HERITAGE AND STABALISATION FUND
Quarterly Investment Report
April – June 2009

SECTION 1 – INTERNATIONAL ECONOMIC ENVIRONMENT

US Economy

Recent data in the US indicated that Gross Domestic Product (GDP) fell by 5.70% on an annualized basis for the first quarter of 2009, a slight improvement (0.7%) over the equivalent figure for the fourth quarter of 2008. The contraction in GDP mainly reflected declines in housing and business spending. Consumer spending however turned positive for the first quarter of 2009 after recording two consecutive quarterly declines. For the second quarter of 2009, analysts anticipate a slower pace of reduction in the vicinity of 1.8% (annualized).

Unemployment data for the quarter ending June 2009 continued to worsen as the jobless rate climbed to 9.5% in June 2009, the highest level recorded since 1983. In the month of June 2009, a total of 467,000 jobs were lost – some 102,000 higher than in the previous month's figure (365,000). Job losses continued to be widespread across the US economy with some of the largest losses occurring in the service industries (118,000), manufacturing (136,000), construction (79,000) and retail (21,000).

Inflationary pressures have remained subdued in the face of a sharp contraction in economic activity. The Consumer Price Index fell by 1.3% for the year ending

May 2009, the largest decline since 1950. Declines were recorded for the food, public transport, apparels and rents categories. The Federal Open Market Committee (FOMC) in its June 24th statement acknowledged the benign inflationary environment noting that substantial resource slack was likely to continue to dampen costs pressures.

The FOMC has also reiterated its commitment to provide support to mortgage lending and housing markets as well as to improve conditions in private markets by purchasing up to $1.25 trillion in agency mortgage backed securities and up to $200 billion in agency debt by the end of 2009. The Fed Funds rate remained unchanged between 0% - 0.25% for the quarter ending June 2009.

Analysts anticipate that the US economy will continue to face significant "headwinds" going into the second half of 2009, notwithstanding encouraging signs in some indicators such as the Institute of Supply Management's index which increased by 3% to 47 percent in June 2009 over the prior month. Retail sales however continue to decline as households' discretionary income are being sapped by rising mortgage rates and oil prices. Consumer confidence as measured by the Michigan Consumer Sentiment Index has also fallen reaching 64.6 in July 2009, the lowest level since March 2009 reflecting the ongoing concern over higher unemployment and gas prices.

Euro Zone

After shrinking by 4.8% (year on year) in the first quarter of 2009, economic activity in the euro zone continued to weaken in the second quarter. Domestic demand continued to soften as consumer borrowing was hampered by tight credit conditions and a slowdown in loan growth in the region. Unemployment in the region measured 9.3% adding further caution to the outlook of the consumer. Pricing pressures faded with slower growth in monetary aggregates and sharp declines in producer prices. Amid the ongoing economic slowdown, the European Central Bank (ECB) reduced its target rate from 1.50% to 1.00% and introduced additional quantitative-easing measures. As part of these measures, the European Investment Bank (EIB) became a counterparty, and introduced plans to buy €60 billion of covered bonds (debt securities backed by mortgages or public sector loans) and extended the maturity of its liquidity operations to 12 months. The ECB conducted its first 12-month tender, providing a larger-than-expected €442 billion in liquidity to the banking system during the quarter ending June 2009.

United Kingdom

Latest data for the UK indicated that the economy contracted by 2.4% in the first quarter of 2009, the largest single quarterly decline since 1958. However recent data suggest some signs of stabilization. PMI indicators rose modestly from 39.1% to 42.9% between April and May 2009; the pace of house price declines has slowed, and other housing indicators, such as price expectations and mortgage approvals, are showing signs of improvement. Nevertheless, tight credit conditions remained a constraint for the corporate and household sectors.

