



**2018**

**ANNUAL REPORT**

# Uniform Fiduciary Standards of Care

- Know Standard, laws, and trust provisions
- Diversify Assets to specific risk/return profile
- Prepare investment policy statement
- Use “prudent experts” (money managers) and document due diligence
- Control and account for investment expenses
- Monitor the activities of “prudent experts”
- Avoid conflicts of interest and prohibited transactions



## A Message from the Chairman

Dear People of the Commonwealth,

In compliance with Article XI, Section 6(e), of the Northern Mariana Islands Constitution, we, the Trustees of the Marianas Public Land Trust (MPLT) make this 2018 Annual Report on MPLT's operations, and investments of monies received from the Department of Public Land (DPL) pursuant the NMI Constitution.

FY 2018, DPL transferred to MPLT \$866,339 on February 1, 2018, and \$1,501,174 on September 17, 2018, for a total of \$2,367,513 from the leasing of public lands. These funds were immediately invested in MPLT's managed portfolios and earning income, which at the end of the fiscal year was transferred to the general revenue of the Commonwealth for appropriation by the Legislature.

It is important to note that on October 15, 2018, the Attorney General (AG) issued Opinion 18-03 stating that MPLT has accrued a receivable from DPL in the amount of \$6,327,685 as of September 30, 2018. As reported above, DPL only transferred to MPLT \$2,367,513 and not the \$6,327,685 per the AG Opinion 18-03. The withholding of such funds by DPL continues to deny MPLT principal growth, and badly needed income for the general fund to be appropriated by the Legislature. The Trustees are communicating with DPL to hopefully resolve this dispute amicably.

Over the past 35 years, MPLT has transferred to the general revenue of the Commonwealth \$61,290,772, which the Legislature appropriated to help support public education, public health services, public safety and other essential government services benefiting the people of the Commonwealth. In addition, MPLT has provided financial support in the form of loans to the CNMI Government in the amount of \$27,332,947, as detailed in this report.

Please go through this report for more information on MPLT's performance of its operations, and investments. For updates, please visit our website at [www.mplt.gov.mp](http://www.mplt.gov.mp).

**With this report is MPLT's FY 2018 Audited Financial Statement, which is in accordance to the government auditing standards.**

The Trustees are held to strict fiduciary duties and responsibilities and continue to fulfill their duties diligently to comply with the mandate of the Constitution.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Pedro R. Deleon Guerrero', written over a horizontal line.

Pedro R. Deleon Guerrero  
Chairman, MPLT



**PEDRO R. DELEON GUERRERO**  
Chairman  
Carolinian Representative



**MARTIN B. ADA, AIF®**  
3<sup>RD</sup> Senatorial Representative



**VIANNEY B. HOCOG**  
1<sup>st</sup> Senatorial Representative



**PETER Q. CRUZ, AIF®**  
2<sup>nd</sup> Senatorial Representative



**MARIA (FRICA) T. PANGELINAN**  
Women's Representative

# **ANNUAL REPORT**

**For**

**FY 2018**

## OVERVIEW

The Marianas Public Land Trust (MPLT) was established by the Northern Marianas Constitution under Article XI, Section 6, for the purpose of making prudent investments of the revenue received from public lands leases that the Marianas Public Land corporation (MPLC) or its successor entities, now the Department of Public Lands (DPL) transferred to MPLT, pursuant to Section 5(g) and Section 6(b) of the said Article XI (see table). The original lease of public lands by MPLC funding MPLT was per Article VIII, Section 803 of the Covenant. MPLT invested these funds prudently within its established guidelines and policy.

Although, MPLT has received \$42,164,301 from MPLC or its successor entities, MPLT is of the opinion that the method used to compute the annual distributions does not comply with the provisions of the Constitution and additional monies are owed.

DPL has inappropriately “reserved” their fund balance in order to avoid distributing the annual funds as required by the Constitution. This finding has been supported by two Attorney Generals’ opinions, summarized as follows:

AG Opinion 2013-02, dated April 8, 2013, states:

DPL owes MPLT all revenue generated from public lands that is not appropriated to it pursuant to its annual budget. DPL also owes MPLT an accounting to verify that the proper sums are transferred. DPL must transfer these excess funds on a yearly basis.

AG Opinion 18-03, dated October 15, 2018, states:

FUNDS RECEIVED BY MPLT	
Date Received	Amount
July 19, 1983	\$5,000,000
January 20, 1984	100,000
February 17, 1984	14,080,046
April 13, 1984	5,958,700
August 27, 1984	803,856
May 22, 1991	500,000
December 20, 1991	500,000
September 19, 2007	1,250,000
August 4, 2008	3,500,000
November 23, 2011	1,000,000
December 31, 2013	307,109
June 6, 2014	996,743
December 31, 2014	5,000,000
<b>April 11, 2016</b>	<b>800,334</b>
<b>February 1, 2018</b>	<b>866,339</b>
<b>September 17, 2018</b>	<b><u>1,501,174</u></b>
<b>Total:</b>	<b><u>\$42,164,301</u></b>

The question of this opinion is whether the Legislature may appropriate to DPL supplemental funding in excess of the original budget amount allocated to DPL for fiscal year 2018? The answer is “no” as all revenues generated from public lands less the operational expenses has to be transferred to MPLT. Any statute or regulation that would deprive MPLT of the revenue from public lands violates the Constitution.

DPL’s practice of underspending its budget and understating of its estimated revenues has resulted in a growing fund balance. In six years the fund balance has grown to \$10,975,000 in FY 2017. DPL justifies maintaining this significant balance to fund future homestead development, subsequent year’s approved budget, and other matters to be funded in the future.

Notwithstanding the DPL transfers that have been made to MPLT, more funding must be transferred as the funds in the DPL Operations Fund has grown substantially from the additional revenues collected in excess of estimates and underspending of amounts appropriated. DPL has no legal authority to retain excess revenue.

Conclusion states that “supplemental appropriation to DPL may not be made from unobligated and unencumbered prior fiscal year balances”. Those balances are public land funds that must be transferred to MPLT.

It for these two AG Opinions that MPLT has accrued a receivable from DPL in the amount of \$6,327,685 as of September 30, 2018.

Additionally, on October 4, 2010, the Commonwealth Supreme Court rendered its opinion, Supreme Court N. 2009-SCC-0041-CQU, Slip Opinion, which found P.L. 16-31 unconstitutional as it infringes upon MPLT’s constitutionally mandated functions of receiving and investing the revenues from public lands for the benefit of people of Northern Marianas Descent. It states that any attempt by the Legislature to appropriate funds from public land

revenue before they reach MPLT infringes on Article XI, §6. While DPL's current practice is to withhold operating expenses from the moneys generated through the management and disposition of public lands before transferring the money to MPLT, the authority for doing so is no longer constitutionally operative and the authority for doing so must exist elsewhere.

MPLT has had a history of communicating with DPL as to their failure to remit the correct annual distribution. Failure to turn over the correct fund balance each fiscal year is a clear violation of DPL's fiduciary duty. This breach for FY 2018 has likely resulted in an annual loss of distributable net income to the CNMI General Fund in the amount of \$500,000 to \$550,000.

For the past 35 years, MPLT has transferred to the general revenues of the Commonwealth the amount of \$61,290,772, which the legislature appropriated for various public programs; such as, the Public School System, Department of Public Safety, Department of Public Works, Commonwealth Health Center (CHC), etc... And, over the last 28 years, MPLT has disbursed the amount of \$6,260,539 to the American Memorial Park, in accordance with Article XI, Section 6(d) of the Northern Mariana Islands Constitution for the maintenance and development of the American Memorial Park.

In addition to the direct distributions to the Commonwealth General Fund, MPLT makes local investments, which benefits the whole community. Without such support, the various CNMI agencies would have suffered financially. The following are a list of such investments:

DATE	INVESTMENT DESCRIPTION	PURPOSE	AMOUNT
2001	Northern Marianas Housing Corporation	Long Term Mortgage Financing	\$10,000,000
2002	APLE	Non-profit NMD Student Tuition Program	\$154,924
2008	Commonwealth Utilities Corporation	Secure Stand-by Generators	\$3,500,000
2011	Commonwealth General Fund	Payment of Utility bills and other operating cost	\$4,000,000



2012	Commonwealth Healthcare Corporation	Line of Credit to sustain operations	\$3,000,000
2012	Commonwealth Healthcare Corporation	Electronic Health Records	\$328,655
2014	Commonwealth General Fund	CUC Stipulated Orders per Federal Court Judgement	\$5,000,000
2016	Tinian Mayor's Office	Federal Judicial Judgement	\$1,349,368

The mortgage financing program established with the Northern Marianas Housing Corporation failed, which caused MPLT to foreclose on the loan portfolio. As a result, MPLT has been managing these loan with the goal of recovery of its principal. Individual mortgage loan foreclosures have occurred. The resulting foreclosed houses are being sold based on the appraised value to NMD persons (SHIP). This program allows NMD's the opportunity to secure a home at very favorable terms.

The Trustees acknowledge that public lands belong collectively to persons of Northern Marianas descent, (Article XI, Section 1 of the Northern Mariana Islands Constitution); therefore, MPLT is expected to provide the revenues derived from public lands for programs directly benefiting persons of Northern Marianas descent. However, Article XI, Section 6(b) and (d) of the Northern Mariana Islands Constitution mandate the Trustees to make reasonable, careful and prudent investments and the interest revenues therefrom to be transferred to the general revenues of the Commonwealth.

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## PERFORMANCE ANALYSIS

The Marianas Public Land Trust (MPLT) performance return of 5.9% for FY 2018 decreased from last year's return by **-2.2%**. MPLT did comply with its blended policy target of 3.2%, and also met the annualized policy index of 5.1%. In 2018, the Trust's net assets increased by \$8,891,213. This increase in the net assets for 2018 was primarily due to the increased investment valuations and accrual of FY18 distribution from DPL.

A review of the Trust's annual returns for the last five years, as shown in the Analysis of Investment Returns (see Table 1) indicates an annualized average rate of return of 5.55% on the total portfolio. By comparison, the five-year average for managed portfolio is 5.32% and when compared to the Weighted Average of Target Allocation of 4.087% for the same period, it shows that MPLT has been meeting the targeted return for the asset allocation in accordance with its Investment Policy Statement (IPS). This indicates that the Trustees are closely monitoring the performance of MPLT's money managers, and implementing a sound asset allocation strategy and policy.

The investment revenue (interest & dividends) for 2018 was \$3,149,120 as compared to 2017 of \$2,884,365. Likewise, the net capital gains for 2018 was \$1,987,742 as compared to 2017 of \$4,326,209. Overall, 2018 investment strategies did not as performed well as 2017.

*Annual rates of return take alone do not present an accurate picture of investment performance. Investment performance must be analyzed consecutively for a range of three to five years. This is because money managers do not try to time market fluctuations caused by short-term interest rate changes and other economic factors. Their goal is to analyze market cycles in order to be fully invested when markets are in an up-swing pattern. Trying to outguess the market in the short term will not yield continuous portfolio growth over the years. Instead added risk and volatility will mark performance negatively resulting in average yields below the historical trends.*

This was due to the volatility of the world-wide economy. The expectations for 2019 indicate that returns will be less than 2018, as the economic uncertainties continues.

MPLT's investment time horizon is long term, and while investment cycles of three to five years may reflect volatility, the Trustees anticipate being able to continue adding value to the portfolio in accordance with their investment strategy, as well as to continue to provide reliable distributions to the general revenue of the Commonwealth.

A review of the Analysis of Investment Returns (table 1) for 2014 through 2018 Indicates an average realized and unrealized capital gains (losses) of \$2,073,027. These capital gains (losses) show a positive market cycle trend. Additionally, the Analysis of Asset Class Yields (table 2) shows that all of the asset classes per the Investment Policy Statement are performing in excess of their benchmarks.

## MARIANAS PUBLIC LAND TRUST ANALYSIS OF INVESTMENT RETURNS - Table 1

	2018	2017	2016	2015	2014	Five Year Average
Interest Income	\$1,782,661	\$1,602,960	\$1,214,333	\$2,069,981	\$1,322,393	\$1,598,466
Dividends	1,366,458	1,281,405	1,214,406	966,445	513,954	1,068,534
Realized Capital Gains (Losses)	281,109	1,245,542	2,783,103	(5,208,628)	6,821,599	1,184,545
Unrealized Capital Gains (Losses)	<u>1,706,632</u>	<u>3,080,667</u>	<u>2,702,560</u>	<u>228,405</u>	<u>(3,275,853)</u>	<u>888,482</u>
<b>TOTALS:</b>	<u>\$5,136,860</u>	<u>\$7,210,574</u>	<u>\$7,914,402</u>	<u>(\$1,943,797)</u>	<u>\$5,382,093</u>	<u>\$4,740,026</u>
<b>MPLT Return on Total Investment</b>	<u>5.86%</u>	<u>8.09%</u>	<u>9.09%</u>	<u>-2.27%</u>	<u>6.99%</u>	<u>5.55%</u>
<b>MPLT Return on Managed Investments</b>	<u>5.67%</u>	<u>8.38%</u>	<u>9.14%</u>	<u>-3.45%</u>	<u>6.84%</u>	<u>5.32%</u>
<b>Performance Benchmarks:</b>						
S&P 500	<u>17.91%</u>	<u>18.61%</u>	<u>15.43%</u>	<u>-0.60%</u>	<u>19.73%</u>	<u>14.22%</u>
S&P Barra Growth	<u>0.00%</u>	<u>19.90%</u>	<u>14.74%</u>	<u>2.78%</u>	<u>21.55%</u>	<u>11.79%</u>
S&P Barra Value	<u>0.00%</u>	<u>16.47%</u>	<u>15.98%</u>	<u>-4.30%</u>	<u>17.77%</u>	<u>9.18%</u>
Barclays Aggregated Bond	<u>-1.22%</u>	<u>0.07%</u>	<u>5.19%</u>	<u>2.93%</u>	<u>3.96%</u>	<u>2.19%</u>
91 Day T-Bills	<u>1.57%</u>	<u>0.65%</u>	<u>0.27%</u>	<u>0.02%</u>	<u>0.04%</u>	<u>0.51%</u>
Consumer Price Index	<u>-3.2%</u>	<u>2.23%</u>	<u>1.46%</u>	<u>-0.04%</u>	<u>1.66%</u>	<u>.42%</u>
<b>Weighted Average Per Target Allocation</b>	<u>3.15%</u>	<u>3.89%</u>	<u>11.35%</u>	<u>-4.78%</u>	<u>6.78%</u>	<u>4.08%</u>

**MARIANAS PUBLIC LAND TRUST**  
**ANALYSIS of ASSET CLASS YIELDS – TABLE 2**

Asset Class	Weighted Yields	Weighted Benchmarks
		Yields
Large Cap Core	17.92%	13.77%
International w/ Emerging Markets	3.76%	1.76%
Fixed Income	.32%	(.03%)
Alternatives	4.05%	3.57%
Diversified Local Investments	6.87%	(1.22%)

Another means to review MPLT's historical return performance is to chart its annual rate of return since inception as compared to various indices. The Market Performances Cumulative Returns (chart 1) is an example of this type of analysis. It assumes an original investment of \$100 made in 1983 with the annual investment returns re-invested.

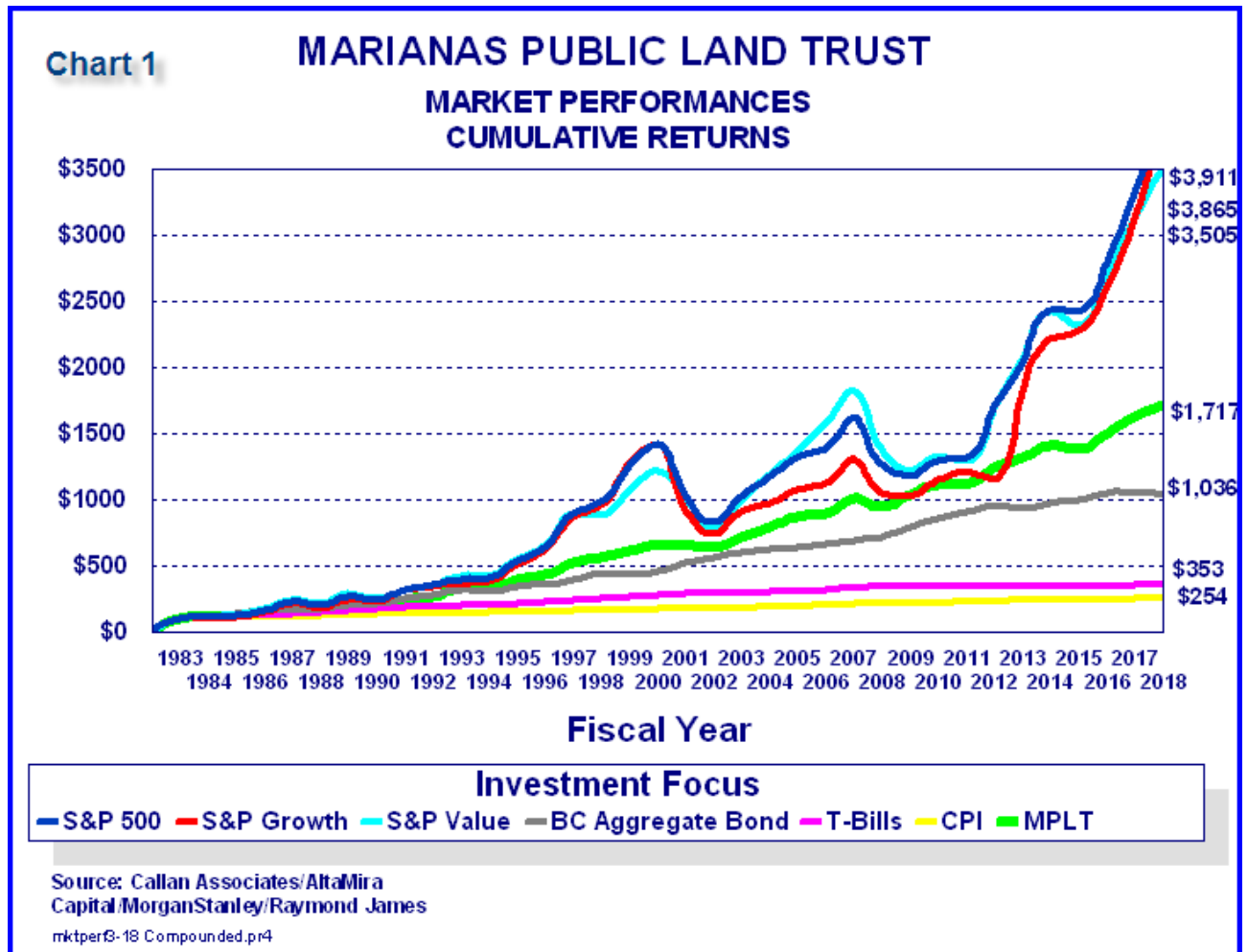
MPLT's annual rate of return is charted along with the annual returns for the following indices:

*MPLT's principal fund, for both the General and Park, is currently \$102.7 million. This balance is 2.4 times more than the original principal contributions received from MPLC, etc. This principal growth has occurred while making cumulative distributions of \$67.6 million since inception.*

**a) S&P 500 Index, b) S&P BARRA Growth Index, c) S&P BARRA Value Index, d) Barclay's Aggregate Bond Index e) 91-Day T-Bills Index, and; f) Consumers' Price Index.**

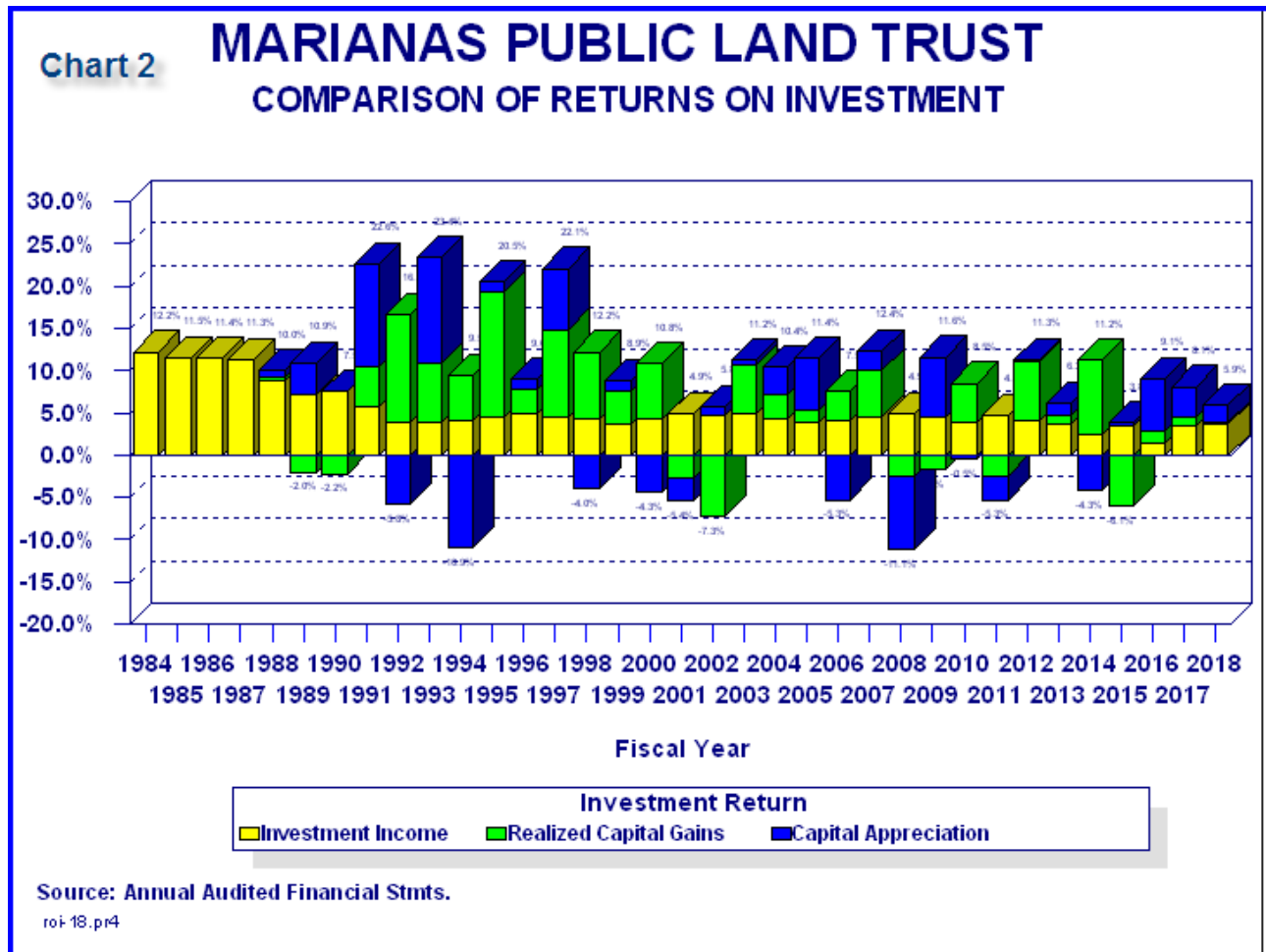
The Market Performance Cumulative Returns (chart 1) reveals that MPLT has performed very well since inception, earning a cumulative return to grow MPLT's original investment of \$100 to \$1,717, as compared to the S&P 500, S&P 500 Growth and S&P 500 Value, all of which grew to a range of \$3,505 to \$3,911 (note the chart reveals the downward trend of equities for the 2001, 2002 and 2008). The fixed income benchmark, Barclays Aggregate Bond index, cumulatively grew to \$1,036. Based upon our targeted asset allocation of approximately 25% to equities, 55% to fixed-income, and 20% to alternatives (effective March 2014), we compare very favorably to the market performances. Since MPLT is obligated to transfer its interest income to the general revenue of the Commonwealth, it

chooses to invest mostly in fixed-income instead of investing solely in equities.



An overview of MPLT's historical returns on investment since its inception, illustrated on the Comparison of Returns on Investment (see chart 2) shows the positive and negative rates of annual rate of return for each year. The average annual return rate for the years 1988 through 2018 was 8.51%, as compared to 1984 through 1987 and a portion of 1988, was 11.6%. This is indicative of the MPLT's money managers performing to meet the 5.1% Total Return Index in MPLT's Investment Policy Statement. Also, professional money

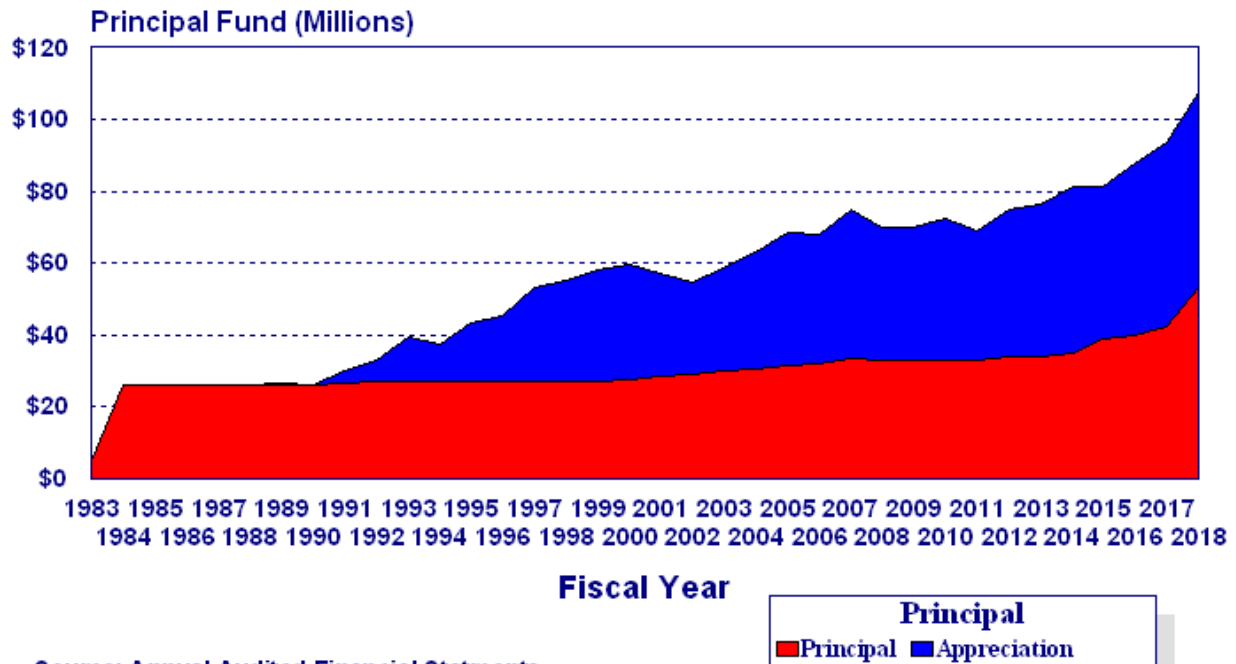
management has been able through the equity portfolio to add value and increase the principal fund since 1988.



