HERITAGE AND STABILISATION FUND
Quarterly Investment Report
January - March, 2009

INTRODUCTION

This Investment Report on the Heritage and Stabilisation Fund (HSF) covers the second quarter of the 2009 financial year, **January - March, 2009**. The report is organised in three sections. **Section I** deals with the international economic environment. **Section II** focuses on the performance of those markets in which the HSF assets are invested, and **Section III** provides details of the portfolio.

SECTION I – INTERNATIONAL ECONOMIC ENVIRONMENT

Most recent economic data indicate that the **U.S. economy** experienced a contraction of 6.3% in the fourth quarter of 2008. This was a sizeable downward revision from the initial estimate of a 2.4% decline. The sources of weakness remained unchanged with exports, consumer spending, business investment, and housing all declining. The decline in U.S. exports was due to a combination of slowing global growth and the strengthening U.S. dollar, while mounting job losses, declining stock and home equity value and tight lending conditions weighed on consumer spending and business investment.

Inflation continued to be subdued. The consumer price index (CPI) decreased by 0.1% in March 2009 after an increase of 0.4% in the previous month. The decrease was mainly due to a decline in energy costs, which fell 3% in March 2009 after increasing 3.3% in February 2009. Core CPI, which excludes food and energy, increased by 0.2% for the third consecutive month and by 1.8% over the year to March 2009. Inflation is expected to remain below the Fed's implied target range of 1.5%-2% in the near term due to the expected continued economic slowdown.

In line with expectations, the employment figures continued to worsen. Unemployment reached 8.5% in March 2009, the highest level recorded since 1983. During the quarter ended

March, total job losses exceeded two (2) million. A weak retail sector forced many firms to slash jobs in order to reduce costs. Retail sales declined by 1.1% in March 2009 after a small gain of 0.3% in the previous month as continued uncertainty about job security forced many Americans to curb spending.

The U.S. Federal Reserve Bank (FRB) kept the Fed Funds rate at a range between 0% - 0.25% throughout the second quarter. Instead, the FRB focused its attention on the expansion and intensification of "quantitative easing" policies. In March 2009, the FRB increased the size of its balance sheet by purchasing, inter alia, U.S. government bonds and non-agency mortgage backed securities. These measures were primarily a continuation of the efforts to unlock the credit and housing markets by lowering long-term borrowing costs and making liquidity available to banks. This policy action, in conjunction with the Obama Administration's fiscal package of US$ 787 billion (American Recovery and Reinvestment Act), represented a renewed effort on the part of U.S. policymakers to kick start the struggling U.S. economy.

In recent weeks, U.S. policymakers have observed that there are signs of potential growth. The FRB has forecasted that the U.S. economy will bottom out in the second half of this year and expand slowly next year as the financial markets stabilise, the effects of fiscal stimulus take hold and the built-up of inventory in the housing and business sectors unwind.

In the Euro-zone, economic activity is expected to contract during the first calendar quarter of 2009, following a 1.6% decline in the fourth quarter of last year. Industrial production and industrial orders shrank 17 and 34 percent year-over-year, respectively, in January 2009. Industry, services and consumer confidence measures all fell through March 2009. The outlook for consumer demand remained weak and retail sales fell, as unemployment rose to 8.5% in February 2009. Euro-zone governments continued to expand budget deficits in order to stimulate growth and fund the recapitalisation or nationalisation of banks. The banking system continued to be a trouble spot for investors as they have become increasingly concerned about western European banks' exposure to central and eastern Europe.

As economic activity contracted, monetary aggregate growth slowed and price pressures further abated. Inflation declined to a record low 0.6% year-over-year in March 2009, down from 1.2% in the previous month. The decline was mainly due to falling costs of energy. The European Central Bank (ECB), burdened by the ongoing economic and banking crisis, cut its policy rate from 2.5% to 1.5% during the quarter. The ECB cut interest rates further by 25 basis points to 1.25% at its April 2009 meeting and indicated that additional cuts were possible if economic conditions continued to be weak. The OECD now expects the Euro-zone to contract by as much as 4.1% this year.

