

# TIMOR-LESTE PETROLEUM FUND

Annual Report 2021



Petroleum Fund Policy and Management Office  
MINISTRY OF FINANCE  
DEMOCRATIC REPUBLIC OF TIMOR-LESTE





REPÚBLICA DEMOCRÁTICA DE TIMOR-LESTE  
MINISTÉRIO DAS FINANÇAS



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# **TIMOR-LESTE PETROLEUM FUND**

ANNUAL REPORT  
2021

April 2023



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## List of Acronyms

ANPM	Autoridade Nacional do Petróleo e Minerais (National Authority for Petroleum and Minerals)
APT	Additional Profits Tax
AU	Australia
BCTL	Banco Central de Timor-Leste (Central Bank of Timor-Leste)
BIS	Bank for International Settlements
Bn/b	Billions
BOE	Barrels of Oil Equivalent
Bp/bps	Basis points
BUIW	Bayu-Undan Infill Well program
PFCC	Petroleum Fund Consultative Council
CMATS	Certain Maritime Arrangement in the Timor Sea
COVID-19	Coronavirus disease
CPI	Consumer price index
DM	Developed Market
ECB	European Central Bank
EITI	Extractive Industry Transparency Initiative
ESI	Estimated Sustainable Income
FMI	Financial Market Investments
FOMC	The Federal Open Market Committee
FTP	First Tranche Petroleum
GDP	Gross Domestic Product
IAB	Investment Advisory Board
IFRS	International Financial Reporting Standards
IFSWF	International Forum of Sovereign Wealth Funds
JPDA	Joint Petroleum Development Area
LNG	Liquefied Natural Gas
MSCI	Morgan Stanley Capital International
Mn/m	Millions
OMA	Operational Management Agreement
PF	The Petroleum Fund of Timor-Leste
PFPMO	Petroleum Fund Policy and Management Office, Ministry of Finance
PSC	Production Sharing Contract
SAA	Strategic Asset Allocations
SPDI	Special Private Debt Instrument for petroleum operations (Timor Gap Loan)
SSGA	State Street Global Advisors
TIPS	Treasury Inflation-Protected Securities
TLEA	Timor-Leste Exclusive Area
Trsy	Treasury/Treasuries
UK	United Kingdom
US/USA	United States of America

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## Message from the Minister of Finance Rui Augusto Gomes



2021 proved to be a good year for the Petroleum Fund in terms of its returns and the timely adjustment to the investment strategy to account for withdrawals.

The Petroleum Fund ended the year at a record high of \$19.621 billion. Investment income after expenses for the year were \$1.144 billion, the third consecutive year of strong returns. From 2019-2021, net investment income totalled \$5.018 billion, which was considerably higher than our central expectations. Lower than budgeted government withdrawals and higher than projected petroleum inflows also contributed to the \$0.660 billion increase in the Fund's value during the year.

The much stronger than average investment returns in recent years combined with moderate petroleum inflows have allowed the Petroleum Fund to grow. However, the Fund's balance is expected to decline in the coming years, based on our projections of government withdrawals and limited petroleum inflows from Bayu-Undan. The decline is expected to continue at least until significant petroleum revenues commence from Greater Sunrise or other projects, unless fiscal policy is modified.

Guidance from within the Ministry of Finance and from our expert investment advisors on the International Advisory Board was that the Fund's risk needed to adjust for the decumulation. This was confirmed by independent advice at the end of 2020. Consequently, in July 2021 the Fund's financial market investments were segmented into two parts. The first is a liquidity portfolio of low-risk, highly-liquid investments that will cover expected withdrawals for the next three years. The second is the growth portfolio, which is similar to the Fund's portfolio prior to segmentation and includes a 35% equity allocation. The liquidity portfolio will be drawn down by

withdrawals during the year, and topped up by the growth portfolio at the beginning of the next year. The new structure reduces the risk in the total Fund and reconnects its investment strategy with fiscal policy. The liquidity portfolio certainly served its purpose when both equities and bonds fell in value in 2022, but I will leave that to the next annual report.

In addition to its investments in financial markets, the Fund is invested in Timor Gap E.P. The accounting treatment and independent valuation of the loan have caused delays in completing the audit of the Fund's financial statements and publication of the annual report, firstly for 2020 and then again for this report. My staff at the Ministry of Finance, the BCTL, and the other parties involved have now had time to establish processes to address this issue and I expect timelier reporting in future.

As the Executive of the Petroleum Fund, I give the highest priority to transparency and good governance, as required by the Fund's governing law. In terms of the latter, I am committed to initiating an independent review of the Fund's governance in 2023 to promote accountability and feedback. The comprehensive review will cover all aspects of the Fund, including its structure, its people and investments. This will help ensure that the Fund's governance is fit to meet our objectives and to develop a pathway towards best practice that takes into account Timor-Leste's circumstances and needs.

The Petroleum Fund has been a great success for Timor-Leste and 2021 proved to be another good year for investments. This would not have been possible without the good work of the BCTL, our external managers, the investment experts on the Investment Advisory Board, the members of the Consultative Council, and my colleagues at the Ministry of Finance.



## Petroleum Fund at a Glance

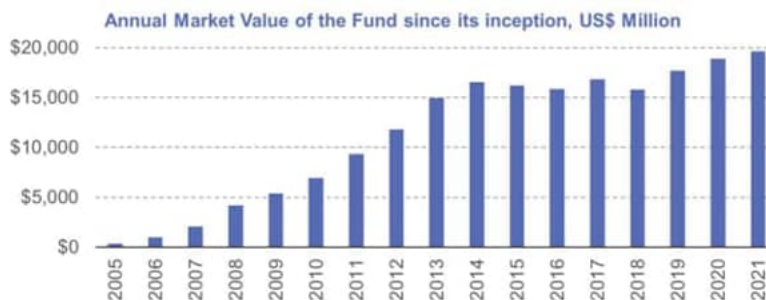
### The Fund's market value

**\$19,621,023,723**

*As at 31 December 2021*

**\$18,904,964,471**

*As at 31 December 2020*



### Receipts from oil and gas

**\$719.598 m**

*In 2021*

**\$23.832 bn**

*Since inception, including initial transfer*

### Transfers to State Budget

**\$1.148 bn**

*In 2021*

**\$13.619 bn**

*Since inception*

### Total return on investment

**\$1.144 bn**

*In 2021*

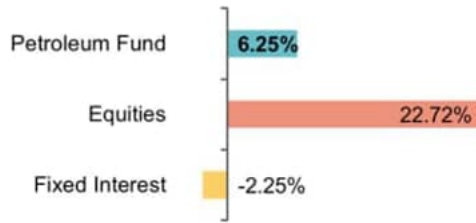
**\$9.408 bn**

*Since inception*

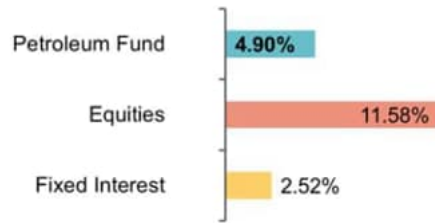


## Investment Highlights of the Petroleum Fund

### Investment return in 2021



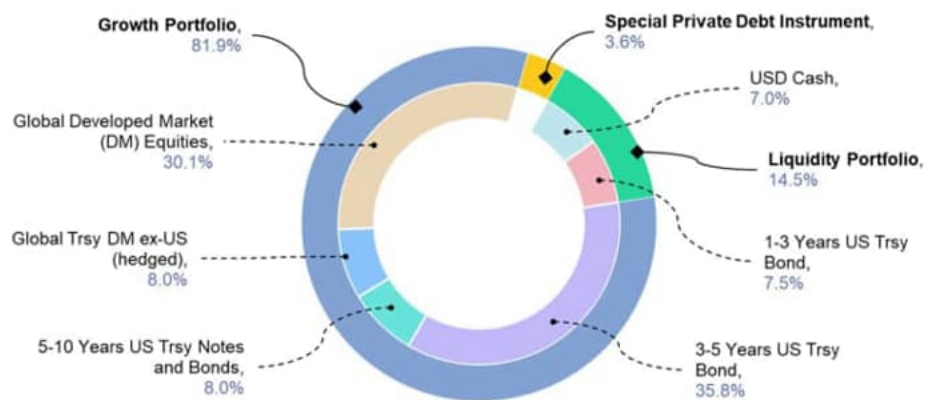
### Investment return since inception (annualised)



### The Fund's annual investment returns since 2005



### The Total Fund's actual asset allocations as at 31 December 2021

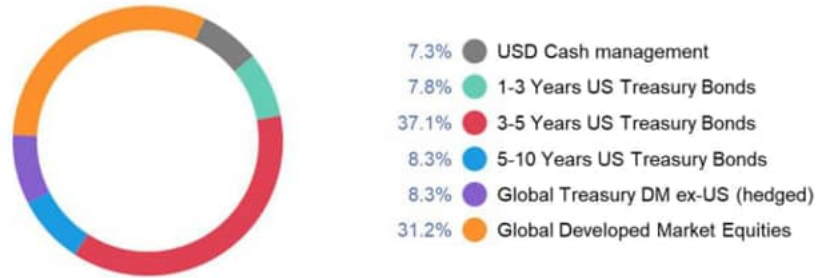


*Note: the inner-ring shows the mandates*

# Petroleum Fund Actual Asset Allocations

## Financial Market Investments by asset classes

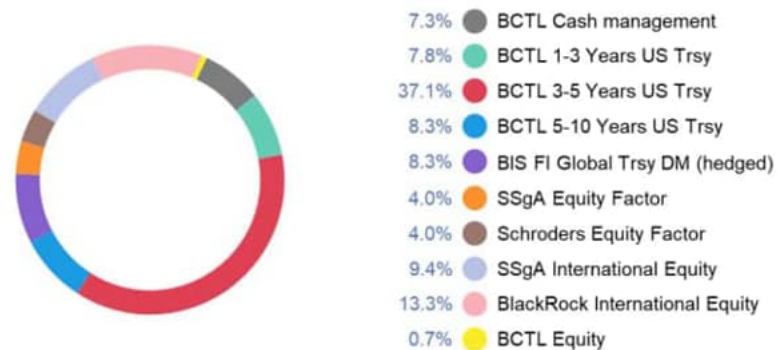
Liquidity and growth portfolios



*Note: The private debt instrument is separate from the Financial Market Investments and limited to 5% of the total value of the Fund under the Petroleum Fund Law.*

## Financial Market Investments by managers

Liquidity and growth portfolios



*Note: The private debt instrument is separate from the Financial Market Investments and managed by the BCTL. It is limited to 5% of the total value of the Fund under the Petroleum Fund Law.*

## A. About the Petroleum Fund

### The Petroleum Fund Framework

Timor-Leste's Constitution provides that the country's natural resources are owned by the State and are to be used in a fair and equitable way in accordance with national interests. The Constitution mandates the establishment of financial reserves from the income derived from natural resources.<sup>1</sup> That was implemented in 2005 when the Petroleum Fund was created to receive income from the extraction of oil and gas from the Timor Sea.<sup>2</sup>

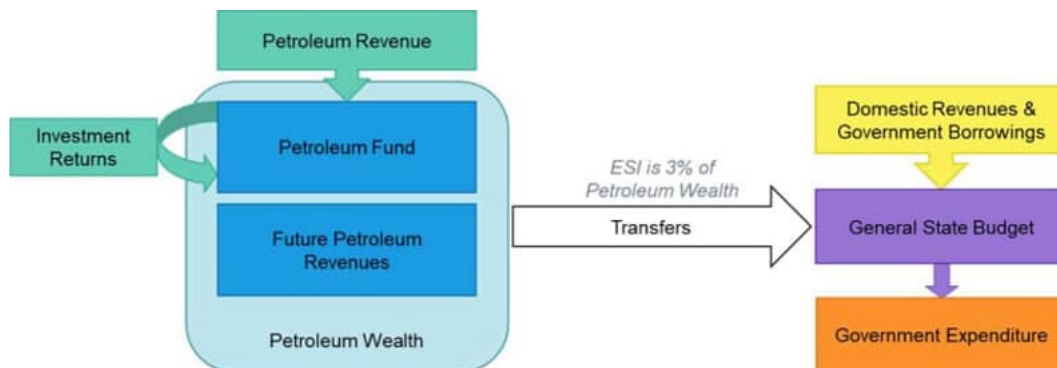
The objective of the Petroleum Fund is to contribute to the wise management of petroleum revenues for the benefit of both current and future generations. The Fund is a tool that contributes to sound fiscal policy, where consideration is given to the long-term interests of Timor-Leste's citizens.<sup>3</sup> The Petroleum Fund Law provides a number of safeguards. It requires all of Timor-Leste's petroleum revenue to flow into the Fund, while the only outflow from the Fund is to the State Budget, which is approved by Parliament. According to the Petroleum Fund Law, the Fund only invests in international financial assets, which are to be assessed on the financial criteria specified in the Law. The Government's national investments are included in the State Budget and passed by Parliament. An exception to this framework was the Petroleum Fund's investment in petroleum operations in 2019, which was legislated by Parliament's amendments to the Petroleum

Activities Law. This is described in a subsequent section.

The Petroleum Fund is linked to the State Budget by specifying a sustainable level of withdrawals. The Petroleum Fund Law sets the Estimated Sustainable Income (ESI) as 3% of total Petroleum Wealth, which is equal to the value of the Petroleum Fund's investments plus the net present value of expected petroleum revenue from proven reserves and approved development fields (see Figure 1).

Like many sovereign wealth funds, the Petroleum Fund was modelled on the permanent income framework developed for Norway's sovereign wealth fund. When the Government's withdrawals are limited to the expected real return from its investments, the real value of the Fund will be preserved in perpetuity. This framework can be said to equally benefit current and future generations by providing for the same real value of withdrawals each year. An investment strategy for the Petroleum Fund was developed to earn a real return to offset the 3% withdrawals. This required amending the Petroleum Fund Law in 2011 to allow an equity allocation of up to 50% of the total fund. In 2012, a 40% equity allocation was decided upon, which at that time was expected to earn a 3% real return over the long-term. A number of challenges to this framework have arisen since 2012 and are presented in Section C.

Figure 1: Petroleum Fund and the State Budget  
Fiscal Framework



1 Article 139 of the Constitution of the Democratic Republic of Timor-Leste

2 Petroleum Fund Law No.9/2005 as of 3 August 2005, which was amended by the Law No.12/2011 as of 28 September 2011. The fiscal regime that governs Timor-Leste's petroleum revenue is described in a section below.

3 Preamble to the Petroleum Fund Law No.9/2005.

## The Petroleum Fund's Institutions and Governance Framework

The Petroleum Fund is not a separate institution but is instead structured as an account held by the appointed operational manager, the Central Bank of Timor-Leste (BCTL).

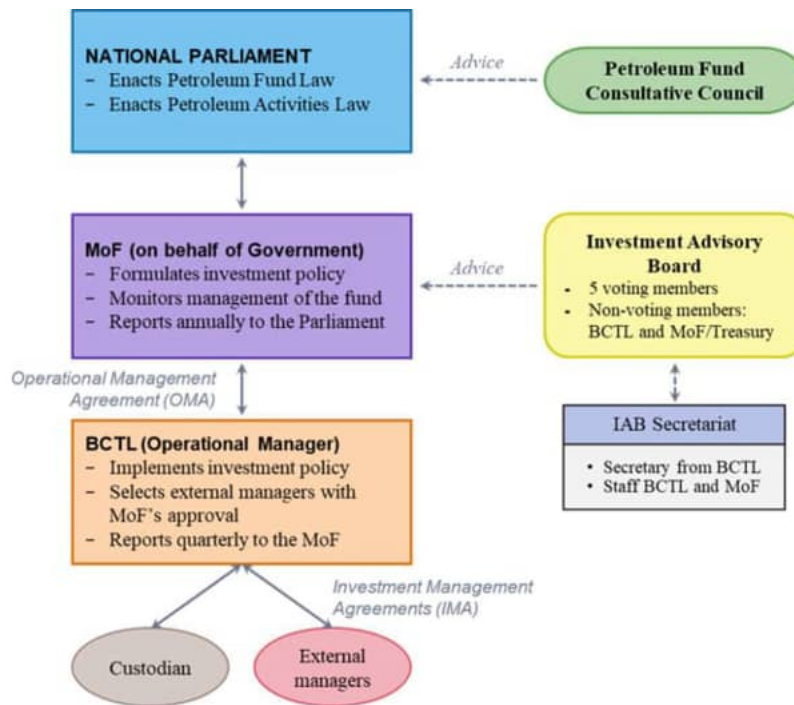
Figure 2 shows the BCTL and the other institutions involved in the Petroleum Fund. The National Parliament enacts the key parameters for the Fund in the Petroleum Fund Law. These include the objectives of the Fund, the roles of its institutions, its eligible investments, the guidelines for asset allocation, and the risk limits. Parliament supplemented the legal framework for the Petroleum Fund in 2019 by passing an amendment to the Petroleum Activities Law.