MPLT has added \$60.5 million to the principal contributions received from MPLC and its successor entities for a 243% gain. This more than doubling of the principal fund has been accomplished during the last thirty-one years. The Principal Fund Grown Curve (see chart 3) illustrates the increasing investment base derived from capital gains which are allocable to principal and are not subject to distribution. The red portion of the chart represents the original principal contributions received from MPLC, or its successor entities, now DPL, while the blue portion is the value added (appreciation) to the portfolio, as a result of MPLT's investment strategy and policy. A further review of chart 3 reveals the loss of value occurring in years 1994, 2001, 2002, 2008, 2011, and 2015. It also demonstrates the recovery occurring in years 1995, 2003, 2005 through 2007, and 2012 through 2018. This is a testament of the investment policy and asset allocation to equities instituted by the

**Chart 3****MARIANAS PUBLIC LAND TRUST****PRINCIPAL FUND GROWTH CURVE**

(PORTFOLIO INVESTMENT BASE)



Source: Annual Audited Financial Statements  
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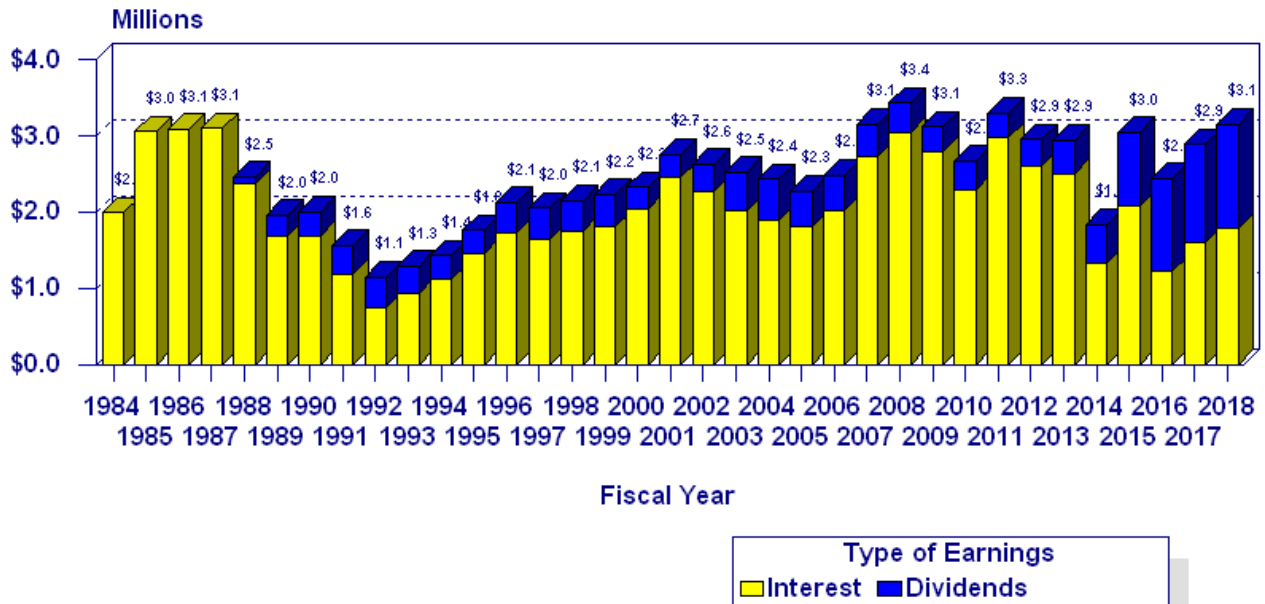
Trustees and their investment consultants. Without an equity allocation, MPLT would not have been able to achieve this growth. It also shows that by reducing the equity allocation in favor of current income, MPLT will not be able to sustain this rate of growth as capital gains as a portion of the total revenues will be less.

There are trade-offs between capital appreciation and investment earnings. The Annual Gross Investment Earnings (chart 4) indicates when MPLT started to enjoy larger annual rates of return and increased capital growth due to the implementation of the managed portfolio, MPLT investment earnings declined. This is to be expected, and to properly analyze performance, all the components of annual return must be considered (investment earnings, i.e., interest and dividends, as well as realized capital gains (losses) and investment appreciation).



Chart 4

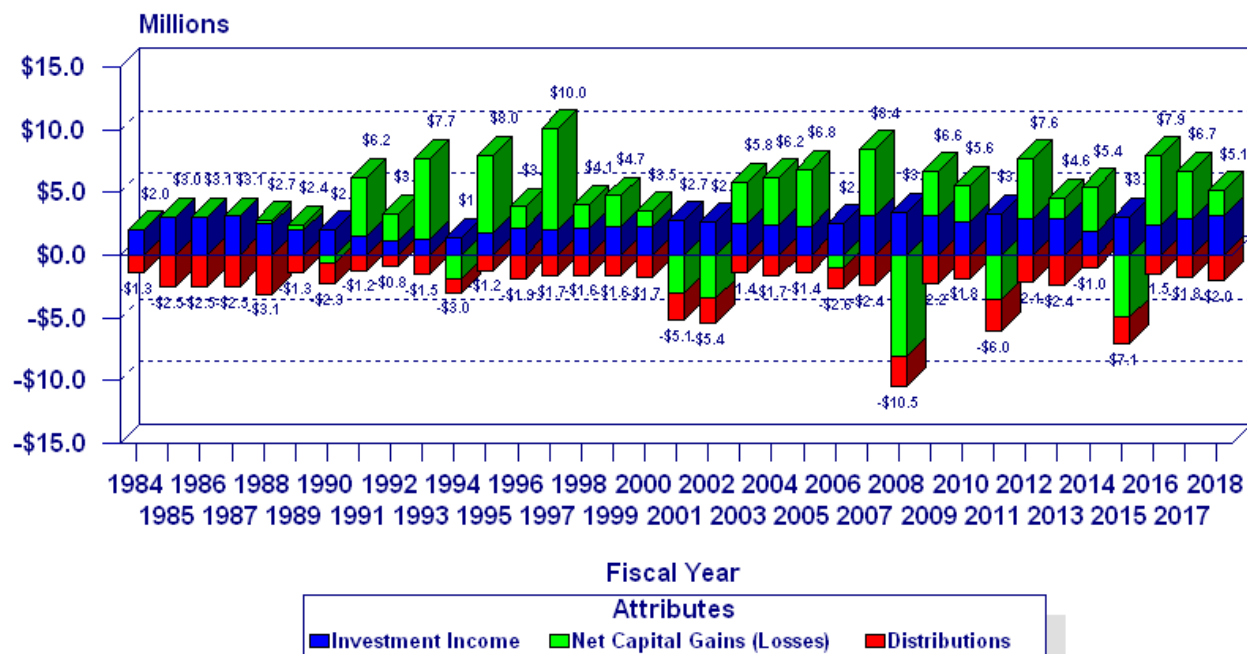
# MARIANAS PUBLIC LAND TRUST ANNUAL GROSS INVESTMENT EARNINGS



Source: Annual Audited Financial Stmts.  
earngs-18.pr4

Accordingly, the Comparison of Annual Investment Returns to Beneficiary Distribution (chart 5) illustrates the total annual investment receipts as compared to the annual distributions to beneficiaries, CNMI General Fund and American Memorial Park.

**Chart 5 MARIANAS PUBLIC LAND TRUST**  
**COMPARISON OF ANNUAL INVESTMENT RETURNS TO BENEFICIARY DISTRIBUTIONS**

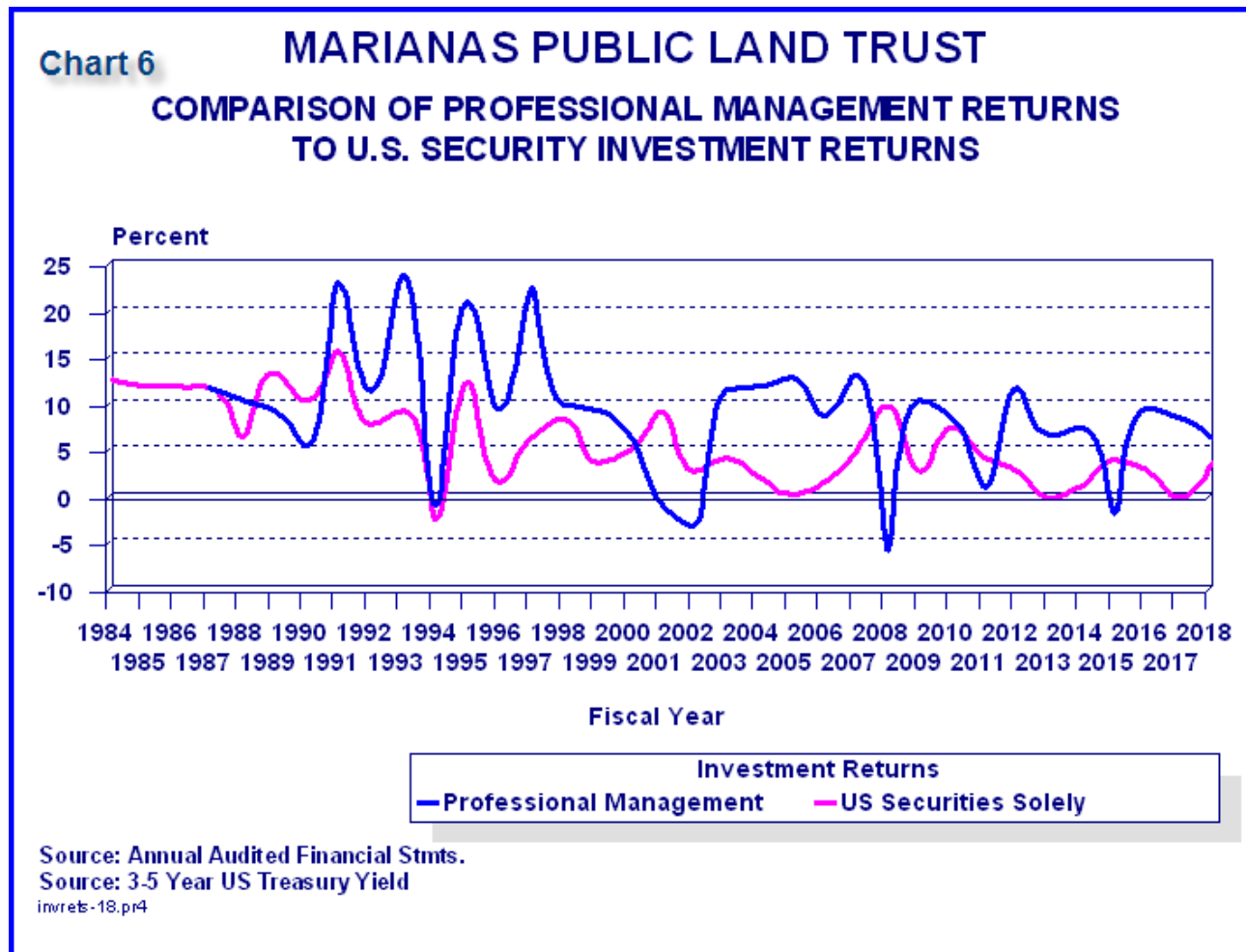


Source: Annual Audited Financial Stmts.  
total-18.pr4

In order to achieve high rates of return and meet the “*uniform prudent investor*” standards, the Trustees through their investment consultant, retains money managers, who are experts in their fields of investment focus for the following asset classes: **Large Cap Value, Large Cap Core, Emerging Markets, High Yield Fixed Income, International Fixed Income, Alternatives, and Core Fixed Income.**

MONEY MANAGERS	ASSET ALLOCATION (of principal resources)	
	General Fund	Park Fund
<b>Aristotle Capital Management</b> – large cap value domestic equity money manager; objective is to manage domestic equity assets consistent with the Russell 1000 Value Index and Domestic Large Cap Value Equity peer group.	0% to 20%	0% to 20%
<b>Atalanta Sosnoff Capital Management</b> – core domestic equity manager, objective is to manage domestic equity assets consistent with the Standard & Poors 500 Index and the Domestic Large Cap Core Equity peer group.	0% to 20%	0% to 20%
<b>Lazard</b> – emerging markets money manager; objective is to manage emerging international equity assets consistent with the MSCI EM (net) Index	0% to 15%	0% to 15%
<b>Garcia Hamilton &amp; Associates</b> – domestic fixed income large core money manager; objective is to manage fixed income assets consistent with the Barclays Aggregate Bond Index.	20% to 40%	20% to 40%
<b>Chartwell Investment Partners</b> – high yield bond; objective is to manage high yield bonds consistent with the Barclays HY Bond Index.	0% to 15%	0% to 15%
<b>Templeton Global Bond Fund</b> – foreign bond fund unhedged; objective is to manage foreign bonds consistent with the Citigrp Non USWGovUnHd index	0% to 20%	0% to 20%
<b>Tortoise Capital Advisors</b> – master limited partnership (MLP); objective is to manage Non-Traditional/Alternative assets consistent with the Alerian MLP Index and the MLP Universe peer group	0% to 20%	0% to 20%
<b>Adelante Capital Management</b> – real estate investment trust (REITS); to manage Non-Traditional/Alternative assets consistent with the NAREIT Equity REITS Index and the NAREIT Equity REITS Universe peer group.	0% to 20%	0% to 20%
<b>Diversified Local Investments (DLI)</b>	0% to 20%	0% to 20%

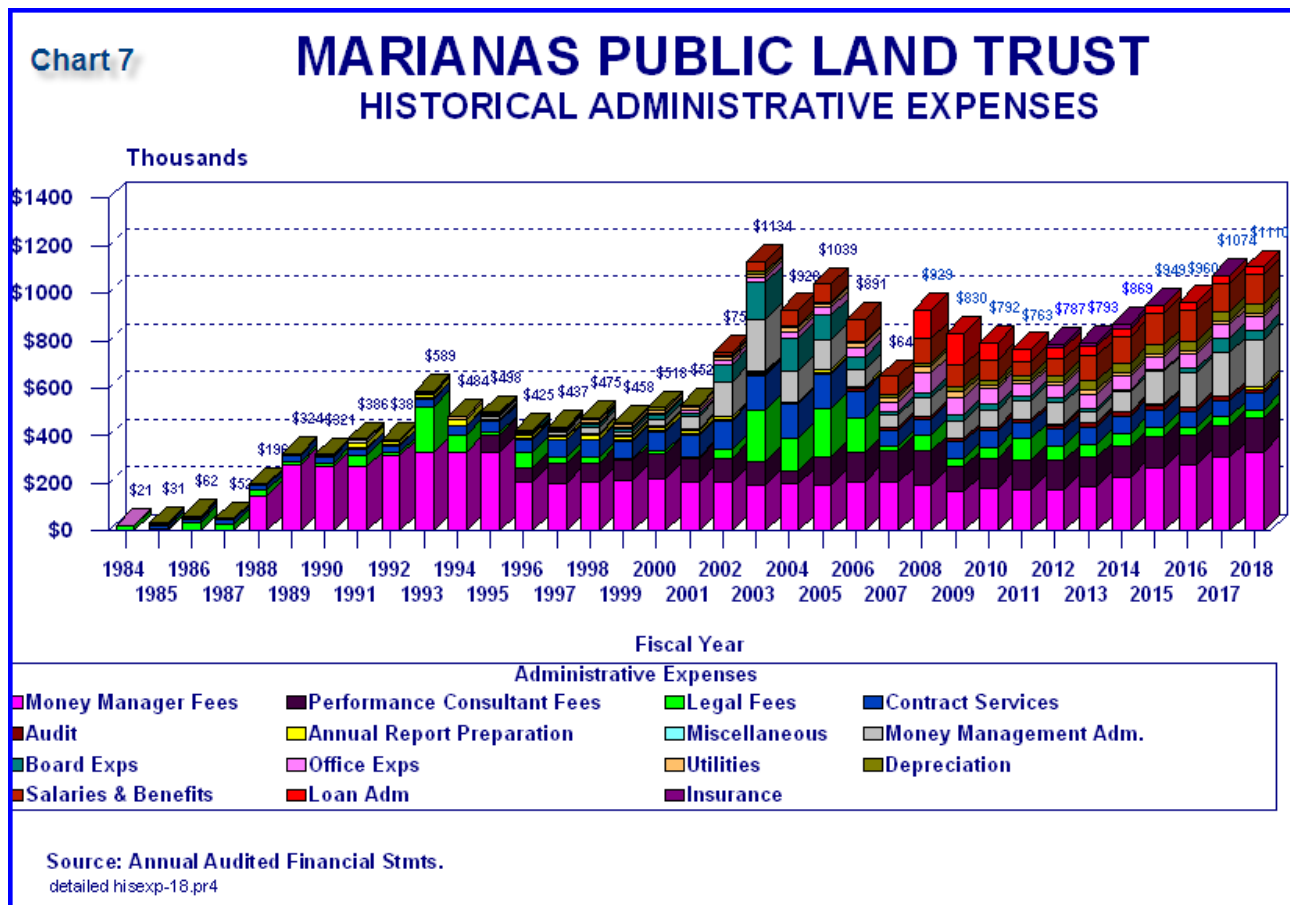
To illustrate the value and necessity of professional money management as compared to managing the money ourselves, as we did from 1983 until 1988, a graph of the



rates of return has been prepared showing the returns of investing solely in U. S. Securities (3 to 5 year U. S. Treasury bonds) compared to MPLT's actual returns during the period of professional management (1988 through 2018). The Comparison of Professional Management Returns to U.S. Security Investment Returns (Chart 6) reveals that, except for 1989, 1990, 2001, 2002, 2008, 2011, and 2015, the yields returned by professional money managers have consistently outperformed those of our prior investment policy when we were limited to investing solely in U. S. Obligations. An average of the annual returns for each of these two options or approaches reveals that the professional money managers yielded 1.7 times more than an investment plan limited to U.S. Obligations solely.

MPLT pay its money managers annually from 25 to 75 basis points (100 basis points

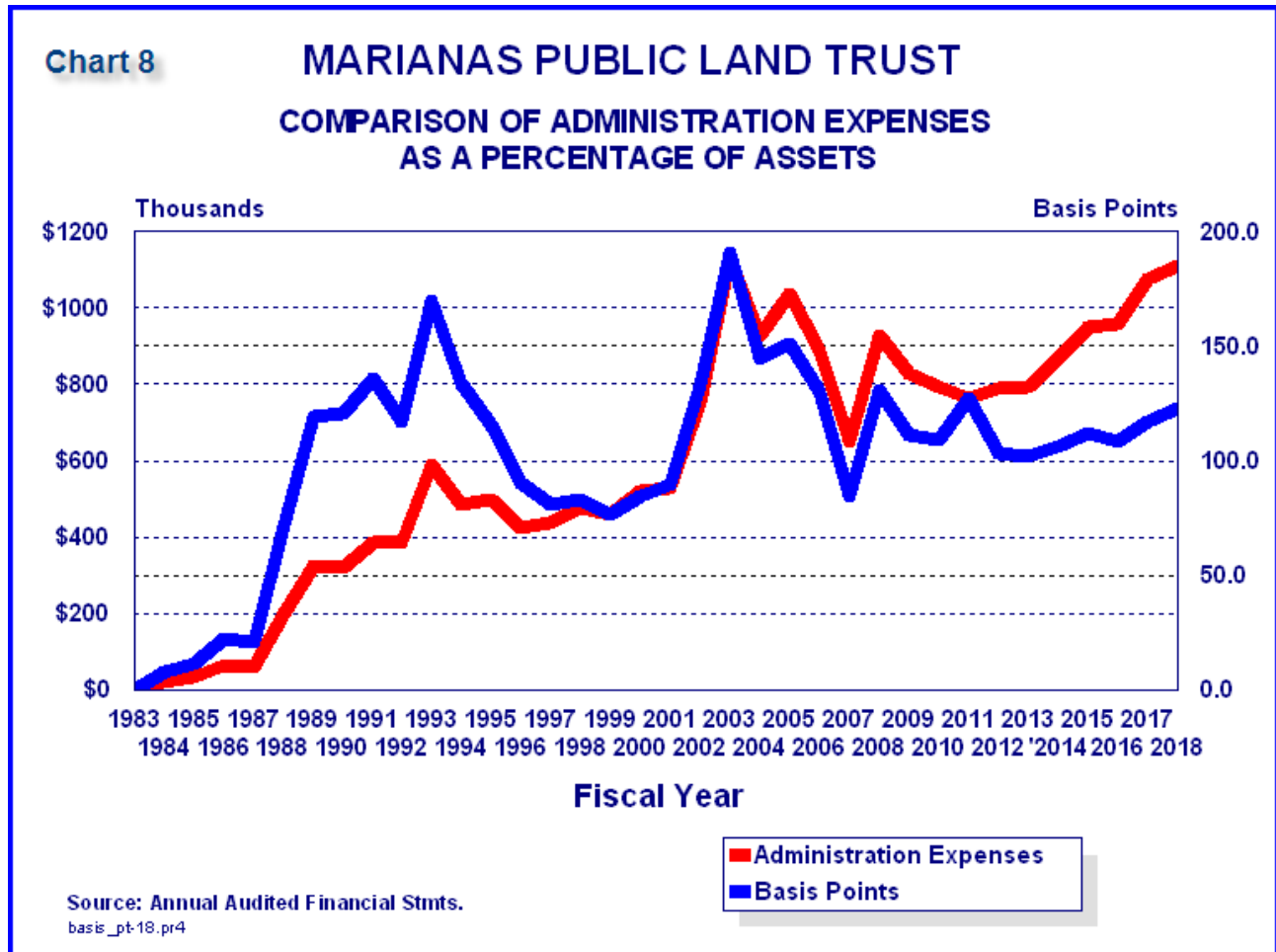
equals 1%) of the value of the monies they manage, the incremental annual gain is more than justified. To do otherwise would be a breach of our fiduciary duty and would be contradictory to **modern portfolio theory**.



An analysis of the Historical Administrative Expenses, (chart 7) reveals an update of MPLT historical administrative expenses since inception. The 2018 administrative expenses increased by \$36,139 as compared to the amount in 2017, which was due to increases in money management fees, salaries, money management administration, etc.

Another way of looking at the effectiveness of our investment policies is to compare our administrative expenses each year since inception to the total Trust assets (using fair market valuation). The Comparison of Administrative Expenses as a Percentage of Assets (chart 8) illustrates the progression and growth of our administrative expenses (red line) over the years, which reached its highest level in 2003. Except for the increases in 2017 and 2018, administrative expenses have been trending down. The blue line of the chart depicts the annual administrative expenses as a percentage of MPLT's total assets. This percentage is expressed

in basis points (100 bp equals 1%). This line shows the cost of running MPLT as compared to the growth of our investment program. It is the goal of the Trust to continue the trend of lowering the **rate of administrative expenses** over the coming years in relation to the asset level. Over the past thirty-five years, the Trust has spent \$21,443,315 for administrative expenses to create \$60,675,656 new assets while at the same time distributing \$61,290,772 to the Commonwealth and \$6,260,539 to the American Memorial Park.



## INVESTMENT POLICY STATEMENT

The MPLT Trustees are *fiduciaries*. Their role is *to provide the essential management of the investment process, without which the other components of the investment plan cannot be defined, implemented or evaluated.*

*The Trustees are responsible for the general management* of MPLT's assets.

Their key tasks are:

- a) Determining the portfolio's mission and objective;
- b) Choosing an appropriate asset allocation strategy;
- c) Establishing explicit written investment policies consistent with the objectives;
- d) Selecting investment managers to implement the investment policy; and
- e) Monitoring investment results

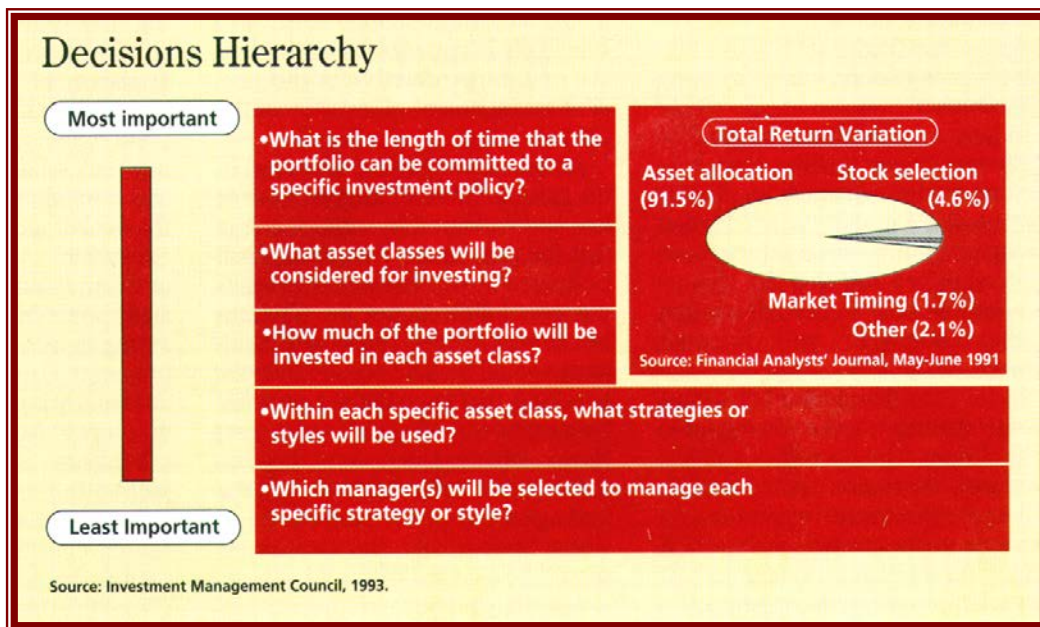
### **The investment program is defined in the various sections of the IPS by:**

- Stating in a written document the Trustees' attitudes, expectations, objectives and guidelines for the investment of all MPLT assets.
- Setting forth an investment structure for managing all MPLT' assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term.
- Providing guidelines for each investment portfolio that control the level of overall risk and liquidity assumed in that portfolio, so that all MPLT assets are managed in accordance with stated objectives.
- Encouraging effective communications between the Trustees, the investment consultant and the money managers.
- Establishing formalization criteria to monitor, evaluate, and compare the performance results achieved by the money managers on a regular basis.
- Complying with all applicable fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact trust assets.