The latest data for the **United Kingdom** showed that the UK economy shrunk by 1.6% in the final quarter of 2008. This marks a small downward revision of 0.1% from the previous estimate for the quarter but nevertheless, the 6th largest quarterly fall in output since records began in 1955. The fall in output followed a decline of 0.7% in the third quarter of 2008, confirming the rapid acceleration of the UK economy into recession during the second half of 2008. Both industrial and manufacturing production contracted by 7.7% and consumer confidence deteriorated further as the housing sector and labour market conditions worsened. Turnover in the housing market fell to record lows in the final quarter, while household consumption fell by 1%. Monthly jobless claims reached record highs and the unemployment rate rose to 6.5%, a 12-year high. Inflation increased to 3.2% in February 2009, compared to the same month a year earlier. The increase in inflation was largely due to import prices as sterling weakened against the currencies of key trading partners.

The Bank of England (BoE) reduced its target policy rate to a new low of 50 basis points and created the Asset Purchase Facility (APF). Through the APF, the BoE purchased private sector assets including commercial paper and corporate bonds, which directly increased money supply (quantitative easing). The OECD forecasts the UK economy will fall by 3.7% in 2009.

In Japan, economic indicators were depressing in the first quarter of 2009 as the export dependent economy buckled under the weight of the global economic downturn. Japan's current account slipped into deficit for the first time in 13 years as worldwide demand for Japan's two principle exports, automobiles and consumer electronics, continued to be subdued. The fall in export volumes led to a massive drop in industrial production. Industrial production plummeted by 38.4% year-over-year in February 2009, surpassing the record set in January 2009. As a result, the jobless rate rose to 4.4% in February 2009 as firms shed jobs in order to survive.

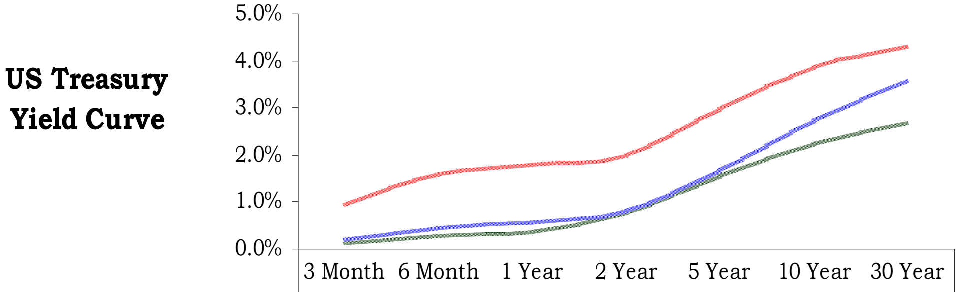
The deteriorating labour market outlook and stock market decline have forced Japanese consumers to rein in spending. Real household spending declined 5.8%, which was more than the 3% economists predicted, while labour cash earnings declined 2.7% year-over-year. Japan's consumer prices remained unchanged in February 2009. The Bank of Japan left the benchmark rate unchanged at 10 basis points.

SECTION II – CAPITAL MARKET PERFORMANCE

Fixed Income. The yields on U.S. treasury instruments rose slightly over the January-March 2009 quarter but still remained depressed due to the continued gloomy outlook on the economy (Figure 1). During the quarter, the ten-year U.S Treasury yield rose by 46 basis points to 2.71%, while short-term rates remained anchored by the record low Fed Funds rate of 0% to 0.25%. As a result, the yield curve steepened during the quarter as the difference in yield between the 2-year and 10-year treasuries increased from 149 to 190 basis points.