While inflationary pressures have subsided, the current rate of inflation (2.2%) is still above the Bank of England's (BoE) 2% target. The BoE held rates steady at 0.5% throughout the quarter and forecasts slow growth and low inflation in the quarters ahead. The BoE continued its quantitative easing program, advancing the timing of its second tranche of securities purchases. During the quarter, there was intense focus on the soundness of UK public finance and the creditworthiness of the sovereign. Chancellor Darling presented a FY2009-2010 budget that included larger and more persistent deficits, and public borrowing requirements and government bond issuance have continued to surge. Standard and Poor's assigned a negative outlook to the UK's sovereign rating, raising concerns that the UK could lose its AAA rating.

Japan

Japan's economy showed signs of stabilization in the second quarter of 2009 as a rebound in global exports and various stimulus packages helped to boost economic activity. Japan's current account balance continued to narrow in April shrinking 54.5% from April 2008 levels. Exports fell 40.6% while imports slid 37.8%. Shipments to China fell 25.9% in April, moderating from the 31.6% in March and the 39.7% decline in February while exports to the US sank 46.3% in April, an improvement from a 51.4% fall in March. An easing in the downward trend of exports has begun to show in orders as well. Industrial production fell by 29.5% year-over-year in May, less than the 30.7% drop recorded in April. The modest improvement in orders and production has yet to affect profit and capital spending forecasts. The jobless rate rose to a five-year high of 5.2% in May while the job-to-applicant ratio fell to 0.44, the lowest level since the series began in 1965. Though the government stimulus and a stock market rally have buoyed confidence, risk remains tilted to the downside.

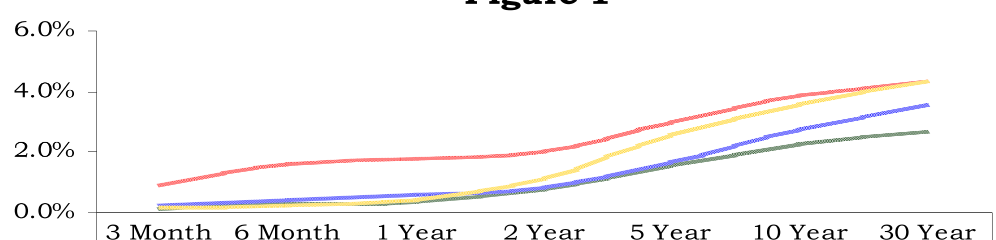
SECTION 2 – CAPITAL MARKET REVIEW

Fixed Income.

For the quarter ended June 2009, US Treasury yields rose across the curve returning to pre Lehman bankruptcy levels. A return to risk taking as well as concerns about future inflationary pressures in the US led to a subsequent rise in US Treasuries yields. During the quarter, the benchmark 10-year Treasury yield rose 83 basis points ending the quarter at 3.54% with an intra-period high of 3.95% (Figure 1). The yield curve continued to steepen during the quarter as the difference between the 2 year and 10-year treasuries increased from 190 to 243 basis points. Reflective of the sell off in the US Treasuries, the Merrill Lynch US Government Treasury 1 – 5 Year Index (Figure 2) returned -0.87% for the quarter.

Figure 1

US Treasury Yield Curve



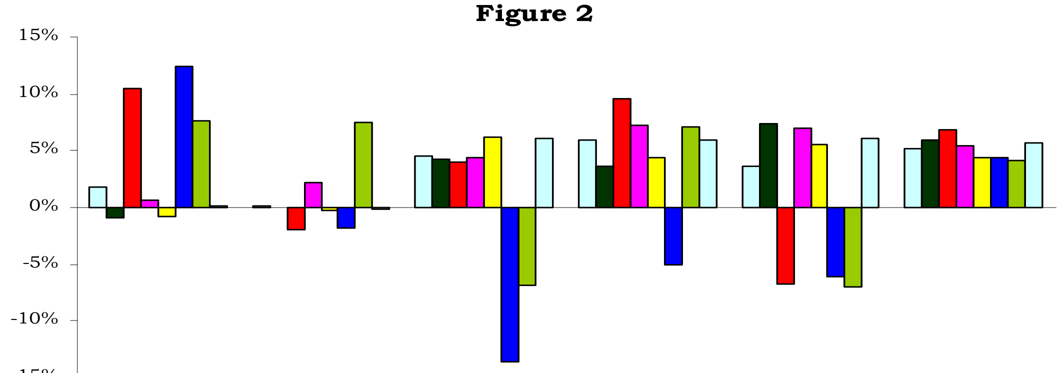
	3 Month	6 Month	1 Year	2 Year	5 Year	10 Year	30 Year
September 30, 2008	0.92%	1.60%	1.78%	2.00%	2.98%	3.85%	4.31%
December 31, 2008	0.11%	0.27%	0.37%	0.76%	1.55%	2.25%	2.69%
March 31 2009	0.21%	0.43%	0.57%	0.81%	1.67%	2.71%	3.56%
June 30 2009	0.18%	0.26%	0.44%	1.11%	2.56%	3.54%	4.33%