To accomplish these key tasks, the Trustees worked with their professional staffs, attorney, and investment consultants to prepare an Investment Policy Statement (IPS). This helps the Trustees to effectively supervise, monitor, and evaluate MPLT's investment



assets. The IPS was prepared based upon considerations by the Trustees of the financial implications of a wide range of policies and describes the prudent investment process which the Trustees deem appropriate. Studies have been made of the factors or elements of the investment process which affect total return variation. Of these elements, the investment portfolio time horizon and the asset allocation are the most important and have the greatest effect on portfolio returns. The selection of money managers and their stock selections typically have the least impact on return variations. **The Decision's Hierarchy graphic illustrates this reality very well.**



Since 1988, the asset allocation strategy has changed from what can best be described as a “balance” investment focus. Since then, the asset allocation has been amended to replace and add new asset classes in order to increase income from such portfolio. MPLT 2013 Annual Report and prior years provides more detail information on such amendments.

This year (2018), the asset allocation for both the General Fund and the Park Fund was large cap core at 10%, large cap value at 10%, international and emerging markets at 5%, fixed income at 45%, real estate (reits) at 10%, limited partnerships (mlps)

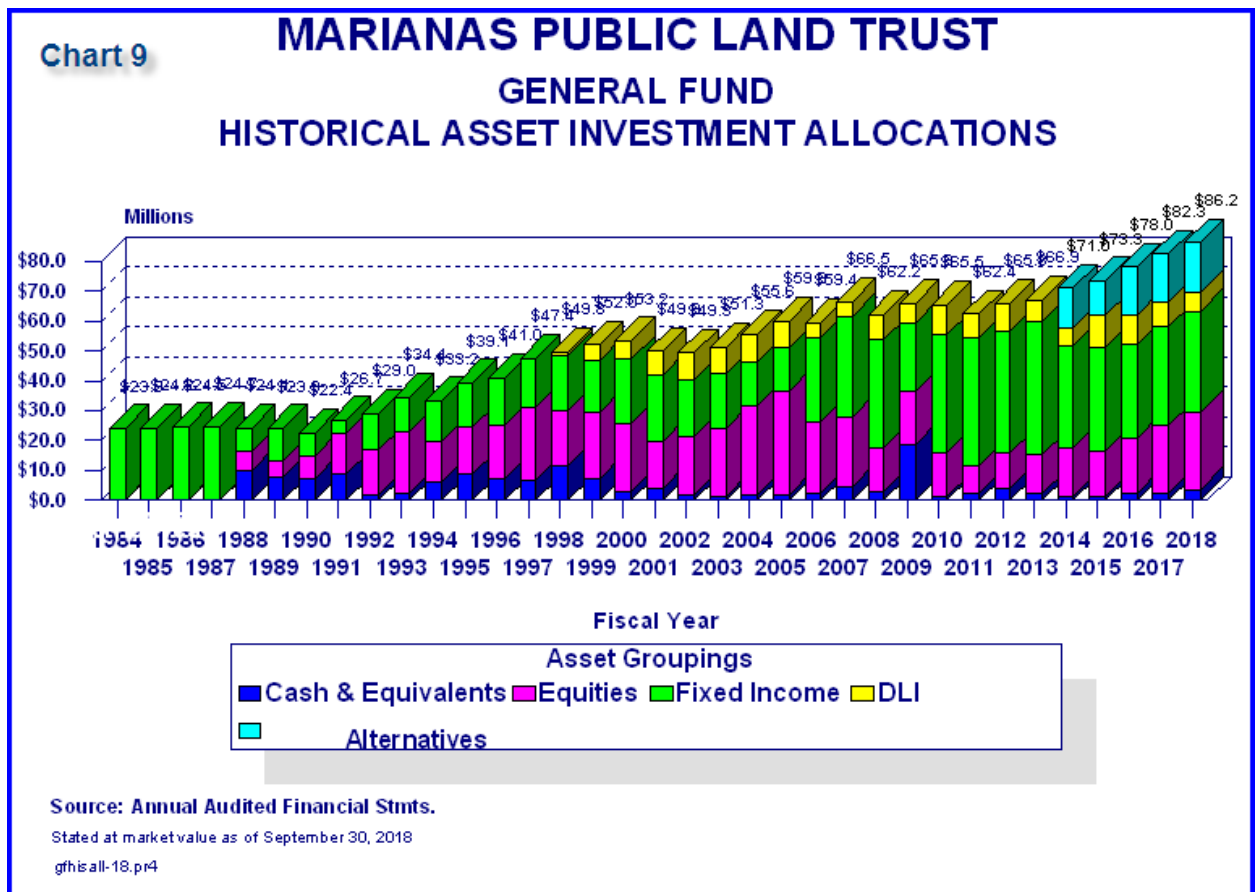
#### INDUSTRY BEST PRACTICE

One of the most important decisions the fiduciary has to manage is the determination of the time horizon. Based on the time horizon, the fiduciary then can determine which asset classes can be appropriately considered; what the allocation should be between the selected asset classes; whether there should be an allocation made among sub-asset classes; and, finally, which money managers or mutual funds should be retained to manage each asset class.



at 10% and local investment at 10%.

The Historical Asset Investment Allocations (chart 9) illustrates MPLT's asset allocation as reflected in the IPS as of September 30, 2018. It also shows how the value of the investments has improved since 2002 and its decline in 2010 due to the payment of the "recovered interest" to the CNMI general fund and the loss of value to the portfolio that continued for FY 2011 due to the poor performing equity market, in addition, the loss of MPLT's investment on the Northern Marianas Housing Corporation (NMHC) on the housing project for person of Northern Marianas descent, and the APLE 501, a parent-student scholarship program established on Rota in 2002. These two investments are classified as non-performing.



CHANGES IN PRINCIPAL FUND BALANCES		
TRUST PRINCIPAL	GENERAL FUND	PARK FUND
MPLC, etc. distributions to MPLT	\$40,164,301	\$2,000,000
NMHC interest appropriated to principal	5,209,055	
Net increase (decrease) in net assets:		
FY 1988	145,026	(30,599)
FY 1989	(791,186)	256,014
FY 1990	(659,379)	66,172
FY 1991	1,099,866	193,433
FY 1992	3,323,619	564,709
FY 1993	2,036,236	245,330
FY 1994	1,422,710	427,715
FY 1995	4,729,962	1,040,133
FY 1996	3,583,364	156,938
FY 1997	7,008,118	1,353,347
FY 1998	1,764,253	219,979
FY 1999	2,155,083	684,403
FY 2000	1,054,744	204,038
FY 2001	(2,677,203)	(243,638)
FY 2002	(3,055,198)	(502,754)
FY 2003	2,955,539	367,771
FY 2004	3,396,385	143,775
FY 2005	4,156,017	278,565
FY 2006	(1,221,013)	178,242
FY 2007	4,742,997	572,512
FY 2008	(7,182,246)	(821,534)
FY 2008 NMHC restatement	(4,100,000)	-
FY 2009	3,220,183	360,171
FY 2010	2,633,849	307,424
FY 2011	(3,347,697)	(272,104)
FY 2012	3,984,081	679,855
FY 2013	1,750,856	94,163
FY 2014	3,048,420	476,658
FY 2015	(4,393,883)	(586,325)
FY 2016	3,402,548	581,942
FY 2017	4,537,953	423,090
FY 2018	<u>8,967,546</u>	<u>214,218</u>
TOTAL	<u>\$93,064,907</u>	<u>\$9,633,643</u>

## FINANCIAL BENEFITS

The financial benefits provided to the Commonwealth by the Trust consist of direct distribution of income and capital growth to its investment portfolio. The large capital equity market for 2018 added value to the portfolio due to increased equity valuations. The S&P 500 and Russell 1000 combined benchmarks yielded 13.77% for the year and MPLT's return was 17.92% on its large cap core equities. The emerging markets equities returned 3.76%, while their MSCI Emerging Markets benchmark of 1.76%.

Domestic fixed income core and high yield provided a total return of 1.01%; international fixed income providing a return of -2.07%; domestic local investments provided a total return of 7.30%. The total yield for fixed income was .32% compared to the combined benchmark for fixed income of -.03%

Due to the rebound of the capital markets for 2018, the Trust was able to increase the principal in the amount of \$1,987,741. Additionally, \$7,194,024 was received as a corpus contribution from DPL. MPLT's 2018 General Fund distribution was \$1,840,206 for a total of \$61,290,772 since inception being distributed to the Commonwealth General Fund (see table).

<b><i>American Memorial Park Development Projects</i></b>	
<b><i>FY 1991 – 2017</i></b>	
1. Tennis Courts	\$242,770
2. 400 Meter Track	15,000
3. Grandstand	2,200
4. Bike Path	47,750
5. American Memorial Pavilion	603,362
6. Park Maintenance	1,289,154
7. AMP World War II Memorial	493,248
8. Parking Lot and Paving	165,601
9. Concession Room and Other Facilities	76,741
10. AMP Underground Utilities	142,927
11. AMP Mall Landscaping	139,068
12. Engineering, Survey & Mapping Services	15,000
13. Schematic Master Plan	13,435
14. Lighting Bike/Jogging Trail	62,800
15. A&E for the Cultural/Visitors Center & Memorial Gardens	65,000
16. Tennis Courts – upgrades	375,711
17. Debt service on CDA/AMP loan for Cultural/Visitors Center & Memorial Gardens	<u>2,510,772</u>
Total:	<u>\$6,260,539</u>

Also, the Park Fund made a distribution of \$198,825 for the debt service on the Commonwealth Development Authority and American Memorial Park (CDA/AMP) loan. This makes a total of \$6,260,539, which has been distributed to fund projects at the American Memorial Park (see table).

**PUBLIC LANDS REVENUES** Received by MPLC, MPLA & DPL.

**LESS EXPENSES of ADMINISTRATION**

(general and administration, homestead program and comprehensive master planning)

**EQUALS NET DISTRIBUTION TO MPLT from MPLC, et. al.**

**\$42,164,301**

**GENERAL FUND PRINCIPAL  
INVESTED**

**\$40,164,301**

**PARK FUND PRINCIPAL  
INVESTED**

**\$2,000,000**

**INVESTMENT INCOME**

**LESS EXPENSES OF ADMINISTRATION**

(money management fees, professional fees, contractual services, etc)

**Income Distributed to CNMI General Fund**

**Distributable Net Income**

**\$6,260,539**

FY 1984	\$1,348,293		
FY 1985	2,495,638		
FY 1986	2,507,825		
FY 1987	2,543,529		
FY 1988	3,098,924		
FY 1989	1,349,138		
FY 1990	1,721,670		
FY 1991	1,032,690	FY 1991	\$171,248
FY 1992	707,863	FY 1992	140,160
FY 1993	534,953	FY 1993	973,825
FY 1994	763,298	FY 1994	294,410
FY 1995	1,191,602	FY 1995	28,853
FY 1996	1,560,522	FY 1996	376,219
FY 1997	1,461,200	FY 1997	201,437
FY 1998	1,420,000	FY 1998	164,868
FY 1999	1,566,931	FY 1999	82,110
FY 2000	1,600,594	FY 2000	148,335
FY 2001	1,982,714	FY 2001	95,321
FY 2002	1,690,569	FY 2002	269,855
FY 2003	1,206,139	FY 2003	165,294
FY 2004	1,308,788	FY 2004	387,119
FY 2005	1,064,661	FY 2005	294,713
FY 2006	1,379,989	FY 2006	274,075
FY 2007	2,228,048	FY 2007	208,917
FY 2008	2,219,596	FY 2008	218,572
FY 2008 Restatement	4,100,000		----
FY 2009	2,013,563	FY 2009	219,768

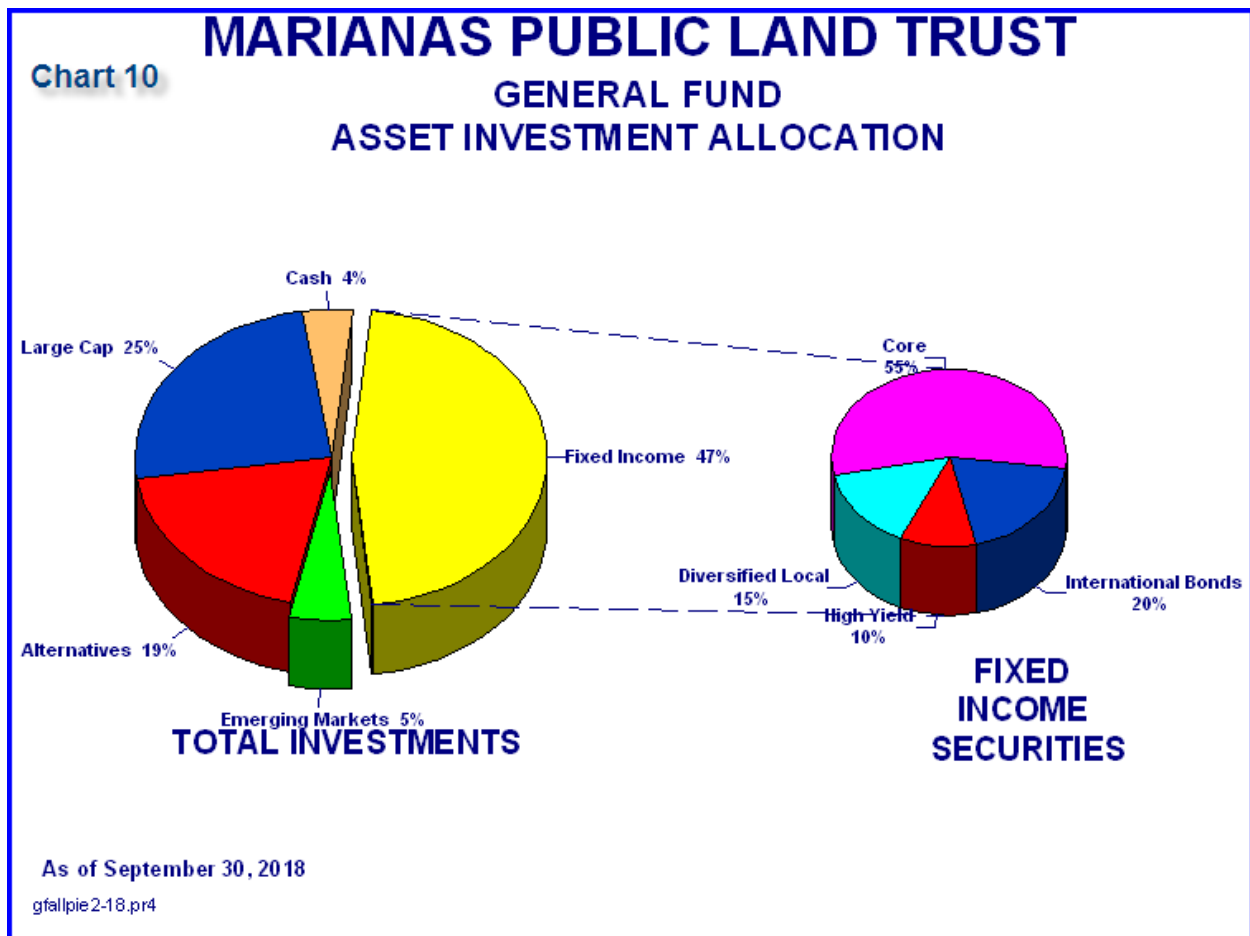
FY 2010	1,625,996	FY 2010	206,489
FY 2011	2,248,926	FY 2011	208,955
FY 2012	1,894,921	FY 2012	251,461
FY 2013	1,908,000	FY 2013	540,130
FY 2014	844,111	FY 2014	143,411
FY 2015	1,862,401	FY 2015	224,944
FY 2016	1,331,248	FY 2016	137,167
FY 2017	1,636,226	FY 2017	174,188
FY 2018	<u>1,840,206</u>	FY 2018	<u>198,825</u>
<b>Total:</b>	<b>\$61,290,772</b>		<b>\$6,260,539</b>
	Total income Available for Future Distribution		<b>\$0</b>

## FY 2018 FINANCIAL SUMMARY

### GENERAL FUND

The Investment Policy Statement asset allocation for 2018 maintains a broad asset allocation of 25% to equities, 55% to fixed income, and 20% to alternatives. This approach maintains current income while keeping an option to grow the principal investment base. The current asset allocation is reflected in the General Fund Asset Investment Allocation (chart 10).

The overall asset investment base for 2018 was \$86,184,787, increasing by \$3,845,921 from the 2017 amount.



## GENERAL FUND CURRENT ASSET ALLOCATION

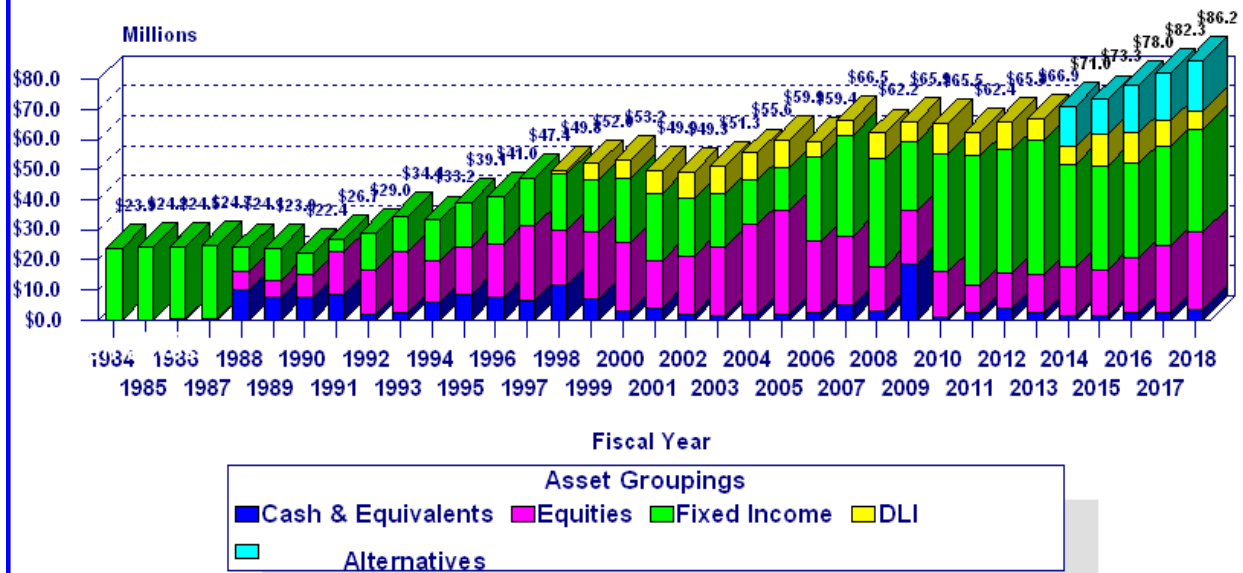
Asset Allocation	Strategic Allocation	Total Fund	Percentage Difference
Domestic Equity – Large Cap Core and Large Value	20%	26.10%	6.10%
Non-U.S. Equities:			
International w/ Emerging Markets	5%	5.39%	.39%
Domestic Fixed Income			
Core	30%	26.81%	-3.19%
High Yield	5%	5.01%	.01%
DLI	10%	7.25%	-2.75%
International Bonds	10%	9.30%	-.70%
Alternatives	20%	20.14%	.14%
Total Allocation	100%	100%	0%

## General Fund's Investment Returns

Investment Earnings	\$2,844,385
Realized Capital Gains	250.155
Unrealized Capital Gains	<u>1,523,368</u>
Total Return	<u>\$4,617,908</u>
Return on Investments	<u>5.90%</u>

Chart 11

# MARIANAS PUBLIC LAND TRUST GENERAL FUND HISTORICAL ASSET INVESTMENT ALLOCATIONS



Source: Annual Audited Financial Stmts.

Stated at market value as of September 30, 2018

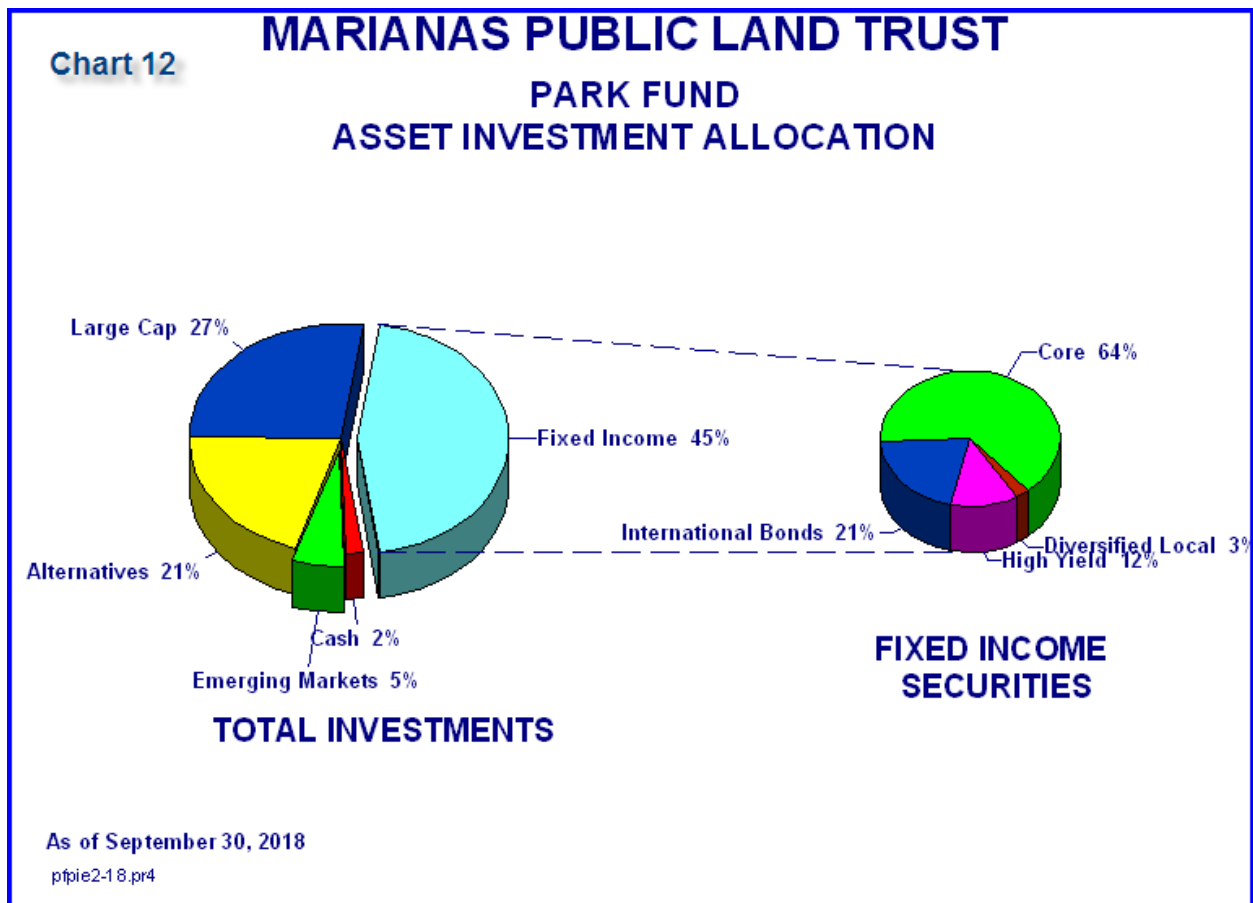
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**FY 2018 FINANCIAL SUMMARY**  
**AMERICAN MEMORIAL PARK**

The Investment Policy Statement asset allocation for 2018 is same as the General Fund. This allocation will provide sufficient income to support the increased debt service on the Commonwealth Development Authority (CDA) and American Memorial Park (AMP) loan. While this approach provides current income, it also enhances the option to grow the principal investment base. The current asset allocation is reflected in the Park Fund Asset Investment Allocation (chart 12).

The overall asset investment base for 2018 was \$9,632,773 increasing by \$214,218 from the 2017 amount.



## AMERICAN MEMORIAL PARK CURRENT ASSET ALLOCATIONS

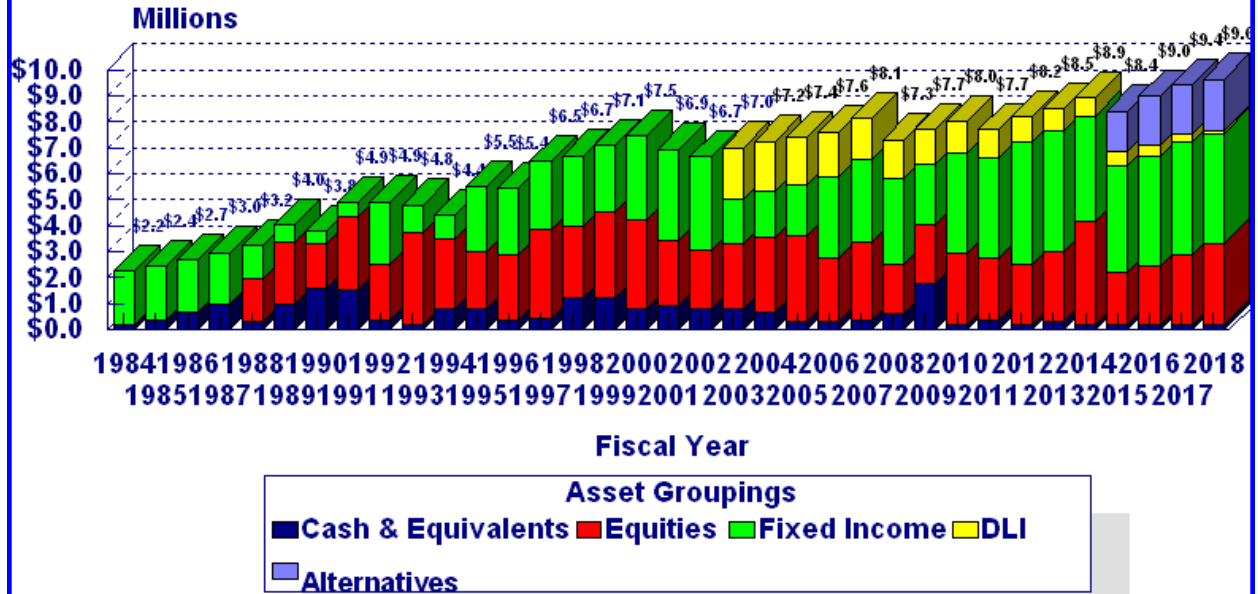
Asset Allocation	Strategic Allocation	Total Fund	Percentage Difference
<b>Domestic Equity – Large Cap Core</b>	<b>20%</b>	<b>27.58%</b>	<b>7.58%</b>
<b>Non-U.S. Equities:</b> Emerging Markets	<b>5%</b>	<b>5.60%</b>	<b>.60%</b>
<b>Domestic Fixed Income</b>			
Core	<b>30%</b>	<b>29.76%</b>	<b>-.24%</b>
High Yield	<b>5%</b>	<b>5.51%</b>	<b>.51%</b>
DLI	<b>10%</b>	<b>1.17%</b>	<b>-8.83%</b>
<b>International Bonds</b>	<b>10%</b>	<b>9.59%</b>	<b>-.41%</b>
<b>Alternatives</b>	<b>20%</b>	<b>20.79%</b>	<b>.79%</b>
<b>Total Allocation</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>

## Park Fund's Investment Return

<b>Investment Earnings</b>	<b>\$304,734</b>
<b>Realized Capital Gains</b>	<b>30,954</b>
<b>Unrealized Capital Gains</b>	<b><u>183,264</u></b>
<b>Total Return</b>	<b><u>\$518,952</u></b>
<b>Return on Investments</b>	<b><u>5.48%</u></b>

Chart 13

# **MARIANAS PUBLIC LAND TRUST PARK FUND HISTORICAL ASSET INVESTMENT ALLOCATIONS**



Source: Annual Audited Financial Stmts.  
 Stated at Stated at market value as of September 30, 2018  
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## FIDUCIARY DUTY and PRUDENT

### PROCESS

The Northern Mariana Islands Constitution requires the Trustees to “**...make reasonable, careful and prudent investments**” and holds them to “**...strict standards of fiduciary care**”. In adhering to such practices, the Trustees works with their key staff, professional consultants and attorney in the exercise of their fiduciary responsibilities. As a fiduciary, the Trustees have personal liability for their acts if they do not meet the concepts of the **Prudent Process**.