The Merrill Lynch US Government Treasury 1-5 Years Index returned just 0.01% in the second quarter, compared with a return of 4.71% in the first quarter of the financial year. The flight-to-quality abated and investors grew increasingly worried over the cost of the U.S. government's actions in terms of the supply of treasury securities and potential inflation.

Figure 1

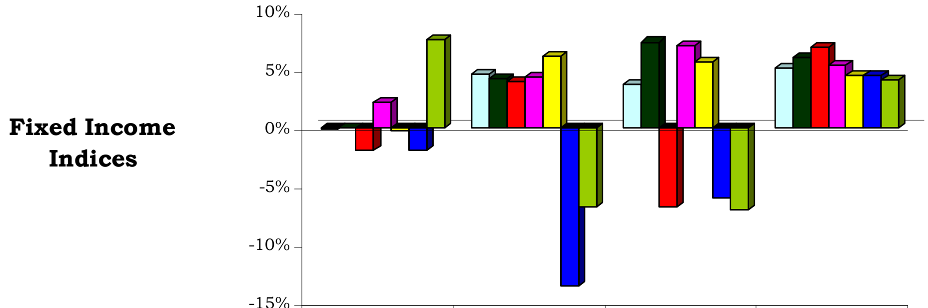


	3 Month	6 Month	1 Year	2 Year	5 Year	10 Year	30 Year
September 30, 2008	0.92%	1.60%	1.78%	2.00%	2.98%	3.85%	4.31%
December 31, 2008	0.11%	0.27%	0.37%	0.76%	1.55%	2.25%	2.69%
March 31 2009	0.21%	0.43%	0.57%	0.81%	1.67%	2.71%	3.56%

The broader U.S. fixed income market, as represented by the Barclays U.S. Aggregate Index (formerly Lehman Brothers U.S. Aggregate Index), declined 0.12% following a return of 4.58% in the previous quarter (Figure 2). The best performing sectors were the ABS and MBS sectors, which returned 7.56% and 2.20%, respectively. Both sectors benefited from the U.S. Treasury's increased support for the economy and financial markets, particularly securitised assets (mortgages, student loans and credit cards). U.S. corporate investment grade securities returned -1.93% as credit spreads widened during the quarter as recessionary pressures increased. However, investment grade debt issuance was met with strong demand as investors pursued higher yields.

The G-7 global treasury sector returned -0.28% during the quarter. The U.S. (-1.32%), Japan (-0.64%) and the UK (-0.76%) treasury sectors dragged the aggregate index lower over the quarter. In contrast, the Euro-zone treasury sector returned 0.89% primarily driven by declining short-term yields.

Figure 2



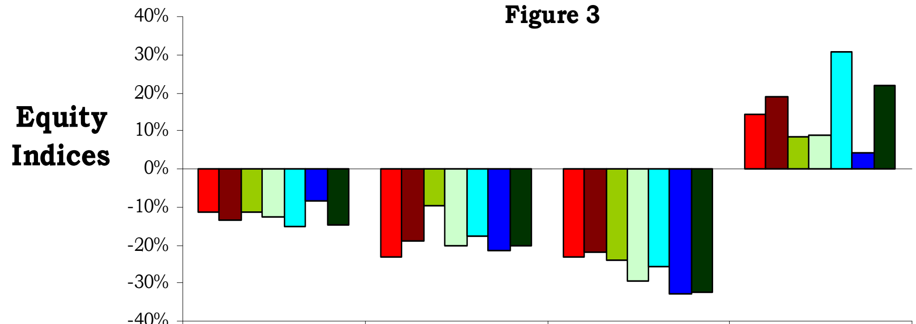
	Qtr 2 08/09	Qtr 1 08/09	FY 07/08	FY 06/07
Barclays U.S. Aggregate	-0.12%	4.58%	3.65%	5.14%
ML U.S. Treasury 1-5 Years	0.01%	4.27%	7.36%	5.96%
U.S. Corporate	-1.93%	3.98%	-6.78%	6.89%
U.S. MBS	2.20%	4.34%	7.02%	5.39%
G-7 Global Bonds (Hedged)	-0.28%	6.19%	5.61%	4.44%
CMBS Index	-1.87%	-13.52%	-6.03%	4.43%
ABS Index	7.56%	-6.82%	-7.04%	4.12%

Equity Markets. Global equity markets remained volatile throughout the second quarter of the financial year as the deterioration in economic conditions weighed heavily on investors. After losses in January and February, some positive news in March 2009 pushed equity markets higher. Some analysts interpreted this as a nascent sign of stabilisation or at least slower rates of decline in some economic sectors.

