	Baa1
Archer-Daniels-Midland Company NTS ISIN Us039483BI57, 2.5% due on 08/11/2026	8,000	7,609	7,314	A2
Bank Of Amerlca Corporation Mtn ISIN Us06051Gfx25, 3.5% due on 04/19/2026	8,000	8,057	7,734	A3
Bunge Limited Finance Corp. NTS ISIN Us120568Ax84, 3.25% due on 08/15/2026	6,000	5,921	5,429	Baa2
Cvs Health Corp Special Mandatory Redemption At 101% If the merger does not close by 9/3/2019 NTS ISIN Us126650Cx62, 4.3% due on 03/25/2028	6,000	5,953	5,953	Baa1
Cintas Corporation No. 2 NTS ISIN Us17252Man02, 3.7% due on 04/01/2027	8,000	8,185	7,791	A3
General Electric Company Mtn ISIN Us36962G3P70, 5.875% due on 01/14/2038	7,000	8,464	7,814	A2
Goldman Sachs Group, Inc. NTS ISIN Us38141Gwb66, 3.85% due on 01/26/2027	8,000	8,055	7,762	A3
Jp Morgan Chase & Co. NTS ISIN Us46625Hqw33, 3.3% due on 04/01/2026	8,000	7,960	7,666	A3
Medtronic, Inc. NTS ISIN Us585055Bs43, 3.5% due on 03/15/2025	6,000	6,235	5,950	A3
Nbc Universal, Inc. NTS ISIN Us63946Bah33, 2.875% due on 01/15/2023	8,000	8,042	7,775	A3
Parker-Hannifin Corporation NTS ISIN Us70109Ham79, 4.2% due on 11/21/2034	7,000	7,455	7,009	Baa1
Wells Fargo & Company NTS ISIN Us949746Sh57, 3.0% due on 10/23/2026	8,000	7,519	7,424	A2
Total Corporate Bonds	<u>\$ 100,000</u>	<u>\$ 101,826</u>	<u>\$ 97,568</u>	
	No. of Shares	Cost	Fair Value	
<u>Corporate Stock</u>				
ACS Activ De Construc Y Serv Un-sponsored ADR (SPAIN) (ACSAY)	528	\$ 4,039	\$ 4,499	
Ase Technology Holding Company Limited Sponsored Ads (China) (Asx)	916	4,414	4,424	
Allianz Se Sp Adr 1/10 Sh Germany) (Azsey)	210	4,700	4,683	
Arkema Spon Adr (France) (Arkay)	36	4,403	4,462	
Astellas Pharma Incorporated Adr (Japan) (Alpmy)	247	4,161	4,310	
Axa Sa Sponsored Adr (France) (Axahy)	172	4,900	4,625	
Baidu Incorporated Spon Adr Rep A (Cayman Islands) (Bidu)	15	3,671	3,430	
Banco Santander S A Sponsored Adr B (Mexico) (Bsmx)	535	4,208	4,152	
Bridgestone Corporation Adr (Japan) (Brdcy)	229	5,188	4,328	
Cnooc Limited Sponsored Adr (Hong Kong) (Ceo)	24	3,078	4,741	
Crh Plc Adr (Ireland) (Crh)	118	4,240	3,861	

See Accompanying Independent Auditors' Report.