The broader US fixed income market, as represented by the Barclays US Aggregate Index grew by 1.78% for the quarter ending June 2009 following a 0.12% return in the previous quarter. The ABS and CMBS sectors continued to perform well, returning 7.64% and 12.46% respectively. US corporate investment grade securities also recorded a stellar performance providing a 10.45% return for the quarter ending June 2009.

The G-7 global treasury sector returned -0.78% during the quarter whilst the US (-3.75%), UK (-3.61%) and Euro zone treasury sectors (-1.61%) represented a drag on the aggregate index. In contrast, Japanese government bonds returned 1.40% driven by declining short term yields. Figure 2 presents detailed breakdown for the fixed income indices.

Figure 2

Fixed Income Indices



	Qtr 3 08/09	Qtr 2 08/09	Qtr 1 08/09	FYD	FY 07/08	FY 06/07
Barclays U.S. Aggregate	1.78%	0.12%	4.58%	5.96%	3.65%	5.14%
ML U.S. Treasury 1-5 Years	-0.87%	-0.01%	4.27%	3.68%	7.36%	5.96%
U.S. Corporate	10.45%	-1.93%	3.98%	9.63%	-6.78%	6.89%
U.S. MBS	0.70%	2.20%	4.34%	7.24%	7.02%	5.39%
G-7 Global Bonds (Hedged)	-0.78%	-0.28%	6.19%	4.34%	5.61%	4.44%
CMBS Index	12.46%	-1.87%	-13.52%	-5.09%	-6.03%	4.43%
ABS Index	7.64%	7.56%	-6.82%	7.06%	-7.04%	4.12%
U.S. Agencies	0.10%	-0.14%	6.10%	5.89%	6.11%	5.73%

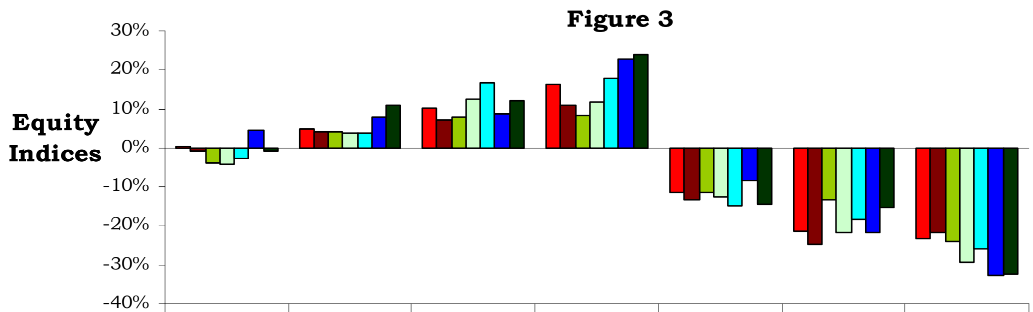
Equity Markets.

Global equity markets rallied further in the third quarter ending June 2009, following gains on the second quarter.

With most analysts ruling out a Great Depression scenario, global equity markets staged a powerful rally with April being a particularly strong month, accounting for over 50% of the quarterly returns. The Russell 3000 Index (US) gained over 16% for the quarter ending June 2009 and in the process recouped all of its losses over the prior period; major indices in the United Kingdom, France, Germany and Japan also returned double-digit equity returns during the quarter (Figure 3). The VIX Index (a proxy for the degree of volatility) continued to trend lower, closing at 26.35 at the end of June, the lowest level to date since the Lehman Bankruptcy in September 2008.