The Minister of Finance is the executive of the Petroleum Fund and is responsible for the overall management of the Fund as the Government's representative. The Minister of Finance's responsibilities include determining the investment

policy, setting guidelines for new investments and overseeing the Fund's governance. The Minister of Finance is supported by the Petroleum Fund Policy and Management Office (PFPMO), a section at the Ministry of Finance.<sup>4</sup> The Minister of Finance seeks advice on the Fund's investment and management from the Investment Advisory Board, as described below.

The BCTL is the Operational Manager of the Petroleum Fund. The BCTL implements the Fund's investments and its responsibilities are set out in an Operational Management Agreement (OMA) with the Minister of Finance. Annex 1 of the OMA sets out the details of the investment policy and individual mandates. Some of the portfolio is directly managed by the BCTL. For the externally managed portion of the portfolio, the BCTL undertakes manager searches and monitors the appointed external managers. The Ministry of Finance oversees the operational manager.

Figure 2: Governance structure of the Petroleum Fund



The Minister of Finance is required by the Petroleum Fund Law to seek advice from the Investment Advisory Board (IAB) before making decisions on the Fund's investments and management. The IAB is an advisory board that provides independent and impartial advice upon the Minister's request or on the Board's initiative. As required by the Petroleum Fund

Law, the IAB includes members who have significant experience in investment management. The Ministry of Finance, via the Director of Treasury or his/her delegate, and the BCTL, as the Operational Manager, have non-voting representatives on the Board and actively contribute to the discussions preceding the IAB's advice. The IAB is supported by a Secretary

<sup>4</sup> PFPMO was formerly known as the Petroleum Fund Administration Unit (PFAU). The section's title changed in 2020 under the Ministry of Finance's organic law, although its responsibilities remain largely the same.

from the BCTL and secretariat members from both the BCTL and PFPMO. The IAB has its own budget and is able to procure external support when required. Its advice is published each year as part of the Annual Report (Annex XII), or earlier when requested by Parliament. The IAB plays a crucial role in the Petroleum Fund and the Board's independent, impartial and expert advice represents another important safeguard in the Fund's structure. The current members of the IAB are included in Annex IX.

Lastly, the Petroleum Fund Consultative Council (PFCC/CCFP) advises Parliament on the performance and operation of the Petroleum Fund and on withdrawals from the Fund, including whether the transfers are being used effectively for the benefit of current and future generations.

Transparency is a fundamental principle governing the Fund, and the Petroleum Fund Law sets out the reporting requirements for each institution. The Ministry of Finance is responsible for the publication of the Petroleum Fund's Annual Report. This includes the financial statements, which are compiled by the BCTL as Operational Manager and approved by the Director of Treasury at the Ministry of Finance.<sup>5</sup> An internationally accredited auditor issues an audit report on the annual financial statements. The Ministry of Finance also undertakes the ESI calculations, which are certified by an independent

### Timor-Leste's Petroleum Fiscal Regime

The Fund's petroleum receipts flow from fields in Timor-Leste's jurisdiction in the Timor Sea. To date, there have been three productive fields: Kakatua, which ceased in 2007; Kitan, a smaller field that was in production from October 2011 until December 2015, when oil prices fell; and the larger Bayu-Undan field, which is still operating although production is declining and coming to an end.

A new treaty for permanent maritime boundaries between Timor-Leste and Australia became effective on 30 August 2019. Prior to this, Timor-Leste and Australia had agreed under the Timor Sea Treaty to jointly manage the exploration and exploitation of

auditor and included in the General State Budget presented to National Parliament.

The BCTL compiles quarterly performance reports to the Minister of Finance. The BCTL also reports to the Ministry of Finance on its internally managed mandates. The annual report and quarterly performance reports are provided to key stakeholders and are publicly available on the Ministry of Finance and the Central Bank's websites.<sup>6</sup>

The Petroleum Fund has been a member of the International Forum of Sovereign Wealth Funds (IFSWF) since 2009. The Ministry of Finance undertakes an annual self-assessment of compliance with the IFSWF's Santiago Principles, which set out the best practice for sovereign wealth funds. The latest assessment is contained in Annex XIII.

There is considerable public interest in the Petroleum Fund's management and performance. The Ministry of Finance and the BCTL are committed to developing the public's understanding of the Fund's management and investment strategy. The BCTL and the Ministry of Finance present throughout Timor-Leste at public workshops coordinated by the Petroleum Fund's Consultative Council. However, COVID-19 restrictions contributed to a limited number of workshops in 2021 and caused the BCTL to cancel its joint press release of the quarterly performance report.

petroleum revenue in the Joint Petroleum Development Area (JPDA) for the benefit of both countries. The JPDA included the Bayu-Undan and Kitan fields and the Timor Sea Treaty provided that Timor-Leste would receive 90% of the revenue from the JPDA while Australia received 10%.

Under the new Maritime Boundaries Treaty nearly all of the former JPDA is within Timor-Leste's exclusive jurisdiction (Figure 3). In addition to Bayu-Undan and Kitan, this includes Buffalo and NOGA, which were formerly exclusively in the Australian jurisdiction. Timor-Leste has received 100% of the petroleum revenues from September 2019 onwards.

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<sup>5</sup> The Director of Treasury's responsibility to maintain the Petroleum Fund's accounts in Article 21 of the Petroleum Fund Law is delegated by the Minister of Finance to the BCTL under the Operational Management Agreement.

<sup>6</sup> The Ministry of Finance website: <https://www.mof.gov.tl/>. The Central Bank of Timor-Leste's website: <https://www.bancocentral.tl/en>

Figure 3: Map of Timor-Leste Maritime Boundary Agreement



Source: Timor-Leste Maritime Boundary Office, <https://www.gfm.tl/library/maps/>

Greater Sunrise is a significant, proven oil and gas field. Annex B of the new Maritime Boundaries Treaty establishes the Greater Sunrise Special Regime with the objective of joint development, exploitation and management of the Greater Sunrise field to benefit both parties. The Maritime Boundaries Treaty represents a significant improvement on the terms of Certain Maritime Arrangements in the Timor Sea (CMATS) 2006, by providing that Timor-Leste will receive 70% of upstream revenue if the pipeline is to an LNG processing plant in Timor-Leste, or 80% of upstream revenue if the pipeline is to a plant in Australia. Timor-Leste, Australia and the participants in the joint venture continue to negotiate the development plan for Greater Sunrise.

The treaties define the countries' ownership interests, while Production Sharing Contracts (PSCs) specify how revenue is to be shared between the national owners and the oil company contractors. Bayu-Undan and Greater Sunrise are governed by Annex F of the Timor Sea Treaty, which preserves the fiscal regime that was in place prior to Timor-Leste's independence. Kitan and the other newer contracts apply a new regime referred to as "Non-Annex F". The Timor-Leste Exclusive Area (TLEA) PSC is broadly similar to the newer JPDA regime, although the Government of Timor-Leste is provided an option to take a participating interest. The PSCs and other contracts under the former JPDA fiscal regime and those partially under the Australian fiscal regime were transferred entirely to Timor-Leste's fiscal regime following the ratification of the Maritime Boundaries Treaty. This required the oil contractors to receive equivalent conditions to the prior regime.

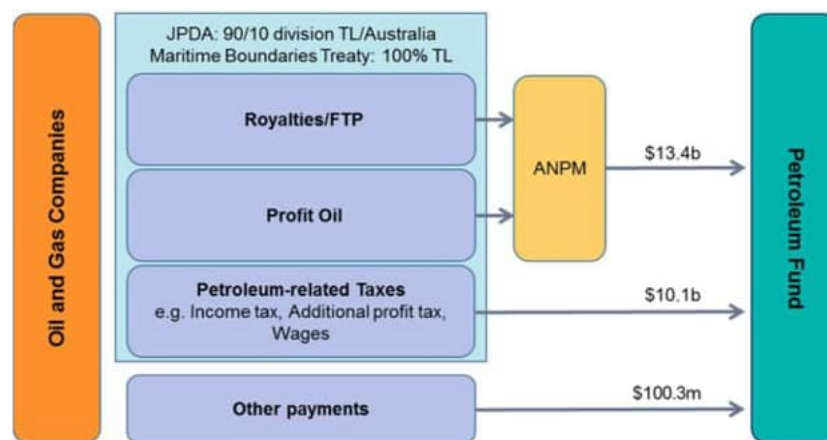
The States' petroleum revenues are comprised of:

- **Royalties**, which represent the Governments' share of production before the oil companies' cost recovery. The Governments' share is 5% of production for Annex F, Non-Annex F PSCs and the TLEA.<sup>7</sup>
- **Profit oil** of 40% (or 50% for condensate under Annex F), which is calculated as gross revenue less royalties and the oil companies' exploration and development costs.
- **Taxes** paid by the oil companies. This includes corporate income tax of 30%; an additional profit tax or supplemental petroleum tax for profitable projects that exceed a hurdle rate of return; and wage income tax for wages received for employment in Timor-Leste.

Figure 4 illustrates the components of Timor-Leste's petroleum revenues that have flowed from the three productive fields, Elang Kakatua and Kakatua North (ceased in 2007), Kitan (ceased in 2015) and the Bayu-Undan field, all located in the former JPDA. Bayu-Undan's gas condensate field is now operated by Santos Ltd, which acquired ConocoPhillips' interest in the field and the Darwin LNG Plant in May 2020. The operator's royalties and profit shares are collected by Timor-Leste's National Petroleum and Minerals Authority, ANPM, as the Designated Authority. The Petroleum-related taxes are paid directly by the contractor into the Petroleum Fund. As noted, following the Maritime Boundaries Treaty, Timor-Leste has received all of the petroleum revenue from Bayu-Undan since September 2019.

<sup>7</sup> For projects based on Annex F, "First Tranche Petroleum" is 10% of production, which is equally shared between the Government and contractors.

Figure 4: Components of petroleum revenues from former-JPDA



Note: Under the Timor Sea Treaty 2002, JPDA revenues were shared 90%/10% between Timor-Leste and Australia. Under the new Maritime Treaty, Bayu-Undan is exclusively in Timor-Leste's jurisdiction. The categories shown do not include the initial transfer to the Fund of \$205 million of revenues that were collected before the Fund was created.

### The Investment in Petroleum Operations

Petroleum is identified as one of the key sectors in Timor-Leste's Strategic Development Plan 2011-2030. The Timor-Leste Government committed to onshore processing on the grounds that undertaking downstream petroleum activities will allow Timor-Leste to make the most of its oil and gas wealth. A national oil company, Timor Gap E.P., was created in 2011 to directly participate and invest in the petroleum sector. The Tasi-Mane project is establishing the infrastructure for the petroleum industry in Timor-Leste's South Coast with a supply base at Suai, a refinery and petrochemical complex at Betano and the LNG-Plant at Beaçu.

To facilitate onshore processing and allow Timor-Leste to fully participate in the upside of development, the Government of Timor-Leste in September and November 2018 agreed to purchase ConocoPhillip and Shell's participating interests in the Greater Sunrise joint venture. The aggregate 56.56% ownership interest cost Timor-Leste \$650 million. In addition to receiving the State's usual share of petroleum revenue - namely, royalties, profit oil and petroleum-related taxes - the Petroleum Fund will also receive the dividends paid by the owner, Timor Gap E.P., from its participation in the joint venture.

The Government's investment was initially included in the first State Budget for 2019, following the Ministry of Finance's guidance. This abided by the framework intended in the Petroleum Fund Law,

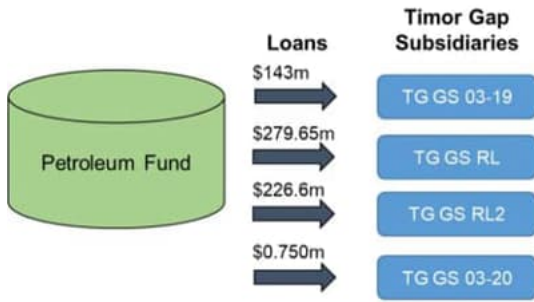
whereby domestic-orientated investments were to be included in the budget and assessed by Parliament. When the \$2.1 billion Budget was not promulgated on sustainability concerns, the Government instead chose to implement the investment through a prior amendment to the Petroleum Activities Law.<sup>8</sup> The amendment was made by Parliament to enable the 5 per cent allocation for alternative assets in Article 15.4 of the Petroleum Fund Law to be applied to investments in petroleum operations in national territory or abroad.

A working group - comprised of representatives from the Prime Minister's Office, the Ministry of Finance, the BCTL as operational manager of the Petroleum Fund, the Ministry of Petroleum and Minerals, and Timor Gap E.P. - agreed to structure the Petroleum Fund's investment as a \$650 million loan to Timor Gap E.P., which would then use the proceeds to acquire the interests in the joint venture.<sup>9</sup> Loans were made to four subsidiaries of Timor Gap E.P. that held the related Production Sharing Contracts and Retention Leases (see Figure 5). The interest rate was 4.5% per annum, with a grace period on repayments for the first eight years to allow time for development and production to commence. Interest would accrue during the grace period and the loan would be repaid over the following 10 years.

8 Petroleum Activities Law No. 13/2005 of 2nd of September as first amended by the Law No. 1/2019 of 18th of January, and subsequently amended by the Law No. 6/2019, as of 4 December 2019. Article 22.6 of the Petroleum Activities Law, subsequently amended by Article 22.9, provided the legal basis for the investment in petroleum operations, both located in national territory and/or abroad, through Timor GAP, E.P., the national oil company.

9 The Petroleum Fund's 2019 Annual Report explains why the investment was structured as a loan rather than an equity interest.

Figure 5: Petroleum Fund's investment in Timor Gap E.P.'s subsidiaries



The Prime Minister's office provided written confirmation to the Interim Minister of Finance in February 2019 that the investment complied with the applicable laws. The terms of the investment were confirmed by the Council of Ministers, reflecting that this investment decision was in effect made by the Government rather than the Minister.<sup>10</sup> The Minister of Finance then published the rules and criteria for the investment and presented the change to Parliament, as required by the Petroleum Fund Law.<sup>11</sup> The loans were then made on 10 April and Timor Gap E.P. acquired the participating interests on 15 April 2019.

The investment in petroleum operations in 2019 is an exception to the general principles that govern the

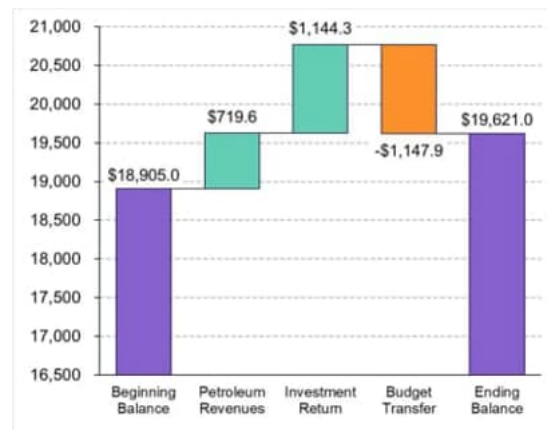
Fund's international financial investments. The amendment to the Petroleum Activities Law in 2019 allowed the Fund to invest in national territory as well as overseas. In addition, national development objectives were accounted for by the Government when determining the terms of the Fund's investment, while investments under the Petroleum Fund Law are assessed solely on financial criteria. The exposure limits in the Petroleum Fund Law will also pose challenges for the investment in the future.

The Ministry of Finance in 2019 advocated incorporating the investment in petroleum operations into the Petroleum Fund Law rather than have the Fund's investments governed by two different laws. The proposal was to introduce a new article to incorporate the changes in the Petroleum Activities Law and clearly set out the exceptional criteria that applied to the Fund's investment in petroleum operations. The remainder of the Fund's investments would continue to be governed by the original criteria. This change was supported by advice from the Investment Advisory Board.<sup>12</sup> However, the changes were not adopted following a ruling by the Court of Appeals.