PROTECTED AREAS NETWORK FUND

Schedule of Investments, Continued
September 30, 2018

	No. of Shares	Cost	Fair Value
<u>Corporate Stock, Continued</u>			
Canadian Natl Ry Company (Canada) (Cnl)	53	4,306	4,755
Cagemeini S E Un-sponsored ADR (France) (Cgemy)	152	3,618	3,828
Carnival Plc ADR (United Kingdom) (Cuk)	67	4,467	4,226
Dbs Group Hldgs Limited Sponsored ADR (Singapore) (Dbsdy)	54	3,615	4,124
Eni S P A Sponsored ADR (Italy) (€)	112	4,347	4,218
Ferguson Plc Sponsrd ADR New (Jersey) (Fergy)	530	4,314	4,503
Fresenius Med Care Ag&Co KgaA Sponsored ADR (Germany) (Fms)	83	4,161	4,268
Infinion Technologies Ag Sponsored ADR (Germany) (Ifnny)	158	4,186	3,591
Kasikornbank Pub Company Limited Un-sponsored ADR (Thailand) (Kpcpy)	175	4,599	4,719
Kddi Corporation ADR (Japan) (Kddly)	310	4,212	4,284
Magna International Incorporated (Canada) (Mga)	65	3,576	3,414
Manulife Finl Corporation (Canada) (Mfc)	228	4,624	4,075
Mitsubishi Elec Corporation ADR (Japan) (Mlely)	162	5,021	4,440
Nippon Teleg Tel Corporation Sponsored ADR (Japan) (Nttyy)	91	4,301	4,112
Orix Corporation Sponsored ADR (Japan) (Ix)	53	4,499	4,295
Pjsc Lukoil Sponsored ADR (Russia) (Lukoy)	69	3,615	5,291
Persimmonadr (United Kingdom) (Psmmy)	62	4,619	3,824
Renault S A ADR (France) (Rnlly)	233	4,627	4,032
Royal Dutch Shell Plc Spon ADR B (United Kingdom) (Rds.B)	61	4,636	4,327
Ryanair Hldgs Plc Sponsored ADR Ne (Ireland) (Ryaay)	34	3,609	3,265
Sk Telecom Limited Sponsored ADR (Korea (South)) (Skm)	179	4,594	4,991
Smc Corporation Japan Sponsored ADR (Japan) (Smcay)	263	4,809	4,210
Safran S A Spon ADR France) (Safry)	147	4,254	5,152
Sanofi Sponsored ADR (France) (Sny)	107	5,002	4,780
Schneider Electric Se ADR France) (Sbgsy)	256	4,116	4,121
Scor Sponsored ADR (France) (Scryy)	1,199	4,892	5,571
Seven & I Hldgs Company Limited ADR (Japan) (Svndy)	195	4,275	4,343
Sinopec Shanghai Petrochemical Spon ADR H (China) (Shl)	69	4,364	4,164
Sony Corporation Sponsored ADR (Japan) (Sne)	85	4,293	5,155
Stars Group Incorporated (Canada) (Tsg)	116	4,357	2,888
Stora Enso Corporation Spon ADR Rep R (Finland) (Seoay)	217	4,008	4,153
Taiwan Semiconductor Mfg Limited Sponsored ADR (Taiwan) (Tsm)	112	4,577	4,946
Teck Resources Limited Class B (Canada) (Teck)	162	3,559	3,904
United Overseas Bk Limited Sponsored ADR (Singapore) (Uovey)	110	4,611	4,360
Valeo Sponsored ADR (France) (Vleey)	145	5,072	3,149
Wh Group Limited Sponsored ADR (Cayman Islands) (Whgly)	261	4,993	3,676
Yy Incorporated Ads Repcom Cla (Cayman Islands) (Yy)	38	4,473	2,847
Credicorp Limited (Bermuda) (Bap)	19	4,168	4,239
Icon Plc Shs (Ireland) (Iclr)	31	3,529	4,766
Jazz Pharmaceuticals Plc Shs Usd (Ireland) (Jazz)	26	3,650	4,371
Sensata Technologies Hldng Plc Shs (United Kingdom) (St)	83	4,525	4,113
Check Point Software Tech Limited Ord (Israel) (Chkp)	44	4,889	5,177
Aercap Holdings Nv Shs (Netherlands) (Aer)	78	4,110	4,487
Nxp Semiconductors N V (Netherlands) (NxpI)	38	4,367	3,249
	<u>9,762</u>	<u>237,441</u>	<u>233,918</u>
Subtotal - Account # 515WW289			
Abb Limited Sponsored ADR (Switzerland) (Abb)	40	1,050	945
Allstate Corporation (All)	40	3,723	3,948
American Express Company (Axp)	27	2,611	2,875
American International Group Incorporated Com New (AIG)	53	3,189	2,822
Andavor (Andv)	30	3,305	4,605
Anthem Incorporated (Antm)	10	1,990	2,741
Apergy Corporation (Apy)	16	618	697
Bank Amer Corporation (Bac)	354	9,490	10,429
Berkshire Hathaway Incorporated Del Class B New (Brk.B)	49	9,198	10,491
Boeing Company (Ba)	13	4,617	4,835
Cigna Corporation (Ci)	16	2,956	3,332
Crh Plc ADR (Ireland) (Crh)	42	1,504	1,374
Cvs Health Corporation (Cvs)	64	4,574	5,038
Capital One Finl Corporation (Cof)	22	1,929	2,088
Cemex Sab De Cv Spon ADR New (Mexico) (Cx)	140	1,135	986
Chevron Corporation New (Cvx)	56	6,679	6,848
Cimarex Energy Company (Xec)	16	1,571	1,487
Cisco Systems Incorporated (CSCO)	177	6,260	8,611