The FOMC in its June 2009 minutes indicated that Federal Reserve officials still believe that the US economy is quite weak and vulnerable to further adverse shocks and that credit was still considered to be tight in many sectors of the economy. The policy makers were also concerned that consumer spending would resume its decline once the temporary benefits to household income from the fiscal stimulus package subsided.

Economic data in the US has since reaffirmed the FOMC's cautionary outlook resulting in market participants reassessing the pace of economic recovery. Consequently, equity markets have since begun to show signs of cooling.

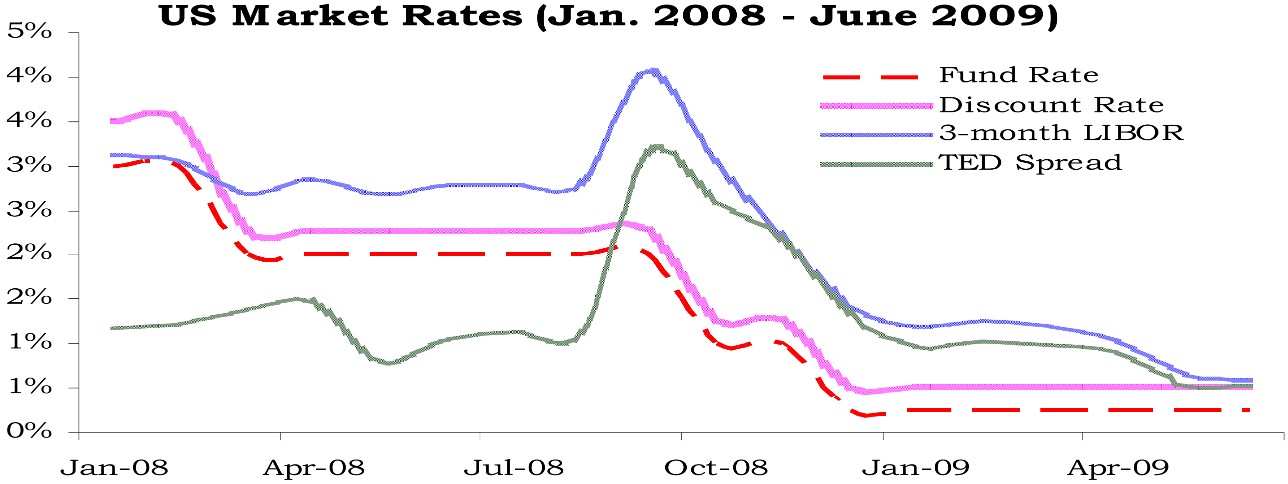


	Jun-09	May-09	Apr-09	Qtr. 3 08/09	Qtr 2 08/09	Qtr. 1 08/09	FY 07/08
Russell 3000	0.16%	5.08%	10.36%	16.15%	-11.42%	-21.19%	-23.14%
Dow Jones	-0.63%	4.07%	7.35%	11.01%	-13.30%	-24.72%	-21.91%
FTSE 100 - UK	-3.82%	4.11%	8.09%	8.23%	-11.46%	-13.44%	-24.19%
CAC 40 - France	-4.19%	3.73%	12.56%	11.87%	-12.76%	-21.63%	-29.46%
DAX 30 - Germany	-2.68%	3.59%	16.76%	17.72%	-15.08%	-18.21%	-25.83%
Nikkei 225 - Japan	4.58%	7.86%	8.86%	22.80%	-8.47%	-21.60%	-32.92%
MSCI EAFE	-0.77%	11.09%	12.27%	23.76%	-14.64%	-15.18%	-32.48%

Money Market.