## B. Balance and Flows

The Fund's balance increased by \$716.1 million in 2021 to end the year at \$19,621 million (Figure 6). The balance of the Fund is determined by inflows from petroleum revenues, investment returns and outflows from Government withdrawals. As Figure 6 illustrates, petroleum revenues contributed around \$720 million to the Fund, while the investment return was \$1,144 million over the year. A total of \$1,147.9 million was withdrawn to finance the Government's expenditure. The following sections provide more details on these flows.

Figure 6: Movement in net-assets during 2021  
US\$ millions



10 The Council of Ministers approved Government Resolution No. 10/2019, of 27th of February 2019.

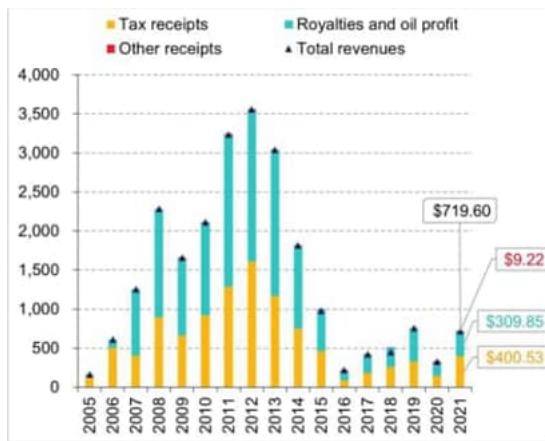
11 Published in Diploma Ministerial No. 4/2019, of 1st of March.

12 IAB advice to the Minister of Finance, "Proposed Amendments to the Petroleum Fund Law", 5 July 2019.



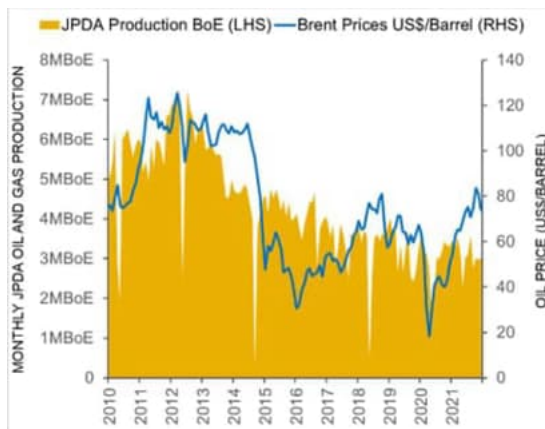
## Petroleum revenue

Figure 7: Annual petroleum revenues  
US\$ millions



All of Timor-Leste's share of petroleum revenues flow into the Petroleum Fund. The total of petroleum revenues collected during 2021 was \$720 million. The revenues included \$401 million in petroleum taxes and \$310 million in royalties and profit from oil and gas, and \$9 million of other payments (Figure 7).<sup>13</sup> These collections were in accordance with Articles 6.1 (a), (b), and (e) of the Petroleum Fund Law respectively.

Figure 8: JPDA production and oil prices



The successful execution of the Bayu-Undan infill well (BUIW) development in 2018 and Phase 3C drilling in quarter 2 2021 have enabled production to be maintained at similar levels over the past few years.

Oil and gas production increased slightly from 35.6 million barrels of oil equivalent (BOE) in 2020 to 37.2 million BOE in 2021. Total production from 2004 to 2021 was 935 million BOE. The average oil price in 2021 was \$70.7/b, nearly \$30/b higher than the previous year's average (Figure 8). Revenue in 2021 was over 120% higher than the previous year as a result of the higher price and production. There were 8 condensate cargoes and 4 LPG cargoes sold in 2021, the same numbers as in 2020.

Figure 7 shows that annual petroleum revenue has declined significantly since its peak of \$3,559 million in 2012. The decline reflects both the fall in oil prices and the decline in production (Figure 8). Prices received from Timor's petroleum products track the Brent crude oil price, which shifted lower in 2014. Bayu-Undan has been the only field in operation since Kitan closed in December 2015. Bayu-Undan's production peaked in 2011 and its productivity has declined as the field matured. The PSCs are scheduled to expire in 2022, although production may be extended to 2023.

Following the acquisition of ConocoPhillips's assets in Northern Australia and Timor-Leste in May 2020, Santos became the new operator of the Bayu-Undan Joint Venture with a 68.4% interest. The Phase 3C infill drilling program are expected to add over 20 million barrels of oil equivalent gross reserves and to extend the life of the Bayu-Undan field.<sup>14</sup> The present value of future petroleum revenues from Bayu-Undan was estimated to be about \$197 million in the original Budget Book 2021 in October 2020, and \$146 million in Budget Book 2022 in October 2021. The actual inflows depend on the oil price and production levels for the remaining life of the field and, in fact, revenues proved to be much higher than the conservative estimates required for the ESI process.

Most of the country's Petroleum Wealth from Bayu-Undan has already been transformed into financial assets. Investment income and government withdrawals will be the main drivers of the Petroleum Fund's balance until new projects come online, including Greater Sunrise.

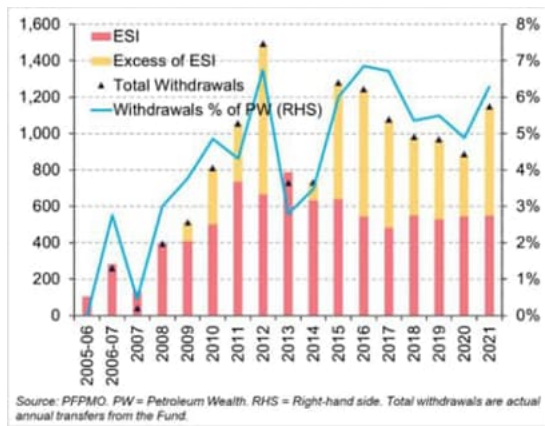
<sup>13</sup> Annex II, Note 16 of the Audited Financial Statements provides the details of petroleum revenues.

<sup>14</sup> <https://www.santos.com/news/bayu-undan-infill-development-fid/>

## Withdrawals

The Government's General State Budget is largely financed by withdrawals from the Petroleum Fund. The State Budget for 2021 was passed by Parliament and promulgated by the President in December 2020. The Parliament approved withdrawal from the Petroleum Fund of \$1,377.6 million. In April 2021, the Parliament approved the Government's proposed rectification Budget 2021 that related to COVID-19, including subsidies to higher education students (internet and school fees), employment support and subsidy of electricity bills. The total withdrawal from the Fund remained as in the original approved budget. The rectified budget was promulgated in May 2021. In total, the Government withdrew \$1,147.9 million from the Fund during 2021, which was 83% of the authorized amount in the 2021 Budget Law. The Government's realized expenditure in 2021 was \$1,441.8 million or 75.3% of the approved Budget.<sup>15</sup>

Figure 9: Transfers to the State Budget  
US\$ millions

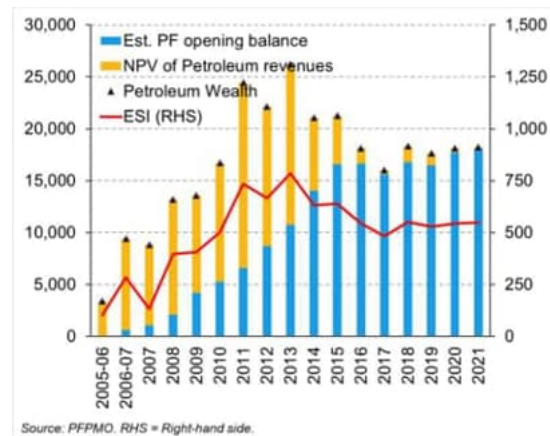


## Investment income and expenses

The Petroleum Fund's annual investment income was \$1,144 million after deducting expenses. This followed the \$1,773 million return in 2020. Total investment revenue was \$1,182 million in 2021, which included interest, dividends and trust income of \$277 million. The remaining \$905 million represented increases in market valuations, including changes in the foreign currency rates. Section D includes details of the investment performance.

Table 1 shows that the expenses incurred in managing the Petroleum Fund totalled \$16.96 million

Figure 10: Petroleum Wealth and the ESI  
US\$ millions



Actual withdrawals in 2021 were \$600.0 million higher than the \$547.9 million ESI published in the final 2021 Budget Book. The ESI is set at 3% of the Petroleum Wealth, which was estimated as \$18,262.4 million in the approved 2021 Budget Book. Petroleum Wealth consists of the projected Petroleum Fund balance at the beginning of the budget year (\$18,065.6 million) and the forecasted net present value of the future petroleum revenues (\$196.8 million) (see Figure 10). Future petroleum revenues only include estimates from fields with approved development plans, which therefore excludes Greater Sunrise and other potential sources of revenues.

Since 2009, annual withdrawals have averaged about 5 per cent of Petroleum Wealth, compared to the 3 per cent ESI (see Figure 9). The excess reflects the Government's policy to front-load expenditure to enable economic development. Excess withdrawals have contributed to a decline in Timor-Leste's Petroleum Wealth, which also shifted lower with the decline in expected oil prices and revenues. (Figure 10).

in 2021, which was similar to the previous year's expenses of \$17.02 million. The BCTL recovered its operating expenses of \$7.712 million, which was below the maximum allowed by the Operational Management Agreement, namely 4 basis points of the Fund's value. The other expenses comprised custody and external manager fees of \$8.139 million and Investment Advisory Board (IAB) expenses of \$140 thousand. Total expenses in 2021 were about 9 basis points of the average size of the Fund in 2021.

<sup>15</sup> See Budget Transparency Portal at the <http://budgettransparency.gov.tl/publicTransparency>

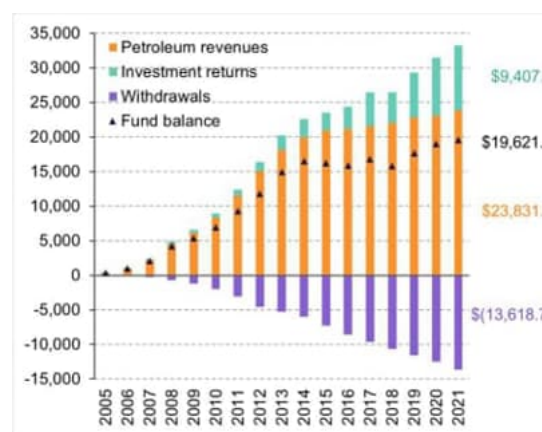
Table 1 – Management expenses in 2021  
US\$ millions

Category	2021	2020	2019
External managers and Custodian fees	8.139	8.815	8.501
BCTL Operational Management expenses	7.712	5.973	5.074
IAB expenses	0.140	0.242	0.248
Other expenses	0.967	1.989	1.016
<b>Total expenses:</b>	<b>16.957</b>	<b>17.019</b>	<b>14.839</b>
Total expenses relative to average Fund size:	0.088%	0.093%	0.089%

## Flows since inception

Figure 11 shows the contributions to the Fund’s value since its inception. Petroleum revenue has added \$23,832 million, which includes the initial transfer of revenues collected before the Fund was created. Investment returns have added \$9,408 million. Government withdrawals have totalled \$13,619 million since the Fund commenced in 2005, which exceeds the cumulative ESI over that period by \$5,414 million.

Figure 11: Cumulative flows for the Fund  
US\$ millions



## C. Investment Strategy

### Financial market investments and the investment in petroleum operations

The Petroleum Fund Law sets out the Fund’s eligible investments, guidelines for its asset allocation and the risk limits. The Petroleum Fund Law sets out the following rules for investments:<sup>16</sup>

- The Petroleum Fund invests only in offshore financial assets (Article 15.1). As Section A explained, the Government’s domestic investment decisions are to be included in the State Budget, which is assessed by Parliament and, when approved, financed by withdrawals from the Petroleum Fund.
- A minimum of 50% of the Petroleum Fund is invested in fixed interest securities, that is, cash and investment grade bonds (Article 15.2).
- A maximum of 50% of the Petroleum Fund is invested in listed equities (Article 15.3).
- A maximum of 5% of the Petroleum Fund is able to be invested in other eligible investments (Article 15.4).
- A maximum exposure of 3% of the Petroleum Fund in any one issuer or company, other than sovereign issuers (Article 15.5).

The Petroleum Fund Law provides that the investment policy shall apply the principles of diversification with the objective of maximizing risk-adjusted financial returns after taking into account the Fund’s purposes, its operational constraints and ability to bear risk (Article 14.1). There must also be sufficient liquidity to fund Government withdrawals (Article 14.2). The investments are assessed purely on these financial grounds and need to comply with sound portfolio management practices.

Since January 2019, the Petroleum Fund Law is to be read in conjunction with the first amendment of the Petroleum Activities Law that was modified by the Government and approved by Parliament. The amendment allowed the Petroleum Fund to invest in petroleum operations by applying the 5% allocation in Article 15.4 of the Petroleum Fund Law. As noted earlier, the Fund’s investment in petroleum operations was executed in April 2019 by means of a loan to Timor Gap E.P.’s subsidiaries.

The investment in petroleum operations represents an exception to the general rules that govern the Fund’s

<sup>16</sup> These rules were set out in the IAB’s Letter to the Minister of Finance, “Proposed Amendments to the Petroleum Fund Law”, 5 July 2019.

investments. The Government’s investment decision accounted for national economic development objectives and the expected economic and social benefits from onshore processing. To reflect the exception, Annex 1 of the Operational Management Agreement now divides the Fund into investments in financial markets, namely fixed interest and equities, and the investment in petroleum operations.

The equity allocation is the key parameter that drives the expected return and risk in the Petroleum Fund’s financial market investments. The Fund’s equity allocation has evolved over time. Under the original Petroleum Fund Law in 2005, the Fund’s investments were limited mainly to low-risk assets. Equities were first introduced in 2010, when the upper limit in the 2005 Law was effectively 10%. However, the Petroleum Fund Law was amended in 2011 to increase the maximum equity allocation to 50% of the Fund in order to meet the 3% real return objective implied by the ESI withdrawal rule. A 40% equity

allocation was decided upon in 2012, which, at that time, was expected to meet the 3% real return objective with a reasonable probability. The long-term investment horizon that resulted from the fiscal framework allowed the Fund to withstand the short-term volatility inherent in equities.

The allocation to equities was adjusted in April 2019 when the Fund invested in petroleum operations. Timor Gap E.P.’s interest repayments to the Fund are to be financed from revenues derived from the Greater Sunrise petroleum development project, meaning that the risk of the Fund’s investment is more comparable to the equity allocation than bonds. Therefore, it was decided to fund the allocation by reducing the equity allocation from 40% to 35%.

Lastly, the equity allocation in the total fund was also reduced following the implementation of segmentation, which is described below.

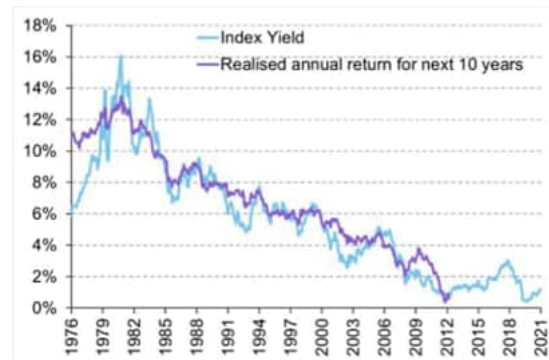
### Segmenting the Petroleum Fund into a Liquidity and Growth portfolio

As noted in Section A, the Petroleum Fund was modelled on Norway’s permanent fund framework, where sustainable withdrawals were to be offset by the expected real investment return, thereby preserving the Fund’s purchasing power. However, there are challenges to this framework in practice, which have been raised by the IAB since 2016.<sup>17</sup>

- i) The front-loading policy means that the Government is not following the ESI fiscal guideline. Withdrawals have exceeded the 3% ESI rule every year since 2009, averaging about 5% of Petroleum Wealth and 8% of the Fund’s balance (see Figure 10). This was projected to continue in the 2021 State Budget and there is no formal commitment to return to the ESI in future.
- ii) Very low interest rates and bond yields (Figure 12) are expected to result in low long-term returns compared to return expectations when the 40% equity and 60% fixed interest allocation was decided on in 2012. By way of example, the investment consulting firm Willis Towers Watson’s advice to the IAB in November 2020 estimated that the return on a portfolio with a 35% equity allocation will equal about 2.5% per annum over the next 10 years. That represents a return of only 0.5% in real terms if US inflation is assumed to be 2%, meaning the truly sustainable ESI is only \$95 million for a \$19 billion Fund. In contrast, annual withdrawals for

the previous five years have averaged about \$1 billion.