See Accompanying Independent Auditors' Report.

PROTECTED AREAS NETWORK FUND

Schedule of Investments, Continued
September 30, 2018

	No. of Shares	Cost	Fair Value
<u>Corporate Stock, Continued</u>			
Clitigroup Incorporated Com New ©	124	8,972	8,896
Comcast Corporation New Class A (Cmcsa)	193	6,967	6,834
Conocophillips (Cop)	67	3,603	5,186
Cummins Incorporated (Cml)	25	4,090	3,652
Dxc Technology Company (Dxc)	42	3,385	3,928
Delta Air Lines Incorporated Del Com New (Dal)	57	3,074	3,296
Discover Finl Svcs (Dfs)	37	2,449	2,829
Dollar Tree Incorporated (Ditr)	15	1,250	1,223
Dover Corporation (Dov)	17	1,284	1,505
Eqst Corporation (Eqst)	32	1,718	1,415
Ebay Incorporated (Ebay)	51	1,932	1,684
Edison International (Elx)	22	1,384	1,489
Energen Corporation (Egn)	17	944	1,465
F M C Corporation Com New (Fmc)	17	1,558	1,482
Gilead Sciences Incorporated (Gild)	41	3,236	3,166
Goldman Sachs Group Incorporated (Gs)	14	3,379	3,139
Hp Incorporated (Hpg)	147	3,263	3,788
Jpmorgan Chase & Company (Jpm)	86	8,541	9,704
Johnson & Johnson (Jnj)	77	10,387	10,639
Keycorp New (Key)	83	1,545	1,651
Laboratory Corporation Amer Hldgs Com New (Lh)	11	1,782	1,910
Lloyds Banking Group Plc Sponsored Adr (United Kingdom) (Lyg)	327	1,176	994
Lowes Companies Incorporated (Low)	14	1,240	1,607
Marathon Oil Corporation (Mro)	94	1,692	2,188
Marathon Pete Corporation (Mpc)	34	2,022	2,719
Mckesson Corporation (Mck)	16	2,627	2,122
Merck & Company Incorporated (Mrk)	76	4,811	5,391
Methanex Corporation (Canada) (Meoh)	16	879	1,263
Microsoft Corporation (Msft)	22	1,781	2,516
Netapp Incorporated (Ntap)	26	1,497	2,233
Noble Energy Incorporated (Nbl)	33	1,101	1,029
Novartis A G Sponsored Adr (Switzerland) (Nvs)	20	1,625	1,723
Nutrien Limited (Canada) (Ntr)	21	1,047	1,212
Oracle Corporation (Orcl)	102	4,978	5,259
Owens Corning New (Oc)	25	1,541	1,357
Pfizer Incorporated (Pfe)	165	5,931	7,272
Regions Finl Corporation New (Rf)	151	2,311	2,771
Rio Tinto Plc Sponsored Adr (United Kingdom) (Rio)	20	1,084	1,020
Royal Dutch Shell Plc Spons Adr A (Netherlands) (Rds.A)	75	4,716	5,110
Southwest Airs Company (Luv)	40	2,319	2,498
Unlon Pac Corporation (Unp)	5	823	814
United Technologies Corporation (Utx)	34	4,108	4,754
Unitedhealth Group Incorporated (Unh)	6	1,239	1,596
Verizon Communications Incorporated (Vz)	95	4,988	5,072
Wells Fargo Company New (Wfc)	147	8,115	7,726
Westrock Company (Wrk)	36	2,131	1,924
Wyndham Destinations Incorporated (Wynd)	13	647	564
Wyndham Hotels & Resorts Incorporated (Wh)	13	827	722
Coca Cola European Partners P Shs (United Kingdom) (Cce)	32	1,346	1,455
Eaton Corporation Plc Shs (Ireland) (Etn)	26	2,029	2,255
Everest Re Group Limited (Bermuda) (Re)	8	1,774	1,828
Liberty Global Plc Shs Class C (United Kingdom) (Lbtyk)	45	1,288	1,267
Medtronic Plc Shs (Ireland) (Mdt)	31	2,966	3,049
Chubb Limited (Switzerland) (Cb)	20	2,949	2,673
Te Connectivity Limited Reg Shs (Switzerland) (Tel)	33	2,929	2,902
Equity Residential Sh Ben Int Reit (Eqr)	27	1,665	1,789
SI Green Rlty Corporation Reit (Sig)	20	1,978	1,951
	<u>4,208</u>	<u>227,322</u>	<u>245,658</u>
Subtotal - Account # 770FJ508			
Allibaba Group Hldg Limited Sponsored Ads (Cayman Islands) (Baba)	83	14,958	13,675
Alphabet Incorporated Cap Stk Class C (Goog)	6	5,964	7,161
Alphabet Incorporated Cap Stk Class A (Googl)	6	6,081	7,242
Amazon Com Incorporated (Amzn)	10	10,801	20,030
American Express Company (Axp)	26	2,395	2,769