Money Market conditions continued to improve over the quarter ending June 2009. Evidence of an improvement in the credit markets was seen from various indicators over the period. Most noticeable was the 47 basis points drop in the TED Spread over the quarter ending June 2009. The TED Spread is the difference between what banks and the US Government/Treasury pay to borrow money for three months. The TED spread ended the quarter third quarter at 52 basis points. Interbank lending rates also continued its descent as both US 1M LIBOR and US3M LIBOR ended the June quarter at 31 and 60 basis points respectively, down from 50 and 119 basis points at the end of March 2009. Figure 4 below shows the key short- term money market rates for the U.S between the periods January 2008 to June 2009.

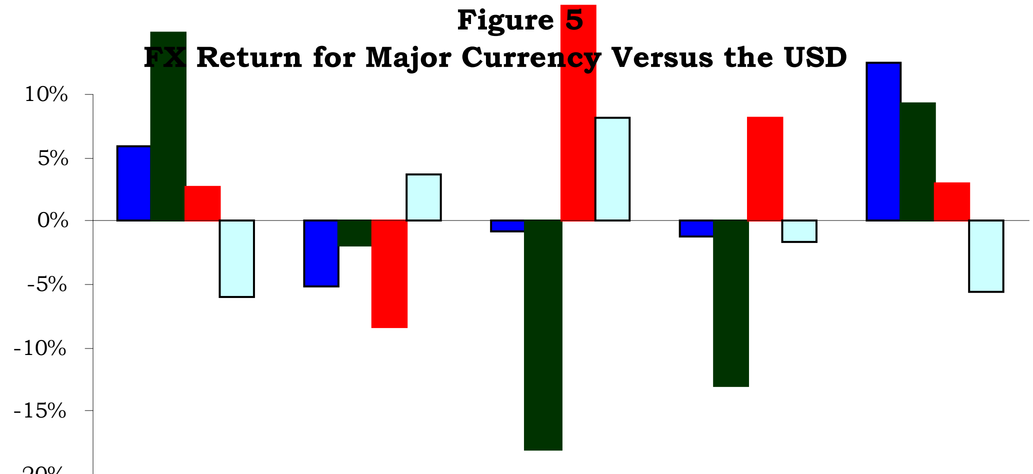
Figure 4
US Market Rates (Jan. 2008 - June 2009)



Currency Markets.

The third quarter of the financial year for the HSF saw the Euro, Pound Sterling and Japanese yen strengthen 5.91%, 14.91% and 2.70%, respectively against the Dollar (Figure 5). A number of reasons have been provided to explain the recent underperformance of the US dollar, including the challenge to the status of the US dollar as the world reserve currency, the relatively sharp rise in US Treasury yields in response to the US Government's extraordinary funding gap deficit, the long-term inflationary consequences of the stimulus package as well as a return to risk taking activity during the quarter. At the end of the June, the EUR, GBP and Yen quotes were 1.4033, 1.6458 and 96.36, respectively.

Figure 5
FX Return for Major Currency Versus the USD



	Qtr 3 FY 09	Qtr 2 FY 09	Qtr 1 FY 09	FY 08	FY 07
EUR	5.91%	-5.16%	-0.86%	-1.23%	12.57%
GBP	14.91%	-1.85%	-18.04%	-13.03%	9.35%
JPY	2.70%	-8.41%	17.07%	8.20%	2.94%
USD Index	-5.98%	3.67%	8.15%	-1.59%	-5.55%

SECTION THREE – PORTFOLIO PERFORMANCE

For the quarter ended June 30th 2009, the HSF Composite portfolio returned 0.02% slightly below the custom benchmark (5 % Merrill Lynch US Treasury 1-5 Years Index and 95% US one month LIBID) return of 0.03%, (see Figure 6 and Appendix I for Historical Performance). This brought the cumulative return of the HSF for the fiscal year to June 2009 to 0.865% compared with the benchmark return of 1.091% over the same period. A longer view shows that the annualized return (from inception) of the portfolio was 3.325% versus the benchmark annualized return of 3.366%.