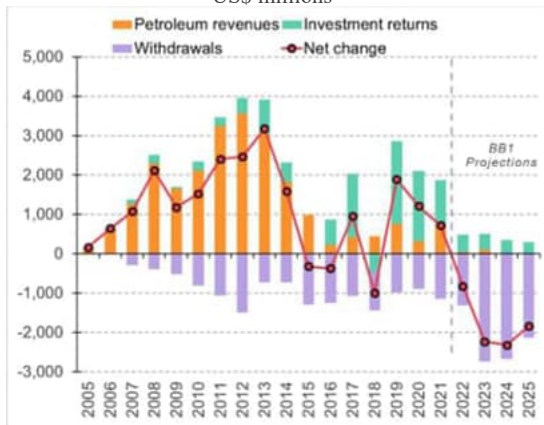
Figure 12: Bond yields and future 10-year returns  
Bloomberg Barclays US Treasury Aggregate Index



- iii) In previous years, particularly up until 2014, high petroleum revenues filled the gap between withdrawals and actual investment returns (Figure 13). Future petroleum revenue from Bayu-Undan will be relatively low, even if production is extended beyond 2022. With low petroleum revenue over the coming years, the government’s withdrawals will need to be financed by selling the Petroleum Fund’s investments. This will continue at least until inflows are received from the Greater Sunrise project or other significant prospective fields.

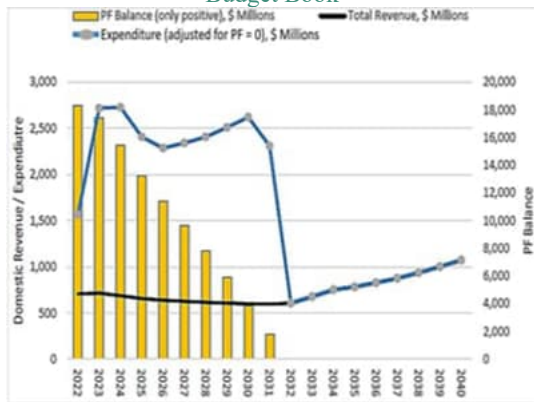
<sup>17</sup> IAB letters to the Minister of Finance: “Review of Asset Allocation”, 23 September 2016; “Review of Asset Allocation”, 11 May 2018; “Review of asset allocation accounting for fiscal policy”, 21 November 2019.

Figure 13: Actual and projected annual changes to the Fund's balance  
US\$ millions



The expected net cash outflows and lower investment returns mean that the Petroleum Fund's balance is projected to decline at least until there are inflows from Greater Sunrise or a significant change in fiscal policy. The fiscal sustainability analysis in the 2022 Budget Book projects that the Fund will be exhausted by 2032 if spending follows historic growth rates (Figure 14). This does not account for Greater Sunrise given the timing and size of inflows are uncertain.

Figure 14: Petroleum Fund forecasts from 2022 Budget Book



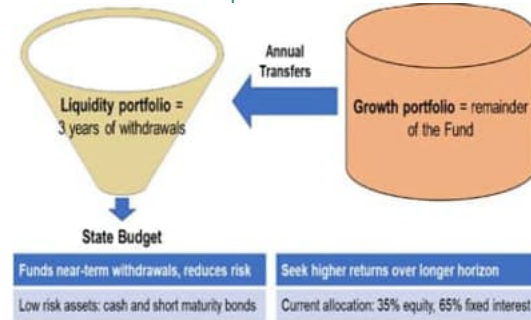
Source: Budget Book 1 2022. National Directorate of Economic Policy, Ministry of Finance, 2021.

To manage investment risk during the Fund's decumulation phase, in July 2021 the Fund was segmented into two portfolios:

- i) A liquidity portfolio to finance the projected withdrawals over the next three years. The low-risk portfolio is invested in US Dollar Cash and short-term US Government Treasury bonds.
- ii) A growth portfolio that is invested according to the previous fixed interest and equity allocation of 65%/35%. The aim of the growth portfolio is to benefit from equity's higher expected return, which comes with higher risk and volatility.

The investment risk in the total Fund is reduced because the liquidity portfolio does not invest in equities. It was decided that holding three years of withdrawals in the liquidity portfolio strikes an appropriate balance between reducing risk and being able to participate in the upside via the growth portfolio.

Figure 15: Segmenting the Petroleum Fund into two portfolios



Segmenting the Petroleum Fund followed the IAB's initial advice in August and November 2020, and its advice on implementation in June 2021. Segmentation was approved by the Government's Council of Ministers in May 2021 and Parliament was informed of the change prior to the Minister's instructions to the BCTL to implement the change on 1 July 2021.

In determining the initial size of the liquidity portfolio in July 2021, the Ministry of Finance adopted the Budget Book's projection of withdrawals for 2021 after deducting the withdrawals already made. Withdrawals in 2022 and 2023 were assumed to each equal \$1 billion. The total of \$3.0 billion was financed by selling equities and fixed interest in the growth portfolio. The equity weight in the Fund, excluding the private debt instrument, was reduced from a target weight of 35% to under 30%.

Segmenting the Fund provides a number of other benefits in addition to reducing investment risk:

- Each portfolio has clear investment objectives. The liquidity portfolio will finance withdrawals for the next three years, while the growth portfolio can seek a higher return. This helps in setting the respective investment strategies and communicating performance to stakeholders.
- It provides confidence to policymakers and other stakeholders that the next three years of withdrawals are covered by relatively safe assets. It follows that there should be less concern about fluctuations in the market value of the growth portfolio.
- It reconnects the Fund's investment strategy with the Government's fiscal policy, a connection that was broken when the 3% ESI

guideline was abandoned with front-loading. Holding the next three years of withdrawals in safe, lower-return assets encourages medium-term planning and efficient execution of public sector budgets, as required by the Preamble of the Petroleum Fund Law. It encourages policymakers to consider fiscal sustainability now rather than later.

The liquidity portfolio will deplete as withdrawals are made during the year, subject to petroleum inflows. At the beginning of the next year, there will be a shortfall between the remaining balance in the liquidity portfolio and the projected withdrawals for the next three years. To address this, investments in the growth portfolio are sold at the beginning of each year to finance the shortfall and “top up” the liquidity

portfolio. A counter-cyclical rule applies, whereby 50% of the shortfall is transferred when the growth portfolio records a loss, 100% of the shortfall is transferred when the Fund posts a “normal” return (0-6%), and 150% of the shortfall is transferred when the growth portfolio records a strong return (greater than 6%). This counter-cyclical rule is designed to limit the sale of equities after a fall.

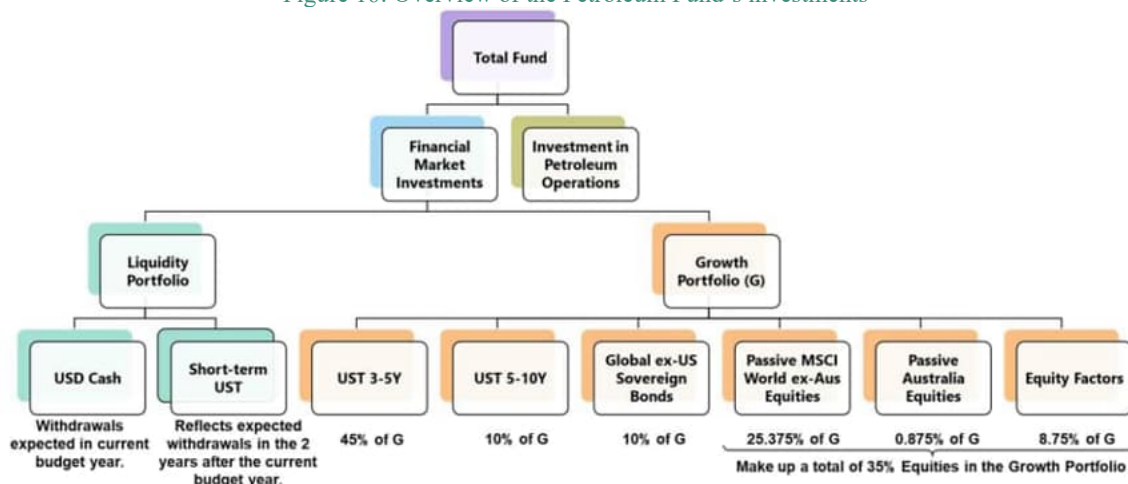
The new structure adapts to new information about withdrawals. The Ministry of Finance will revisit the framework when the amount and timing of the inflows from the Greater Sunrise project become clearer.

### Portfolio and Holdings

The structure of the Fund’s investments is illustrated in Figure 16. The Investment in Petroleum Operations is separated from the Fund’s Financial

Market Investments. In turn, the Financial Market Investments are segmented into the Liquidity and Growth Portfolios, as described earlier.

Figure 16: Overview of the Petroleum Fund’s investments



The Fund’s investment strategy reflects the IAB’s “Statement of Investment Beliefs and Principles”, which is published on the Ministry of Finance’s website.<sup>18</sup> The portfolio avoids unnecessary complexity and targets systematic return premia by investing in cash, government bonds and listed equities. Diversification is used to remove unrewarded risk; the equity portfolio is diversified across companies, countries and industries, while the sovereign bond portfolio helps mitigate equity risk.

Passive management is the main investment style. A passive manager invests so that the weights of the individual securities in the portfolio reflect those in the benchmark index. As a result, the mandate’s

investment performance will correspond with the benchmark’s performance. Passive management is usually preferred by the Petroleum Fund as financial markets are seen to be generally efficient and the bulk of returns come from systematic risk factors. It provides cost effective and diversified exposure.

The liquidity portfolio was introduced in July 2021 and finances the expected withdrawals from the Fund over the next three years. It is comprised of two mandates, Cash and 1-3 year US Treasury bonds. Both mandates are internally managed by the BCTL and are expected to perform broadly in line with their respective benchmarks.

<sup>18</sup> <https://www.mof.gov.tl/budget-spending/petroleum-fund/>

Table 2 – Characteristics of equity factors

Equity Factor	Company characteristics
Value	Low valuation ratios e.g. Book to Market value
Quality	Higher profit
Low volatility	Less variable returns
Size	Smaller market capitalisation

The growth portfolio follows the 65% fixed interest and 35% equity allocation that was adopted prior to segmentation. Fixed interest investments are limited to investment-grade government bonds. The 3-5 year US Treasury portfolio is passively managed by the BCTL and has a 45% weight in the growth portfolio. The 5-10 year US Treasury portfolio has a 10% weight and has also been passively managed by the BCTL since the mandate was transferred from an external manager in late May 2020. The currency exposure in the Global Treasury ex-US mandate has been hedged since April 2020 and the mandate is externally managed by the Bank for International Settlements (BIS) on an “enhanced passive” basis, which seeks to earn a moderate excess return relative to its benchmark.

Three quarters of the equity allocation is also passively managed. SSgA and BlackRock’s passive

mandates are benchmarked to the MSCI World excluding Australia, a market-capitalisation based index. The BCTL also internally manages the allocation to Australian equities on a passive basis.

The Fund’s allocation to equity factors departs from the market capitalization index by targeting companies that have higher exposures to value, quality, low-volatility and, to a lesser extent, size. The characteristics of these factors are summarised in Table 2. The equity factor mandate was introduced in August 2019 and amounts to one quarter of the total equity allocation. It consists of two managers; Schrodgers, which was held prior to the factor allocation but reclassified as an enhanced passive mandate, and a new factor mandate to SSgA. Over the long-term, the equity factor mandate is expected to improve the risk-adjusted return relative to a portfolio invested in a market capitalization index.

Table 3 – Financial Market Investments’ mandates of the Petroleum Fund as at 31 December 2021

Portfolio/Mandate	Manager	Style	Allocations at year-end			
			US\$m	SAA weight	% of Growth	% of FMI
<b>Financial Market Investments</b>			<b>18,920</b>			<b>100.0%</b>
<b>Liquidity Portfolio</b>			<b>2,848</b>			<b>15.1%</b>
<b>Growth Portfolio</b>			<b>16,072</b>			<b>84.9%</b>
<b>Liquidity Portfolio</b>						<b>15.1%</b>
Cash/US 3 Month Treasury bills	BCTL		1,379			7.3%
US 1-3 Year Treasury bonds	BCTL		1,468			7.8%
<b>Growth Portfolio</b>				<b>100.0%</b>	<b>100.0%</b>	<b>84.9%</b>
<b>Total Fixed Interest</b>			<b>10,162</b>	<b>65.0%</b>	<b>63.2%</b>	<b>53.7%</b>
US 3-5 Year Treasury bonds	BCTL	Passive	7,018	45.0%	43.7%	37.1%
US 5-10 Year Treasury bonds	BCTL	Passive	1,569	10.0%	9.8%	8.3%
Global DM ex-US Treasury	BIS	Enhanced Passive	1,576	10.0%	9.8%	8.3%
<b>Total Equities</b>			<b>5,910</b>	<b>35.0%</b>	<b>36.769%</b>	<b>31.2%</b>
Passive MSCI DM Equities ex-AU	SSgA, BlackRock	Passive	4,280	25.375%	26.629%	22.6%
Passive MSCI Australian equities	BCTL	Passive	133	0.875%	0.827%	0.7%
Equity Factors	SSgA, Schrodgers		1,497	8.750%	9.313%	7.9%

Note: SAA = Strategic Asset Allocation; DM = Developed Market.

Following segmentation, the growth portfolio is rebalanced to its SAA weights once a year as part of financing the annual transfer to top up the liquidity portfolio. Annual rebalancing replaces the previous rule, where exceeding a +/-5% range for the total equity allocation triggered a rebalance of the entire portfolio. Under annual rebalancing, the weights of fixed interest and equities in the growth portfolio will drift with their relative performance during the year. Equities outperformed fixed interest since

segmentation, which saw equities end the year 1.8% above its SAA weight, while fixed interest was correspondingly underweight (Table 3).

The liquidity portfolio ended 2021 at \$2,848 million, falling only slightly since July because withdrawals were partially offset by petroleum receipts. The liquidity portfolio represented about 15% of total financial market investments at year-end.

Table 4 – Petroleum Fund’s allocation by countries

Country	Cash	Bonds	Equities	FMI
Australia	0.2%	1.2%	2.3%	1.5%
Canada	0.1%	1.2%	3.4%	1.8%
Denmark	0.1%	0.7%	0.8%	0.7%
Eurozone	0.1%	3.5%	9.0%	5.0%
Hong Kong	0.3%	0.0%	0.7%	0.3%
Israel	0.0%	0.0%	0.1%	0.0%
Japan	0.5%	1.1%	6.3%	2.7%
New Zealand	0.1%	0.6%	0.1%	0.4%
Norway	0.0%	0.4%	0.2%	0.3%
Singapore	0.2%	0.7%	0.3%	0.6%
Sweden	0.1%	0.5%	1.1%	0.7%
Switzerland	0.2%	0.6%	3.2%	1.4%
United Kingdom	0.2%	1.2%	4.3%	2.1%
United States of America	97.9%	88.2%	68.1%	82.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

*Note: Financial Market Investments only. Bonds includes the 1-3 Year US Treasury mandate in the liquidity portfolio and the fixed interest mandates in the growth portfolios.*

Table 4 shows the Fund’s allocations by country. Cash is comprised mainly of the USD Cash mandate, as well as the 10% collateral required for the hedged global treasury mandate, and also small amounts of cash, including non-USD, held by managers in their bond and equity mandates for operations.

The composition of the Petroleum Fund’s equity holdings largely corresponds with the benchmark index. The MSCI World Index is comprised of large and mid-size capitalisation companies that are listed in developed markets. The Petroleum Fund held 1,713 companies at the end of 2021. The holdings are reported in Annex II. Table 4 shows that 68% of the equity portfolio is invested in companies listed in the US. Eurozone countries represent the next largest allocation at 9% of the equity portfolio, followed by Japan (6%) and the UK (4%). The allocation to Australian equities is internally managed by the BCTL and is 2.3% of total equities.

The US allocation represents 88% of the Fund’s bond holdings and consists of the US Treasury 1-3 year mandate in the liquidity portfolio and the 3-5 year and 5-10 year Treasury mandates in the growth portfolio. The Non-US government bond allocation is benchmarked to a customised index of developed

markets, which is designed to facilitate diversification by capping the Eurozone allocation at 30% of the index and individual country weights at 10%. The allocations in Table 4 are in line with the benchmark weights, with the Eurozone representing 3.5% of the total fixed interest holdings, while the weights for Australia, Canada, Japan and the UK are consistent with the maximum country weight.