Fiduciary liability is not determined by investment performance, but rather by the failure to apply “**prudent investment practices**”.

The Trustees, through their fiduciary studies and trainings of the application of these **Practices** helps them to manage and make prudent investment decisions for the Trust.

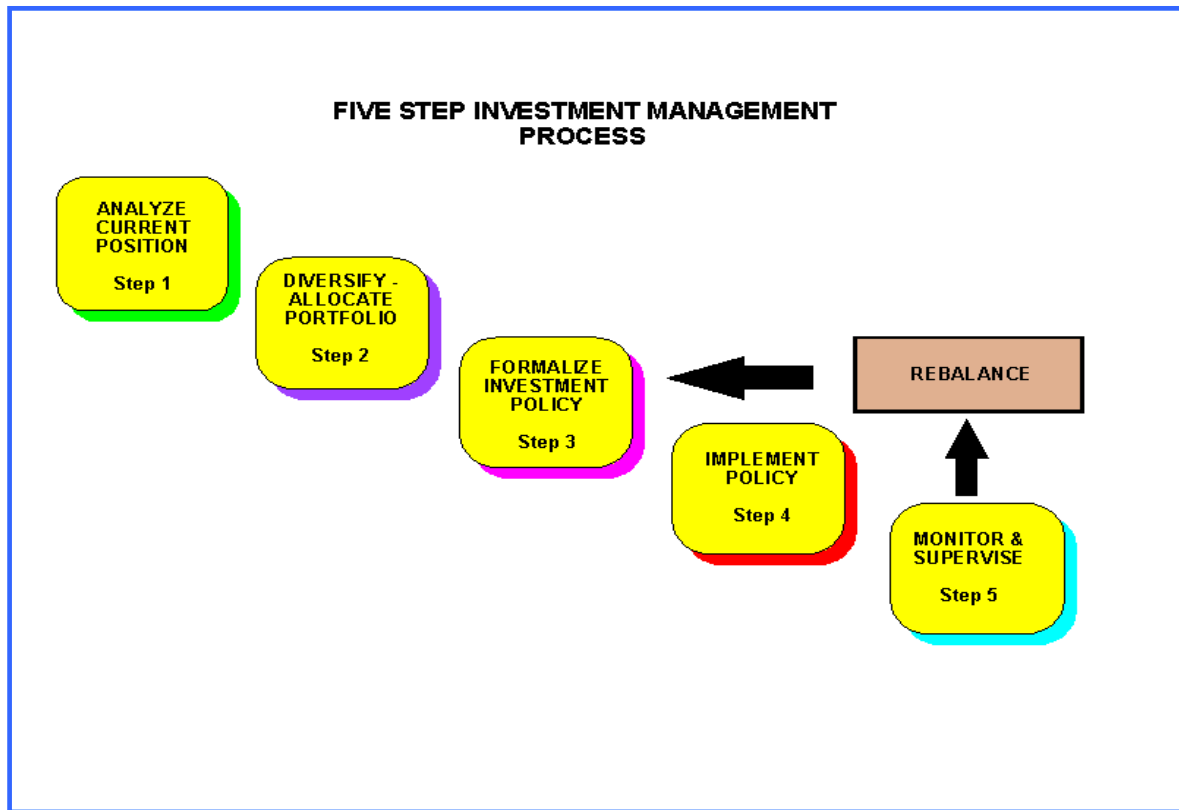
The **Prudent Process** is described through the **Five Step Investment Management Process** as shown in Chart 10. The **Uniform Fiduciary Standards of Care** are legislated standards that when applied with the Five Step Investment Management Process frames the **Prudent Investment Process**. A further discussion of the **Practices** is as follows:

### PRIMARY DUTY of the FIDUCIARY

To *manage* a prudent investment process, without which the components of an investment plan cannot be defined, implemented, or evaluated. Statutes, case law, and regulatory opinion letters dealing with investment fiduciary responsibility further reinforce this important concept.

### Safe Harbor Rules

1. Use prudent experts to make the Investment decisions.
2. Demonstrate that the prudent expert was selected by following a due diligence process.
3. Give the prudent expert discretion over the assets.
4. Have the prudent expert acknowledge their co-fiduciary status.
5. Monitor the activities of the prudent expert to ensure that the expert is performing the agreed upon tasks.



### Step 1 - Analyze Current Position

Investments are managed in accordance with applicable laws, trust documents, and written policy statements.

- Fiduciaries are aware of their duties and responsibilities.
- Fiduciaries and parties in interest are not involved in self-dealing.
- Service agreements and contracts are in writing, and do not contain provisions that conflict with fiduciary standards of care.
- There is documentation to show timing and distribution of cash flows and the payment of liabilities.
- Assets are within the jurisdiction of U.S. courts, and are protected from theft and embezzlement.

#### INDUSTRY BEST PRACTICE

The following documents, at a minimum, should be collected, reviewed, and analyzed:

- A copy of the Investment Policy Statement (IPS), written
- Meeting minutes, and/or files from investment committee meetings.
- Applicable trust documents.
- Custodial and brokerage agreements.
- Service agreements with investment management vendors.
- Information on retained money managers; specifically the ADV for each separate account manager and prospectus for each mutual fund.
- Investment performance reports from money managers, custodian, and/or consultant.

## **Step 2 – Diversity - Allocate Portfolio**

- A risk level has been identified.
- An expected, modeled return to meet investment objectives has been identified.
- An investment time horizon has been identified.
- Selected asset classes are consistent with the identified risk, return, and time horizon.
- The number of asset classes is consistent with portfolio size.

### **INDUSTRY BEST PRACTICE**

If a fiduciary even thinks he or she may have a conflict of interest – they probably do. The best advice is end it, or avoid it. It's that simple. An excellent question every fiduciary should ask before deciding or voting on an investment issue is: ***Who benefits from this decision?*** If the answer is any party other than the client, participant, and/or the beneficiary, the likelihood is the fiduciary is about to breach his or her duties.

## **Step 3 - Formalize Investment Policy**

- There is detail to implement a specific investment strategy.
- The investment policy statement defines the duties and responsibilities of all parties involved.
- The investment policy statement defines diversification and rebalancing guidelines.
- The investment policy statement defines due diligence criteria for selecting investment options.
- The investment policy statement defines monitoring criteria for investment options and service vendors.
- The investment policy statement defines procedures for controlling and accounting for investment expenses.
- The investment policy statement defines appropriately structured, socially responsible investment strategies (when applicable).

### **INDUSTRY BEST PRACTICES**

Rebalancing is inherent to the element of diversification, where the goal is to create a portfolio that balances appropriate levels of risk and return. That balance, once achieved, only can be maintained by periodically rebalancing the portfolio to maintain the appropriate diversification.

The rebalancing limits define the points when a portfolio should be reallocated to bring it back in line with the established asset allocation target. The discipline of rebalancing, in essence, controls risk and forces the portfolio to move along a predetermined course. It takes gains from stellar performers or favored asset classes, and reallocates them to lagging styles, without attempting to time the market.

#### **Step 4 - Implement Policy**

- The investment strategy is implemented in compliance with the required level of prudence.
- The fiduciary is following applicable “Safe Harbor” provisions (when elected).
- Investment vehicles are appropriate for the portfolio size.
- A due diligence process is followed in selecting service providers, including the custodian.

##### **INDUSTRY BEST PRACTICE**

Simply stated, an investment strategy can fail by being too conservative or too aggressive. A fiduciary could adopt a very safe investment strategy by keeping a portfolio in cash, but then see the portfolio's purchasing power whither under inflation. Or, a fiduciary could implement a long-term growth strategy that overexposes a portfolio to equities, when a more conservative fixed-income strategy would have been sufficient to cover the identified goals and objectives.

#### **Step 5 - Monitor and Supervise**

- Periodic reports compare investment performance against an appropriate index, peer group, and IPS objectives.
- Periodic reviews are made of qualitative and/or organizational changes of investment decision-makers.
- Control procedures are in place to periodically review policies for best execution, soft dollars, and proxy voting.
- Fees for investment management are consistent with agreements and with the law.
- “Finder’s fees,” 12b-1 fees, or other forms of compensation that have been paid for asset placements are appropriately applied, utilized, and documented.

##### **INDUSTRY BEST PRACTICE**

The acronym **TREAT** helps define the key fiduciary inputs to the asset allocation strategy.

**T** Tax Status

**R** Risk Level

**E** Expected Return

**A** Asset Class Preference

**T** Time Horizon

We are currently performing step 5 of the investment process, in particular, performing rebalancing. The process of rebalancing of the portfolio realigns it back to the strategic asset allocation formalized in the IPS. The asset mix will change as a result of rising values in the portfolio. Rebalancing controls risk and force the portfolio to move along a predetermined course. It is through this overall procedural process that the Trust maintains its financial integrity.

## INDUSTRY BEST PRACTICE

The fiduciary should establish performance objectives for each investment decision-maker, and/or money manager, and record the same in the investment policy statement. Investment performance should be evaluated in terms of an appropriate market index, and the relevant peer group.

The investment policy statement also should describe the actions to be taken when an investment decision-maker fails to meet the established criteria. The fiduciary should acknowledge that fluctuating rates of return characterize the securities markets, and may cause variations in performance. The fiduciary should evaluate performance from a long-term perspective, ordinarily defined as two-to-three years.

There often will be times when a money manager is beginning to exhibit shortfalls in the defined performance objectives but, in the opinion of the fiduciary, does not warrant termination. In such situations, the fiduciary should establish in the investment policy statement specific **Watch List** procedures. The decision to retain or terminate a manager cannot be made by a formula. It is the fiduciary's confidence in the money manager's ability to perform in the future that ultimately determines the retention of a money manager.

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The references used in this section of the 2013 Annual Report were taken from the Prudent Investment Practices, A Handbook for Investment Fiduciaries, written and published by the Foundation for Fiduciary Studies, [www.cfstudies.com](http://www.cfstudies.com), © 2003 Foundation for Fiduciary Studies.



Due to the technical nature of professional investing, the Board of Trustees and staff must maintain a level of proficiency in the technical concepts of investing and money management. The following are the money management activities and seminars attended in 2018.

DATES	CONFERENCE	ATTENDEES	LOCATION
October 2017	IFEBP Annual Conference	Martin B. Ada, Trustee Maria T. Pangelinan, Trustee Pedro R. Deleon Guerrero, Trustee Peter Q. Cruz, Trustee Vianney B. Hocog, Trustee Barbara Reyes, Administrator Lillian Leon Guerrero, Admin. Assistant	Las Vegas, NV
November 2017	APAFS	Martin B. Ada, Trustee Pedro R. Deleon Guerrero, Trustee Vianney B. Hocog Barbara Reyes, Administrator	Makati Philippines
April 2018	Fi360 Conference	Vianney B. Hocog, Trustee Barbara Reyes, Administrator	San Diego, CA
June 2018	Trustees and Administrators' Institute - IFEBP	Pedro R. Deleon Guerrero, Trustee Martin B. Ada	Las Vegas, NV
July 2018	Alternative Investment Strategies – Wharton IFEBP	Vianney B. Hocog, Trustee Martin B. Ada, Trustee Pedro R. Deleon Guerrero	San Francisco, CA

## STAFF



**Barbara Reyes, AIF®**  
Administrator



**Lillian C. Leon Guerrero**  
Administrative Assistant



**James D. Aldan**  
Property Maintenance

## Consultants and Legal Services



**Bruce M. MacMillan**  
Board Consultant



**Robert T. Torres**  
Legal Counsel

## Asia Pacific Group of Raymond James Investment Consultant



**PORTFOLIO INVESTMENT CONSULTANT  
RAYMOND JAMES and ASSOCIATES, INC.**

The Trustees solicit professional services for the management of its assets, the development and maintenance of a dynamic investment policy, the supervision and evaluation of investment managers, as well as auditing and asset custodial services.

The Money Managers, selected by the Trustees, have sole responsibility for purchase and sale decisions for all investments under their control. Should any manager fail to meet the goals or stay within the guidelines of the Trust's investment policy, the trustees may initiate proceedings to determine the desirability of retaining the manager.

The Consultant is responsible for providing ongoing assistance to the Trustees in the supervision, retention and termination of the investment managers, the maintenance and updating of the investment policy, asset allocation decisions and other matters involving the investment of assets. From 1988 through 1994, Merrill Lynch acted as the Trust's investment consultant. Commencing March 1, 1995, Altamira Capital Corporation was retained to replace Merrill Lynch as investment consultant. On February 18, 2004 the Trust hired Morgan Stanley Smith Barney to replace Altamira Capital. On November 17, 2015, MSSB was replaced by Raymond James and Associates, Inc. (RJ). RJ is the current portfolio consultant.

The Custodian of the funds is responsible for safekeeping all securities and cash, accounting for all cash flow and providing monthly statements. Effective with the hiring of Morgan Stanley Smith Barney in February 2004, Smith Barney Citigroup became the custodian. The current Custodian of the securities is RJ. Prior to this time, BNY Western Trust Company (a subsidiary of the Bank of New York) had been serving as custodian for all of the Trust's funds. The Board of Trustees has also retained seven discretionary money management firms to manage the Trust's investment portfolios – see below (stated at fair market value).

MONEY MANAGER	AMOUNT OF ASSETS UNDER MANAGEMENT	
	GENERAL FUND	PARK FUND
<b>Aristotle Capital Management</b> – large cap value domestic equity money manager; objective is to manage domestic equity assets consistent with the Russell 1000 Value Index and Domestic Large Cap Value Equity peer group.	\$10,810,500	\$1,303,402
<b>Atalanta Sosnoff Capital Management</b> - core domestic equity manager, objective is to manage domestic equity assets consistent with the Standard & Poors 500 Index and the Domestic Large Cap Core Equity peer group.	\$11,265,070	\$1,360,204
<b>Lazard</b> – emerging markets money manager; objective is to manage emerging international equity assets consistent with the MSCI EM (net) Index.	\$4,560,099	\$540,973
<b>Garcia Hamilton &amp; Associates</b> – domestic fixed income “core” money manager; objective is to manage fixed income assets consistent with the Lehman Aggregate Bond Index.	\$22,666,639	\$ 2,874,395
<b>Chartwell Investment Partners</b> – high yield bond; objective is to manage high yield bonds consistent with the Barclays HY Bond Index.	\$4,235,741	\$532,119
<b>Templeton Global</b> – foreign bond fund unhedged; objective is to manage foreign bonds consistent with the CitigrpNon USWGovUnHd Index.	\$7,867,871	\$925,889
<b>Tortoise Capital Advisors</b> – master limited partnership (MLP); objective is to manage Non-Traditional/Alternative assets consistent with the Alerian MLP Index and the MLP Universe peer group.	\$8,121,434	\$973,793
<b>Adelante Capital Management</b> – real estate investment trust (REITS); to manage Non-Traditional/Alternative assets consistent with the NAREIT Equity REITS Index and the NAREIT Equity REITS Universe peer group.	\$8,909,418	\$1,034,078
<b>Local Investments</b>	<u>\$6,121,252</u>	<u>\$113,244</u>
<b>GRAND TOTALS</b>	<u>\$ 84,558,024</u>	<u>\$9,658,097</u>

# MARIANAS PUBLIC LAND TRUST

## FINANCIAL STATEMENT AND INDEPENDENT AUDITOR'S REPORT

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Year Ended  
September 30, 2018

MARIANAS PUBLIC LAND TRUST  
(A COMPONENT UNIT OF THE COMMONWEALTH  
OF THE NORTHERN MARIANA ISLANDS)

FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION AND  
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Marianas Public Land Trust:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Marianas Public Land Trust (MPLT), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), 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 Marianas Public Land Trust 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 11 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 MPLT's basic financial statements. The Combining Statements of Net Position, of Revenues, Expenses and Changes in Net Position and of Cash Flows (pages 34 through 36), the Schedules of Investments - General Fund and Park Fund (pages 37 through 48) and the Schedule of Administrative Expenses Compared to Budget (page 49) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Statements of Net Position, of Revenues, Expenses and Changes in Net Position and of Cash Flows, the Schedules of Investments - General Fund and Park Fund and the Schedule of Administrative Expenses Compared to Budget are the responsibility of management and were 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 Combining Statements of Net Position, of Revenues, Expenses and Changes in Net Position and of Cash Flows, the Schedules of Investments - General Fund and Park Fund and the Schedule of Administrative Expenses Compared to Budget are 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 July 23, 2019 on our consideration of MPLT'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 MPLT'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 MPLT's internal control over financial reporting and compliance.

*Deloitte & Touche LLC*

July 23, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED SEPTEMBER 30, 2018**

As management of the Marianas Public Land Trust (MPLT), we offer readers of MPLT's financial statements this narrative overview and analysis of the financial activities of MPLT for the year ended September 30, 2018. This Management's Discussion and Analysis should be read in conjunction with the audited financial statements.

### **Implementing Authority**

The origins of MPLT are found in both the Constitution of the Commonwealth of the Northern Mariana Islands (CNMI) and Public Law (P.L.) 94-241, Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (the Covenant). The Covenant contains key provisions, which are fundamental to MPLT's development. Article VIII, Section 802 requires that certain lands be made available to the United States Government by lease in order for it to carry out its defense responsibilities. These lands consist of 7,203 hectares on Tinian, 72 hectares at Tanapag Harbor in Saipan, and the entire island of Farallon de Medinilla, comprising of approximately 83 hectares.

Article XI, Section 6 of the Constitution as amended, provides for the establishment of MPLT upon the effective date of the Constitution. Some excerpts pertaining to the operating requirements of MPLT are:

- "... The number of trustees appointed by the Governor with the advice and consent of the Senate shall be ...[five]. Three shall be from Saipan, one from Rota and one from Tinian. At least one trustee shall be a woman and at least one trustee shall be of Carolinian descent. The trustees shall serve for a term of six years ... [shall] be staggered."
- "... The trustees shall make reasonable, careful and prudent investments."
- "... The trustees shall ...[use] the interest on the amount received for the lease of property at Tanapag Harbor for the development and maintenance of a memorial park. The trustees shall transfer to the general revenues of the Commonwealth the remaining interest accrued ...[except] that the trustees may retain the amount necessary to meet reasonable expenses of administration."
- "... The trustees shall make an annual written report to the people of the Commonwealth accounting for the revenues received and expenses incurred by the Trust and describing the investments and other transactions authorized by the trustees."
- "... The trustees shall be held to strict standards of fiduciary care."

Article VIII, Section 803 of the Covenant describes the lease terms for the above properties. The Commonwealth will lease the property to the United States for 50 years with the United States having the option of renewing the lease for all or part of the property for an additional term of 50 years. The United States will pay the Commonwealth, in full settlement of the two 50-year lease terms, the total sum of \$19,520,600 determined as follows:

### **Implementing Authority, Continued**

- Tinian Island property - \$17.5 million
- Saipan Island property located at Tanapag Harbor - \$2 million
- Farallon de Medinilla Island - \$20,600

The above sum will be adjusted by a percentage, which will be the same as the percentage change in the United States Department of Commerce composite price index from the date of signing the Covenant. Additional terms and conditions of this lease are found in the Technical Agreement Regarding Use of Land to Be Leased by the United States, which was executed simultaneously with the Covenant.

This was the initial source of the funding to MPLT from the Marianas Public Land Corporation (MPLC), i.e., \$23,942,602 allocated to the MPLT General Fund and \$2,000,000 allocated to the MPLT Park Fund, was received as follows:

#### **Initial Distributions Received From MPLC**

<u>Date</u>	<u>Amount</u>
July 19, 1983	\$ 5,000,000
January 20, 1984	100,000
February 17, 1984	14,080,046
April 13, 1984	5,958,700
August 27, 1984	<u>803,856</u>
Total	\$ <u>25,942,602</u>

Subsequently, MPLC and its successors, including the CNMI Department of Public Lands (DPL), made additional distributions, which were treated as General Fund principal contributions, as follows:

#### **Distributions Received From MPLC**

<u>Date</u>	<u>Amount</u>
May 11, 1991	\$ 500,000
December 20, 1991	500,000
September 19, 2007	1,250,000
August 4, 2008	3,500,000
November 23, 2011	1,000,000
December 31, 2013	307,109
June 6, 2014	996,743
December 30, 2014	5,000,000
April 11, 2016	800,334
February 1, 2018	866,339
September 17, 2018	<u>1,501,174</u>
Total	\$ <u>16,221,699</u>

The total principal contributions received from the leasing of public land by MPLT from MPLC or its successor entities is \$42,164,301.

In addition to the above contributions received from DPL, MPLT believes that DPL has failed to distribute the correct net distributable income for many years. DPL has inappropriately "reserved" their fund balance in order to avoid distributing the annual funds as required by the Constitution. This finding has been supported by two Attorney General opinions, summarized as follows:

## **Implementing Authority, Continued**

*AG Opinion 2013-02, dated April 8, 2013, states:*

DPL owes MPLT all revenue generated from public lands that is not appropriated to it pursuant to its annual budget. DPL also owes MPLT an accounting to verify that the proper sums are transferred. DPL must transfer these excess funds on a yearly basis.

*AG Opinion 18-03, dated October 15, 2018, states:*

The question of this opinion is whether the Legislature may appropriate to DPL supplemental funding in excess of the original budget amount allocated to DPL for fiscal year 2018? The answer is “no” as all revenues generated from public lands less the operational expenses has to be transferred to MPLT. Any statute or regulation that would deprive MPLT of the revenue from public lands violates the Constitution.

DPL’s practice of underspending its budget and understating of its estimated revenues has resulted in a growing fund balance. In six years the fund balance has grown to \$10,975,000 in FY 2017. DPL justifies maintaining this significant balance to fund future homestead development, subsequent year’s approved budget, and other matters to be funded in the future.

Notwithstanding the DPL transfers that have been made to MPLT, more funding must be transferred as the funds in the DPL Operations Fund has grown substantially from the additional revenues collected in excess of estimates and underspending of amounts appropriated. DPL has no legal authority to retain excess revenue.

Conclusion states that “supplemental appropriation to DPL may not be made from unobligated and unencumbered prior fiscal year balances”. Those balances are public land funds that must be transferred to MPLT.

It is for these two AG Opinions that MPLT has accrued a receivable from DPL in the amount of \$6,327,685 as of September 30, 2018.

Additionally, on October 4, 2010, the Commonwealth Supreme Court rendered its opinion, Supreme Court N. 2009-SCC-0041-CQU, Slip Opinion, which found P.L. 16-31 unconstitutional as it infringes upon MPLT’s constitutionally mandated functions of receiving and investing the revenues from public lands for the benefit of people of Northern Marianas Descent. It states that any attempt by the Legislature to appropriate funds from public land revenue before they reach MPLT infringes on Article XI, §6. While DPL’s current practice is to withhold operating expenses from the moneys generated through the management and disposition of public lands before transferring the money to MPLT, the authority for doing so is no longer constitutionally operative and the authority for doing so must exist elsewhere.

MPLT has had a history of communicating with DPL as to their failure to remit the correct annual distribution. Failure to turn over the correct fund balance each fiscal year is a clear violation of DPL’s fiduciary duty. This breach for FY 2018 has likely resulted in an annual loss of distributable net income to the CNMI General Fund in the amount of \$500,000 to \$550,000.

## **Constitutional Mandate**

The Trustees are mandated to make prudent and reasonable investments derived from public land leases and transfer the interest earned, less reasonable expenses of administration, to the General Revenues of the Commonwealth for appropriation by the Legislature. The Trustees continuously monitor its investment portfolio to ensure an adequate risk-adjusted rate of return is achieved.

## **Financial Highlights**

The following financial highlights are taken from the audited financial statements for the years ended September 30, 2018, 2017 and 2016.

- Assets of MPLT increased in 2018 by \$8,891,213 over the amount at 2017 and by \$4,675,139 in 2017 over the amount in 2016. The increase in 2018 was due primarily to the accrual of \$6,327,685<sup>1</sup> as additional amounts due to MPLT from DPL and the increase of the fair market value of the investments.
- Total liabilities for 2018 decreased by \$290,552 from 2017 due primarily to a decrease of \$292,755 in due to brokers and a net increase of \$2,203 in accounts payable and accrued expenses. Total liabilities for 2017 decreased by \$285,904 from 2016 primarily due to a \$268,225 decrease in due to brokers and a \$25,316 decrease in accounts payable and accrued expenses.
- The above changes resulted in increases of \$9,181,765, \$4,961,043 and \$7,540,724 in total net position for 2018, 2017 and 2016, respectively.
- Total revenues of MPLT are a combination of (1) gains (losses) attributable to the valuation of investments, (2) income earned on such investments and (3) distributions received from DPL. Total operating revenues for 2018, 2017 and 2016 were \$12,330,886, \$7,845,408 and \$9,169,129, respectively.
- Total performance of MPLT for 2018, 2017 and 2016 was 5.8%, 8.09% and 9.09%, respectively.
- Overall administrative costs increased in 2018, 2017 and 2016 by \$36,139 or 3%, \$113,627 or 12% and by \$11,245 or 1%, respectively.

## **MPLT General Fund Operations**

Investment income (excluding net increase in fair value of investments and contributions from DPL) for 2018, 2017 and 2016 was \$2,844,386, \$2,607,508 and \$2,222,988, respectively.

Distributions to the CNMI General Fund paid for 2018, 2017 and 2016 were \$1,840,206, \$1,636,226 and \$1,331,248, respectively. The cumulative amount distributed to the CNMI General Fund since inception in 1983 has been \$61,290,772. This has occurred while growing the principal fund by \$44,084,720 for the same time-period. The General Fund's annual return for 2018 and 2017 was 5.90%, 8.11% and 9.01%, respectively.