The HSF US Fixed Deposit Portfolio returned 0.08% for the quarter, matching its benchmark return, the US one month LIBID Index. The HSF US Treasury Short

Duration Portfolio outperformed its benchmark, the Merrill Lynch US Treasury 1-5 Years Index, by 28bps returning -0.59% for the quarter ending June 30th 2009.

Despite the outperformance in the HSF US Treasury Short Duration Portfolio relative to the Merrill Lynch US Treasury 1-5 Year Index, our slightly overweight position of 8% in the US Treasury sector versus the benchmark allocation of 5% contributed to the drag in the HSF Composite Portfolio performance as yields on US treasuries increased during the quarter.

The portfolio ended the quarter with a market value of approximately US$2,912 million. The portfolio had no contributions or withdrawals by the Government for the quarter ending June 2009.

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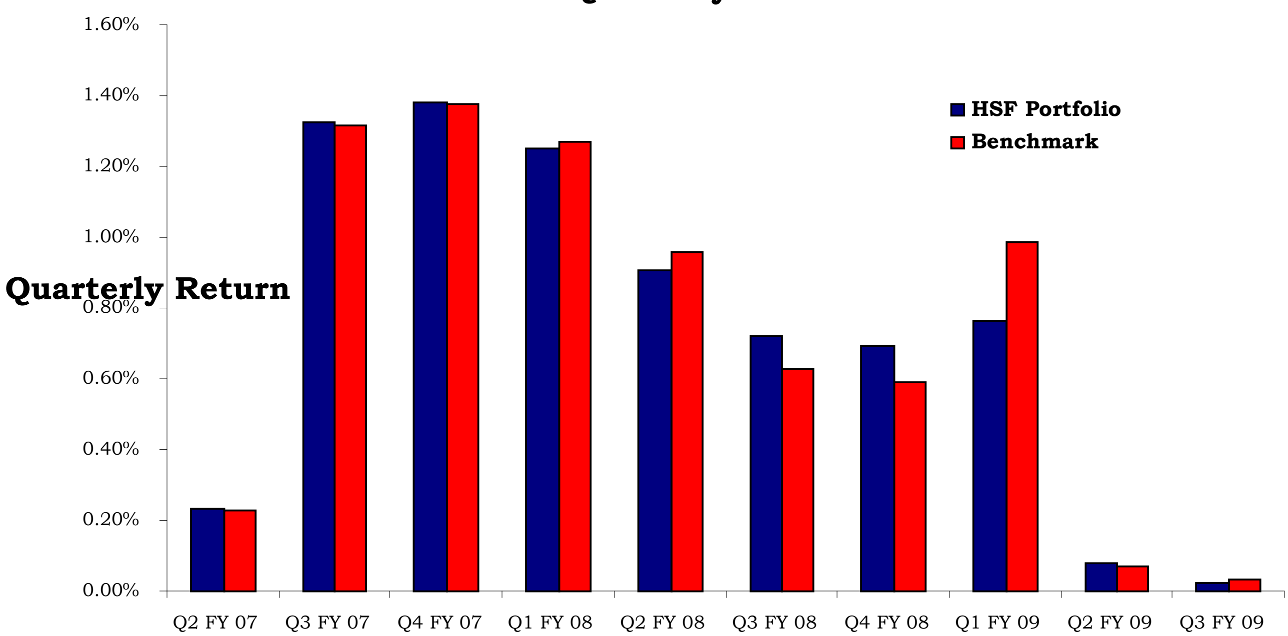
Figure 6
HSF Portfolio Quarterly Performance



Portfolio Risk

The main risk for this portfolio is credit risk. This risk is minimized by the adherence to certain strict standards before deposits can be placed with any money market counterparty. In the first instance, all counterparties must have a minimum credit rating of either A1 from the Standard and Poor's rating agency or P1 from Moody's. Credit risk is further minimized by the implementation of a maximum exposure limit for the counterparties. No more than 5% of the market value of the portfolio can be invested with a single money market counterparty. All standards were complied with during the period under review.

The fund will be transitioning to the SAA over the coming months. The Bank is in the process of finalising the Investment Management Agreements with the managers and we expect to fund these managers on August 03rd 2009.