In terms of the foreign currency exposure, the fixed interest holdings are effectively entirely in US dollars because the global developed market sovereign bond mandate is now hedged to the US dollar, while Cash and the US Treasury mandates are denominated in US dollars. The equity holdings are unhedged so that the currency exposures correspond with the country weights in Table 4.

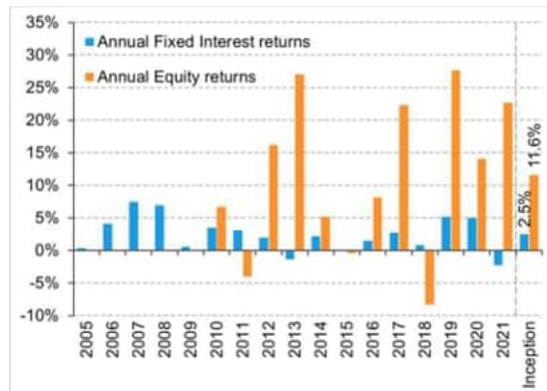
At the total portfolio level for financial market investments, about 82% of the Fund is invested in US securities, with the Eurozone the next largest allocation at 5%. The USD dominates the currency exposure at about 90%, with small exposures to the other major currencies – namely, the Euro, the Japanese Yen, the British Pound, the Canadian dollar and the Australian dollar - via the unhedged equity allocation.



## D. Investment Performance in 2021

The Petroleum Fund's total return in 2021 was 6.25%. The equity portfolio recorded another strong year, returning 22.7% in 2021, which followed the 14.0% return in 2020. The fixed interest portfolio detracted from the Fund's performance, posting an annual return of -2.25%. The Petroleum Fund's loan to Timor Gap returned 13.9% in 2021, following an independent valuation of the loan.

Figure 17: Annual returns from bonds and equities



The Petroleum Fund's annualized return since inception rose to 4.9% (Figure 18), boosted by the strong performance from 2019 to 2021. The fixed interest portfolio's return since 2005 is 2.5% per

### Developments in financial markets in 2021

Economic activity continued to recover in 2021 as COVID restrictions were relaxed and monetary and fiscal policy settings remained very accommodative. Inflationary pressures were initially seen as transitory, but persistently high inflation caused central banks to reverse their position later in the year. The accommodative policy settings and positive risk sentiment supported strong returns in equities in 2021, while bonds lost value as a result of rising yields.

Financial markets started the year with concerns about new COVID strains and an increase in case numbers. However, sentiment improved during the first quarter with the acceleration of the vaccine rollout in the US, in combination with large fiscal stimulus and continued easy monetary policy. As a result, equities posted strong returns in quarter one, although the Fund's fixed interest mandates fell in value as longer-term yields rose. The shorter-end of the US curve was anchored at near zero by guidance from the Federal Reserve that inflation was temporary and that rates would be on hold for some time. Monetary and fiscal policy were also highly accommodative in Europe, with the Eurozone entering into a double dip recession

annum and the equity allocation's annualized return is 11.6% per annum since the first investment in 2010. The return from fixed interest since equities were introduced in October 2010 is 2.0% per annum.

The Fund's annualized real return since inception is 2.9% per annum after deducting US inflation. Since equities reached the original strategic allocation weight of 40% in June 2014, the real return of the total portfolio is 3.8% per annum, which is in excess of the implied target of a 3% annual real return if the permanent fund model was being followed.

Figure 18: Petroleum Fund annual investment returns



and the region experiencing a relatively slow start to its vaccine rollout.

There were signs of stronger economic growth in quarter two, boosted by the widespread roll-out of vaccination programs in advanced economies and their opening up of activity. While there was inflationary pressure in the US, the Fed believed that price pressures were likely to be transitory and were mostly due to the supply constraints of the pandemic. Equities posted strong gains in quarter two, while the fixed interest portfolio posted a small gain as US longer-term bond yields declined somewhat.

By quarter three, global growth was projected to have peaked but was expected to remain robust. High vaccination rates allowed economies to remain open despite a surge in the Delta variant. Consumer price inflation was generally above central bank targets. Inflation rose sharply in the US, although was still referred to as transitory by policy makers. The ECB announced that it would tolerate a moderate and transitory overshoot of its 2 per cent inflation target. While central banks remained committed to accommodative policy rates, some banks started to

discuss or implement tapering bond purchases. The Federal Reserve announced that it will scale back its monthly asset purchases, given there was substantial progress on employment and inflation. The ECB announced that it will reduce its Pandemic Emergency Purchasing Program (PEPP).

Equities posted gains in July and August, although ended quarter three little changed after concerns about inflation and central bank tightening. Bond yields fell in July but that was reversed later in the quarter as markets recalibrated their expectations for policy rates.

Inflation in many countries rose in the fourth quarter to rates not seen in decades, requiring central banks to pivot towards tighter policy settings. The Federal Reserve abandoned its description of inflation as “transitory” and confirmed its bond purchases would be tapered at a faster rate. The FOMC’s projections at the end of the year were for three rate hikes in 2022, while the Bank of England increased rates in response to high inflation. The ECB announced that its PEPP will end in March 2022 and that it will scale back other bond purchases. Monetary policy was expected to remain accommodative for longer in the Eurozone, notwithstanding inflation reaching the highest rate since the introduction of the Euro.

The upward shift in expected policy rates saw shorter- and medium-term bond yields rise in quarter four, particularly in the US. As a result, the Fund’s fixed interest portfolio recorded a small negative quarterly return. Equities posted strong returns in quarter four, supported by strong corporate earnings and solid economic growth. The emergence of the highly contagious Omicron variant initially caused a sell-off in November but that gave way to optimism on findings that its symptoms were generally less severe.

Figure 19: Government bond yields in 2021

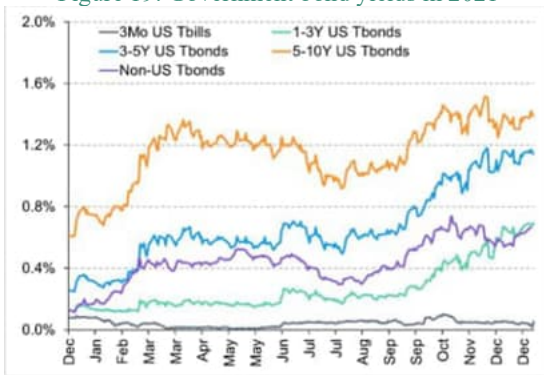


Figure 19 shows the yields of the Petroleum Fund’s cash and fixed interest benchmark indices. The three-month US Treasury bill yield remained within the Fed’s policy rate range of zero to 25 basis points. The steady rise in the yield of the 1-3 year US Treasury Index during the fourth quarter reflected persistently

high inflation and the consequent upward revision of future policy rates. The US Treasury 3-5 year Index yield finished the year 89 basis points higher at 1.15%, and the 5-10 year yield rose by 78 basis points to 1.39%. The yield on the non-US Treasury Bond Index followed a similar pattern to longer-maturity US bonds, rising 54 basis points to finish the year at 0.66%. The increase in yields over the year resulted in negative returns for all of the Fund’s bond mandates.

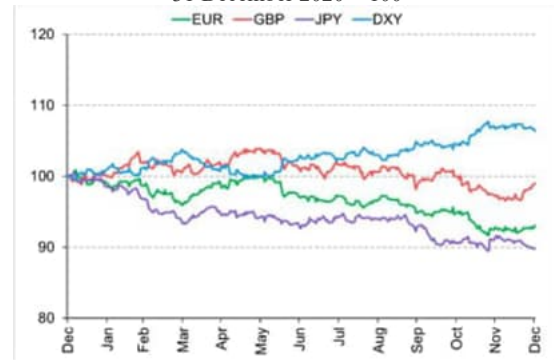
Figure 20: Equities total returns in US dollar  
31 December 2020 = 100



Equities indexes increased in value in 2021. The MSCI World Index, which is comprised of developed markets weighted by their market size, returned 21.8% in USD terms. The major country and regional indices posted double-digit returns in local currency terms, with the US outperforming with a total return of 26.5%. US equities outperformed the aggregate of other developed markets by 14% in US dollar terms (Figure 20).

A stronger US dollar weighed on the USD equity returns of the other markets. The US Dollar Index, a measure of the US dollar relative to the currencies of the United States’ major trading partners, finished the year 6.4% higher (Figure 21, DXY series). The major currencies depreciated against the US dollar in 2021, with the exception of the Canadian dollar. The Euro and Japanese Yen were the weaker currencies, depreciating by 6.9% and 10.3% against the USD, respectively.

Figure 21: US dollar relative to other currencies  
31 December 2020 = 100



## Developments in the private debt instrument

Accounting for the Petroleum Fund's investment in Timor Gap E.P. is more complex than the Petroleum Fund's investments in fixed interest and listed equities where market prices are publicly available. The loan was reported at amortized cost in the 2019 Annual Report, namely \$671.3 million, which includes interest accrued at 4.5% p.a. However, during the course of the audit of the 2020 financial statements, the valuation policy was changed to fair value, following Ernst and Young's advice that the requirements for amortized cost had not been met at initial recognition. Timor Gap E.P. had limited assets and other cash flows separate from Greater Sunrise, meaning its ability to service the loan was primarily dependent on the successful development of Greater Sunrise. Consequently, the Solely Payment of Principal and Interest test in IFRS9 was not met and the loan needed to be reported at fair value.

An independent valuation was required to determine the fair value of the loan. As noted, the repayment of the loan is closely connected to the underlying development project and the valuation of the ownership interest is relevant to the value of the loan. Timor Gap E.P.'s 2020 financial statements, which were shared in September 2022, wrote down the value of its participating interests in Greater Sunrise from \$673.6 million in 2019 to zero. This followed an independent valuation undertaken for Timor Gap E.P. that reported a negative net present value of the owner's participating interests in Sunrise after taking into account the uncertainty about the fiscal regime and agreement on development. Notwithstanding this

finding, the independent valuation report of the Fund's loan procured by the BCTL found that there were expected to be sufficient cash flows from the underlying assets for Timor Gap to meet its obligations. The Fund's loan was independently valued at \$615.7 million in 2020, using a discount rate of 5.62%. The return on the loan was -8.26% in 2020.

The change to the accounting policy and the associated procurement and implementation of an independent valuation resulted in a significant delay in the release of the Petroleum Fund's financial statements and annual report for 2020, which were published in March 2022. Unfortunately, similar delays arose for the 2021 financial statements and annual report. Timor Gap E.P.'s 2021 financial statements were received in July 2022 and the participating interest in Sunrise continued to be valued at nil. The final valuation report for the loan was received by the BCTL in September 2022. The report adopted a build-up approach to determine the central discount rate of 4.87%, which valued the loan at \$701.353 million. The financial statements were completed in December 2022. The publication of the 2021 annual report was subsequently delayed while the custodian recalculated investment performance to account for the valuation. The annual return on the loan in 2021 was 13.91%.

The Fund's institutions and other parties have now had sufficient time to develop appropriate valuation and reporting procedures for the investment in Timor Gap E.P. Extended delays in the release of future reports are not acceptable to the Ministry of Finance.

## Investment performance relative to benchmark

Table 5 – Petroleum Fund's investment performance in 2021

Asset Class	Q1	Q2	Q3	Q4	2021	2020	5 Years	Since inception
<b>Total Fund</b>	0.77	3.15	0.04	2.28	6.25	10.17	7.33	4.90
<i>Benchmark (1)</i>	0.57	3.01	0.09	1.89	5.56	9.91	7.08	4.80
<b>Financial Market Investments (2)</b>	0.76	3.24	0.00	1.88	5.98	n.a	7.45	4.93
<i>Benchmark</i>	0.46	3.05	0.05	1.91	5.55	n.a	7.11	4.81
<b>Liquidity Portfolio (3)</b>	n.a	n.a	0.03	-0.29	n.a	n.a	n.a	-0.26
<i>Benchmark</i>	n.a	n.a	0.00	-0.33	n.a	n.a	n.a	-0.33
<b>Growth Portfolio (3)</b>	n.a	n.a	-0.07	2.35	n.a	n.a	n.a	2.28
<i>Benchmark</i>	n.a	n.a	-0.05	2.26	n.a	n.a	n.a	2.20
International Fixed Interest	-1.86	0.51	-0.11	-0.81	-2.25	5.04	2.25	2.52
<i>Benchmark</i>	-1.94	0.57	-0.13	-0.66	-2.16	5.25	2.33	2.54
International Equities	5.53	7.83	-0.15	8.04	22.72	14.03	14.91	11.58
<i>Benchmark</i>	4.92	7.74	-0.02	7.77	21.82	15.90	15.03	11.24
<b>Private Debt Instrument (4)</b>	0.00	0.00	0.00	13.91	13.91	-8.26	n.a	2.80
<i>Benchmark</i>	1.10	1.10	1.11	1.11	4.50	4.50	n.a	4.50

Notes: (1) The benchmark for the Total Fund after segmentation was introduced in July 2021 uses floating monthly weights for FMI and the private debt investment.

(2) The Financial Market Investment portfolio was introduced in November 2020 and separated from the private debt.

(3) The Financial Market Investment portfolio was segmented into the Liquidity and Growth portfolios in July 2021.

(4) The Private Debt Instruments - the loans to Timor Gap E.P. - were issued on April 2019.

The majority of the Petroleum Fund's investment mandates are passively managed, so performance is generally expected to follow that of the benchmark indices. The Total Fund outperformed the aggregate benchmark's annual return of 5.56% by 69 bps in 2021 (Table 5). Financial Market Investments, which were segmented into the liquidity and growth portfolios in July, outperformed the benchmark index by 43 basis points over the year. Both the liquidity and growth portfolio posted small excess returns for the second half year.

In the growth portfolio, the aggregate fixed interest underperformed its benchmark by 10 bps in 2021. The internally managed 3-5 year and 5-10 year US Treasury mandates underperformed, as did the externally managed non-US hedged benchmark.

The equity portfolio outperformed its benchmark by 90 bps in 2021. The positive excess returns resulted

from the allocation to equity factors outperforming the market-capitalisation weighted benchmark by over 4%. The outperformance in 2021 helps to offset underperformance in 2020, when the high returns of big technology firms drove the market capitalisation index higher. As noted, the equity factor mandates tilt towards companies with higher exposures to Value, Quality and Low Volatility factors, which is expected to improve the long-term risk-adjusted return relative to a portfolio invested according to market-capitalization weights.

The loan to Timor Gap posted a return of 13.91% in 2021. The present value of the loan's cash flows was \$701.4 million using a discount rate of 4.87%, an increase on its \$615.7 million valuation at the end of 2020. The agreed interest rate of 4.5% is used as the benchmark.

Table 6 – Liquidity portfolio's fixed interest mandates investment performance in 2021, (%)

Growth Portfolio Mandate	Q1	Q2	Q3	Q4	2021	2020	5 Years	Since inception
<b>Cash (1)</b>	0.00	0.00	0.01	0.00	0.02	0.30	1.16	1.10
<i>Benchmark</i>	<i>0.03</i>	<i>0.00</i>	<i>0.01</i>	<i>0.01</i>	<i>0.05</i>	<i>-0.37</i>	<i>1.22</i>	<i>1.11</i>
<b>1-3 Years US Treasury Bonds (2)</b>	n.a	n.a	0.03	-0.46	n.a	n.a	n.a	-0.43
<i>Benchmark</i>	<i>n.a</i>	<i>n.a</i>	<i>0.01</i>	<i>-0.53</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>-0.53</i>

Notes:

(1) The Cash mandate commenced in August 2018 as part of fixed interest. In July 2021, the Cash mandate was classified as part of the Liquidity portfolio.

(2) The 1-3 Years Treasury Bonds mandate commenced in July 2021.