<sup>1</sup> This accrual of the DPL's FY17 fund balance is in accordance with OAG 18-03.

## MPLT General Fund Operations, Continued

The loan made to the Northern Marianas Housing Corporation (NMHC) became non-performing when NMHC defaulted in 2007 after P.L. 10-29 and P.L. 12-27 were repealed by P.L. 15-48. MPLT negotiated a settlement agreement wherein \$2,025,000 was paid and the related loan portfolio was transferred to MPLT. MPLT is currently managing these loans and attempting to recover its \$8.9 million original principal. Due to collection uncertainty for this investment, a write-down of value amounting to \$3,341,800 was recognized by MPLT as of September 30, 2017 (net current value is \$2,186,561).

## General Fund Condensed Financial Statements Summaries

### STATEMENTS OF NET POSITION

<u>Assets</u>	<b>2018</b>	<b>2017</b>	<b>2016 As Restated</b>
Current assets	\$ 10,804,752	\$ 7,364,133	\$ 8,299,936
Others assets, restricted	76,733,857	71,698,949	65,792,519
Notes receivable - noncurrent portion	5,350,720	5,040,104	5,785,838
Foreclosed properties	-	99,400	
Capital assets	<u>304,807</u>	<u>323,047</u>	<u>323,752</u>
Total	\$ <u>93,194,136</u>	\$ <u>84,525,633</u>	\$ <u>80,202,045</u>

### Liabilities and Net Position

Current liabilities	\$ <u>129,230</u>	\$ <u>428,274</u>	\$ <u>642,639</u>
Net position:			
Net investment in capital assets	304,807	323,047	323,752
Restricted	<u>92,760,099</u>	<u>83,774,312</u>	<u>79,235,654</u>
Net position	<u>93,064,906</u>	<u>84,097,359</u>	<u>79,559,406</u>
Total	\$ <u>93,194,136</u>	\$ <u>84,525,633</u>	\$ <u>80,202,045</u>

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<b>2018</b>	<b>2017</b>	<b>2016 As Restated</b>
Operating revenues (loss), net	\$ 11,811,933	\$ 7,145,461	\$ 8,357,436
Operating expenses	(1,004,180)	(971,282)	(867,740)
Non-operating income (expenses)	<u>(1,840,206)</u>	<u>(1,636,226)</u>	<u>(530,914)</u>
Change in net position	8,967,547	4,537,953	6,958,782
Beginning net position	<u>84,097,359</u>	<u>79,559,406</u>	<u>72,600,624</u>
Ending net position	\$ <u>93,064,906</u>	\$ <u>84,097,359</u>	\$ <u>79,559,406</u>

### STATEMENTS OF CASH FLOWS

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Cash flows from operating activities	\$ 3,646,932	\$ 1,697,096	\$ (389,930)
Cash flows from noncapital financing activities	-	-	800,334
Cash flows from capital and related financing activities	79,132	49,981	(45,888)
Cash flows from investing activities	<u>(2,776,902)</u>	<u>(1,613,516)</u>	<u>544,820</u>
Net increase in cash and cash equivalents	949,162	133,561	909,336
Cash and cash equivalents at beginning of year	<u>2,397,872</u>	<u>2,264,311</u>	<u>1,354,975</u>
Cash and cash equivalents at end of year	\$ <u>3,347,034</u>	\$ <u>2,397,872</u>	\$ <u>2,264,311</u>

## **General Fund Condensed Financial Statements Summaries, Continued**

The statements above are inclusive of amounts due from the Park Fund of \$20,670 that are eliminated in the accompanying financial statements.

### **Capital Assets**

At September 30, 2018, 2017 and 2016, MPLT had \$304,807, \$323,047 and \$323,752, respectively, in capital assets, net of accumulated depreciation where applicable, including land, building furniture, fixtures and equipment and vehicle, which represent net decreases of \$18,240 and \$705 in 2018 and 2017, respectively. See note 4 to the financial statements for more detailed information on MPLT's capital assets.

### **MPLT Park Fund Operations**

The MPLT Park Fund is part of the overall trust fund but is separately managed and accounted for due to its funding source and a different beneficiary as compared to the MPLT General Fund. The Park Fund's annual return for 2018, 2017 and 2016 was 5.48%, 7.92% and 9.74%, respectively. As stated previously, the Park Fund received its initial principal funding from the lease proceeds of a portion of the Tinian, Tanapag Harbor and Farallon de Medinilla land lease revenues. The \$2,000,000 for the Tanapag Harbor in Saipan was dedicated to the formation of the American Memorial Park (AMP). The income on this principal contribution can only be used for the maintenance and development of AMP. Accordingly, this initial principal contribution has been prudently managed since 1983 and has grown to \$9,633,641.

As part of a plan to make some of the principal available for development of AMP, MPLT entered into a loan arrangement with the Commonwealth Development Authority on November 30, 2001 to lend them \$2,000,000 to be "matched" with CIP funding grants in order to make the following additions and upgrades to the Park:

1. American Memorial Park Visitor/Cultural Center	\$ 1,305,200
2. American Memorial Park Marianas Memorial Garden	514,000
3. Remodel and Upgrade Amphitheater	1,310,800
4. Exhibit Design and Construction of Visitor Center	<u>870,000</u>
Total	\$ <u>4,000,000</u>

This loan is to be repaid from future income realized on Park Fund investments. As income is received, the principal portion of the payment will be taken from the income stream and transferred to principal and re-invested. The term of the loan is fifteen years at an annual rate of 6.5% and is subject to the net operating income available each year. The remaining balance of \$113,244 will be paid in fiscal year 2019. It is through this mechanism that MPLT has been able to benefit the Park and sustain new development.



## Park Fund Condensed Financial Statements Summaries

### STATEMENTS OF NET POSITION

<u>Assets</u>	<b>2018</b>	<b>2017</b>	<b>2016 As Restated</b>
Current assets	\$ 322,552	\$ 480,072	\$ 458,700
Others assets, restricted	9,343,939	8,965,219	8,368,011
Notes receivable - noncurrent portion	<u>-</u>	<u>-</u>	<u>267,029</u>
Total	\$ <u>9,666,491</u>	\$ <u>9,445,291</u>	\$ <u>9,093,740</u>

### Liabilities and Net Position

Total liabilities	\$ 32,850	\$ 25,868	\$ 97,407
Net position:			
Restricted principal	<u>9,633,641</u>	<u>9,419,423</u>	<u>8,996,333</u>
Total	\$ <u>9,666,491</u>	\$ <u>9,445,291</u>	\$ <u>9,093,740</u>

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Operating revenues	\$ 518,953	\$ 699,947	\$ 811,693
Operating expenses	(105,910)	(102,669)	(92,584)
Non-operating expenses, net	<u>(198,825)</u>	<u>(174,188)</u>	<u>(137,167)</u>
Change in net position	214,218	423,090	581,942
Beginning net position	<u>9,419,423</u>	<u>8,996,333</u>	<u>8,414,391</u>
Ending net position	\$ <u>9,633,641</u>	\$ <u>9,419,423</u>	\$ <u>8,996,333</u>

### STATEMENTS OF CASH FLOWS

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Cash flows from operating activities	\$ 183,933	\$ 155,079	\$ 109,043
Cash flows from investing activities	<u>(164,500)</u>	<u>(174,118)</u>	<u>(103,737)</u>
Net increase (decrease) in cash and cash equivalents	19,433	(19,039)	5,306
Cash and cash equivalents at beginning of year	<u>156,159</u>	<u>175,198</u>	<u>169,892</u>
Cash and cash equivalents at end of year	\$ <u>175,592</u>	\$ <u>156,159</u>	\$ <u>175,198</u>

The statements above are inclusive of amounts due to the General Fund of \$20,670 that are eliminated in the accompanying financial statements.

### Mandates

It is the intention of the Trustees to continue to provide financial assistance to the American Memorial Park in accordance with the terms of the Constitution and the Covenant. It has been through MPLT's stewardship of Park Fund assets that the developments in AMP have occurred. The Trustees plan to continue this past record of achievement and use it as a basis for further enhancement of the facility, which benefits the CNMI as a whole.

## **Economic Outlook**

The 2018 economy was not as strong as 2017 and was more volatile, but MPLT was still able to add value to the portfolio. The outlook for 2019 appears to continue to be volatile with more uncertainties being introduced into the economy. This will affect overall returns, which are expected to be lower than those for 2018. The Trust has a long-term time horizon. Accordingly, the Trust is continuously reviewing options to its current investment allocation in order to manage its risk-adjusted yields. The Trust may make changes to its asset allocation, but the basic investment approach will remain the same.

The Management's Discussion and Analysis for the year ended September 30, 2017 is set forth in MPLT's report on the audit of financial statements, which is dated November 29, 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.opacnmi.com](http://www.opacnmi.com).

## **Contacting the MPLT's Financial Management**

This report is designed to provide the branches of the CNMI Government and the public at large with a general overview of MPLT's finances and to show MPLT's accountability for the money it manages. If you have questions about this report or need additional financial information, contact MPLT at P.O. Box 501089, Saipan, MP 96950-1089 or phone at (670) 322-4401 or email [mplt@mplt.gov.mp](mailto:mplt@mplt.gov.mp).

# MARIANAS PUBLIC LAND TRUST

## Statements of Net Position September 30, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 3,522,626	\$ 2,554,031
Receivables:		
Department of Public Lands, net	6,327,685	1,501,174
Notes receivable, current portion	866,421	3,498,927
Accrued income	296,951	211,430
Other	64,645	14,015
Due from brokers	18,498	36,562
Prepaid expense	9,808	5,886
Total current assets	<u>11,106,634</u>	<u>7,822,025</u>
Other assets:		
Investments	<u>86,077,796</u>	<u>80,664,168</u>
Total other assets	<u>86,077,796</u>	<u>80,664,168</u>
Noncurrent assets:		
Notes receivable, net of current portion and allowance for loan losses	5,350,720	5,040,104
Foreclosed properties	-	99,400
Depreciable capital assets, net of accumulated depreciation	151,807	182,397
Nondepreciable capital assets	<u>153,000</u>	<u>140,650</u>
Total noncurrent assets	<u>5,655,527</u>	<u>5,462,551</u>
	<u>\$ 102,839,957</u>	<u>\$ 93,948,744</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 61,000	\$ 55,509
Due to brokers	76,560	369,315
Accrued expenses	<u>3,850</u>	<u>7,138</u>
Total liabilities	<u>141,410</u>	<u>431,962</u>
Commitment and contingency		
Net position:		
Net investment in capital assets	304,807	323,047
Restricted	<u>102,393,740</u>	<u>93,193,735</u>
Total net position	<u>102,698,547</u>	<u>93,516,782</u>
	<u>\$ 102,839,957</u>	<u>\$ 93,948,744</u>

See accompanying notes to financial statements.

# MARIANAS PUBLIC LAND TRUST

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

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Department of Public Lands	\$ 7,194,024	\$ 634,835
Investment income, net	2,674,734	2,195,895
Net increase in fair value of investments	1,987,742	3,838,008
Interest income from notes receivable	471,985	687,870
Other	<u>2,401</u>	<u>600</u>
	12,330,886	7,357,208
Recovery	<u>-</u>	<u>488,200</u>
Net operating revenues	<u>12,330,886</u>	<u>7,845,408</u>
Operating expenses:		
Money manager fees	331,638	308,109
Money management administration	195,410	183,089
Consultancy fees	139,861	134,649
Salaries and benefits	123,488	117,314
Contract services	71,583	67,000
Office supplies	60,613	57,530
Trustees' expenses	40,596	61,195
Depreciation	38,508	38,724
Professional fees	37,841	36,283
Loan administration fee	32,503	34,126
Audit	15,000	17,716
Rent and utilities	11,789	16,556
Annual report preparation	10,000	-
Repairs and maintenance	<u>1,260</u>	<u>1,660</u>
Total operating expenses	<u>1,110,090</u>	<u>1,073,951</u>
Operating income	<u>11,220,796</u>	<u>6,771,457</u>
Other nonoperating expenses:		
Net distribution to the CNMI General Fund/ American Memorial Park	<u>(2,039,031)</u>	<u>(1,810,414)</u>
Total nonoperating expenses	<u>(2,039,031)</u>	<u>(1,810,414)</u>
Change in net position	9,181,765	4,961,043
Net position at beginning of year	<u>93,516,782</u>	<u>88,555,739</u>
Net position at end of year	<u>\$ 102,698,547</u>	<u>\$ 93,516,782</u>

See accompanying notes to financial statements.

# MARIANAS PUBLIC LAND TRUST

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

	2018	2017
Cash flows from operating activities:		
Cash received from operations	\$ 5,198,431	\$ 3,173,557
Cash payments to suppliers for goods and services	(1,367,566)	(1,321,382)
Net cash provided by operating activities	<u>3,830,865</u>	<u>1,852,175</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(20,268)	(38,019)
Write-off of foreclosed properties	99,400	-
Sale of foreclosed properties	-	88,000
Net cash provided by capital and related financing activities	<u>79,132</u>	<u>49,981</u>
Cash flows from investing activities:		
Net decrease in notes receivable	484,486	1,065,396
Net increase in investments	(3,425,888)	(2,853,030)
Net cash used for investing activities	<u>(2,941,402)</u>	<u>(1,787,634)</u>
Net increase in cash and cash equivalents	968,595	114,522
Cash and cash equivalents at beginning of year	<u>2,554,031</u>	<u>2,439,509</u>
Cash and cash equivalents at end of year	<u>\$ 3,522,626</u>	<u>\$ 2,554,031</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 11,220,796	\$ 6,771,457
Adjustments to reconcile operating income to net cash provided by operating activities:		
Net increase in fair value of investments	(1,987,742)	(3,838,008)
Recovery	-	(488,200)
Noncash interest income	(201,627)	(303,223)
Depreciation	38,508	38,724
(Increase) decrease in assets:		
Receivable - Department of Public Lands	(4,826,511)	(634,835)
Receivable - accrued income	(85,521)	5,413
Other receivable	(50,630)	(6,339)
Due from brokers	18,064	600,978
Prepaid expense	(3,920)	(251)
Increase (decrease) in liabilities:		
Accounts payable	5,491	(10,567)
Payable to brokers	(292,755)	(268,225)
Accrued expenses	(3,288)	(14,749)
Net cash provided by operating activities	<u>\$ 3,830,865</u>	<u>\$ 1,852,175</u>
Supplemental schedule of noncash operating, financing and investing activities:		
MPLT applied \$1,840,206 and \$1,636,226 of the required income distribution to the CNMI General Fund for the years ended September 30, 2018 and 2017, respectively, as a repayment of the CNMI's note receivable and related interest.		
Decrease in notes receivable	\$ (1,653,665)	\$ (1,354,846)
Increase in interest expense	(186,541)	(281,380)
Increase in net contribution	<u>1,840,206</u>	<u>1,636,226</u>
	<u>\$ -</u>	<u>\$ -</u>
MPLT applied \$198,825 and \$174,188 of the required income distribution of the American Memorial Park Fund for the years ended September 30, 2018 and 2017, respectively, as a repayment of CDA's note receivable and related interest.		
Decrease in notes receivable	\$ (183,739)	\$ (152,345)
Increase in interest expense	(15,086)	(21,843)
Increase in net contribution	<u>198,825</u>	<u>174,188</u>
	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

## MARIANAS PUBLIC LAND TRUST

### Notes to Financial Statements September 30, 2018 and 2017

#### (1) Organization and Purpose

The Marianas Public Land Trust (MPLT), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), was formed on January 9, 1978, pursuant to the ratification and adoption of the Constitution of the CNMI, Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (the Covenant), and Technical Agreement Regarding Use of Land to be Leased by the United States in the Northern Mariana Islands.

MPLT did not become operational until May 17, 1983, when its Trustees were appointed by the Governor with confirmation by the Senate.

The purpose of MPLT is to manage all monies received by it from the CNMI Department of Public Lands (DPL) for the use of public lands. DPL has the responsibility to manage the public lands and distribute to MPLT all revenues net of reasonable expenses of administration. Additionally, as discussed in note 11, the CNMI Office of the Attorney General issued an opinion on the constitutionality of DPL's expenditure of revenues from public lands to cover its operating expenses and has recommended that a certified question be presented to the CNMI Supreme Court. DPL has reserved fund balance amounts for its ensuing year's budget of \$4,550,453 and has taken the position that the allowability of restrictions of fund balance can only be determined through a certified question. MPLT recorded net receivables from DPL of \$6,327,685 (net of an allowance of \$4,550,453) and \$1,501,174 as of September 30, 2018 and 2017, respectively, and recorded revenues from DPL of \$7,194,024 and \$634,835 for the years ended September 30, 2018 and 2017, respectively.

MPLT's responsibility, with respect to monies received by it from DPL, requires it to make reasonable, careful and prudent investments. The Trustees have taken the position that their duty to the beneficiaries is not only to provide income to the general fund of the CNMI but also to preserve the principal of MPLT. As such, MPLT is currently allocating capital gains and losses on equity investments to principal fund balance. These capital gains and losses are not considered to be available for distribution to the general fund of the CNMI. Other forms of income on investments, after deduction of amounts necessary to meet reasonable administrative expenses, are distributed to the general fund of the CNMI.

Additionally, MPLT is responsible for carrying out the intention of Article VIII, Section 803(e) of the Covenant, by establishing a separate trust fund for the development and maintenance of an American Memorial Park. The Trustees are allocating capital gains and losses on equity investments of this trust fund to the principal of the trust fund. Other forms of income on investments, after deduction of amounts necessary to meet reasonable administrative expenses, are to be used for the development and maintenance of the American Memorial Park.

#### (2) Summary of Significant Accounting Policies

The accounting policies of MPLT conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically trust funds. MPLT 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.

# MARIANAS PUBLIC LAND TRUST

## Notes to Financial Statements September 30, 2018 and 2017

### (2) Summary of Significant Accounting Policies, Continued

#### 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.

#### Basis of Accounting

The financial statements of MPLT for the years ended September 30, 2018 and 2017 have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America, which requires the use of management estimates. Under this method, revenues are recorded when earned and expenses recorded at the time liabilities are incurred.

#### Concentrations of Credit Risk

Financial instruments which potentially subject MPLT to concentrations of credit risk consist principally of cash demand deposits and investments.

At September 30, 2018 and 2017, MPLT has cash deposits and investments in bank accounts that exceed federal depository insurance limits. MPLT has not experienced any losses in such accounts.

#### Cash and Cash Equivalents

For purposes of the statements of net position and cash flows, MPLT considers all cash held in demand accounts with initial maturities of ninety days or less, to be cash and cash equivalents. At September 30, 2018 and 2017, total cash and cash equivalents was \$3,522,626 and \$2,554,031, respectively, and the corresponding bank balances were \$325,605 and \$239,115, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2018 and 2017, unrestricted cash and cash equivalents consisted of the following:

	<u>2018</u>	<u>2017</u>
Custodian money market sweep deposits	\$ 3,183,672	\$ 2,252,883
Deposits with federally insured banks	325,605	292,893
Uninsured deposits	<u>13,349</u>	<u>8,255</u>
	<u>\$ 3,522,626</u>	<u>\$ 2,554,031</u>

As of September 30, 2018 and 2017, custodian money market sweep deposits of \$3,183,672 and \$2,252,883, respectively, are held and administered by an investment manager subject to Securities Investor Protection Corporation (SIPC) insurance up to \$250,000 with coverage in excess of SIPC provided by a supplemental insurance policy through certain underwriters with a per client aggregate limit of \$1.9 million.

# MARIANAS PUBLIC LAND TRUST

## Notes to Financial Statements September 30, 2018 and 2017

### (2) Summary of Significant Accounting Policies, Continued

#### Cash and Cash Equivalents, Continued

CNMI law does not require component unit funds to be collateralized and thus MPLT's funds are uncollateralized. Accordingly, the deposits are exposed to custodial credit risk.

#### Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, MPLT will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for MPLT. As of September 30, 2018, MPLT's investment in U.S. Treasury government bonds constituted 13% of its total investments. As of September 30, 2017, MPLT's investment in U.S. Treasury government bonds and U.S. agency obligations of the Federal Farm Credit Banks Fund Corp. constituted 7% and 6%, respectively, of its total investments.

Marketable securities held for investment purposes are stated 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. Fixed income securities are reported at amortized cost with discounts or premiums amortized using the effective interest method subject to adjustment for market declines judged to be other than temporary.

MPLT values its investments at fair value in accordance with GASB Statement 72. MPLT's investments as of September 30, 2018 and 2017 (with combining information as of September 30, 2018) are as follows:

	<u>General Fund</u>	<u>Park Fund</u>	<u>2018</u>	<u>2017</u>
Mutual funds	\$ 7,867,871	\$ 925,889	\$ 8,793,760	\$ 8,994,916
Equities:				
Domestic common stock	21,556,281	2,597,161	24,153,442	20,477,758
International common stock	4,291,129	509,197	4,800,326	4,781,059
Master limited partnerships	7,990,555	957,917	8,948,472	8,667,331
Real estate investment trusts	8,760,725	1,017,409	9,778,134	9,281,851
Fixed income securities:				
Mortgage and asset backed securities	3,430,440	518,751	3,949,191	11,110,238
Government bonds	10,120,033	1,283,286	11,403,319	5,244,501
Corporate bonds	<u>12,716,823</u>	<u>1,534,329</u>	<u>14,251,152</u>	<u>12,106,514</u>
	\$ <u>76,733,857</u>	\$ <u>9,343,939</u>	\$ <u>86,077,796</u>	\$ <u>80,664,168</u>

GASB Statement No. 40 requires entities to provide information about the credit risk associated with their investments by disclosing the credit quality ratings. The following is a listing of MPLT's fixed income securities at September 30, 2018 and 2017:



# MARIANAS PUBLIC LAND TRUST

## Notes to Financial Statements September 30, 2018 and 2017

### (2) Summary of Significant Accounting Policies, Continued

#### Investments, Continued

Investment Type	Fair Value	2018 Investment Maturities (In Years)				Credit Rating
		Less Than 1	1 - 5	6 - 10	More Than 10	
Mortgage and asset backed securities	\$ 3,949,191	\$ 1,894,886	\$ -	\$ 1,280,416	\$ 773,889	AA+
Government bonds	11,403,319	-	1,359,550	5,372,219	4,671,550	AA+
Corporate bonds	510,857	510,857	-	-	-	AA+
Corporate bonds	1,901,018	45,137	1,855,881	-	-	A+
Corporate bonds	2,038,267	-	1,314,096	724,171	-	A
Corporate bonds	3,851,347	-	3,219,040	632,307	-	A-
Corporate bonds	1,277,825	-	-	1,277,825	-	BBB+
Corporate bonds	42,313	-	42,313	-	-	BBB-
Corporate bonds	624,599	-	350,502	274,097	-	BB+
Corporate bonds	691,421	-	340,271	351,150	-	BB-
Corporate bonds	529,870	-	291,245	238,625	-	BB
Corporate bonds	1,025,548	-	490,741	534,807	-	B+
Corporate bonds	624,855	-	534,937	89,918	-	B-
Corporate bonds	967,389	-	448,669	518,720	-	B
Corporate bonds	165,843	-	165,843	-	-	CCC+
	<u>\$ 29,603,662</u>	<u>\$ 2,450,880</u>	<u>\$ 10,413,088</u>	<u>\$ 11,294,255</u>	<u>\$ 5,445,439</u>	

Investment Type	Fair Value	2017 Investment Maturities (In Years)				Credit Rating
		Less Than 1	1 - 5	6 - 10	More Than 10	
Mortgage and asset backed securities	\$ 11,110,238	\$ 3,738,671	\$ 4,461,629	\$ 1,325,002	\$ 1,584,936	AA+
Government bonds	5,244,501	-	-	-	5,244,501	AA+
Corporate bonds	512,035	-	512,035	-	-	AA+
Corporate bonds	1,330,955	-	978,248	352,707	-	A+
Corporate bonds	1,449,591	-	1,362,749	86,842	-	A-
Corporate bonds	2,981,421	-	1,708,875	1,272,546	-	A
Corporate bonds	1,272,045	-	-	1,272,045	-	BBB+
Corporate bonds	100,775	-	100,775	-	-	BBB-
Corporate bonds	95,823	-	-	95,823	-	BBB
Corporate bonds	861,325	-	485,778	375,547	-	BB+
Corporate bonds	975,297	-	522,709	358,238	94,350	BB-
Corporate bonds	611,663	94,275	68,170	449,218	-	BB
Corporate bonds	921,495	-	465,757	455,738	-	B+
Corporate bonds	370,397	-	179,550	190,847	-	B-
Corporate bonds	532,225	-	439,525	92,700	-	B
Corporate bonds	91,467	-	91,467	-	-	CCC+
	<u>\$ 28,461,253</u>	<u>\$ 3,832,946</u>	<u>\$ 11,377,267</u>	<u>\$ 6,327,253</u>	<u>\$ 6,923,787</u>	

MPLT 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. MPLT has the following fair value measurements:

# MARIANAS PUBLIC LAND TRUST

## Notes to Financial Statements September 30, 2018 and 2017

### (2) Summary of Significant Accounting Policies, Continued

#### Investments, Continued

	Total	2018		
		Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
Mortgaged and asset backed securities	\$ 3,949,191	\$ -	\$ 3,949,191	\$ -
Government bonds	11,403,319	11,403,319	-	-
Corporate bonds	14,251,152	-	14,251,152	-
Total debt securities	29,603,662	11,403,319	18,200,343	-
Equity securities:				
Domestic common stock	24,153,442	24,153,442	-	-
International common stock	4,800,326	4,800,326	-	-
Master limited partnerships	8,948,472	8,948,472	-	-
Real estate investment trusts	9,778,134	9,778,134	-	-
Total equity securities	47,680,374	47,680,674	-	-
Total investments by fair value level	\$ 77,284,036	\$ 59,083,693	\$ 18,200,343	\$ -
Investments measured at net asset value (NAV):				
Mutual funds	\$ 8,793,760			
	Total	2017		
		Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
Mortgaged and asset backed securities	\$ 11,110,238	\$ -	\$ 11,110,238	\$ -
Government bonds	5,244,501	5,244,501	-	-
Corporate bonds	12,106,514	-	12,106,514	-
Total debt securities	28,461,253	5,244,501	23,216,752	-
Equity securities:				
Domestic common stock	20,477,758	20,477,758	-	-
International common stock	4,781,059	4,781,059	-	-
Master limited partnerships	8,667,331	8,667,331	-	-
Real estate investment trusts	9,281,851	9,281,851	-	-
Total equity securities	43,207,999	43,207,999	-	-
Total investments by fair value level	\$ 71,669,252	\$ 48,452,500	\$ 23,216,752	\$ -
Investments measured at net asset value (NAV):				
Mutual funds	\$ 8,994,916			

MPLT has selected a custodian for both funds who shall maintain custody of all cash, securities and other assets of MPLT and shall credit interest and dividends on said securities and credit principal paid on called or matured securities of MPLT. The custodian shall provide, on a timely basis, a monthly statement of all assets, to include an accounting of all activity during that month. The investment held and administered by the investment manager is subject to SIPC of up to \$500,000 (inclusive of the \$250,000 cash balance protection coverage) and supplemental insurance for amounts in excess of SIPC coverage through certain underwriters, subject to an aggregate firm-wide cap of \$1 billion with no per client sublimit.