Key global equity markets ended the quarter in negative territory as the gains in March 2009 failed to recoup the losses in January and February. The Russell 3000 Index (U.S.) lost roughly 11.42% of its value, while the major indices in the United Kingdom, Germany, France and Japan all recorded losses during the period (Figure 3). The financial sector remained the main driver of equity market volatility and underperformance. The Russell 3000 Financial Index (U.S.) returned -25.37% for the quarter. The VIX Index (a proxy for the degree of volatility) moved lower in the quarter, closing at 44.14 but well above historical levels.

The strong performance of financial stocks in March 2009 extended into the early part of April 2009 leading equity markets to continue higher.

Figure 3

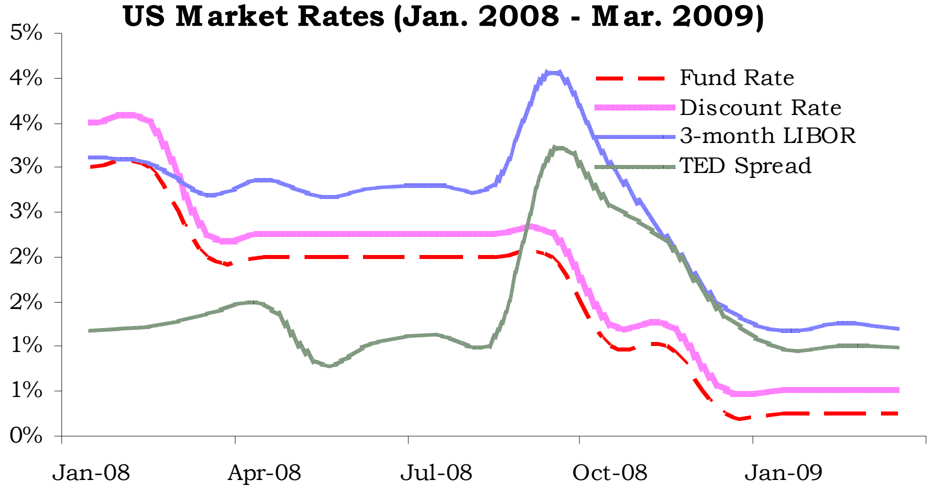


	Jan-Mar '09	Oct-Dec '08	FY 07/08	FY 06/07
Russell 3000	-11.42%	-23.27%	-23.14%	14.49%
Dow Jones	-13.30%	-19.12%	-21.91%	18.98%
FTSE 100 - UK	-11.46%	-9.55%	-24.19%	8.49%
CAC 40 - France	-12.76%	-20.19%	-29.46%	8.87%
DAX 30 - Germany	-15.08%	-17.51%	-25.83%	30.93%
Nikkei 225 - Japan	-8.47%	-21.32%	-32.92%	4.08%
MSCI EAFE	-14.64%	-20.33%	-32.48%	22.02%

Money Market. Fiscal stimulus and additional U.S. Treasury's measures to keep credit market liquid and reduce borrowing costs kept short-term rates relatively stable throughout the quarter. The U.S. 3-month LIBOR edged lower by 23 basis points to 1.19%, while the U.S. 1-month LIBOR was unchanged at 50 basis points. The TED spread, the difference between the interest rates that commercial banks and the U.S. Treasury incur for borrowing money for three months, fell by 36 basis points signalling that credit concerns were easing somewhat. The TED spread closed March 2009 at 0.99%, still above the normal level of 50 basis points.