Table 7 – Growth portfolio's fixed interest mandates investment performance in 2021, (%)

Growth Portfolio Mandate	Q1	Q2	Q3	Q4	2021	2020	5 Years	Since inception
<b>International Fixed Interest Aggregate (1)</b>	-1.86	0.51	-0.11	-0.81	-2.25	5.04	2.25	2.52
<i>Benchmark</i>	<i>-1.94</i>	<i>0.57</i>	<i>-0.13</i>	<i>-0.66</i>	<i>-2.16</i>	<i>5.25</i>	<i>2.33</i>	<i>2.54</i>
<b>3-5 Years US Treasury Bonds (2)</b>	-1.23	0.29	-0.07	-1.09	-2.09	5.95	2.23	1.69
<i>Benchmark</i>	<i>-1.27</i>	<i>0.34</i>	<i>-0.10</i>	<i>-0.93</i>	<i>-1.96</i>	<i>6.06</i>	<i>2.30</i>	<i>1.71</i>
<b>5-10 Years US Treasury Bonds (3)</b>	-4.44	1.82	-0.12	-0.45	-3.25	8.80	3.22	2.42
<i>Benchmark</i>	<i>-4.48</i>	<i>1.95</i>	<i>-0.23</i>	<i>-0.13</i>	<i>-2.97</i>	<i>9.03</i>	<i>3.26</i>	<i>2.45</i>
<b>Global Treasury ex-US, Hedged (4)</b>	-3.01	0.44	-0.30	-0.04	-2.91	n.a	n.a	-0.90
<i>Benchmark</i>	<i>-3.00</i>	<i>0.39</i>	<i>-0.17</i>	<i>0.04</i>	<i>-2.75</i>	<i>n.a</i>	<i>n.a</i>	<i>-0.87</i>

Notes:

(1) International Fixed Interest Aggregate is part of the Growth portfolio from July 2021.

(2) The 3-5 Years US Treasury Bonds mandate commenced in January 2012.

(3) The performance of 5-10 Year US Treasury Bonds is a composite of two managers: BIS from December 2011 until April 2020, and the BCTL from May 2020.

(4) The currency exposure of the Global Treasury Developed Markets ex US portfolio was hedged starting in May 2020 and is managed by the BIS. From July 2014 until April 2020, the portfolio was managed on an unhedged basis. Unhedged performance is not shown.

Table 8 – Growth portfolio's equity mandates investment performance in 2021, (%)

Growth Portfolio Mandates	Q1	Q2	Q3	Q4	2021	2020	5 Years	Since inception
<b>International Equities Aggregate</b>	5.53	7.83	-0.15	8.04	22.72	14.03	14.91	11.58
<i>Benchmark</i>	<i>4.92</i>	<i>7.74</i>	<i>-0.02</i>	<i>7.77</i>	<i>21.82</i>	<i>15.90</i>	<i>15.03</i>	<i>11.24</i>
<b>SSgA International Equities (1)</b>	5.01	7.78	-0.11	7.94	22.03	15.14	15.22	12.61
<i>Benchmark</i>	<i>4.95</i>	<i>7.76</i>	<i>0.06</i>	<i>7.88</i>	<i>22.09</i>	<i>16.06</i>	<i>15.17</i>	<i>12.38</i>
<b>BlackRock International Equities (2)</b>	5.02	7.82	-0.11	7.96	22.11	15.61	15.34	12.27
<i>Benchmark</i>	<i>4.95</i>	<i>7.76</i>	<i>0.06</i>	<i>7.88</i>	<i>22.09</i>	<i>16.06</i>	<i>15.17</i>	<i>12.03</i>
<b>Multi-Factor International Equity (3)</b>	7.30	8.04	0.02	8.84	26.22	10.57	n.a	19.01
<i>Benchmark</i>	<i>4.95</i>	<i>7.76</i>	<i>0.06</i>	<i>7.88</i>	<i>22.09</i>	<i>16.06</i>	<i>n.a</i>	<i>19.92</i>

<b>BCTL Australian Equity (4)</b>	3.56	6.77	-3.40	2.16	9.12	7.35	8.76	9.17
<b>Benchmark</b>	3.41	6.87	-3.03	2.10	9.41	8.75	9.07	9.46

Notes: (1) SSGA's passive developed market mandate commenced in January 2012.

(2) BlackRock's passive developed market mandate commenced in February 2013.

(3) The Multi-factor developed market equity mandate commenced in August 2019. The composite is for two managers, Schroders and SSGA.

(4) The BCTL's Australian equity mandate commenced in July 2016.

Table 9 – Special Private Debt Instrument for petroleum operations

Mandate	Q1	Q2	Q3	Q4	2021	2020	5 Years	Since inception
<b>Special Private Debt Instrument</b>	0.00	0.00	0.00	13.91	13.91	-8.26	n.a	2.80
<b>Benchmark</b>	1.10	1.10	1.11	1.11	4.50	4.50	n.a	4.50

Notes: The private debt instruments were issued by Timor Gap E.P. in April 2019. Since 2020, an independent valuer has been engaged by the BCTL to determine the fair value of the instruments as at the end of year. The benchmark return shown is the agreed interest rate.

## E. IAB Advice and the Fund Going Forward

The Investment Advisory Board (IAB) advises the Minister of Finance on matters relating to the investment strategy and management of the Petroleum Fund as enacted by Article 16 of the Petroleum Fund Law. The IAB's advice is required to be published in the Annual Report according to Article 24 of the Petroleum Fund Law.

The IAB held 10 meetings and two workshops in 2021. The IAB's advice to the Minister of Finance in 2021 is included in full in Annex XII and is summarised below, along with the IAB's other activities during the year.

### Advice on implementing segmentation

The IAB's advice to the Minister in 13 November 2020 recommended segmenting the Petroleum Fund's financial market investments into a liquidity and growth portfolio. The Board believed that the parameters for segmentation provided an appropriate trade-off between reducing risk in the near-term through the liquidity portfolio and being able to participate in upside risk through the growth portfolio.

The Board's advice to the Minister on 2 June 2021 provided further details on how to implement segmentation, which were to be included in Annex 1 of the Operational Management Agreement between the Minister of Finance and the BCTL. The advice reflected work undertaken by the IAB's Secretariat, which is comprised of staff from both the BCTL and the Ministry of Finance. The Board's June 2021 letter advised the following:

- Construct the aggregate benchmark for Financial Market Investments as a composite of the liquidity and growth portfolios using floating market weights.

- Construct the liquidity portfolio as a cash (0-12 month) mandate and a short-term US Treasury mandate benchmarked to 1-3 year US Treasuries. The aggregate benchmark for the liquidity portfolio is calculated using the floating market weights of the two mandates.
- The growth portfolio follows the asset allocation of financial market investments prior to segmentation, other than reassigning the 5% cash allocation to US Treasury 3-5 year bonds.
- A transfer from the growth portfolio to the liquidity portfolio is made at the beginning of each year. The size of the transfer depends on the liquidity portfolio's shortfall relative to expected withdrawals, as well as a counter-cyclical adjustment linked to the growth portfolio's annual return. The transfer is funded by an annual rebalance of the growth portfolio to its strategic asset allocation weights.

The advice was adopted by the Minister of Finance and incorporated in changes to Annex 1 that took effect on 1 July 2021.

### Introducing TIPS as a new asset class and commencing a manager search

The Board wrote to the Minister on 14 December 2021 to recommend adding an allocation to US Treasury Inflation Protected Securities (TIPS) to the Petroleum Fund's growth portfolio. This followed presentations by the IAB's Secretariat in May and December 2021. Like the Fund's existing holdings in nominal US Treasury bonds, TIPS are issued by the

US Government, are AAA-rated and have a well-established, liquid market. However, unlike nominal Treasury bonds that pay fixed coupon rates, TIPS provide protection against unexpected inflation by linking the coupon and principal payments to actual inflation. The Board's advice noted that there was a risk that higher inflation may prove to be persistent,

in which case an allocation to TIPS would help protect the Fund's US dollar purchasing power.

The Board's advice recommended a strategic allocation to US TIPS in the growth portfolio, to be funded from the allotment to US Treasury nominal bonds. The Board provided parameters for the BCTL's manager selection and noted that it would advise on the final parameters after assessing the information gathered by the BCTL during its search.

### Other work by the IAB in 2021

The Investment Advisory Board (IAB) was involved in a number of other projects in 2021 in addition to formulating its advice on implementing segmentation and the introduction of US TIPS. For example, during the IAB's workshop in May, the Petroleum Fund Policy and Management Office (PFPMO) from the Ministry of Finance presented to the Board a draft governance policy that was intended to clarify the roles and responsibilities of the entities involved in the Petroleum Fund. In addition, the Board was regularly briefed throughout the year on the issue with the accounting treatment of the loans to Timor Gap E.P. in the Petroleum Fund's 2020 financial statements and the associated valuation project. In terms of other work, in November the IAB assessed analysis from the Secretariat on the long-term capital

### The Fund going forward

If current expenditure and withdrawal trends continue, then the Petroleum Fund will be exhausted within the next 10 years or so. Segmentation of the Fund into the liquidity and growth portfolios adjusts the Fund's investments for the expected withdrawals and decumulation. It de-risks the Fund by reducing the total equity allocation and also reconnects the investment strategy with fiscal strategy. For the framework to work most effectively, robust projections on government withdrawals are needed beyond the current budget year.

Transparency and good governance are fundamental principles that guide the Petroleum Fund. The Fund is rated highly on the Linaburg-Maduell Transparency Index and also follows the IFSWF's Santiago Principles on governance, independence and transparency (Annex XIII). At the same time, improvements may be possible that result in a more efficient and effective fund. As part of its review of governance, the Ministry of Finance has drafted a governance policy designed to provide clearer roles and responsibilities for the Petroleum Fund's institutions. The Fund's governance will be assessed during an independent review, which is now planned for 2023.

The Minister adopted the IAB's advice and wrote to the Governor of the BCTL on 17 December 2021 requesting that the BCTL commence a manager search that includes addressing questions in the IAB's letter about the benchmark index, the different styles of management, and the use of derivative instruments. Additional modelling to help determine the size of the allocation was also requested.

market assumptions. Here, the Board noted the disconnection between the 3 per cent ESI rule embedded in the Petroleum Fund Law and the much lower real returns expected from investments. Another project in 2021 undertaken by the Secretariat was updating the IAB's Operational Regulations, which were approved by the Board in August. The Board also procured a subscription for investment research services and agreed to procure cloud-based storage.

The IAB also monitors the Fund's investment performance, which includes quarterly briefings from the BCTL's representatives in the IAB meetings. PFPMO's representatives also brief the Board on fiscal policy, including the State Budget.

One area requiring improvement is the publication of the Fund's financial statements and annual report. The delays in the release of the 2020 and 2021 reports are not acceptable going forward. The problem arose from the need for an independent valuation of the Fund's loans to Timor Gap E.P., the requirements for Timor Gap's audited financial statements, and the recalculation of investment returns to account for the independent valuation. The Ministry of Finance will work with the BCTL, the valuation firm appointed by the BCTL, and the Fund's external auditor to agree on a process that can avoid future delays.

Lastly, while an investment portfolio of cash, government bonds and listed equities is quite simple relative to our sovereign wealth fund peers, the strategy serves the Petroleum Fund's objectives and is consistent with the guiding investment beliefs and principles. The IAB, PFPMO and the BCTL will continue to work collaboratively on researching and assessing potential improvements to the Fund's investments, in particular the longer-term growth portfolio. The government's withdrawals from the Fund and its expected depletion need to be accounted for, along with the time it takes to implement changes.

# ANNEXES

**Annex I. Statement by Director General of Treasury**



**Petroleum Fund of Timor-Leste**  
**General Information**  
**31 December 2021**

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<b>Minister of Finance</b>	Rui Augusto Gomes
<b>Director General of Treasury</b>	Regina de Jesus de Sousa
<b>Members of Investment Advisory Board</b>	Olgario de Castro Gualdino da Silva Torres Trovik Prof. Michael Drew
<b>Ex Officio (non-voting)</b>	Venancio Alves Maria Regina de Jesus de Sousa (alternate, Ernesto da Conceição Silva)
<b>Governor of Central Bank of Timor-Leste</b>	Abraão de Vasconcelos
<b>Executive Director of the Petroleum Fund</b>	Venancio Alves Maria
<b>Operational Manager</b>	Banco Central de Timor-Leste Avenida Xavier do Amaral, no. 9 Dili Timor-Leste
<b>Investment Managers</b>	Banco Central de Timor-Leste Bank for International Settlements Schroders Investment Management Limited State Street Global Advisors BlackRock Investment Management Australia Limited
<b>Members of Petroleum Fund Consultative Council</b>	Juvinal Dias Nuno Eugénio Goulart Izilda Imanuela da Luz Pereira Soares Martinha da Silva de Jesus Hernani Agostinho Soares Pe. Julio Crispim Ximenes Belo
<b>Custodian</b>	J P Morgan Chase Bank N.A.
<b>Independent Auditor</b>	Ernst & Young

**Petroleum Fund of Timor-Leste**  
**Statement by the Director General of Treasury**  
**31 December 2021**

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## **BACKGROUND**

The Petroleum Fund Law No. 9/2005 promulgated on 3 August 2005, as amended by Law No. 12/2011, of the 28th September 2021 and Law No. 2/2022, of 10th February 2022, established the Petroleum Fund of Timor-Leste (“Petroleum Fund”). The Ministry of Finance is responsible for the overall management of the Petroleum Fund and the Banco Central de Timor-Leste (“BCTL”) is responsible for the operational management. In accordance with a Management Agreement dated 12 October 2005 and amended on 25 June 2009 between the Ministry of Finance and the BCTL, BCTL is also responsible for maintaining the books of account for the Petroleum Fund on behalf of the Director General of Treasury.

## **FINANCIAL STATEMENTS**

In accordance with Article 21 of the Petroleum Fund Law, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The statements are:

- Statement of profit or loss and other comprehensive income,
- Statement of financial position,
- Statement of changes in capital,
- Statement of cash flows, and
- Notes to the financial statements

These financial statements cover the year ended 31 December 2021

The Petroleum Fund’s financial statements are the most complex International Financial Reporting Standards (IFRS) financial statements produced in Timor-Leste. To optimize the readability of the notes to a wide audience, the notes are structured to provide the reader with:

- a general introduction to the subject matter of the note,
- financial tables elaborating on the data in the primary statements,
- a description of the risks, important judgements or key assumptions that have been made in recording and presenting the data, and
- the related accounting policies.

The financial statements have been independently audited by Ernst & Young whose audit opinion is attached to the financial statements.

## **PETROLEUM FUND CAPITAL**

The Petroleum Fund had capital of US\$18.9 billion on 1 January 2021 (2020: US\$17.7 billion). During the year, additional capital received from taxes and other petroleum revenue under Article 6 of the Petroleum Fund were US\$0.7 billion (2020: US\$0.3 billion). Additional capital or fund received from taxes and other petroleum revenue is not subjected to tax and the Fund itself does not have taxes (other than withholding tax) on petroleum revenue. The Petroleum Fund recorded a profit of US\$1.1 billion (2020: US\$1.8 billion) during the period. A summary of transactions for the income is given in the “Statement of profit or loss and other comprehensive income”.

US\$1.1 billion was transferred from the Petroleum Fund to the Consolidated Fund during the year (2020: \$0.9 billion). The capital of Petroleum Fund as at 31 December 2021 was US\$19.6 billion (2020: US\$18.9 billion). A summary of the transactions is given in the “Statement of changes in capital”.

## **BENCHMARKS AND PERFORMANCE**

The Board reviews the investment strategy and asset allocation of the Petroleum Fund regularly, taking into account the expected returns and risk of investments along with the projected cash flows for the Fund, including the Government’s withdrawals. In July 2021, the Petroleum Fund’s financial market investments were segmented into a liquidity portfolio and a growth portfolio in order to account for the expected withdrawals of the Government from the Fund. The liquidity portfolio is intended to finance the next three years of government withdrawals and is invested in cash, short-maturity US Treasury bonds and other short term liquid instruments. The remainder of the Fund is held in the growth portfolio, with an asset allocation of 65% fixed interest securities and 35% global equities. The allocation to private debt – the Investment in Petroleum Operations - is treated separately from financial market investments and is limited to 5% of the total value of the Fund under the Petroleum Fund Law.

The Investment Advisory Board considers this to be an appropriate risk level given the investment horizon of the Petroleum Fund.