The Trustees may engage the services of an investment consultant after a competitive search process. The investment consultant chosen shall demonstrate professional experience of at least ten (10) years with exclusive focus on Institutional Management Consulting.

When evaluating potential Investment Management Consulting Firms, the Trustees will consider at a minimum the following criteria:

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements  
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

- Must be a Registered Investment Advisor with exclusive focus on providing objective investment management consulting at an institutional level, having the support of a staff and/or organization, focused and experienced in consulting only.
- The candidate should be objective, free of conflict of interest and free to secure services from leading third party providers that will best suit the interest of MPLT.
- Firms must demonstrate experience in the breadth and depth of its professional staff.
- Ability to provide unbiased fiduciary and financial advice to public trusts.
- Knowledge of legislative, operational and legal aspects of the local public trusts.
- Ownership or ready access to relevant and comprehensive performance databases with proven and verifiable process for the institutional client.
- Ability to provide quantitative analysis of manager and total fund performance. In particular, attribution analysis to maintain the interests of the management styles and strategic asset allocation.
- Ability to provide on-going training.
- Firms must be recognized as having substantial experience in the institutional level investment management consulting field. Firms offering consulting as incidental to their securities business may not be considered.
- May not be an investment manager with discretion over MPLT assets.

The Trustees have determined that the following investment policy will govern the investment of assets of MPLT.

- (i) The Trustees, with the assistance of the investment consultant, will select appropriate investment managers to manage MPLT assets. Investment managers must meet the following minimum criteria:
1. Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940 or equivalent as might be determined appropriate by the Trustees.
  2. Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, reported gross of fees.
  3. Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of comparable investment style.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements  
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

4. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel.
  5. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
  6. Selected firms shall have no outstanding legal judgments or past judgments that may reflect negatively upon the firm.
- (ii) Every money manager selected to manage MPLT assets must adhere to the following guidelines.
1. The following securities and transactions are not authorized unless receiving prior Trustees approval:
    - Letter stock and other unregistered securities; commodities or other commodity contracts; and short sales or margin transactions.
    - Securities lending; pledging or hypothecating securities.
    - Investments in the equity securities of any company with a record of less than three years of continuous operation (including the operation of any predecessor) and investments for the purpose of exercising control of management are all restricted.
  2. Domestic Equities:
    - Equity holdings in any one company should not exceed more than 10% of the market value of MPLT's equity portfolio.
    - Investments in any one sector should not be excessive.
    - The manager may emphasize quality in security selection of the specific style hired to manage and may avoid risk of large loss through diversification within its mandated style.
    - The managers may have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the managers will be evaluated against their peers on the performance of the total funds under their direct management.
    - Holdings of individual securities may be large enough (round lots) for easy liquidation.
  3. Domestic Fixed Income:
    - All fixed-income securities held in the portfolio may have a nationally recognized credit quality rating of no less than "BBB" from Moody's, Standard & Poor's and/or Fitch's. U.S. Treasury and U.S. government agencies, which are unrated securities, are qualified for inclusion in the portfolio.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements  
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

3. Domestic Fixed Income, Continued:

- No more than 20% of the market value of the fixed income portfolio may be rated less than single "A" quality, unless the manager has specific written authorization.
- The exposure of the portfolio to any other issuer, other than securities of the U.S. government or agencies, may not exceed 10% of the market value of the fixed income portfolio.

4. Diversified Local Investments:

MPLT establishes within the Domestic Fixed Income Asset Class a class for Diversified Local Investments ("DLI"). DLIs are those investments which originate from within the CNMI without regard to each island. The touchstone of classification within DLI is that investment vehicles in this class may be unique or specially targeted towards the CNMI economy or market.

DLI refers to investments that are structured or designed to encourage a diversification of investments by MPLT within the CNMI. With DLIs, MPLT seeks to structure or consider investment vehicles which provide minimal rates of market return with attending corollary benefits. Such corollary benefits may include, but are not limited to, economic development; government stabilization or stimulus programs; affordable housing programs; and scholarships. In the DLI class, the MPLT Trustees may allow for a prudent rate of return where the corollary benefits provide an attending quantifiable return to the CNMI community, particularly to persons of Northern Marianas Descent or benefit persons of Northern Marianas Descent.

To be clear, by having DLIs within this IPS MPLT does not warrant nor guarantee that it may favor investments in DLIs over more competitive investment vehicles, but only that MPLT may weigh the attending corollary benefits in determining whether to make such an investment. Expressed more emphatically, MPLT considers DLIs to be a rarely considered exception and every DLI proposal must be compelling as to its mission and purpose and beneficial in its scope and impact to the people of the CNMI. At all times full fiduciary prudence analysis and proper due diligence is required in both program development and shall be conducted on an investment-by-investment basis.

The MPLT Trustees recognize the importance of establishing a competitive risk-adjusted rate of return policy as part of consideration of a DLI. Every DLI proposal under consideration shall, as part of the investment analysis, identify the source of repayment of a fixed-income security such as a mortgage; surety bond; promissory note; or other security as primary consideration. Evaluating the credit-rating or the risk of the DLI or its proposer is also necessary. MPLT also anticipates that such DLI's may not be marketable so that an "illiquidity premium" should be recognized or considered and added to the risk-adjusted rate.

# MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements  
September 30, 2018 and 2017

## (2) Summary of Significant Accounting Policies, Continued

### Investments, Continued

#### 4. Diversified Local Investments, Continued:

MPLT may require that the risk-adjusted rate may be a floating rate to the appropriate pricing index and adjusted on a quarterly or semi-annual basis. MPLT may also impose a loan origination fee and assess charges for costs of administration at no less than 2% per annum; legal fees; travel/accommodations; and other necessary fees. The Local Investment program applies to the MPLT General Fund and on a limited basis to the American Memorial Park Fund. With respect to the American Memorial Park Fund, it is the Trustees' policy to entertain local investment that only benefits the American Memorial Park beneficiary.

The following constitute the basic standards of review for investments by MPLT in DLI's which remain subject to the prudent investment standard and discretion of the MPLT Trustees.

- An opinion of legal counsel in standards of fiduciary care considering the prospective DLI and its terms under the applicable prudent investor standard.
- A thorough review and analysis by MPLT's financial consultant and/or investment manager as to the prospective DLI. The analysis shall examine all economic factors and address any potential or actual conflicts of interest for MPLT or its Trustees. The analysis shall also give primary attention to risk-adjusted market rates of return with particular attention as to whether the DLI involves a significantly greater than prudent financial risk of loss.
- Documentation of a complete submission of a proposed DLI meeting the requirements of a detailed business plan (if applicable).
- Every DLI shall be considered with respect to fiduciary prudence and without regard to political, social, or emotional factors with particular attention to the founding provisions guiding MPLT's creation: to remit interest income on investments to the General Fund.
- Trustees shall formulate and articulate the specific and detailed investment guidelines for investments under any prospective DLI for which MPLT may wish to solicit. Such guidelines shall include the mechanics of the administration of the DLI; the findings as to the social or economic corollary benefits to the CNMI as a whole; and the consistency or adherence with MPLT's mission.
- Each specific DLI may be evaluated against investments of a similar asset class.
- MPLT may require additional conditions or impose additional terms for any DLI under consideration as part of its fiduciary analysis and no DLI may be approved until and unless it meets all the requirements imposed by MPLT.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements  
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

5. International (Developed & Emerging Markets) Equities:

- Equity holdings in any one company may not exceed more than 10% of the International Equity portfolio.
- Investments in any one industry category should not be excessive.
- Allocations to any specific country may not be excessive relative to a broadly diversified international equity manager peer group. It is expected that the non-U.S. equity portfolio will have no more than 40% of its mandated style in any one country.
- The manager may enter into foreign exchange contracts on currency, provided that use of such contracts is limited to hedging currency exposure existing within the manager's portfolio. There may be no direct foreign currency speculation or any related investment activity.

6. International (Developed and Emerging Markets) Fixed Income:

- Investments in a registered mutual fund may not be held to the same restrictions as set forth below for the respective asset classes. The Trustees instead will evaluate the risk and return merits of each mutual fund employing research as provided by third party service providers such as Consultant or Morningstar.
- Allocations to any specific country may not be excessive relative to a broadly diversified international fixed income manager peer group. It is expected that the non-U.S. fixed income portfolio will have no more than 40% of its mandated style in any one country.
- The manager may enter into foreign exchange contracts on currency, provided that use of such contracts is limited to hedging currency exposure existing within the manager's portfolio. There may be no direct foreign currency speculation or any related investment activity.

7. Cash/Cash Equivalents:

- Cash equivalent reserves may consist of cash instruments having a quality rating of A-1, P-1 or higher. Eurodollar Certificates of Deposits, time deposits, and repurchase agreements are also acceptable investment vehicles.
- Idle cash not invested by the investment managers may be invested daily through an automatic interest-bearing sweep vehicle selected by the manager available and/or managed by the custodian.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements  
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

8. Master Limited Partnerships (MLPS):

- The actively managed U.S. master limited partnership portfolio will consist primarily of U.S. master limited partnerships, publicly traded limited liability companies, midstream energy C-corporations and in natural resource transportation and operating company securities associated with MLPs or with MLP-able assets and cash equivalents.
- The Trustees' expectations are that this portfolio be actively managed within the spirit of an actively managed U.S. Master Limited Partnership mandate.
- Equity holdings in any one company should not exceed more than 10% of the market value of the Trust's equity portfolio.
- The manager may emphasize quality in security selection of the specific style hired to manage and may avoid risk of large loss through diversification within its mandated style.
- The manager may have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the managers will be evaluated against their peers on the performance of the total funds under their direct management.
- Holdings of individual securities may be large enough (round lots) for easy liquidation.
- The manager is permitted to purchase U.S. master limited partnership units issued in PIPE (private investment in public equity) transactions. Investments in stocks obtained through PIPE transactions that are not yet registered are limited to 20% of the portfolio at market value. Investments in stocks obtained through PIPE transactions that are registered are permissible without limitation.
- To achieve the quality and liquidity levels desirable, at least 80% of the U.S. equity securities owned in the portfolio must be listed on the New York, American, and/or NASDAQ Stock Exchanges. Convertible bonds, convertible into common stock listed on any of the above-mentioned exchanges, will be considered a listed equity security for this purpose.
- Positions in letter stock, private placements (excluding 144A securities), physical real estate, physical commodities, and any other positions unable to be liquidated promptly without severe market impact are prohibited.



# MARIANAS PUBLIC LAND TRUST

## Notes to Financial Statements September 30, 2018 and 2017

### (2) Summary of Significant Accounting Policies, Continued

#### Investments, Continued

#### 9. Real Estate Investment Trusts (REITS):

- Investments in a registered mutual fund may not be held to the same restrictions as set forth below for the respective asset classes. The Trustees instead will evaluate the risk and return merits of each mutual fund employing research as provided by third party service providers such as Consultant or Morningstar.
- Investments in publicly-traded vehicles can offer the total real estate portfolio greater liquidity over private market opportunities; however, they tend to be more correlated with equities than private real estate investments.
- These investments also offer tactical return opportunities with the potential to achieve higher nominal rates of return at a level of risk equal to or lower than the private markets.
- The maximum equity investment allocable to the public real estate portfolio shall be 10% so as to avoid the composite real estate portfolio becoming unduly correlated with the public equity markets.

(iii) Asset allocation of the two funds is as follows:

	General Fund			Park Fund		
	Lower Limit	Strategic Allocation	Upper Limit	Lower Limit	Strategic Allocation	Upper Limit
<b>Domestic Equities:</b>						
<i>Large Cap Value</i>	0%	10%	20%	0%	10%	20%
<i>Large Cap Core</i>	0%	10%	20%	0%	10%	20%
<b>International Equities:</b>						
<i>Developed Markets</i>	0%	5%	15%	0%	5%	15%
<b>Domestic Fixed Income:</b>						
<i>Core</i>	20%	30%	40%	20%	30%	40%
<i>High Yield</i>	0%	5%	15%	0%	5%	15%
<i>DLI</i>	0%	10%	20%	0%	10%	20%
<b>Non U.S. Fixed Income:</b>						
<i>International Bonds</i>	0%	10%	20%	0%	10%	20%
<b>Alternatives:</b>						
<i>MLPS</i>	0%	10%	20%	0%	10%	20%
<i>REITS</i>	0%	10%	20%	0%	10%	20%

#### Rebalancing Policy

The percentage allocation to each asset class may vary as much as approximately 10% depending upon the market conditions.

When necessary and/or available, cash flows will be distributed following the strategic asset allocation of MPLT. If there are no cash flows, the allocation of MPLT will be reviewed quarterly.

If the Trustees judge cash flows to be insufficient in bringing MPLT within the strategic allocation ranges, the Trustees may decide whether to effect transactions so that MPLT would fall within the allocated threshold ranges.

## MARIANAS PUBLIC LAND TRUST

### Notes to Financial Statements September 30, 2018 and 2017

#### (2) Summary of Significant Accounting Policies, Continued

##### Investments, Continued

###### *Frequency*

In two instances, portfolio rebalancing will be necessary to remain within the target asset allocation ranges:

1. Cash Flow Requirements
2. Significant Market Action

Positive cash flows should be directed to the under-weighted asset class, while negative cash flows (disbursements) should be directed away from the over-weighted asset class. This procedure is likely to be fairly routine and predictable.

Significant Market Action requires immediate action to restore asset allocation. This is neither predictable nor routine.

###### *Liquidity*

The Board Consultant may prepare anticipated expenditure requirements for each disbursement period and communicate these disbursement requirements to all affected managers with as much advance notice as possible. It is anticipated that MPLT's fixed income manager will be the initial and main conduit for contributions and disbursements. It is further anticipated that most of all such disbursements will be made from "income" generated from each account.

##### Social Responsibility Policy

The Trust demonstrates its concern for preservation of the environment and other social causes through its programs and activities. However, no specific constraint in regards to social causes is to be placed on its investment portfolio at this time. Constraints can be added in the future as deemed advisable by the Trustees.

##### Notes Receivable and Allowance for Loan Losses

Notes receivable are stated at the amount of unpaid principal, reduced by an allowance for loan losses. The allowance for loan losses is established through a provision for doubtful accounts charged to principal fund. Loans are charged against the allowance for loan losses when management believes that the collection of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may be uncollectible, based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans and current economic conditions that may affect the borrowers' ability to pay. Write-offs against the allowance are based on the specific identification method.

Management cannot currently determine the effects of the potential foreclosure of collateralized properties associated with the loans. Accordingly, the allowance for loan losses included in the accompanying financial statements excludes the value of the possible recovery of certain loans through foreclosure.

## MARIANAS PUBLIC LAND TRUST

### Notes to Financial Statements September 30, 2018 and 2017

#### (2) Summary of Significant Accounting Policies, Continued

##### Foreclosed Real Estate

Real estate properties acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at fair value at the date of foreclosure less estimated selling costs establishing a new cost basis. Valuations are periodically performed by management and adjustments are made to reflect the real estate at the lower of the carrying amount or fair value less estimated costs to sell. Operating expenses or income, reductions in estimated values, and gains or losses on disposition of such properties are charged to current operations.

##### Capital Assets

Capital assets are stated at cost. Depreciation is provided over the estimated useful lives of the assets through use of the straight-line method and is charged as a reduction in the investment. Current policy is to capitalize items in excess of \$250.

##### Retirement Defined Contribution Plan (DC Plan)

On June 16, 2006, Public Law No. 15-13 was enacted which created the DC Plan, a multi-employer pension plan and is the single retirement program for all employees whose first time CNMI government employment commences on or after January 1, 2007. Each member of the DC Plan is required to contribute to the member's individual account an amount equal to 10% of the member's compensation. MPLT is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. MPLT's recorded DC contributions for the years ended September 30, 2018 and 2017 were \$4,157 and \$3,622, respectively, equal to the required contributions for each year.

Members of the DC Plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

##### Net Position

MPLT's net position is classified as follows:

- Net investment in capital assets; capital assets, net of accumulated depreciation.
- Restricted: net position subject to externally imposed stipulations that can be fulfilled by actions pursuant to those stipulations or that expire by the passage of time. MPLT has net position restricted for principal and income.
- Unrestricted: net position that is not subject to externally imposed stipulations. As MPLT considers all assets except investments in capital assets, to be restricted, MPLT does not have unrestricted net position at September 30, 2018 and 2017.

##### Operating and Non-Operating Revenue and Expenses

Operating revenue and expenses include all direct and administrative revenue and expenses associated with the investments.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements  
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Operating and Non-Operating Revenue and Expenses, Continued

Nonoperating revenues and expenses result from capital and noncapital financing activities.

New Accounting Standards

During the year ended September 30, 2018, MPLT 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.
- 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 MPLT'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.

# MARIANAS PUBLIC LAND TRUST

## Notes to Financial Statements September 30, 2018 and 2017

### (2) Summary of Significant Accounting Policies, Continued

#### New Accounting Standards, Continued

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.

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) Notes Receivable

	<u>2018</u>	<u>2017</u>
Notes receivable (Home Loan Program) from various individuals obtained through a settlement agreement with the Northern Marianas Housing Corporation (NMHC) dated December 31, 2007, interest at 2% (5.5% to 8.5% prior to January 1, 2009) and terms from ten to thirty years.	\$ 5,584,499	\$ 6,068,982
Note receivable from Adelantun Publickun Luta Enteramente, Incorporated (APLE 501, Inc.), interest at 5% per annum, due on October 18, 2017, with monthly principal and interest payments in the amount of \$1,225, collateralized by a loan portfolio. Proceeds were used to fund an independently administered individual or parent-student loan program. MPLT has ceased future loan commitments and disbursements to APLE 501, Inc.	53,588	59,247

# MARIANAS PUBLIC LAND TRUST

## Notes to Financial Statements September 30, 2018 and 2017

### (3) Notes Receivable, Continued

	<u>2018</u>	<u>2017</u>
Note receivable from the Commonwealth Development Authority (CDA), interest at 6.5% per annum, due on June 1, 2018, collateralized by future distributable net income for the maintenance and development of the American Memorial Park and is to be repaid from earnings of the investments pursuant to CNMI Public Law 11-72. Distributions were not sufficient to satisfy the note at maturity but will continue until the note is fully repaid.	113,244	296,984
Note receivable from the CNMI Government, interest at 7% per annum, due on December 28, 2019. Public Law 18-71 earmarks and appropriates from future interest income distributions starting fiscal year 2016 until the note is fully reimbursed. Interest is due annually.	1,011,198	2,664,865
Note receivable from the Commonwealth Healthcare Corporation (CHCC), with interest at 5% per annum, due on October 31, 2023. Collateralized by CHCC's real properties for operational and bridge capital pursuant to CNMI Public Law 17-76.	<u>2,850,000</u>	<u>2,850,000</u>
	9,612,529	11,940,078
Less allowance for loan losses	<u>(3,395,388)</u>	<u>(3,401,047)</u>
	6,217,141	8,539,031
Less current portion	<u>(866,421)</u>	<u>(3,498,927)</u>
Long-term portion	\$ <u>5,350,720</u>	\$ <u>5,040,104</u>

An analysis of the change in the allowance for loan losses is as follows:

	<u>General Fund</u>	<u>Park Fund</u>	<u>2018</u>	<u>2017</u>
Balance - beginning of year	\$ 3,401,047	\$ -	\$ 3,401,047	\$ 3,910,433
Recovery of loan losses	-	-	-	(488,200)
Other	<u>(5,659)</u>	<u>-</u>	<u>(5,659)</u>	<u>(21,186)</u>
Balance - end of year	\$ <u>3,395,388</u>	\$ <u>-</u>	\$ <u>3,395,388</u>	\$ <u>3,401,047</u>

### (4) Capital Assets

A summary of capital assets as of September 30, 2018 and 2017, is as follows:

	<u>Estimated Useful Lives</u>	<u>Balance at October 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2018</u>
Capital assets not being depreciated:					
Land		\$ <u>140,650</u>	\$ <u>12,350</u>	\$ <u>-</u>	\$ <u>153,000</u>
Capital assets being depreciated:					
Building	5 - 10 years	243,075	-	-	243,075
Furniture, fixtures and equipment	3 - 10 years	164,994	7,918	-	172,912
Vehicle	3 - 10 years	<u>79,319</u>	<u>-</u>	<u>-</u>	<u>79,319</u>
		487,388	7,918	-	495,306
Less accumulated depreciation		<u>(304,991)</u>	<u>(38,508)</u>	<u>-</u>	<u>(343,499)</u>
Total capital assets being depreciated		<u>182,397</u>	<u>(30,590)</u>	<u>-</u>	<u>151,807</u>
Total capital assets, net		\$ <u>323,047</u>	\$ <u>(18,240)</u>	\$ <u>-</u>	\$ <u>304,807</u>

# MARIANAS PUBLIC LAND TRUST

## Notes to Financial Statements September 30, 2018 and 2017

### (4) Capital Assets, Continued

	<u>Estimated Useful Lives</u>	<u>Balance at October 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2017</u>
Capital assets not being depreciated:					
Land		\$ 140,650	\$ -	\$ -	\$ 140,650
Construction in progress		<u>10,464</u>	-	<u>(10,464)</u>	-
Total capital assets not being depreciated		<u>151,114</u>	-	<u>(10,464)</u>	<u>140,650</u>
Capital assets being depreciated:					
Building	5 - 10 years	194,592	38,019	10,464	243,075
Furniture, fixtures and equipment	3 - 10 years	164,994	-	-	164,994
Vehicle	3 - 10 years	<u>79,319</u>	-	-	<u>79,319</u>
		438,905	38,019	10,464	487,388
Less accumulated depreciation		<u>(266,267)</u>	<u>(38,724)</u>	-	<u>(304,991)</u>
Total capital assets being depreciated		<u>172,638</u>	<u>(705)</u>	<u>10,464</u>	<u>182,397</u>
Total capital assets, net		\$ <u>323,752</u>	\$ <u>(705)</u>	\$ -	\$ <u>323,047</u>

### (5) Net Position

In accordance with MPLT's accounting policies, gains and losses on investments are allocated to principal. Additionally, a portion of the distribution to the CNMI government is specifically designated as an increase in principal. Movement in principal and interest accounts for the years ended September 30, 2018 and 2017, is summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>2018</u>	<u>2017</u>
<u>General Fund</u>				
Balance at beginning of year	\$ 84,097,359	\$ -	\$ 84,097,359	\$ 79,559,406
Net increase in the fair value of investments	8,967,547	-	8,967,547	4,537,953
Other operating net income	-	1,840,206	1,840,206	1,636,226
Transfers	-	<u>(1,840,206)</u>	<u>(1,840,206)</u>	<u>(1,636,226)</u>
Balance at end of year	\$ <u>93,064,906</u>	\$ -	\$ <u>93,064,906</u>	\$ <u>84,097,359</u>
<u>Park Fund</u>				
Balance at beginning of year	\$ 9,419,423	\$ -	\$ 9,419,423	\$ 8,996,333
Net increase in the fair value of investments	214,218	-	214,218	423,090
Other operating net income	-	198,825	198,825	174,188
Transfers	-	<u>(198,825)</u>	<u>(198,825)</u>	<u>(174,188)</u>
Balance at end of year	\$ <u>9,633,641</u>	\$ -	\$ <u>9,633,641</u>	\$ <u>9,419,423</u>

### (6) Contributions To/From Primary Government

In accordance with Article XI of the Constitution of the CNMI, MPLT makes distributions to the CNMI general fund from investment income. During the years ended September 30, 2018 and 2017, MPLT recorded \$1,840,206 and \$1,636,226, respectively, of distributions to the CNMI general fund, which was offset against payments on a note receivable from the CNMI Government.

In accordance with Article VIII, Section 803(e) of the Covenant, MPLT makes operating transfers out for the development and maintenance of the American Memorial Park. During the years ended September 30, 2018 and 2017, MPLT recorded \$198,825 and \$174,188, respectively, for transfers out for this purpose.

## MARIANAS PUBLIC LAND TRUST

### Notes to Financial Statements September 30, 2018 and 2017

#### (7) Risk Management

MPLT is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. MPLT has elected to purchase commercial insurance from independent third parties for the risks of losses to which it is exposed with respect to the use of motor vehicles. Settled claims have not exceeded this commercial insurance coverage during the past three years.

#### (8) Related Parties

The legal counsel of MPLT has a home loan outstanding of \$7,851 and \$21,541 as of September 30, 2018 and 2017, respectively. The home loan was obtained from NMHC in the ordinary course of business and is classified as notes receivable in the accompanying financial statements. This loan predates the assumption of the portfolio by MPLT from NMHC.

#### (9) Commitment

In accordance with the addendum of memorandum of agreement between the CNMI and the U.S. Department of the Interior for development and management of the American Memorial Park, MPLT is obligated to contribute \$150,000 annually, to the extent of available income, for development and maintenance of the American Memorial Park.

#### (10) Contingency

In accordance with the Settlement Agreement with NMHC, MPLT guarantees Service Released Loans that were issued by financial institutions. At September 30, 2018 and 2017, MPLT was contingently liable to these institutions for \$564,951 and \$621,086, respectively.

#### (11) Subsequent Events

On October 15, 2018, the CNMI Office of the Attorney General (OAG) issued an opinion on the constitutionality of DPL's expenditure of revenues from public lands to cover its operating expenses. The opinion concluded that supplemental appropriations to DPL may not be made from unobligated and unencumbered prior fiscal year balances and that these balances must be transferred to MPLT. DPL disbursed \$3,345,700 on May 3, 2019 and \$2,414,477 on May 13, 2019 to MPLT.

The OAG opinion also questioned how much, if any, and for what may the Legislature appropriate from public land revenues to DPL and recommended that a certified question be presented to the CNMI Supreme Court.



