



**REPÚBLICA DEMOCRÁTICA DE TIMOR-LESTE
MINISTÉRIO DAS FINANÇAS**

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Media Release

**Minister of Finance and General Manager of the BPA announce appointment of the
BIS as the Petroleum Fund's first External Manager**

The Minister of Finance, HE Ms Emilia Pires, and the General Manager of the Banking & Payments Authority, Mr Abraão de Vasconselos, jointly announced today that the management of US\$1 billion of the Petroleum Fund has been outsourced to the Bank for International Settlements (BIS).

The new arrangements mean that the Petroleum Fund is now also invested in longer-term US Treasury Notes as well as bonds issued by other foreign governments. "The appointment of the BIS as the Fund's first external manager is the initial step in the government's aim to diversify the investment of the Petroleum Fund to increase its expected return and better diversify risks.", said Ms Emilia Pires, and continued: "The appointment of the BIS means that we are now investing approximately ten per cent of the Petroleum Fund in a broader range of bonds."

The BIS has been given a mandate to manage a portfolio of sovereign and supranational bonds including some denominated in foreign currencies. The performance benchmark is based on bonds including those issued by the governments of the United States, Australia, European Union, United Kingdom and Japan. The BIS is an international organization which has agreed to manage the portfolio on a non-commercial basis. "The shareholders of the BIS are the world's largest central banks", said Mr. Abraão de Vasconselos. "Accordingly, the BIS is very experienced in managing central bank and sovereign funds, and we are confident that the Timorese management of the Petroleum Fund will benefit from the BIS's long experience in helping its members managing their national reserves."

Outsourcing the management of part of the portfolio to the BIS did not mean handing over any funds to a foreign organization. "The BIS will provide the BPA with fund management services," "but all investments made by the BIS will continue to be held by the Petroleum Fund's global custodian in the name of the BPA as the operational manager of the Petroleum Fund."

Ms. Pires and Mr. de Vasconselos thanked officials from the Ministry of Finance and the BPA, and members of the Investment Advisory Board who had worked on the appointment. "The negotiations with the BIS have been very amicable," they said, "but because this is the first time we have outsourced the management of part of our nation's wealth, during the negotiations our officials have had to deal carefully with many complex issues relating to investing in international financial markets for the first time."

The experience gained by all involved would be invaluable for the future appointment of commercial fund managers, which would allow the Petroleum Fund investments to be invested in new asset classes yielding higher expected returns while at the same time better managing financial risks. They noted that the Petroleum Fund of Timor-Leste has been one of the world's best performing sovereign wealth funds over the past year but that a process of further diversification was still necessary. "Although investing in US government bonds proved the best position to take last year," Ms. Pires said, "it is wise to diversify the portfolio in the future in accordance with well recognized principles for portfolio management. The

government will continue to exploit the flexibility that the Petroleum Fund Law allows for investing more widely to enhance the expected return with less risk than is presently possible.”

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About the Bank for International Settlements

The Bank for International Settlements (BIS) is an international organisation which fosters international monetary and financial cooperation and serves as a bank for central banks.

The BIS fulfils this mandate by acting as:

- a forum to promote discussion and policy analysis among central banks and within the international financial community
- a centre for economic and monetary research
- a prime counterparty for central banks in their financial transactions
- agent or trustee in connection with international financial operations

The head office is in Basel, Switzerland and there are two representative offices: in the Hong Kong Special Administrative Region of the People's Republic of China and in Mexico City.

Established on 17 May 1930, the BIS is the world's oldest international financial organisation.

As its customers are central banks and international organisations, the BIS does not accept deposits from, or provide financial services to, private individuals or corporate entities.

More information on the Bank for International Settlements is available at www.bis.org

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