**Petroleum Fund of Timor-Leste**  
**Statement by the Director General of Treasury**  
**31 December 2021**

<b>Summary of benchmarks</b>	<b>As at</b> <b>31 December 2021</b>
1. Investment in Petroleum Operations	3.37%
2. Financial Market Investments	96.63%
<b>Total Fund</b>	100%
<b>Financial Market Investments:</b>	
1. Liquidity portfolio	15.05%
2. Growth portfolio	84.95%
<b>Total for Liquidity Portfolio</b>	100.00%
Actual weights as at the end of December 2021 are shown. The benchmark weights for the Financial Market Investment portfolio are based on actual market values at the end of the prior month	
<b>1. Liquidity portfolio</b>	
3 Month US Treasury Bills	48.43%
ICE BOA Merrill Lynch US Government 1-3 Years	51.57%
<b>Total for Liquidity Portfolio</b>	100.00%
Actual weights as at the end of December 2021 are shown. The benchmark weights for the liquidity portfolio are based on actual market values at the end of the prior month	
<b>2. Growth portfolio</b>	
<b>Fixed interest</b>	
ICE BOA Merrill Lynch US Government 3-5 Years	45.00%
ICE BOA Merrill Lynch US Government 5-10 Years	10.00%
Developed Market Sovereigns - Custom	10.00%
<i>Total fixed interest</i>	65.00%
<b>Global equities</b>	
MSCI World	35.00%
<i>Total global equities</i>	35.00%
<b>Total for Growth Portfolio</b>	100%
<b>Alternatives</b>	
Special Private Debt Instrument	NA
<i>Total alternatives</i>	NA
<b>Summary of benchmarks</b>	<b>As at</b> <b>31 December 2020*</b>
<b>Fixed interest</b>	
BOA Merrill Lynch US Government 3-5 Years	40.00%
BOA Merrill Lynch US Government 5-10 Years	10.00%
Developed Market Sovereigns - Custom	10.00%
<i>Total fixed interest</i>	60.00%
<b>Global equities</b>	
MSCI World	35.00%
<i>Total global equities</i>	35.00%
<b>Alternatives</b>	
Special Private Debt Instrument	NA
<i>Total alternatives</i>	NA
<b>Cash</b>	
3 Months US Treasury Bills	5.00%
<i>Total cash</i>	5.00%
<b>Total benchmark</b>	100%

\* The benchmark weights are specified for financial market investments only, that is, cash, global equities and fixed interest. The special private debt instrument is reported separately as Investments in Petroleum Operations.

**Petroleum Fund of Timor-Leste**  
**Statement by the Director General of Treasury**  
**31 December 2021**

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**Performance**

In accordance with the Article 24.1(a) of the Petroleum Fund Law and the provisions of the Management Agreement, the Petroleum Fund assets were invested in mandated instruments during the year. The list of instruments held as at 31 December 2021 is given at Note 24. The credit exposure by credit rating is given at Note 14(b)(iii). The performance of the Petroleum Fund during the period has been in accordance with the mandate of the Management Agreements.

Net profit on financial assets at fair value through the profit or loss has been significant at US\$0.9 billion in 2021 reflecting the performance of global equities during the year. This does not include interest and dividend income from financial assets at fair value through profit or loss. Interest and dividend income from financial assets at fair value through profit or loss is presented separately.

During the period, the Ministry of Finance together with the BCTL have been able to accomplish the stewardship and fiduciary role for the Petroleum Fund.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Petroleum Fund during the year.

**APPROVAL OF FINANCIAL STATEMENTS**

In the Ministry of Finance opinion, there are reasonable grounds to believe that the Petroleum Fund will be able to pay its debts as and when they become due and payable, and the attached financial statements and notes thereto are in accordance with the Petroleum Fund Law No. 9/2005, as amended by Law No. 12/2011 of the 28<sup>th</sup> September 2011 and Law No. 2/2022, of 10<sup>th</sup> February 2022, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Petroleum Fund. The accompanying financial statements for the year ended 31 December 2021 have been approved on behalf of the Ministry of Finance by:



Regina de Jesus de Sousa  
Director General of Treasury  
Ministry of Finance Government of Timor-Leste  
28 December 2022

## **Annex II. Audited Financial Statements**



Ernst & Young  
11 Mounts Bay Rd,  
Perth WA 6000, Australia  
PO Box 7034, Cloisters Square, WA  
6850

Tel: (08) 6225 5150  
ey.com/au

## **Independent auditor's report to The Ministry of Finance, Democratic Republic of Timor-Leste in respect of the Petroleum Fund of Timor-Leste financial report for the year ended 31 December 2021**

### **Opinion**

We have audited the financial report of Petroleum Fund of Timor-Leste (the "Petroleum Fund"), which comprises the statement of financial position as at 31 December 2021, statement of profit or loss and other comprehensive income, statement of changes in capital and statement of cash flows for the year then ended, and notes 1 to 23 to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial report present fairly, in all material respects, the financial position of the Petroleum Fund as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Petroleum Fund in accordance with the ethical requirements of the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Information other than the financial report and auditor's report thereon**

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Statement by the Director General of Treasury and PART VII: Schedule of Financial Assets: 24. Schedule of financial assets valued through profit or loss.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the management and those charged with governance for the financial report**

Banco Central de Timor-Leste, the operational manager ("management") is responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial report that is free from material misstatement, whether due to fraud or error.



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In preparing the financial report, management is responsible for assessing the Petroleum Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Petroleum Fund or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards of Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with International Standards of Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 Petroleum Fund's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Petroleum Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Petroleum Fund to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink, appearing to read 'Ernst &amp; Young', is written over a faint, larger version of the EY logo.

Perth  
28 December 2022

**Petroleum Fund of Timor-Leste**  
**Statement of profit or loss and other comprehensive income**  
**for the year ended 31 December 2021**

	<i>Note</i>	Year ended 31/12/2021 USD	Year ended 31/12/2020 USD
<b>Income</b>			
Interest income	4	154,290,664	209,340,316
Dividend income	5	118,539,323	141,478,920
Trust income	5	4,142,538	5,715,984
Other investment income		24,861	522,619
Net gains on financial assets and liabilities at fair value through profit or loss	6	908,970,358	1,439,734,661
Net foreign exchange (losses)/gains	7	(4,204,872)	1,672,320
<b>Total income</b>		<b>1,181,762,872</b>	<b>1,798,464,820</b>
<b>Expenses</b>			
External management and custody fees	20	(8,139,336)	(8,815,267)
Investment Advisory Board expenses	20	(139,781)	(241,552)
BCTL operational management fees	20	(7,711,743)	(5,972,837)
Other expenses		(966,635)	(1,989,365)
Withholding taxes expenses	9	(20,470,887)	(8,148,176)
<b>Total expenses</b>		<b>(37,428,382)</b>	<b>(25,167,197)</b>
<b>Profit for the year</b>		<b>1,144,334,490</b>	<b>1,773,297,623</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>1,144,334,490</b>	<b>1,773,297,623</b>

The financial statements should be read in conjunction with the accompanying policies and notes.



**Petroleum Fund of Timor-Leste**  
**Statement of financial position**  
**as at 31 December 2021**

	Note	As at 31/12/2021 USD	As at 31/12/2020 USD
<b>Assets</b>			
Cash and cash equivalents	11	961,113,252	1,368,699,037
Other receivables	12	8,898,318	23,374,447
Financial assets at fair value through profit or loss	14	18,665,502,427	17,545,736,873
<b>Total assets</b>		<b>19,635,513,997</b>	<b>18,937,810,357</b>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss	14,15	12,662,346	30,255,631
Accounts payable		1,827,928	2,590,255
<b>Total liabilities</b>		<b>14,490,274</b>	<b>32,845,886</b>
<b>Net assets</b>		<b>19,621,023,723</b>	<b>18,904,964,471</b>
<b>Capital</b>			
Capital		<b>19,621,023,723</b>	<b>18,904,964,471</b>

The financial statements should be read in conjunction with the accompanying policies and notes.

**Petroleum Fund of Timor-Leste**  
**Statement of changes in capital**  
**for the year ended 31 December 2021**

	Note	Year ended 31/12/2021 USD	Year ended 31/12/2020 USD
<b>Capital at the beginning of the year</b>		<b>18,904,964,471</b>	<b>17,691,816,433</b>
Petroleum Fund gross receipts <i>( pursuant to Article 6 of the Petroleum Fund Law)</i>	16	719,597,762	326,150,415
		<b>19,624,562,233</b>	<b>18,017,966,848</b>
Transfers to the Consolidated Fund of Timor- Leste <i>( pursuant to Article 7 of the Petroleum Fund Law)</i>	16	(1,147,873,000)	(886,300,000)
Transfers for refunds of taxation <i>( pursuant to Article 10 of the Petroleum Fund Law)</i>	16	-	-
Total comprehensive income for the year		1,144,334,490	1,773,297,623
<b>Capital at the end of the year</b>		<b>19,621,023,723</b>	<b>18,904,964,471</b>

The financial statements should be read in conjunction with the accompanying policies and notes.

**Petroleum Fund of Timor-Leste**  
**Statement of cash flows**  
**for the year ended 31 December 2021**

	<i>Note</i>	<b>Year ended 31/12/2021 USD</b>	<b>Year ended 31/12/2020 USD</b>
<b>Cash flows from operating activities</b>			
Proceeds from sale and maturities of financial assets at fair value through profit or loss	14	14,496,571,613	17,142,723,753
Purchases of financial assets at fair value through profit or loss	14	(14,695,957,844)	(16,457,932,619)
Interest received		121,490,485	178,982,838
Dividends received		112,025,542	134,005,857
Trust distributions received		4,394,342	5,798,745
External management and custody fees paid		(15,990,860)	(15,029,656)
Other operating receipts		24,863	522,618
Other operating payments		(1,728,961)	(2,710,151)
<b>Net cash flow from operating activities</b>	<b>17</b>	<b>20,829,180</b>	<b>986,361,385</b>
<b>Cash flows from financing activities</b>			
Petroleum Fund gross receipts	16	719,597,762	326,150,415
Transfer payments to the Consolidated Fund of Timor- Leste	16	(1,147,873,000)	(886,300,000)
<b>Net cash flows utilised in financing activities</b>		<b>(428,275,238)</b>	<b>(560,149,585)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(407,446,058)</b>	<b>426,211,800</b>
Cash and cash equivalents at the beginning of the year		1,368,699,037	940,852,534
Effects of foreign currency exchange rate changes on cash and cash equivalents		(139,727)	1,634,703
<b>Cash and cash equivalents at 31 December</b>	<b>11</b>	<b>961,113,252</b>	<b>1,368,699,037</b>

The financial statements should be read in conjunction with the accompanying policies and notes.

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2021**

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**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2021**

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## **PART I: INTRODUCTION**

### **1. Fund information**

The Petroleum Fund of Timor-Leste (“Petroleum Fund”) was established under the provisions of the Petroleum Fund Law No. 9/2005 as amended by Law No. 12/2011 on 28 September 2011 and Law No. 2/2022, of 10<sup>th</sup> February 2022.

The investment strategy and benchmarks of the Petroleum Fund are determined by the Ministry of Finance based on advice from the Investment Advisory Board (IAB).

The Banco Central de Timor-Leste (BCTL) having its office at Avenida Xavier do Amaral, no. 9, Dili, Timor-Leste, is responsible for the operational management of the Petroleum Fund and is the registered owner of all the assets of the Petroleum Fund. The management of the Petroleum Fund is undertaken according to a Management Agreement between the Ministry of Finance and the BCTL.

The Petroleum Fund’s objective is to meet benchmark returns on its capital within the risk limit provided in mandates and within the limits established in Articles 14 and 15 of the Petroleum Fund Law relating to Investment Policy and Investment Rules.

The Petroleum Fund’s investment portfolio of assets at fair value through profit or loss, assets at amortised costs and cash and cash equivalents complied with the legislative and contractual requirements throughout the period.

These financial statements were authorized for issue by the Director General of Treasury on 28 December 2022.

### **2. Statement of compliance with IFRS**

In accordance with Article 21 of the Petroleum Fund Law, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Petroleum Fund has adopted all of the IFRS standards and amendments that were applicable during the year.

Information about the impact of new and forthcoming IFRS on these financial statements is provided in Note 22.

### **3. Basis of preparation**

Items included in the Petroleum Fund's financial statements are measured and presented in United States dollars, being the functional and official currency of the Democratic Republic of Timor-Leste.

The financial statements are prepared on the historical cost basis, except for certain financial investments that are measured at fair value through profit or loss, as explained in the accounting policies described herein.

The accounting policies have been consistently applied by the Petroleum Fund.

#### **Estimates and judgements**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values and assets and liabilities that are not readily apparent from other sources. Estimates use observable data to the extent practicable. However, areas such as potential market changes, credit risk, volatilities and correlations require management to make estimates that could affect the reported fair value of financial instruments. Actual results may therefore vary from these estimates. This process involves a high degree of judgement or complexity.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision, and future periods if the revision affects both current and future periods.

Assumptions and estimates that are significant to the financial statements are disclosed in the relevant notes, as are the judgements made by management which have a significant effect on the amounts recognized in the financial statements.

## **PART II: NOTES TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

The statement of profit or loss and other comprehensive income, also known as the profit & loss account, is a report of income, expenses and the resulting profit or loss earned by the Petroleum Fund during the period from 1 January to 31 December each year.

The concept of income encompasses both revenue and gains. Revenue arises in the course of the normal activities of the Petroleum Fund and is referred to by a variety of names, including interest and dividends. Gains represent increases in economic benefits and include both realized and unrealized gains, including the revaluation of marketable securities and foreign exchange.

The concept of expenses encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Petroleum Fund. Other comprehensive income includes items of income or expense (including reclassification adjustments) that are not recognized in profit or loss as required or permitted by IFRS.

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2021**

**4. Interest income**

Interest income is derived from the Petroleum Fund's investments in fixed interest securities, cash balances and short-term cash investments.

	<b>Year ended</b> <b>31/12/2021</b>	<b>Year ended</b> <b>31/12/2020</b>
	<b>USD</b>	<b>USD</b>
Interest from Fixed interest securities at fair value through profit or loss	154,290,664	206,520,400
Interest from cash and cash equivalents	-	2,819,916
	<b>154,290,664</b>	<b>209,340,316</b>

**Accounting policy**

Interest income from fixed interest securities at fair value through profit loss is accrued based on contractual coupon rates. It is recognized in the statement of profit or loss and other comprehensive income and shown separately from other fair value movements.

**5. Dividends and trust income**

Dividends received are distributions from the Petroleum Fund's holding of equities and represent the Petroleum Fund's share of profits paid out to shareholders. Trust income is similar to dividends but is derived from the Petroleum Fund's investments in real estate entities that are incorporated as Real Estate Investment Trusts

	<b>Year ended</b> <b>31/12/2021</b>	<b>Year ended</b> <b>31/12/2020</b>
	<b>USD</b>	<b>USD</b>
Dividend income	118,539,323	141,478,920
Trust income	4,142,538	5,715,984
	<b>122,681,861</b>	<b>147,194,904</b>

**Accounting policy**

Dividend income from investments and unit trust distribution income are recognized when the shareholder's right to receive payment has been established. Dividend income and unit trust distributions are presented gross of any non-recoverable withholding taxes and are disclosed separately in the statement of profit or loss and other comprehensive income.

**6. Gain or loss on financial assets and liabilities at fair value through profit or loss**

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as 'at fair value through profit or loss' and excludes interest and dividend income and expenses. These changes arise from changes in the market value of the financial investments (or liabilities) held by the Petroleum Fund.

	<b>Year ended</b> <b>31/12/2021</b>	<b>Year ended</b> <b>31/12/2020</b>
	<b>USD</b>	<b>USD</b>
Net gains on financial assets and liabilities at fair value through profit or loss	908,970,358	1,439,734,661

**Accounting policy, estimates, assumptions, judgements and risks**

See Note 14 which sets out information that relates to this item:

- details of the accounting policies relating to financial assets and liabilities designated as 'at fair value through profit or loss',
- the significant judgements and estimates that have been made and may be material in determining the reported gain or loss on financial assets and liabilities,
- the risks associated with holding financial assets and liabilities that may impact on the reported profit or loss, and an analysis of the sensitivity to changes in future market conditions that may give rise to gains or losses on financial assets and liabilities.

**7. Foreign exchange gain**

Foreign exchange gains and losses arise when the Petroleum Fund invests in assets (except for those arising on financial instruments measured at fair value through profit or loss in accordance with IFRS 9) denominated in a currency other than the US dollar (the Petroleum Fund's functional currency). When the US dollar strengthens relative to another currency in which the Petroleum Fund holds assets, the Petroleum Fund will report a foreign exchange loss. Conversely, if the Petroleum Fund holds an asset denominated in a currency other than US dollars, and that currency strengthens, the Petroleum Fund will report a foreign exchange gain.

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2021**

**7. Foreign exchange gain (continued)**

**Accounting policy**

Foreign exchange gains and losses on financial instruments measured at fair value through profit or loss – namely, the Fund’s investments in equities and fixed interest - are included in the gain or loss on those instruments reported in Note 6. Other foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year end exchange rates of monetary and other financial assets and liabilities denominated in foreign currencies are disclosed in the statement of profit or loss separately below.