# MARIANAS PUBLIC LAND TRUST

## Combining Statement of Net Position September 30, 2018

<u>ASSETS</u>	<u>General Fund</u>	<u>Park Fund</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 3,347,034	\$ 175,592	\$ -	\$ 3,522,626
Receivables:				
Department of Public Lands, net	6,327,685	-	-	6,327,685
Notes, current portion	753,177	113,244	-	866,421
Accrued income	265,208	31,743	-	296,951
Other	64,645	-	-	64,645
Due from other funds	20,670	-	(20,670)	-
Due from brokers	16,525	1,973	-	18,498
Prepaid expense	9,808	-	-	9,808
Total current assets	<u>10,804,752</u>	<u>322,552</u>	<u>(20,670)</u>	<u>11,106,634</u>
Other assets:				
Investments	<u>76,733,857</u>	<u>9,343,939</u>	<u>-</u>	<u>86,077,796</u>
Total other assets	<u>76,733,857</u>	<u>9,343,939</u>	<u>-</u>	<u>86,077,796</u>
Noncurrent assets:				
Notes receivable, net of current portion and allowance for loan losses	5,350,720	-	-	5,350,720
Depreciable capital assets, net of accumulated depreciation	151,807	-	-	151,807
Nondepreciable capital assets	<u>153,000</u>	<u>-</u>	<u>-</u>	<u>153,000</u>
Total noncurrent assets	<u>5,655,527</u>	<u>-</u>	<u>-</u>	<u>5,655,527</u>
	<u>\$ 93,194,136</u>	<u>\$ 9,666,491</u>	<u>\$ (20,670)</u>	<u>\$ 102,839,957</u>
<u>LIABILITIES AND NET POSITION</u>				
Current liabilities:				
Accounts payable	\$ 57,210	\$ 3,790	\$ -	\$ 61,000
Due to other funds	-	20,670	(20,670)	-
Due to brokers	68,170	8,390	-	76,560
Accrued expenses	<u>3,850</u>	<u>-</u>	<u>-</u>	<u>3,850</u>
Total liabilities	<u>129,230</u>	<u>32,850</u>	<u>(20,670)</u>	<u>141,410</u>
Net position:				
Net investment in capital assets	304,807	-	-	304,807
Restricted	<u>92,760,099</u>	<u>9,633,641</u>	<u>-</u>	<u>102,393,740</u>
Total net position	<u>93,064,906</u>	<u>9,633,641</u>	<u>-</u>	<u>102,698,547</u>
	<u>\$ 93,194,136</u>	<u>\$ 9,666,491</u>	<u>\$ (20,670)</u>	<u>\$ 102,839,957</u>

See Accompanying Independent Auditors' Report.

# MARIANAS PUBLIC LAND TRUST

## Combining Statement of Revenues, Expenses and Changes in Net Position Year Ended September 30, 2018

	General Fund	Park Fund	Eliminations	Total
Operating revenues:				
Department of Public Lands	\$ 7,194,024	\$ -	\$ -	\$ 7,194,024
Investment income, net	2,383,726	291,008	-	2,674,734
Net increase in fair value of investments	1,773,523	214,219	-	1,987,742
Interest income from notes receivable	458,497	13,488	-	471,985
Other	2,163	238	-	2,401
Total operating revenues	<u>11,811,933</u>	<u>518,953</u>	<u>-</u>	<u>12,330,886</u>
Operating expenses:				
Money manager fees	295,517	36,121	-	331,638
Money management administration	175,283	20,127	-	195,410
Consultancy fees	124,502	15,359	-	139,861
Salaries and benefits	110,768	12,720	-	123,488
Contract services	64,210	7,373	-	71,583
Office supplies	54,360	6,253	-	60,613
Trustees' expenses	36,428	4,168	-	40,596
Depreciation	38,508	-	-	38,508
Professional fees	37,841	-	-	37,841
Loan administration fee	32,503	-	-	32,503
Audit	13,455	1,545	-	15,000
Rent and utilities	10,575	1,214	-	11,789
Annual report preparation	8,970	1,030	-	10,000
Repairs and maintenance	1,260	-	-	1,260
Total operating expenses	<u>1,004,180</u>	<u>105,910</u>	<u>-</u>	<u>1,110,090</u>
Operating income	<u>10,807,753</u>	<u>413,043</u>	<u>-</u>	<u>11,220,796</u>
Other nonoperating expenses:				
Net distribution to the CNMI General Fund/ American Memorial Park	<u>(1,840,206)</u>	<u>(198,825)</u>	<u>-</u>	<u>(2,039,031)</u>
Total nonoperating expenses	<u>(1,840,206)</u>	<u>(198,825)</u>	<u>-</u>	<u>(2,039,031)</u>
Change in net position	8,967,547	214,218	-	9,181,765
Net position at beginning of year	<u>84,097,359</u>	<u>9,419,423</u>	<u>-</u>	<u>93,516,782</u>
Net position at end of year	<u>\$ 93,064,906</u>	<u>\$ 9,633,641</u>	<u>\$ -</u>	<u>\$ 102,698,547</u>

See Accompanying Independent Auditors' Report.

# MARIANAS PUBLIC LAND TRUST

## Combining Statement of Cash Flows Year Ended September 30, 2018

	General Fund	Park Fund	Eliminations	Total
Cash flows from operating activities:				
Cash received from operations	\$ 4,915,569	\$ 282,862	\$ -	\$ 5,198,431
Cash payments to suppliers for goods and services	<u>(1,268,637)</u>	<u>(98,929)</u>	<u>-</u>	<u>(1,367,566)</u>
Net cash provided by operating activities	<u>3,646,932</u>	<u>183,933</u>	<u>-</u>	<u>3,830,865</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(20,268)	-	-	(20,268)
Write-off of foreclosed properties	<u>99,400</u>	<u>-</u>	<u>-</u>	<u>99,400</u>
Net cash provided by capital and related financing activities	<u>79,132</u>	<u>-</u>	<u>-</u>	<u>79,132</u>
Cash flows from investing activities:				
Net decrease in notes receivable	484,485	1	-	484,486
Net increase in investments	<u>(3,261,387)</u>	<u>(164,501)</u>	<u>-</u>	<u>(3,425,888)</u>
Net cash used for investing activities	<u>(2,776,902)</u>	<u>(164,500)</u>	<u>-</u>	<u>(2,941,402)</u>
Net increase in cash and cash equivalents	949,162	19,433	-	968,595
Cash and cash equivalents at beginning of year	<u>2,397,872</u>	<u>156,159</u>	<u>-</u>	<u>2,554,031</u>
Cash and cash equivalents at end of year	<u>\$ 3,347,034</u>	<u>\$ 175,592</u>	<u>\$ -</u>	<u>\$ 3,522,626</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 10,807,753	\$ 413,043	\$ -	\$ 11,220,796
Adjustments to reconcile operating income to net cash provided by operating activities:				
Net increase in fair value of investments	(1,773,523)	(214,219)	-	(1,987,742)
Noncash interest income	(186,541)	(15,086)	-	(201,627)
Depreciation	38,508	-	-	38,508
(Increase) decrease in assets:				
Receivable - Department of Public Lands	(4,826,511)	-	-	(4,826,511)
Receivable - accrued income	(77,003)	(8,518)	-	(85,521)
Other receivable	(50,630)	-	-	(50,630)
Due from other funds	1,510	-	(1,510)	-
Due from brokers	16,333	1,731	-	18,064
Prepaid expense	(3,920)	-	-	(3,920)
Increase (decrease) in liabilities:				
Accounts payable	5,389	102	-	5,491
Due to other funds	-	(1,510)	1,510	-
Due to brokers	(301,145)	8,390	-	(292,755)
Accrued expenses	<u>(3,288)</u>	<u>-</u>	<u>-</u>	<u>(3,288)</u>
Net cash provided by operating activities	<u>\$ 3,646,932</u>	<u>\$ 183,933</u>	<u>\$ -</u>	<u>\$ 3,830,865</u>
Supplemental schedule of noncash operating, financing and investing activities:				
MPLT applied \$1,840,206 of the required income distribution to the CNMI General Fund for the year ended September 30, 2018 as a repayment of the CNMI's note receivable and related interest.				
Decrease in notes receivable	\$ (1,653,665)	\$ -	\$ -	\$ (1,653,665)
Increase in interest income	(186,541)	-	-	(186,541)
Increase in net contribution	<u>1,840,206</u>	<u>-</u>	<u>-</u>	<u>1,840,206</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
MPLT applied \$198,825 of the required income distribution of the American Memorial Park Fund for the year ended September 30, 2018 as a repayment of CDA's note receivable and related interest.				
Decrease in notes receivable	\$ -	\$ (183,739)	\$ -	\$ (183,739)
Increase in interest income	-	(15,086)	-	(15,086)
Increase in net contribution	<u>-</u>	<u>198,825</u>	<u>-</u>	<u>198,825</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Independent Auditors' Report.

# MARIANAS PUBLIC LAND TRUST

## Schedule of Investments - General Fund September 30, 2018

<b>Mutual Funds</b>	<u>Cost</u>	<u>Fair Value</u>
Templeton GI Bond Adv	\$ 8,964,843	\$ 7,867,871
<b>Total Mutual Funds</b>	<u>8,964,843</u>	<u>7,867,871</u>
<b>Equities</b>		
<b>Domestic Common Stock</b>		
Abbott Laboratories Ord	200,192	253,459
Adobe System Ord	109,740	275,349
Alibaba Group Holding ADR Rep 1	105,026	148,284
Alphabet CL A Ord	295,760	481,625
Amazon Com Ord	217,614	642,963
Apple Ord	319,385	632,072
AT&T Ord	235,942	241,440
Bank of America Ord	266,346	444,257
Becton Dickinson Ord	177,403	236,205
Boeing Ord	259,370	284,504
Boston Scientific Ord	65,703	151,113
Chevron Ord	191,396	217,658
Cisco Systems Ord	98,777	173,924
Citigroup Ord	173,694	195,133
Coca-Cola Ord	83,074	89,840
Conocophillips Ord	157,697	200,853
CSX Ord	62,611	144,027
Dollar General Ord	153,494	172,694
DowDupont Ord	169,090	200,326
Eli Lilly Ord	110,556	130,382
EOG Resources Ord	271,847	354,007
Facebook CL A Ord	94,643	152,783
Fedex Ord	145,539	216,711
Gilead Sciences Ord	112,126	110,410
Home Depot Ord	104,001	266,188
Honeywell International Ord	119,898	169,728
Iqvia Holdings Ord	164,791	176,446
Johnson & Johnson Ord	180,527	189,984
JPMorgan Chase Ord	215,756	404,531
Medtronic Ord	107,562	117,552
Microsoft Ord	267,874	581,571
Morgan Stanley Ord	144,381	199,087
Netflix Ord	138,126	151,897
Nvidia Ord	71,795	185,473
Pepsico Ord	99,902	110,123
Pfizer Ord	97,656	128,905
PNC Financial Services Group Ord	100,631	96,695
Raytheon Ord	136,407	196,327
Roper Technologies Ord	92,174	107,820
Salesforce.com Ord	139,309	245,701
TJX Ord	150,295	210,598
United Technologies Ord	111,873	113,246
United HealthGrp Ord	115,810	279,342
Valero Energy Ord	166,809	158,112
Vertex Pharmaceuticals Ord	149,531	201,413
Visa CL A Ord	234,016	378,977
Walt Disney Ord	114,183	115,771
Wells Fargo Ord	161,100	148,482
<b>Subtotal - Atalanta</b>	<u>7,461,432</u>	<u>11,083,988</u>
Abbvie Ord	107,181	178,189
Acadia Healthcare Company Ord	214,781	168,256
Adobe System Ord	150,328	555,827
Ameriprise Finance Ord	180,258	280,554
Amgen Ord	253,443	327,518

See Accompanying Independent Auditors' Report.

# MARIANAS PUBLIC LAND TRUST

## Schedule of Investments - General Fund September 30, 2018

<b>Equities, Continued</b>	<u>Cost</u>	<u>Fair Value</u>
<b>Domestic Common Stock, Continued</b>		
Ansysis Ord	179,119	356,559
Banco Bilbao Vizcaya Argentaria	232,411	190,273
Bank of America Ord	193,128	362,358
BOK Financial Ord	81,390	145,920
Capital One Financial Ord	201,766	241,597
Chubb Ord	181,945	206,607
Coca-Cola Ord	259,194	285,131
Cullen Frost Bankers Ord	113,745	161,882
Danaher Ord	243,566	338,258
East West Bancorp Ord	194,094	214,495
Equity Lifestyle Prop Reit Ord	126,279	138,599
General Dynamics Ord	163,030	286,608
Halliburton Ord	311,962	196,854
Home Depot Ord	118,475	299,953
Johnson Controls International	233,114	225,645
JPMorgan Chase Ord	106,504	208,754
Kroger Ord	211,554	212,561
Lennar Cl A Ord	184,029	205,436
Lennar Cl B Ord	3,129	3,388
Martin Marietta Materials Ord	157,431	227,437
Medtronic Ord	238,545	304,947
Microchip Technology Ord	156,787	291,967
Microsoft Ord	171,667	468,917
Mitsubishi Ufj Fncl Grp Ads Rep	138,346	136,799
Mondelez International Cl A Ord	166,628	189,024
Natl Fuel Gas Ord	216,458	197,892
Novartis Adr Repsg 1 Ord	231,096	215,400
Oshkosh Ord	186,577	242,216
Parker Hannifin Ord	257,396	279,574
Paypal Holdings Ord	110,466	325,008
Phillips 66 Ord	217,620	304,344
Pioneer Natural Resource Ord	206,259	174,190
PPG Industries Ord	248,443	262,021
Sony Adr Rep 1 Ord	244,142	296,760
Sun Communities Reit Ord	125,381	139,110
Twitter Ord	216,488	188,035
Unilever Adr Rep 1 Ord	184,338	233,310
Walgreen Boots Alliance Ord	206,584	204,120
<b>Subtotal - Aristotle</b>	<u>7,925,077</u>	<u>10,472,293</u>
<b>Total Domestic Common Stock</b>	<u>15,386,509</u>	<u>21,556,281</u>
<b>International Common Stock</b>		
58.com Adr Rep 2 Cl A Ord	49,983	46,589
ABB Adr Rep 1 Ord	50,896	45,488
ABN Amro Group Nv Unsponsored Ne Adr	59,163	53,700
Accenture Cl A Ord	85,279	118,970
Anheuser Busch Adr Rep 1 Ord	88,893	63,401
Aon Cl A Ord	59,537	86,424
Ashtead Group Adr	19,154	46,144
Assa Abloy Adr	81,503	81,015
BB Seguridade Participacoes Adr	54,339	34,927
BHP Billiton Adr Rep 2 Ord	60,776	107,206
British American Tobacco Adr Rep Ord	106,638	82,349
Canadian National Railway Ord	37,919	54,552
Carlsberg As Sponsored Represent Adr	52,112	60,357
Cielo Adr	74,917	32,970
Compagnie Financiere Richemont U Adr	37,133	47,125
Compass Group Adr	72,937	86,407
Daiwa House Industry Adr Rep Ord	79,422	89,104

See Accompanying Independent Auditors' Report.

# MARIANAS PUBLIC LAND TRUST

## Schedule of Investments - General Fund September 30, 2018

<b>Equities, Continued</b>	<u>Cost</u>	<u>Fair Value</u>
<b>International Common Stock, Continued</b>		
DBS Group Holdings Adr	49,446	70,345
Equinor Asa	41,459	67,624
Ferguson	50,722	71,876
Fresenius Se Adr	67,594	57,880
Genmab A S Sponsored Denmark Adr	25,058	19,270
Icici Bank Adr Rep 2 Ord	73,246	69,058
Kao Unspn Adr Rep 1/5 Ord	35,548	45,958
Kasikornbank Public Adr	27,761	34,837
KDDI Adr Rep 0.5 Ord	49,955	46,276
Komatsu Adr	46,774	49,992
Makita Adr Rep 1 Ord	61,170	96,784
Medtronic Ord	98,579	117,060
Michelin Compagnie Gen Adr	57,859	54,024
MR Price Group Adr	22,891	31,002
Nordea Bank Spon Ads	79,036	68,946
Novartis Adr Repsg 1 Ord	93,892	107,269
Ping An Insurance Group Company Adr	74,730	76,139
Prudential Adr Repstg 2 Ord	105,771	127,666
PT Tlkmnk Tbk Adr Rep 100 Srs B	29,264	34,174
Red Electrica Corporacion Adr	81,405	77,362
Relx Adr Rep Ord	73,522	70,388
Rogers Communications Cl B Ord	52,691	53,483
Royal Dutch Shell Adr Rep 2 Cl A Ord	83,678	109,501
Ryanair Holdings Adr Rep 5 Ord	49,585	51,766
Ryohin Keikku Unspn Adr Rep 0.20 Ord	73,997	98,914
Safran Adr	66,031	86,779
Sampo Oyj Un-sponsored Representi Adr	77,886	90,135
Saneamen Sao Pau Adr Rep 1 Ord	25,942	20,603
Sanlam Adr	43,426	52,853
SAP Adr Rep 1 Ord	97,865	134,316
Shire Ads Rep 3 Ord	87,326	90,091
Sonova Holding Adr	27,188	27,072
Sumitomo Mit Adr Rep 1/5th of Ord	55,366	74,615
Suncor Energy Ord	58,835	76,455
Taiwan Semiconductor Mnftg Adr 5 Ord	58,638	117,907
Telenor Asa Adr	44,908	53,319
Tencent Holdings Adr	81,405	115,321
Turkcell Iletism Adr Rep 2.5 Ord	50,038	25,676
UBI Soft Entertainme Adr Rep 1/5 Ord	49,630	61,414
Unilever Adr Rep 1 Ord	60,313	75,419
Valeo Adr	66,054	53,453
Vinci Adr	48,443	64,184
Vivendi Adr	64,083	62,598
Wolters Kluwer N V Ord Adr	67,817	111,480
Yandex CL A Ord	50,792	53,117
<b>Total International Common Stock - Lazard</b>	<u>3,758,220</u>	<u>4,291,129</u>
<b>Master Limited Partnerships</b>		
Andeavor Logistics Unt	421,961	374,592
Antero Midstream Ord	59,669	45,430
Antero Resources Midstream Unt	202,453	214,835
BP Midstream Partners Unt	74,628	80,746
Buckeye Partners Unt	419,118	206,582
Cheniere Energy Ord	66,666	89,851
Energy Transfer Equity Unt	408,411	428,342
Energy Transfer Partners Unt	370,705	374,146
Enlink Midstream Partners Com Unt	103,447	103,713
Enterprise Products Partners Unt	862,169	788,207
EQT Midstream Partners Unt	569,921	449,791
Magellan Midstream Partners Unt	774,629	740,654

See Accompanying Independent Auditors' Report.

# MARIANAS PUBLIC LAND TRUST

## Schedule of Investments - General Fund September 30, 2018

<b>Equities, Continued</b>	<u>Cost</u>	<u>Fair Value</u>
<b>Master Limited Partnerships, Continued</b>		
MPLX Com Unt	704,003	616,264
Noble Midstream Partners Unt	45,690	58,002
Oneok Ord	352,357	460,701
Phillips 66 Partners Com Unt	443,249	386,618
Plains All American Pipeline Unt	952,911	656,813
Shell Midstream Partners Unt	288,683	208,220
Tallgrass Energy Cl A Ord	257,314	278,032
Targa Resources Ord	171,615	171,013
Valero Energy Partners Com Unt	240,621	186,029
Western Gas Equity Partners Com Unt	43,796	32,245
Western Gas Partners Unt	565,098	442,609
Williams Ord	673,983	597,120
<b>Total Master Limited Partnerships - Tortoise</b>	<u>9,073,097</u>	<u>7,990,555</u>
<b>Real Estate Investment Trusts</b>		
Alexandria Real Estate Eq Reit	321,860	380,012
American Tower Reit	132,495	175,958
Apartment Invst Mgt Cl A Reit Ord	215,025	225,857
Camden Property Reit Ord	168,647	177,970
Corporate Office Prop Reit Ord	224,805	220,653
Cubesmart Reit Ord	216,504	211,236
Digital Realty Reit Ord	219,018	245,994
Duke Realty Reit Ord	218,044	225,995
Equinix Reit Ord	489,750	516,871
Equity Residential Reit Ord	444,287	441,027
Essex Property Reit Ord	345,594	362,664
Extra Space Storage Reit Ord	265,794	276,035
Four Corners Property Ord	39,502	42,877
Healthcar Trst of Am Cl A Reit	252,248	231,816
Highwoods Properties Reit Ord	201,880	194,239
Hilton Grand Vacations Ord	111,567	115,661
Hilton Worldwide Holdings Ord	129,741	139,992
Invitation Homes Ord	175,748	200,783
JBG Smith Properties Ord	76,333	74,912
Kilroy Realty Reit Ord	271,754	289,054
Kimco Realty Reit Ord	300,371	221,135
Marriott International Cl A Ord	155,147	190,783
National Retail Properties Reit	93,097	87,623
Pebblebrook Hotel Reit Ord	185,745	175,594
Prologis Reit	557,285	784,737
Public Storage Reit Ord	199,353	169,974
Regency Centers Reit Ord	371,034	335,120
Simon Prop Grp Reit Ord	828,172	815,524
Sun Communities Reit Ord	193,214	255,373
Sunstone Hotel Investors Reit	113,056	111,935
Ventas Reit Ord	230,939	237,260
Vornado Realty Reit Ord	414,363	376,242
Welltower Ord	253,703	249,819
<b>Total Real Estate Investment Trusts - Adelante</b>	<u>8,416,075</u>	<u>8,760,725</u>
<b>Total Equities</b>	<u>36,633,901</u>	<u>42,598,690</u>

See Accompanying Independent Auditors' Report.

# MARIANAS PUBLIC LAND TRUST

## Schedule of Investments - General Fund September 30, 2018

<b>Fixed Income Securities</b>	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<b>Mortgage and Asset Backed Securities</b>			
Federal Home Loan Mortgage Corp @ 2.172%, due 07/05/19	1,570,013	1,569,890	AA+
FH G15743 @ 5.00%, due 06/01/26	199,936	192,159	AA+
FH G60134 @ 4.50%, due 06/01/36	478,123	453,062	AA+
FH J11367 @ 4.50%, due 01/01/25	677,487	663,677	AA+
FN AL8215 @ 5.00%, due 06/01/26	366,748	353,784	AA+
FN 995628 @ 5.50%, due 02/01/29	203,983	197,868	AA+
<b>Total Mortgage and Asset Backed Securities - Garcia Hamilton</b>	<u>3,496,290</u>	<u>3,430,440</u>	
<b>Government Bonds</b>			
United States Treasury @ 1.625%, due 02/15/26	886,041	884,773	AA+
United States Treasury @ 2.000%, due 10/31/22	1,207,421	1,185,991	AA+
United States Treasury @ 2.375%, due 05/15/27	1,776,520	1,770,650	AA+
United States Treasury @ 2.500%, due 05/15/46	1,271,597	1,255,723	AA+
United States Treasury @ 2.750%, due 02/15/24	2,139,297	2,136,974	AA+
United States Treasury @ 2.875%, due 08/15/45	1,724,468	1,713,785	AA+
United States Treasury @ 6.250%, due 05/15/30	1,180,933	1,172,137	AA+
<b>Total Government Bonds - Garcia Hamilton</b>	<u>10,186,277</u>	<u>10,120,033</u>	
<b>Corporate Bonds</b>			
American Express Credit Corp @ 3.381%, due 09/14/20	834,855	832,136	A-
Apple Inc @ 2.640%, due 05/06/19	416,536	415,697	AA+
Bank of America Corp @ 3.007%, due 07/21/21	271,536	271,534	A-
Bank of America Corp @ 3.023%, due 06/25/22	410,197	411,078	A-
Bank of New York Mellon Corp @ 3.389%, due 10/30/23	618,927	627,275	A
BB&T Corp @ 2.987%, due 04/01/22	469,780	469,264	A-
Goldman Sachs Group Inc @ 3.917%, due 11/29/23	573,493	583,179	BBB+
IBM Credit LLC @ 2.607%, due 01/20/21	421,352	422,020	A+
Intel Corp @ 2.688%, due 05/11/22	647,921	650,437	A+
JP Morgan Chase & Co @ 3.801%, due 03/01/21	416,895	415,749	A-
JP Morgan Chase & Co @ 3.235%, due 04/25/23	272,990	272,492	A-
Merck & Co Inc @ 2.716%, due 02/10/20	618,709	617,436	A+
Morgan Stanley @ 3.742%, due 10/24/23	511,000	524,061	BBB+
State Street Corp @ 3.222%, due 08/18/20	678,213	674,064	A
Walt Disney Co @ 2.711%, due 03/04/22	573,654	574,343	A
Wells Fargo & Co @ 3.360%, due 07/26/21	289,477	289,968	A-
Wells Fargo & Co @ 3.572%, due 10/31/23	506,530	515,019	A-
<b>Subtotal - Garcia Hamilton</b>	<u>8,532,065</u>	<u>8,565,752</u>	
ADT Corp @ 4.125%, due 06/15/23	77,500	76,498	BB-
American Axle And Manufacturing Inc @ 6.25%, due 04/01/25	82,390	79,668	B
Amerigas Partners LP @ 5.875%, Due 08/20/26	80,120	79,400	BB-
Ball Corp @ 5.25%, due 07/01/25	81,495	82,600	BB+
Belo Corp @ 7.25%, due 09/15/27	88,340	87,975	BB
CCO Holdings LLC @ 5.25%, due 09/30/22	80,145	78,853	B+
Centene Corp @ 4.75%, due 01/15/25	79,500	79,800	BB+
Centurylink Inc @ 6.45%, due 06/15/21	76,560	83,000	B
CIT Group Inc @ 5.25%, due 03/07/25	45,000	45,900	BB
Clear Channel Worldwide Holdings Inc. @ 6.50%, due 11/15/22	76,645	81,400	B-
Clearwater Paper Corp @ 4.50%, due 02/01/23	74,584	74,400	BB-
Commercial Metals Co @ 5.375%, due 07/15/27	79,900	79,900	BB
Consolidated Communications Finance II Co. @ 6.50%, due 10/01/22	75,300	75,600	B-
Covanta Holding Corp @ 5.875%, due 07/01/25	84,388	85,850	B
CSC Holdings LLC @ 6.75%, due 11/15/21	77,630	84,300	B-
DCP Midstream Operating LP @ 3.875%, due 03/15/23	68,625	73,125	BB
Dell Computer Corporation @ 7.10%, due 04/15/28	82,875	80,438	BB-
Dish DBS Corp @ 5.125%, due 05/01/20	82,600	80,598	B
Eldorado Resorts Inc @ 6.00%, due 04/01/25	84,400	81,000	B

See Accompanying Independent Auditors' Report.