See Accompanying Independent Auditors' Report.

PROTECTED AREAS NETWORK FUND

Schedule of Investments, Continued
September 30, 2018

	No. of Shares	Cost	Fair Value
<u>Corporate Stock, Continued</u>			
Amgen Incorporated (Amgn)	23	4,290	4,768
Autodesk Incorporated (Adsk)	71	8,497	11,084
Automatic Data Processing Incorporated (Adp)	16	1,853	2,411
Cerner Corporation (Cern)	80	5,628	5,153
Cisco Systems Incorporated (CSCO)	152	5,224	7,395
Coca Cola Company (Ko)	130	6,005	6,005
Colgate Palmolive Company (Cl)	70	4,715	4,686
Danone Sponsored ADR (France) (Danoy)	433	7,205	6,709
Deere & Company (De)	43	5,593	6,464
Expeditors International Wash Incorporated (Expd)	98	5,844	7,206
Facebook Class A (Fb)	84	14,941	13,815
Factset Resh Systems Incorporated (Fds)	20	3,686	4,474
Merck & Company Incorporated (Mrk)	39	2,470	2,767
Microsoft Corporation (Msft)	75	5,947	8,578
Monster Beverage Corporation New (Mnst)	144	8,079	8,392
Novartis A G Sponsored ADR (Switzerland) (Nvs)	48	4,102	4,136
Novo-Nordisk A S ADR (Denmark) (Nvo)	138	6,879	6,505
Oracle Corporation (Orcl)	240	11,666	12,374
Procter And Gamble Company (Pg)	72	6,459	5,993
Qualcomm Incorporated (Qcom)	110	5,800	7,923
Regeneron Pharmaceuticals (Regn)	21	8,236	8,485
Sei Investments Company (Seic)	103	6,559	6,293
Schlumberger Limited (Curacao) (Slb)	100	6,584	6,092
Starbucks Corporation (Sbux)	109	6,173	6,196
United Parcel Service Incorporated Class B (Ups)	22	2,600	2,568
Varian Med Systems Incorporated (Var)	36	3,818	4,029
Visa Incorporated Com Class A (V)	108	11,905	16,210
Yum Brands Incorporated (Yum)	49	3,757	4,455
Yum China Hldgs Incorporated (Yumc)	80	3,371	2,809
	<u>2,845</u>	<u>218,085</u>	<u>244,852</u>
Subtotal - Account # 4700F423			
Total Corporate Stock	<u>16,815</u>	<u>\$ 682,848</u>	<u>\$ 724,428</u>

See Accompanying Independent Auditors' Report.

