# The Heritage and Stabilization Fund

Full Member

## Establishment

The Heritage and Stabilization Fund (HSF) was established in March 2007 by an Act of Parliament, Act 6 of 2007.

## Source of funds

The HSF is a long-term fund that has two distinct elements: a stabilization component to insulate fiscal policy from fluctuations in energy sector revenues, and a savings component for future generations. More emphasis will be placed on the savings component of this Fund. The accumulation of foreign exchange in the Fund derives from the proceeds of exports of oil and natural gas.

The Fund is separate from the overall foreign exchange reserves of Trinidad and Tobago.

## Ownership of the fund

The HSF is owned by the Government of Trinidad and Tobago and managed by an independent board, composed of one representative each from the Ministry of Finance and the Central Bank and three representatives from the private sector. The Board delegates operational management to the Central Bank of Trinidad and Tobago and the Bank uses external fund managers to manage part of the portfolio.

## Assets under management

As of 31 March 2016 the HSF amounted to $5.78 billion.

## Investment policy and asset allocation

The HSF is invested exclusively in foreign currency denominated assets with a mediumto long-term focus. The Board decides on the investment objectives of the Fund, on strategic asset allocations, and on the benchmark portfolio. The Bank manages the Fund to achieve a target rate of return. The Fund is to be invested in fixed income securities and equities.

## Report of the HSF activities

The Central Bank reports on a quarterly basis to the Board of the HSF, while the Board reports to the Minister of Finance annually. The Minister of Finance reports to Parliament on an annual basis after an independent audit by the Auditor General.

## Relations between the HSF and the budget

The Act requires that 60 percent of the excess tax revenue from oil and gas (the difference between the actual and the budget estimate) be transferred into the HSF on an annual basis. The oil and gas prices to be used for the budget estimate take into account the recent price history as well as projected prices obtained from defined international sources.

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