All deposits are held in US dollars. Therefore the portfolio is protected from fluctuations in value due to foreign currency rate movements against the US dollar since the reporting or base currency is the US dollar.

Central Bank of Trinidad and Tobago

Appendix I

HSF Portfolio
Historical Performance since Inception

Quarter End	Current Returns			Fiscal YTD			Annualised Return Since Inception		
	Portfolio %	Benchmark %	Excess bps	Portfolio %	Benchmark %	Excess bps	Portfolio %	Benchmark %	Excess bps
Fiscal Year 07									
March	0.233	0.230	0.30						
June	1.327	1.316	1.04						
September	1.381	1.376	0.52	**2.966**	**2.947**	**1.89**	**5.475**	**5.440**	**3.50**
Fiscal Year 08									
December	1.252	1.269	-1.80						
March	0.907	0.960	-5.28						
June	0.730	0.626	10.36						
September	0.685	0.592	9.27	**3.614**	**3.491**	**12.30**	**4.337**	**4.242**	**9.48**
Fiscal Year 09									
December	0.762%	0.987%	-22.549	**0.762%**	**0.987%**	**-22.49**	**4.191%**	**4.244%**	**-5.25**
March	0.078%	0.071%	0.62	**0.841%**	**1.060%**	**-21.88**	**3.719%**	**3.762%**	**-4.30**
June	0.024%	0.031%	-0.69	**0.865%**	**1.091%**	**-22.60**	**3.325%**	**3.366%**	**-4.15**

Note: (1) In May 2008, US Treasury instruments were added to the HSF portfolio. As a result, the performance benchmark for the HSF portfolio became a blended benchmark, which comprised of 2.5% Merrill Lynch US Treasury 1-5 Years Index and 97.5% US One-month LIBID Index.

Appendix II

Heritage and Stabilisation Fund
Portfolio Valuation and Cash flows (USD)

Valuation Date	Net Asset Value	Income	Contributions
March 15th, 2007	1,402,178,155.01	0	
March 31st, 2007	1,405,448,567.24	3,270,412.33	
April 30th, 2007	1,411,478,932.10	6,030,364.86	
May 31st, 2007	1,417,875,123.07	6,396,190.98	
June 30th, 2007	1,424,094,965.45	6,219,841.89	
July 31st, 2007	1,510,286,135.41	6,477,228.26	79,713,942.22
August 31st, 2007	1,517,179,218.56	6,893,083.09	
September 30th, 2007	1,766,200,701.73	6,928,748.59	241,992,101.13[1]
October 31st, 2007	1,773,862,028.73	7,759,113.00	
November 30th, 2007	1,780,847,020.73	6,987,839.67	
December 31st, 2007	1,788,304,749.27	7,457,728.54	–
January 31st , 2008	1,795,307,089.20	7,003,928.24	
February 29th, 2008	1,799,941,409.88	5,019,474.67	
March 31st, 2008	1,804,531,743.56	4,590,333.68	
April 30th, 2008	1,988,785,132.77	4,042,772.01	180,210,617.20
May 31st, 2008	1,993,347,377.77	4,562,245.00	
June 30th, 2008	1,997,251,772.00	5,476,329.00	
July 31st, 2008	2,460,269,502.00	4,599,453.00	458,130,174.00
August 31st, 2008	2,466,193,072.00	5,461,046.00	
September 30th, 2008	2,888,421,556.00	5,699,080.57	415,833,666.53
October 31st, 2008	2,896,852,886.00	7,192,244.00	
November 30th, 2008	2,906,013,589.59	5,576,434.00	
December 31st, 2008	2,909,717,167.00	3,529,009.00	

March 31st, 2009	2,911,075,318.00	1,101,561.00
April 30th, 2009	2,911,343,718.76	1,328,807.23
May 31st, 2009	2,912,170,307.95	1,104,075.49
June 30,2009	2,912,040,600.39	1,188,606.07

[1] The last quarter contribution for the fiscal year 2006/07 was paid on September 28, 2007.