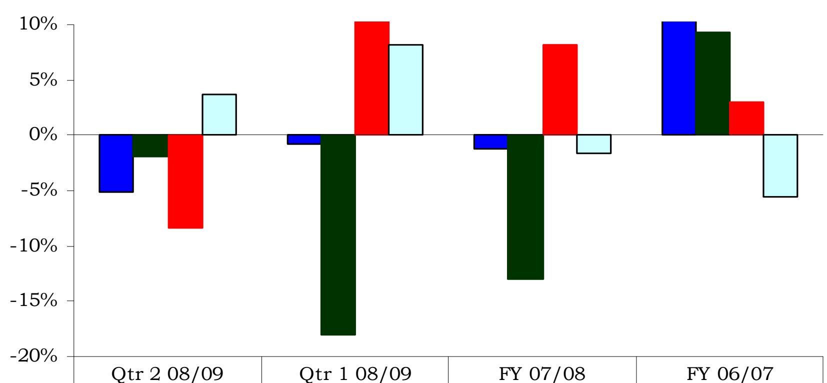
Figure 4 below shows the key short-term money market rates for the U.S. between the period from January 2008 to March 2009.

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



Currency Markets. The U.S. dollar strengthened further against the currencies of most of its trading partners over the quarter. It gained 5.16%, 1.85% and 8.41% over the Euro, Pound Sterling and Japanese yen, respectively (Figure 5). International investors continued to seek safety in the U.S. dollar as economic conditions elsewhere worsened further. The Yen stood at ¥ 98.96 per dollar, while the GBP and Euro were valued at US$ 1.4323 and US$ 1.325, respectively, at the end of the quarter

Figure 5
FX Return for Major Currency Versus the USD

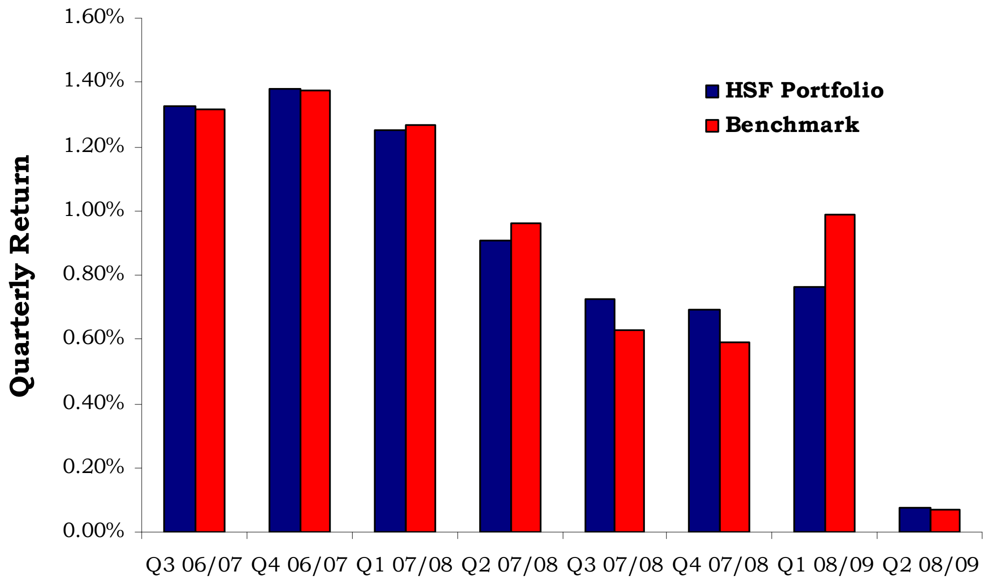


	Qtr 2 08/09	Qtr 1 08/09	FY 07/08	FY 06/07
EUR	-5.16%	-0.86%	-1.23%	12.57%
GBP	-1.85%	-18.04%	-13.03%	9.35%
JPY	-8.41%	17.07%	8.20%	2.94%
USD Index	3.67%	8.15%	-1.59%	-5.55%