# MARIANAS PUBLIC LAND TRUST

## Schedule of Investments - General Fund September 30, 2018

<b>Fixed Income Securities, Continued</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Ratings</b>
<b>Corporate Bonds, Continued</b>			
Equinix Inc @ 5.375%, due 01/01/22	83,050	82,600	B+
Ferrellgas Partners LP @ 6.50%, due 05/01/21	68,508	71,600	B-
Frontier Communications Corp @ 8.75%, due 04/15/22	73,244	66,000	CCC+
GCI Inc @ 6.75%, due 06/01/21	81,560	81,000	B-
Genesis Energy LP @ 6.50%, due 10/01/25	79,200	77,400	B+
Geo Group Inc @ 5.125%, due 04/01/23	75,750	71,813	B+
GLP Capital LP @ 5.375%, due 04/15/26	81,425	81,241	BB+
Griffon Corp @ 5.25%, due 03/01/22	76,758	79,100	B
HCA Inc @ 6.50%, due 02/15/20	87,610	83,240	BB+
H&E Equipment Services Inc @ 5.625%, due 09/01/25	65,020	64,838	B
Icahn Enterprises LP @ 6.375%, due 12/15/25	80,487	80,300	BB-
International Lease Finance Corp @ 5.875%, due 08/15/22	37,900	37,024	BBB-
Istar Inc @ 6.00%, due 04/01/22	55,413	55,413	B+
L Brands Inc @ 5.625%, due 02/15/22	84,050	80,824	BB
Lennar Corp @ 4.75%, due 11/15/22	71,225	70,301	BB+
Mercer International Inc @ 6.50%, due 02/01/24	84,800	81,808	B+
National Cinemedia LLC @ 5.75%, due 08/15/26	79,900	80,453	B-
Navient Corp @ 6.50%, due 06/15/22	82,400	83,138	B+
NGL Energy Partners LP @ 6.125%, 03/01/25	75,823	75,000	B
NRG Energy Inc @ 6.25%, due 05/01/24	80,600	83,200	B+
Oxford Finance LLC @ 6.375%, due 12/15/22	66,950	66,300	B+
Penske Automotive Group Inc @ 5.50%, due 05/15/26	79,200	77,776	B+
Pitney Bowes Inc @ 3.625%, due 10/01/21	74,200	76,300	BB+
Quadgraphics Inc @ 7.00%, due 05/01/22	68,163	70,875	B
QVC Inc @ 4.375%, due 03/15/23	66,052	69,141	BB
Sprint Nextel Corp @ 6.00%, due 11/15/22	85,500	81,600	B-
Suburban Propane Partners LP @ 5.875%, due 03/01/27	79,675	76,000	B+
Targa Resources Partners LP @ 5.25%, due 05/01/23	65,800	70,787	BB-
Teekay Corp @ 8.50%, due 01/15/20	61,223	81,416	CCC+
Tenet Healthcare Corp @ 4.375%, due 10/01/21	77,811	79,654	BB-
Transmontaigne Partners LP @ 6.125%, due 02/15/26	80,075	75,400	B
Tri Pointe Group Inc @ 5.25%, due 06/01/27	80,000	71,400	BB-
UAL 05ERJ1 A1 @ 9.798%, due 04/01/21	35,515	33,904	BB
United Rentals (North America) Inc @ 4.625%, due 07/15/23	79,451	80,600	BB+
Wesco Distribution Inc @ 5.375%, due 06/15/24	83,800	79,200	B+
Xerium Technologies Inc @ 9.50%, due 08/15/21	80,950	84,120	B
<b>Subtotal - Chartwell</b>	<u>4,147,085</u>	<u>4,151,071</u>	
<b>Total Corporate Bonds</b>	<u>12,679,150</u>	<u>12,716,823</u>	
<b>Total Fixed Income Securities</b>	<u>26,361,717</u>	<u>26,267,296</u>	
<b>Total Mutual Funds, Equities and Fixed Income Securities</b>	<u>\$ 71,960,461</u>	<u>\$ 76,733,857</u>	

See Accompanying Independent Auditors' Report.

# MARIANAS PUBLIC LAND TRUST

## Schedule of Investments - Park Fund September 30, 2018

<b>Mutual Funds</b>	<u>Cost</u>	<u>Fair Value</u>
Templeton GI Bond Adv	\$ 1,060,813	\$ 925,889
<b>Total Mutual Funds</b>	<u>1,060,813</u>	<u>925,889</u>
<b>Equities</b>		
<b>Domestic Common Stock</b>		
Abbott Laboratories Ord	24,051	30,444
Adobe System Ord	13,457	33,744
Alibaba Group Holding ADR Rep 1 Ord	12,908	18,124
Alphabet CL A Ord	35,606	57,940
Amazon Com Ord	26,129	78,117
Apple Ord	38,138	75,623
At&t Ord	28,549	29,215
Bank Of America Ord	32,248	53,617
Becton Dickinson Ord	21,589	28,710
Boeing Ord	31,163	34,215
Boston Scientific Ord	8,060	18,288
Chevron Ord	23,112	26,290
Cisco Systems Ord	11,851	20,919
Citigroup Ord	21,063	23,674
Coca-Cola Ord	10,037	10,855
Conocophillips Ord	19,137	24,381
Csx Ord	7,559	17,402
Dollar General Ord	18,435	20,767
DowDupont Ord	20,346	24,116
Eli Lilly Ord	13,194	15,560
Eog Resources Ord	32,821	42,736
Facebook CL A Ord	11,543	18,584
Fedex Ord	17,711	26,487
Gilead Sciences Ord	13,330	13,125
Home Depot Ord	12,551	32,108
Honeywell International Ord	14,679	20,800
Iqvia Holdings Ord	19,990	21,407
Johnson & Johnson Ord	21,652	22,798
JPMorgan Chase Ord	26,308	49,085
Medtronic Ord	13,052	14,264
Microsoft Ord	32,508	70,338
Morgan Stanley Ord	17,409	23,984
Netflix Ord	16,670	18,332
Nvidia Ord	8,725	22,482
Pepsico Ord	12,165	13,416
Pfizer Ord	11,839	15,645
Pnc Financial Services Group Ord	12,003	11,576
Raytheon Ord	16,296	23,766
Roper Technologies Ord	11,620	13,626
Salesforce.com Ord	16,707	29,421
Tjx Ord	17,990	25,204
United Technologies Ord	13,812	13,981
Unitedhealth Grp Ord	13,900	33,255
Valero Energy Ord	20,403	19,337
Vertex Pharmaceuticals Ord	17,864	24,092
Visa Cl A Ord	28,274	45,777
Walt Disney Ord	13,841	14,033
Wells Fargo Ord	19,390	17,870
<b>Subtotal - Atalanta</b>	<u>901,685</u>	<u>1,339,530</u>
Abbvie Ord	12,914	21,470
Acadia Healthcare Company Ord	26,061	20,416
Adobe System Ord	18,106	66,948
Amgen Ord	30,666	39,592
Ameriprise Finance Ord	21,821	33,962
Ansys Ord	21,663	43,123

See Accompanying Independent Auditors' Report.

# MARIANAS PUBLIC LAND TRUST

## Schedule of Investments - Park Fund September 30, 2018

<b>Equities, Continued</b>	<b>Cost</b>	<b>Fair Value</b>
<b>Domestic Common Stock, Continued</b>		
Banco Bilbao Vizcaya Argentaria Adr	28,297	23,039
Bank Of America Ord	22,932	43,012
Bok Financial Ord	8,682	15,565
Capital One Financial Ord	24,418	29,238
Chubb Ord	22,008	24,991
Coca-Cola Ord	31,280	34,412
Cullen Frost Bankers Ord	15,411	21,932
Danaher Ord	29,425	40,856
East West Bancorp Ord	23,435	25,899
Equity Lifestyle Prop Reit Ord	15,203	16,686
General Dynamics Ord	19,796	34,802
Halliburton Ord	38,298	23,751
Home Depot Ord	14,319	36,251
Johnson Controls International	28,131	27,230
JPMorgan Chase Ord	12,953	25,389
Kroger Ord	25,582	25,704
Lennar Cl A Ord	22,794	25,446
Lennar Cl B Ord	356	385
Martin Marietta Materials Ord	18,892	27,292
Medtronic Ord	27,702	35,413
Microchip Technology Ord	19,069	35,509
Microsoft Ord	20,726	56,613
Mitsubishi Ufj Fnd Grp Ads Rep	16,495	16,311
Mondelez International Cl A Ord	19,692	22,339
Natl Fuel Gas Ord	26,432	23,938
Novartis Adr Repsg 1 Ord	28,544	26,279
Oshkosh Ord	21,782	28,496
Parker Hannifin Ord	30,989	33,659
Paypal Holdings Ord	12,539	36,893
Phillips 66 Ord	24,180	33,816
Pioneer Natural Resource Ord	25,202	20,903
Ppg Industries Ord	30,005	31,648
Sony Adr Rep 1 Ord	29,439	35,783
Sun Communities Reit Ord	15,101	16,754
Twitter Ord	26,115	22,683
Unilever Adr Rep 1 Ord	22,164	28,053
Walgreen Boots Alliance Ord	25,454	25,150
<b>Subtotal - Aristotle</b>	<b>955,073</b>	<b>1,257,631</b>
<b>Total Domestic Common Stock</b>	<b>1,856,758</b>	<b>2,597,161</b>
<b>International Common Stock</b>		
58.com Adr Rep 2 Cl A Ord	5,921	5,520
ABB Adr Rep 1 Ord	6,028	5,388
ABN Amro Group Nv Unsponsored Ne Adr	7,022	6,374
Accenture Cl A Ord	10,125	14,127
Anheuser Busch Adr Rep 1 Ord	10,559	7,531
Aon Cl A Ord	7,101	10,303
Ashtead Group Adr	2,259	5,466
Assa Abloy Adr	9,657	9,591
BB Seguridade Participacoes Adr	7,088	4,146
BHP Billiton Adr Rep 2 Ord	7,224	12,709
British American Tobacco Adr Rep Ord	12,685	9,792
Canadian National Railway Ord	4,490	6,460
Carlsberg As Sponsored Represent Adr	6,177	7,152
Cielo Adr	8,888	3,910
Compagnie Financiere Richemont Adr	4,407	5,594
Compass Group Adr	8,658	10,256
Daiwa House Industry Adr Rep Ord	9,406	10,556
DBS Group Holdings Adr	5,852	8,325

See Accompanying Independent Auditors' Report.

# MARIANAS PUBLIC LAND TRUST

## Schedule of Investments - Park Fund September 30, 2018

<b>Equities, Continued</b>	<b>Cost</b>	<b>Fair Value</b>
<b>International Common Stock, Continued</b>		
Equinor Asa	4,909	8,009
Ferguson	5,998	8,530
Fresenius Se Adr	8,021	6,868
Genmab A S Sponsored Denmark Adr	2,966	2,281
Icici Bank Adr Rep 2 Ord	8,689	8,193
Kao Unspn Adr Rep 1/5 Ord	4,186	5,412
Kasikornbank Public Adr	3,395	4,125
KDDI Adr Rep 0.5 Ord	5,922	5,486
Komatsu Adr	5,551	5,933
Makita Adr Rep 1 Ord	7,250	11,472
Medtronic Ord	11,688	13,870
Michelin Compagnie Gen Adr	6,865	6,409
Mr Price Group Adr	2,715	3,678
Nordea Bank Spon Ads	9,376	8,180
Novartis Adr Repsg 1 Ord	11,181	12,752
Ping An Insurance Group Company Adr	8,875	9,042
Prudential Adr Repstg 2 Ord	12,582	15,190
PT Tlkmnk Tbk Adr Rep 100 Srs B Ord	3,513	4,064
Red Electrica Corporacion Adr	9,650	9,178
Relx Adr Rep Ord	8,723	8,351
Rogers Communications Cl B Ord	6,284	6,377
Royal Dutch Shell Adr Rep 2 Cl A Ord	9,964	13,015
Ryanair Holdings Adr Rep 5 Ord	5,883	6,146
Ryohin Keikku Unspn Adr Rep 0.20 Ord	8,754	11,724
Safran Adr	7,841	10,304
Sampo Oyj Un-sponsored Representi Adr	9,243	10,697
Saneamen Sao Pau Adr Rep 1 Ord	3,071	2,443
Sanlam Adr	5,243	6,261
SAP Adr Rep 1 Ord	11,655	15,990
Shire Ads Rep 3 Ord	10,386	10,695
Sonova Holding Adr	3,213	3,199
Sumitomo Mit Adr Rep 1/5th Of Ord	6,539	8,833
Suncor Energy Ord	6,967	9,054
Taiwan Semiconductor Mnftg Adr 5 Ord	6,520	13,999
Telenor Asa Adr	5,332	6,330
Tencent Holdings Adr	9,631	13,672
Turkcell Iletisim Adr Rep 2.5 Ord	6,143	3,046
Ubi Soft Entertainme Adr Rep 1/5 Ord	5,893	7,291
Unilever Adr Rep 1 Ord	7,166	8,960
Valeo Adr	7,842	6,342
Vinci Adr	5,752	7,621
Vivendi Adr	7,618	7,442
Wolters Kluwer N V Ord Adr	8,039	13,218
Yandex Cl A Ord	6,037	6,315
<b>Total International Common Stock - Lazard</b>	<b>446,618</b>	<b>509,197</b>
<b>Master Limited Partnerships</b>		
Andeavor Logistics Unt	50,601	44,918
Antero Midstream Ord	7,156	5,448
Antero Resources Midstream Unt	24,177	25,765
BP Midstream Partners Unt	8,948	9,682
Buckeye Partners Unt	49,761	24,176
Cheniere Energy Ord	7,761	10,771
Energy Transfer Equity Unt	45,739	51,366
Energy Transfer Partners Unt	45,230	44,854
Enlink Midstream Partners Com Unt	12,401	12,433
Enterprise Products Partners Unt	106,578	94,522
EQT Midstream Partners Unt	68,903	53,941
Magellan Midstream Partners Unt	94,034	88,781
MPLX Com Unt	83,163	73,903

See Accompanying Independent Auditors' Report.

# MARIANAS PUBLIC LAND TRUST

## Schedule of Investments - Park Fund September 30, 2018

<b>Equities, Continued</b>	<u>Cost</u>	<u>Fair Value</u>	
<b>Master Limited Partnerships, Continued</b>			
Noble Midstream Partners Unt	5,461	6,940	
Oneok Ord	42,256	55,249	
Phillips 66 Partners Com Unt	53,617	46,333	
Plains All American Pipeline Unt	121,156	78,757	
Shell Midstream Partners Unt	34,753	24,972	
Tallgrass Energy Cl A Ord	31,361	34,262	
Targa Resources Ord	20,215	20,046	
Valero Energy Partners Com Unt	28,986	22,274	
Western Gas Equity Partners Com Unt	5,924	3,862	
Western Gas Partners Unt	69,519	53,071	
Williams Ord	80,807	71,591	
<b>Total Master Limited Partnerships - Tortoise</b>	<u>1,098,507</u>	<u>957,917</u>	
<b>Real Estate Investment Trusts</b>			
Alexandria Real Estate Eq Reit	37,378	44,152	
American Tower Reit	15,559	20,487	
Apartment Invst Mgt Cl A Reit Ord	24,955	26,213	
Camden Property Reit Ord	19,592	20,679	
Corporate Office Prop Reit Ord	26,094	25,624	
Cubesmart reit Ord	25,118	24,507	
Digital Realty Reit Ord	25,463	28,570	
Duke Realty Reit Ord	25,320	26,242	
Equinix Reit Ord	56,877	60,172	
Equity Residential Reit Ord	51,744	51,219	
Essex Property Reit Ord	40,236	42,187	
Extra Space Storage Reit Ord	30,910	32,057	
Four Corners Property Ord	4,588	4,984	
Healthcar Trst Of Am Cl A Reit	29,353	26,910	
Highwoods Properties Reit Ord	23,422	22,543	
Hilton Grand Vacations Ord	12,938	13,406	
Hilton Worldwide Holdings Ord	15,024	16,237	
Invitation Homes Ord	20,400	23,300	
JBG Smith Properties Ord	8,857	8,692	
Kilroy Realty Reit Ord	31,536	33,551	
Kimco Realty Reit Ord	34,833	25,662	
Marriott International Cl A Ord	18,054	22,181	
National Retail Properties Reit	10,810	10,174	
Pebblebrook Hotel Reit Ord	21,545	20,367	
Prologis Reit	64,517	91,110	
Public Storage Reit Ord	23,385	19,760	
Regency Centers Reit Ord	43,020	38,867	
Simon Prop Grp Reit Ord	97,265	94,738	
Sun Communities Reit Ord	22,409	29,650	
Sunstone Hotel Investors Reit	13,120	12,990	
Ventas Reit Ord	26,783	27,516	
Vornado Realty Reit Ord	48,063	43,654	
Welltower Ord	29,536	29,008	
<b>Total Real Estate Investment Trusts - Adelante</b>	<u>978,704</u>	<u>1,017,409</u>	
<b>Total Equities</b>	<u>4,380,587</u>	<u>5,081,684</u>	
<b>Fixed Income Securities</b>	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<b>Mortgage &amp; Asset Backed Securities</b>			
Federal Farm Credit Banks Funding Corp @ 2.172%, due 04/24/19	35,008	35,005	AA+
Federal Home Loan Banks @ 2.180%, due 07/05/19	160,000	160,000	AA+
Federal Home Loan Mortgage Corp @ 2.172%, due 07/05/19	130,000	129,991	AA+
FH G15718 @ 5.500%, due 12/01/24	48,737	46,989	AA+
FH G15743 @ 5.000%, due 06/01/26	24,771	23,807	AA+

See Accompanying Independent Auditors' Report.

# MARIANAS PUBLIC LAND TRUST

## Schedule of Investments - Park Fund September 30, 2018

<b>Fixed Income Securities, Continued</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Ratings</b>
<b>Mortgage &amp; Asset Backed Securities, Continued</b>			
FH G60134 @ 4.500%, due 06/01/36	61,508	58,192	AA+
FN 745418 @ 5.500%, due 04/01/36	<u>67,537</u>	<u>64,767</u>	AA+
<b>Total Mortgage &amp; Asset Backed Securities - Garcia Hamilton</b>	<u>527,561</u>	<u>518,751</u>	
<b>Government Bonds</b>			
United States Treasury @ 1.625%, due 02/15/26	72,873	72,597	AA+
United States Treasury @ 2.000%, due 10/31/22	176,689	173,559	AA+
United States Treasury @ 2.375%, due 05/15/27	290,221	289,570	AA+
United States Treasury @ 2.500%, due 05/15/46	145,658	143,885	AA+
United States Treasury @ 2.750%, due 02/15/24	217,891	217,655	AA+
United States Treasury @ 2.875%, due 08/15/45	237,105	235,410	AA+
United States Treasury @ 6.250%, due 05/15/30	<u>152,161</u>	<u>150,610</u>	AA+
<b>Total Government Bonds - Garcia Hamilton</b>	<u>1,292,598</u>	<u>1,283,286</u>	
<b>Corporate Bonds</b>			
American Express Credit Corp @ 3.021%, due 03/03/22	110,912	110,672	A-
Apple Inc @ 2.640%, due 05/06/19	95,361	95,160	AA+
Bank of America Corp @ 3.007%, due 07/21/21	30,178	30,171	A-
Bank of America Corp @ 3.023%, due 06/25/22	50,024	50,132	A-
Bank of New York Mellon Corp @ 3.389%, due 10/30/23	95,700	96,896	A
BB&T Corp @ 2.987%, due 04/01/22	35,398	35,321	A-
Berkshire Hathaway Finance Corp @ 3.024%, due 03/15/19	45,603	45,137	A+
Goldman Sachs Group Inc @ 3.917%, due 11/29/23	76,548	78,104	BBB+
Intel Corp @ 2.688%, due 05/11/22	75,192	75,632	A+
JP Morgan Chase & Co @ 3.572%, due 10/24/23	86,410	86,693	A-
Merck & Co Inc @ 2.716%, due 02/10/20	90,543	90,356	A+
Morgan Stanley @ 3.742%, due 10/24/23	90,480	92,481	BBB+
Pepsico Inc @ 2.867%, due 10/06/21	35,511	35,460	A
Walt Disney Co @ 2.711%, due 03/04/22	30,284	30,229	A
Wells Fargo & Company @ 3.360%, due 07/26/21	30,442	30,523	A-
Wells Fargo & Company @ 3.572%, due 10/31/23	<u>30,720</u>	<u>30,595</u>	A-
<b>Subtotal - Garcia Hamilton</b>	<u>1,009,306</u>	<u>1,013,562</u>	
ADT Corp @ 4.125%, due 06/15/23	9,687	9,562	BB-
American Axle And Manufacturing @ 6.250%, due 04/01/25	10,299	9,958	B
Amerigas Partners LP @ 5.875%, due 08/20/26	10,000	9,925	BB-
Ball Corp @ 5.25%, due 07/01/25	10,175	10,325	BB+
Belo Corp @ 7.250%, due 09/15/27	10,393	10,350	BB
Cco Holdings LLC @ 5.250%, due 09/30/22	5,137	5,055	B+
Centene Corp @ 4.75%, due 01/15/25	9,937	9,975	BB+
Centurylink Inc @ 6.45%, due 06/15/21	9,560	10,375	B
Cit Group Inc @ 5.250%, due 03/07/25	5,000	5,100	BB
Clear Channel Worldwide Holdings Inc @ 6.50%, due 11/15/22	9,536	10,175	B-
Clearwater Paper Corp @ 4.500%, due 02/01/23	9,323	9,300	BB-
Commercial Metals Co @ 5.375%, due 07/15/27	9,400	9,400	BB
Consolidated Communications @ 6.500%, due 10/01/22	9,412	9,450	B-
Covanta Holding Corp @ 5.875%, due 07/01/25	9,928	10,100	B
CSC Holdings Inc @ 6.75%, due 11/15/21	9,677	10,537	B-
DCP Midstream Operating LP @ 3.875%, due 03/15/23	9,150	9,750	BB
Dell Computer Corporation @ 7.10%, due 04/15/28	11,050	10,725	BB-
Dish DBS Corp @ 5.125%, due 05/01/20	10,325	10,074	B
Eldorado Resorts Inc @ 6.00%, due 04/01/25	10,550	10,125	B
Equinix Inc @ 5.375%, due 01/01/22	10,366	10,325	B+
Ferrellgas Partners LP @ 6.50%, due 05/01/21	8,550	8,950	B-
Frontier Communications Corp @ 8.75%, due 04/15/22	9,125	8,250	CCC+
Geo Group Inc @ 5.125%, due 04/01/23	9,090	8,617	B+
GCI Inc @ 6.75%, due 06/01/21	10,223	10,125	B-
Genesis Energy LP @ 6.500%, due 10/01/25	9,900	9,675	B+
GLP Capital LP @ 5.375%, due 04/15/26	<u>10,119</u>	<u>10,156</u>	BB+

See Accompanying Independent Auditors' Report.

# MARIANAS PUBLIC LAND TRUST

## Schedule of Investments - Park Fund September 30, 2018

<b>Fixed Income Securities, Continued</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Ratings</b>
<b>Corporate Bonds, Continued</b>			
Griffon Corp @ 5.25%, due 03/01/22	9,587	9,887	B
H&E Equipment Services Inc @ 5.625%, due 09/01/25	8,002	7,980	B
HCA Inc @ 6.50%, due 02/15/20	10,950	10,405	BB+
Icahn Enterprises LP @ 6.375%, due 12/15/25	10,061	10,037	BB-
International Lease Finance Corp @ 5.875%, due 08/15/22	5,410	5,289	BBB-
Istar Inc @ 6.000%, 04/01/22	10,075	10,075	B+
L Brands Inc @ 5.625%, due 02/15/22	10,506	10,103	BB
Lennar Corp @ 4.75%, due 11/15/22	10,175	10,043	BB+
Mercer International Inc @ 6.500%, due 02/01/24	10,600	10,226	B+
National Cinemedia LLC @ 5.750%, due 08/15/26	9,400	9,465	B-
Navient Corp @ 6.50%, due 06/15/22	10,300	10,392	B+
Ngl Energy Partners LP @ 6.125%, due 03/01/25	9,478	9,375	B
NRG Energy Inc @ 6.25%, due 05/01/24	10,075	10,400	B+
Oxford Finance LLC @ 6.375%, due 12/15/22	8,240	8,160	B+
Penske Automotive Group Inc @ 5.50%, due 05/15/26	9,900	9,722	B+
Pitney Bowes Inc @ 3.625%, due 10/01/21	9,275	9,538	BB+
Quadgraphics Inc @ 7.00%, due 05/01/22	9,738	10,125	B
QVC Inc @ 4.375%, due 03/15/23	9,436	9,877	BB
Sprint Nextel Corp @ 6.00%, due 11/15/22	10,688	10,200	B-
Suburban Propane Partners LP @ 5.875%, due 03/01/27	9,975	9,500	B+
Targa Resources Partners LP @ 5.25%, due 05/01/23	9,400	10,113	BB-
Teekay Corp @ 8.50%, due 01/15/20	7,789	10,177	CCC+
Tenet Healthcare Corp @ 4.375%, due 10/01/21	9,725	9,957	BB-
Transmontaigne Partners LP @ 6.125%, due 02/15/26	10,038	9,426	B
Tri Pointe Group Inc @ 5.25%, due 06/01/27	10,000	8,925	BB-
UAL 05ERJ1 A1 @ 9.798%, due 04/01/21	4,735	4,521	BB
United Rentals (North America) Inc @ 4.625%, due 07/15/23	9,920	10,075	BB+
Wesco Distribution Inc @ 5.375%, due 06/15/24	10,475	9,900	B+
Xerium Technologies Inc @ 9.50%, due 08/15/21	10,119	10,515	B
<b>Subtotal - Chartwell</b>	<b>519,984</b>	<b>520,767</b>	
<b>Total Corporate Bonds</b>	<b>1,529,290</b>	<b>1,534,329</b>	
<b>Total Fixed Income Securities</b>	<b>3,349,449</b>	<b>3,336,366</b>	
<b>Total Mutual Funds, Equities and Fixed Income Securities</b>	<b>\$ 8,790,849</b>	<b>\$ 9,343,939</b>	

See Accompanying Independent Auditors' Report.

# MARIANAS PUBLIC LAND TRUST

## Schedule of Administrative Expenses Compared to Budget Year Ended September 30, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
Money manager fees	\$ 330,500	\$ 331,638	\$ (1,138)
Money management administration	194,270	195,410	(1,140)
Consultancy fees	139,861	139,861	-
Salaries and benefits	125,489	123,488	2,001
Contract services	72,819	71,583	1,236
Office supplies	58,738	60,613	(1,875)
Trustees' expenses	33,478	40,596	(7,118)
Depreciation	38,538	38,508	30
Professional fees	38,441	37,841	600
Loan administration fee	32,552	32,503	49
Audit	15,000	15,000	-
Rent and utilities	13,422	11,789	1,633
Annual report preparation	10,000	10,000	-
Repairs and maintenance	1,032	1,260	(228)
Total	<u>\$ 1,104,140</u>	<u>\$ 1,110,090</u>	<u>\$ (5,950)</u>

See Accompanying Independent Auditors' Report.