Deloitte.

PROTECTED AREAS NETWORK FUND
(A COMPONENT UNIT OF THE REPUBLIC OF PALAU)

INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2018

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Protected Areas Network Fund:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Protected Areas Network Fund (PAN Fund), which comprise the statement of net position as of September 30, 2018, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 7, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PAN Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PAN Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of PAN Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2018-001 through 2018-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PAN Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PAN Fund's Response to Findings

PAN Fund's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. PAN Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PAN Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PAN Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte + Touche LLC

March 7, 2019

PROTECTED AREAS NETWORK FUND

Schedule of Findings and Responses
Year Ended September 30, 2018

Beginning Net Position

Finding No. 2018-001

Criteria: Beginning net position should agree to the prior period's ending net position unless there are prior period errors or misstatements.

Condition: There were no prior period errors or misstatements, however, fiscal year 2018 beginning net position did not agree with fiscal year 2017 ending net position by \$125,782. A proposed adjustment was recorded to correct the balance.

Cause: The cause of the above condition is the non-recording of fiscal year 2017 audit adjustments.

Effect: The effect of the above condition is the misstatement of PAN Fund's interim financial statements.

Recommendation: We recommend that PAN Fund records audit adjustments at fiscal year end.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Jun Ushibata, Finance Officer

Corrective Action: We will record proposed audit adjustments at fiscal year-end.

Proposed Completion Date: September 30, 2019

PROTECTED AREAS NETWORK FUND

Schedule of Findings and Responses, Continued
Year Ended September 30, 2018

Grant Revenues

Finding No. 2018-002

Criteria: Grant revenues should be recognized when related expenses are incurred.

Condition: Grant revenues differed from grant expenses by \$107,774. A proposed adjustment was recorded to correct grant revenues and unearned revenues.

Cause: The cause of the above condition is the lack of review of journal entries.

Effect: The effect of the above condition is the understatement of PAN Fund revenues.

Recommendation: We recommend that PAN Fund record grant revenues when related expenses are incurred.

Prior Year Status: The lack of review of journal entries was reported as a finding in the audit of PAN Fund for fiscal year 2017.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Jun Ushibata, Finance Officer

Corrective Action: We will include recording of unearned revenues and revenues earned in the journal entry process.

Proposed Completion Date: March 30, 2019

PROTECTED AREAS NETWORK FUND

Schedule of Findings and Responses, Continued
Year Ended September 30, 2018

Investments

Finding No. 2018-003

Criteria: Accounting principles generally accepted in the United States of America (GAAP) require investments to be recorded at fair value and investment activities to be recorded in the statements of revenues, expenses and changes in net position.

Condition: Investments with fair market value of \$1,214,052 at September 30, 2018 and related investment income and expenses were not recorded. A proposed adjustment was recorded to correct expenses and to recognize investments.

Cause: The cause of the above condition is the lack of review of journal entries and material errors in interim financial statements.

Effect: The effect of the above condition is the understatement of PAN Fund's assets and other income and overstatement of expenses.

Recommendation: We recommend that PAN Fund record investments and investment activities in accordance with GAAP.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Jun Ushibata, Finance Officer

Corrective Action: We will incorporate recording of investments, income and expenses as part of the journal entry process.

Proposed Completion Date: September 30, 2019

PROTECTED AREAS NETWORK FUND

Unresolved Prior Year Findings
Year Ended September 30, 2018

The status of unresolved prior year findings is discussed in the Schedule of Findings and Responses section of this report.