SECTION III – PORTFOLIO PERFORMANCE

The **HSF Composite Portfolio** performance was in line with that of the benchmark (5% Merrill Lynch U.S. Government Treasury 1-5 Years Index and 95% U.S. 1-month LIBID Index), returning 8 basis points (32 basis points annualised). In general, the performance of the portfolio reflects the low interest rate environment over the quarter. Financial year-to-date performance of the HSF Composite was 84 basis points (1.68% annualised). Figure 6 shows the HSF quarterly performance, while Appendix I reports performance since inception.

Figure 6
HSF Portfolio Quarterly Performance



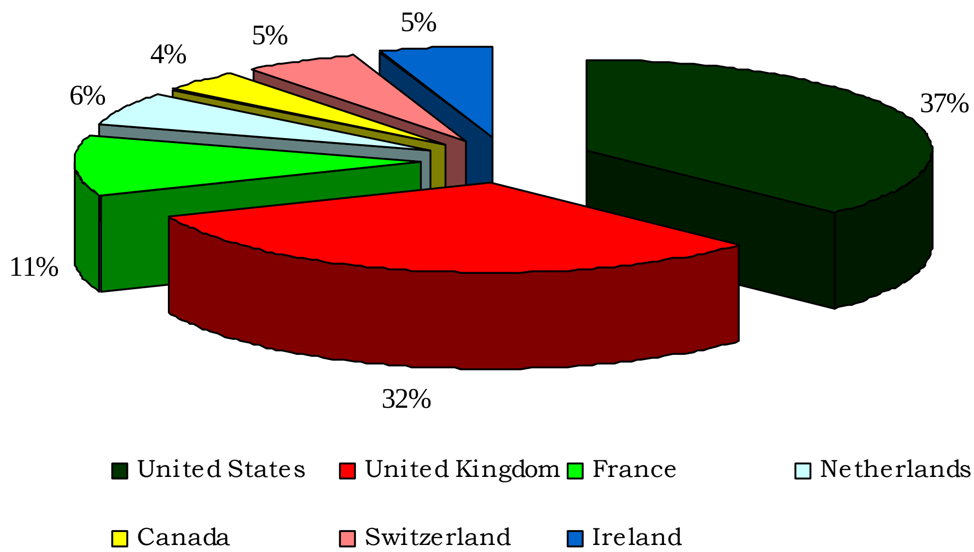
The **HSF U.S. Treasury Portfolio** returned -8 basis points for the period, compared to the benchmark (Merrill Lynch U.S. Government Treasury 1-5 Years Index) return of 1 (one) basis point. Underperformance was due mainly to the selection of U.S. treasury instruments and the cost of rebalancing (buying and selling treasury securities) the portfolio to match the duration of the benchmark. **The HSF U.S. Treasury Portfolio ended the period with a market value of approximately US$ 241.1 million**.

The **HSF U.S. Fixed Deposit Portfolio** returned 9 basis points for the quarter, matching the return of its benchmark, the U.S. 1-month LIBID Index. The low interest rate environment persisted throughout the quarter as quantitative easing measures by the U.S Treasury kept key short-term money-market rates at historical low levels. **Fixed deposits (inclusive of accrued interest) totalled approximately US$ 2,671.2 million at the close of the quarter.**

The HSF ended the quarter with a **Net Asset Value of US$ 2,911.1 million**, an increase of roughly US$ 1.4 million from the previous quarter. The increase in the HSF was due solely to returns on investments as there were no contributions to the HSF during the quarter.

Figure 7 below shows the geographical distribution of the HSF U.S. dollar fixed deposits.

Figure 7
HSF US Dollar Fixed Deposits by Domcile
(As at March 31, 2009)



Portfolio Risk

The *interest rate risk* of the portfolio is managed by strict adherence to the overall duration, which is two (2) years. The HSF U.S. Treasury Short Duration Portfolio is passively managed with zero target tracking error and as such, the risk of underperforming its benchmark or exposing the portfolio to greater market risk than the benchmark is minimised.

The portfolio's *credit risk* is minimised by strict adherence to (1) credit quality and (2) concentration limit. All counterparties must have a minimum credit rating of either A1 from the Standard and Poor's rating agency or P1 from Moody's. Credit risk is further minimised by a maximum 5 percent exposure limit for counterparties. All standards were complied with during the period under review.

All assets held in the HSF portfolio are invested in U.S. dollars, the reporting or base currency. As a consequence, the portfolio is protected from fluctuations in value due to adverse foreign currency rate movements against the U.S. dollar.

Central Bank of Trinidad and Tobago
April 15, 2009

Appendix I

HSF Portfolio
Historical Performance since Inception

Quarter End	Current Returns			Fiscal YTD			Annualised Return Since Inception		
	Portfolio %	Benchmark %	Excess bps	Portfolio %	Benchmark %	Excess bps	Portfolio %	Benchmark %	Excess bps
2006/07									
March	0.233	0.230	0.30						
June	1.327	1.316	1.04						
September	1.381	1.376	0.52	**2.966**	**2.947**	**1.89**	**5.475**	**5.440**	**3.50**
2007/08									
December	1.252	1.269	-1.80						
March	0.907	0.960	-5.28						
June	0.730	0.626	10.36						
September	0.685	0.592	9.27	**3.614**	**3.491**	**12.30**	**4.337**	**4.242**	**9.48**
2008/09									
December	0.762%	0.987%	-20.54	**0.782%**	**0.987%**	**-20.50**	**4.203%**	**4.244%**	**-4.10**
March	0.078%	0.071%	0.62	**0.841%**	**1.060%**	**-21.88**	**3.670%**	**3.717%**	**-4.61**

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

Appendix II

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

Valuation Date	Net Asset Value	Income	Contributions
March 15th, 2007	1,402,178,155.01	0	
March 31st, 2007	1,405,448,567.24	3,270,412.33	
April 30th, 2007	1,411,478,932.10	6,030,364.86	
May 31st, 2007	1,417,875,123.07	6,396,190.98	
June 30th, 2007	1,424,094,965.45	6,219,841.89	
July 31st, 2007	1,510,286,135.41	6,477,228.26	79,713,942.22
August 31st, 2007	1,517,179,218.56	6,893,083.09	
September 30th, 2007	1,766,200,701.73	6,928,748.59	241,992,101.13[1]
October 31st, 2007	1,773,862,028.73	7,759,113.00	
November 30th, 2007	1,780,847,020.73	6,987,839.67	
December 31st, 2007	1,788,304,749.27	7,457,728.54	–
January 31st , 2008	1,795,307,089.20	7,003,928.24	
February 29th, 2008	1,799,941,409.88	5,019,474.67	
March 31st, 2008	1,804,531,743.56	4,590,333.68	
April 30th, 2008	1,988,785,132.77	4,042,772.01	180,210,617.20
May 31st, 2008	1,993,347,377.77	4,562,245.00	
June 30th, 2008	1,997,251,772.00	5,476,329.00	
July 31st, 2008	2,460,269,502.00	4,599,453.00	458,130,174.00
August 31st, 2008	2,466,193,072.00	5,461,046.00	
September 30th, 2008	2,888,421,556.00	5,699,080.57	415,833,666.53
October 31st, 2008	2,896,852,886.00	7,192,244.00	
November 30th, 2008	2,906,013,589.59	5,576,434.00	
December 31st, 2008	2,909,717,167.00	3,529,009.00	
March 31st, 2009	2,911,075,318.00	1,101,561.00	

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