	<b>Year ended</b> <b>31/12/2021</b>	<b>Year ended</b> <b>31/12/2020</b>
	<b>USD</b>	<b>USD</b>
Net foreign exchange (losses)/gains	(4,204,872)	1,672,320

**8. Expenses**

In accordance with the provisions of the Petroleum Fund Law, all expenses of the Petroleum Fund other than the external audit fee (which is met from the state budget), not relating to the purchase or sale of securities and recognized in the sale or purchase price, are met by the BCTL and are covered by a management fee. This management fee is legally a deduction from the gross receipts of the Petroleum Fund (Art 6.3 of Petroleum Fund Law), although it is recognized as an expense in the statement of profit or loss and other comprehensive income.

Expenses which are incidental to the acquisition of an investment at amortised cost are included in the cost of that investment while transactions costs of an investment at fair value through profit or loss that are directly attributable to the acquisition of the financial asset or financial liability are expensed off.

Expenses that are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

**9. Taxation**

The Petroleum Fund is exempt from all forms of taxation in Timor-Leste under Timor-Leste law. Therefore, the Petroleum Fund has a statutory tax rate of 0%.

Investment income and capital gains are subject to withholding tax in certain foreign jurisdictions and are the only items subject to taxation.

In the current year tax has been withheld from foreign dividend, unit trust income and interest received according to the applicable laws. Relief from withholding tax is available on application in some of these jurisdictions.

**Accounting policy**

Income of the Petroleum Fund earned in foreign jurisdictions subject to withholding taxes levied in those jurisdictions is recorded gross of withholding taxes in the statement of profit or loss and other comprehensive income. Withholding taxes, to the extent that they are not recoverable, are shown as a separate line item in the statement of profit or loss and other comprehensive income.

**Critical accounting estimates, assumptions and judgements**

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on income derived in foreign jurisdictions and the recoverability of amounts withheld. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. The Petroleum Fund establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it invests. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective investment's domicile. As the Petroleum Fund assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2021**

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## **PART III: NOTES TO THE STATEMENT OF FINANCIAL POSITION**

The statement of financial position, also known as the balance sheet, presents the financial position of the Petroleum Fund as at the end of its financial year, 31 December. The statement of financial position comprises three main components: assets, liabilities and capital.

An asset is something that the Petroleum Fund owns or controls in order to get economic benefits from its use. The main assets of the Petroleum Fund are cash, fixed interest (bonds) and equities (shares).

A liability is an obligation that the Petroleum Fund owes to another party which in normal circumstances is settled in cash or other financial resources.

The capital is the net wealth of the Petroleum Fund that belongs to its ultimate owner, the Democratic Republic of Timor-Leste.

The statement of financial position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items.

### **10. Risk management**

The Petroleum Fund's overall risk management programme seeks to maximize the returns derived for the level of risk to which the Petroleum Fund is exposed and seeks to minimize potential adverse effects on the Petroleum Fund's performance. Specific risks are managed as follows:

#### **10.1. Financial risk**

The Petroleum Fund's activities expose it to a variety of financial risks, being market risk (including equity price risk, interest rate risk and currency risk), credit risk and liquidity risk.

The financial risks associated with the Petroleum Fund are monitored by the Risk Management Division of the Petroleum Fund Management Department at the BCTL which prepares daily management reports for senior management and quarterly reports for the Ministry of Finance. The Petroleum Fund is subject to periodic audit by the Internal Audit Office of the BCTL which has operational independence from the management of the Petroleum Fund. The Internal Audit Office provides formal monthly reports to the Governor and half yearly reports to the Governing Board of the BCTL.

#### **10.2. Market risk**

Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices, will reduce the Petroleum Fund's income or the value of its portfolios.

The objective of managing this risk is to manage and control market exposures, including for example the use of conservative benchmarks and tracking error in manager mandates, in order to optimize return on risk while ensuring solvency.

#### **10.3. Credit risk**

Credit risk is the risk that the issuer of a debt instrument is not able to repay the principal and/or interest on the due dates.

The Petroleum Fund manages the credit risk associated with private debt instruments by requiring issuers to comply with covenants, including amongst other things requirements for the issuer to provide regular financial and cash flow statements, and to maintain accumulated cash flow projections well in excess of outstanding repayments of principal and interest.

#### **10.4. Liquidity risk**

Liquidity risk is the risk that the Petroleum Fund may not be able to generate sufficient cash resources to settle its obligations which would primarily be to fund the State budget account, in full, or can only do so on terms that are materially disadvantageous.

To manage this risk, the Ministry of Finance has agreed in the Management Agreement to provide the Central Bank with a forecast of the future cash requirements of the government, including the projected timings and amounts to be transferred from the Petroleum Fund.

Liabilities at the year-end were US\$14.4 million (2020: US\$32.8 million) and consists of derivative liabilities, payables for securities purchased but not settled at the year end and management fees payable. These are expected to be settled within 30 days of the year end but are not considered to create a liquidity risk for the Petroleum Fund due to available cash which is sufficient to cover these liabilities. The Central Bank monitors the Petroleum Fund's liquidity position on a daily basis. Where there are potential shortfalls, financial assets will be sold to meet anticipated shortfall. The Petroleum Fund invests primarily in marketable securities and other financial instruments which, under normal market conditions, are readily convertible to cash.



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**11. Cash and cash equivalents**

The Petroleum Fund has a number of bank accounts in which it holds cash. Surplus cash is invested in overnight markets with banks or through reverse repurchase agreements which may be thought of as secured overnight deposits.

	As at 31/12/2021	As at 31/12/2020
	USD	USD
Cash at bank	250,213,252	208,099,037
Overnight reverse repurchase agreements	710,900,000	1,160,600,000
	<b>961,113,252</b>	<b>1,368,699,037</b>

**Accounting policy**

Cash comprises current deposits with banks which have maturities of less than 90 days. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

Securities purchased under agreements to resell (reverse repurchase agreements) with a maturity period of greater than one financial day are reported not as purchases of securities but as receivables and are carried in the statement of financial position at amortized cost.

Interest earned on reverse repurchase agreements is recognized as interest income over the life of each agreement using the effective interest method.

**Risks**

Cash and cash equivalents are not subject to significant interest rate risk. Credit risk is managed by holding cash at financial institutions with a high reputation – the Federal Reserve Bank of New York with a Standard & Poor’s rating of AA+ (very strong capacity to meet its financial commitments), JPMorgan Chase Bank N.V. with a Standard & Poor’s short term issuer rating of A-2 (susceptible to adverse economic conditions however the obligor’s capacity to meet its financial commitment on the obligation is satisfactory) and Bank for International Settlements.

**12. Other receivables**

Other receivables are financial assets that are classified as loans and receivables including cash balances due from financial intermediaries from the sale of securities, receivables from reverse repurchase agreements with a maturity of more than one business day and other short term loans and receivables including accruals for investment income receivables.

	As at 31/12/2021	As at 31/12/2020
	USD	USD
Dividends receivables	3,608,173	5,195,775
Withholding tax receivables	4,721,227	17,247,476
Trust distributions receivables	419,168	788,391
Due from brokers receivables	451	-
Interest receivables	149,289	142,795
Other receivables	10	10
	<b>8,898,318</b>	<b>23,374,447</b>

**Accounting policy**

Loans and receivables (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue and subsequently measured at amortized cost.

*Impairment of financial assets*

The Petroleum Fund monitors all financial assets that are subject to the IFRS impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Petroleum Fund will measure the loss allowance based on lifetime rather than 12 month ECL. The Petroleum Fund’s accounting policy is not to use the practical expedient that financial assets with ‘low’ credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Petroleum Fund monitors all financial assets that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Petroleum Fund compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Petroleum Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

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**12. Other receivables (continued)**

At 31 December 2021 and 31 December 2020, all other receivables, amounts due from brokers, cash and short term deposits are held with counterparties with a credit rating of AA/Aa or higher and are due to be settled within 1 week. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Fund.

**Risks**

Receivables, other than recoverable withholding taxes, are subject to minimal risk and are generally paid within a short timeframe in the normal course of business.

The recovery of withholding tax receivables is dependent on processing and approval by the relevant tax authorities.

**13. Investment in private debt instruments**

In 2019, the Petroleum Fund purchased certain private debt instruments issued by subsidiaries of Timor Gap E.P. in relation to the purchase in April 2019 of participating interests and rights in the Greater Sunrise oil and gas field by the Democratic Republic of Timor-Leste.

The debt instruments carry a coupon rate of 4.5% and are repayable over a period of 18 years with a repayment grace period of 8 years.

**Accounting policy**

At 31 December 2021, the Petroleum Fund, in consultation with a third party valuer has estimated the fair value of the investment in the private debt instruments to be \$701,353,365 (2020: \$615,700,000) using a discounted cash flow model based on the contractual cashflows under the debt instruments and an implied market interest rate of 4.87% (2020: 5.7%). The implied interest rate was estimated using comparable curves adjusted for differences in the instrument's terms. If the discount rate increased/decreased by 1%, the fair value of the investment would decrease and increase by \$66.1 million and \$74.2 million respectively.

The movement in the fair value for the year ended 31 December 2020 and 31 December 2021 is summarised in the table below:

	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>USD</b>	<b>USD</b>
Balance at beginning of the year	615,700,000	671,313,500
Interest income	29,737,500	30,036,500
Fair value gain/ (loss)	55,915,865	(85,650,000)
	<b>701,353,365</b>	<b>615,700,000</b>

**Risks**

The private debt instruments owned by the Petroleum Fund have been issued by subsidiaries of Timor Gap Lda on the assumption that the cash flows from their investments in the Greater Sunrise oil and gas field will exceed the cost of the rights purchased and subsequent development costs. There are risks that:

- the cash flows from Timor Gap's share of oil and gas revenues may not be large enough to meet the contractual repayments of principal and/or interest; or
- the anticipated cash flows from oil and gas revenues may not materialize within the time frame assumed by the grace period; or
- other events may occur that impact the ability of the issuers to make the agreed repayments at the agreed times.

The Petroleum Fund has established procedures for regular reviews of the issuers' financial forecasts, covenants and other information that collectively provide an "early warning system" that the probability of one or more of these risks materializing may have increased.

The Timor Gap private debt instruments are denominated in US dollars. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk because the investments will be held to maturity.

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**14. Financial assets and financial liabilities at fair value through profit or loss**

The Petroleum Fund invests in a range of financial instruments in order to generate income. The investments include equities (shares) and fixed interest (bonds) and a limited number of derivative instruments.

Typically, derivative contracts serve as components of the Petroleum Fund's investment strategy and are utilized primarily to structure and hedge investments, to enhance performance and reduce risk to the Petroleum Fund (the Petroleum Fund does not designate any derivative as a hedging instrument for hedge accounting purposes).

The Petroleum Fund uses derivative financial instruments to economically hedge its risks associated with foreign currency fluctuations. Additionally, derivative financial instruments may also be used for trading purposes where the investment manager believes this would be more efficient than investing directly in the underlying financial instruments. Derivatives often reflect, at their inception, only a mutual exchange of promises with little or no transfer of tangible consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the underlying of a derivative contract may have a significant impact on the profit or loss of the Petroleum Fund. Over the counter ("OTC") derivatives may expose the Petroleum Fund to the risks associated with the absence of an exchange market on which to close out an open position. Investment managers are instructed to closely monitor the Petroleum Fund's exposure under derivative contracts as part of the overall management of the Petroleum Fund's market risk.

**Petroleum Fund of Timor-Leste**  
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**14. Financial assets and financial liabilities at fair value through profit or loss (continued)**

The Minister of Finance has approved the use of equity index futures, bond and interest rate futures and currency forward contracts under Annex 1, Amendment Number 9, 19 May 2017 of the Management Agreement between the Minister and the BCTL.

A summary of financial assets held at financial position date is as follows:

	As at 31/12/2021		As at 31/12/2020	
	USD	% of investment/ asset allocation	USD	% of investment/ asset allocation
<b>Designated as at fair value through profit or loss</b>	<b>Fair value</b>		<b>Fair value</b>	
<b>Fixed interest securities</b>				
United States treasury notes	10,565,876,678	57	8,821,243,469	50
Australian government bonds	144,806,027	1	174,392,524	1
Japanese government bonds	134,791,975	1	156,225,246	1
United Kingdom government bonds	144,411,474	1	168,103,912	1
European government bonds	417,926,338	2	839,267,738	5
Investment in private debt instruments (note 13)	701,353,365	3	615,700,000	4
Other government bonds	575,278,935	3	335,039,985	2
<b>Total fixed interest securities</b>	<b>12,684,444,792</b>	<b>68</b>	<b>11,109,972,874</b>	<b>63</b>
<b>Equity securities</b>				
United State equities	3,970,520,486	21	4,159,886,734	24
Australian equities	131,898,798	1	235,530,183	1
Japanese equities	366,834,625	2	488,471,018	3
United Kingdom equities	251,563,125	1	288,536,431	2
European equities	524,088,008	3	959,240,798	6
Equities from other countries	582,969,225	3	301,031,908	2
<b>Total equity securities</b>	<b>5,827,874,267</b>	<b>31</b>	<b>6,432,697,072</b>	<b>37</b>
<b>Money market securities</b>				
United States treasury bills	149,993,280	1	-	-
European treasury bills	-	-	3,066,927	-
<b>Total money market securities</b>	<b>149,993,280</b>	<b>1</b>	<b>3,066,927</b>	<b>-</b>
<b>Derivatives</b>				
United States equity futures	761,230	-	-	-
Foreign currency forward contracts	2,428,858	-	-	-
<b>Total derivatives</b>	<b>3,190,088</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>18,665,502,427</b>	<b>100</b>	<b>17,545,736,873</b>	<b>100</b>
<b>Financial liabilities - at fair value through profit or loss</b>				
<b>Derivatives</b>				
Foreign currency forward contracts	12,662,346	100	30,255,631	100
<b>Total derivatives</b>	<b>12,662,346</b>	<b>100</b>	<b>30,255,631</b>	<b>100</b>
<b>Total financial liabilities at fair value through profit or loss</b>	<b>12,662,346</b>	<b>100</b>	<b>30,255,631</b>	<b>100</b>

**Petroleum Fund of Timor-Leste**  
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**14. Financial assets and financial liabilities at fair value through profit or loss (continued)**

Transactions in financial assets which arise either from the investment of new funds, the periodic rebalancing of the investment portfolio or sales to generate cash for budgetary transfers, are summarized as follows:

	<b>As at 31/12/2021 USD</b>	<b>As at 31/12/2020 USD</b>
<b>Financial assets and financial liabilities at fair value through profit or loss</b>		
<b>Opening fair value</b>	17,545,736,873	16,736,215,572
Purchases at cost	14,684,629,636	16,457,932,619
Proceeds from sales	(14,482,693,835)	(17,142,723,753)
Net gains on financial assets/ financial liabilities at fair value through profit or loss	917,829,753	1,494,312,435
<b>Closing fair value</b>	<b>18,665,502,427</b>	<b>17,545,736,873</b>

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 (see accounting policies below for definitions of the levels) based on the degree to which the fair value is observable.

	As at 31/12/2021 USD			
	Quoted market price (Level 1)	Valuation technique: market observable inputs (Level 2)	Valuation technique: non- market observable inputs (Level 3)	
<b>Financial assets</b>				
Financial instruments designated at fair value through profit or loss				
Equity securities	5,827,874,267	-	-	5,827,874,267
Money market securities	149,993,280	-	-	149,993,280
Fixed interest securities	11,983,091,427	-	701,353,365	12,684,444,792
Derivatives	761,230	2,428,858	-	3,190,088
<b>Total</b>	<b>17,961,720,204</b>	<b>2,428,858</b>	<b>701,353,365</b>	<b>18,665,502,427</b>
<b>Financial liabilities</b>				
Financial instruments designated at fair value through profit or loss				
Derivatives	-	(12,662,346)	-	(12,662,346)
<b>Total</b>	<b>-</b>	<b>(12,662,346)</b>	<b>-</b>	<b>(12,662,346)</b>

	As at 31/12/2020 USD			
	Quoted market price (Level 1)	Valuation technique: market observable inputs (Level 2)	Valuation technique: non- market observable inputs (Level 3)	
<b>Financial assets</b>				
Financial instruments designated at fair value through profit or loss				
Equity securities	6,432,697,072	-	-	6,432,697,072
Money market securities	3,066,927	-	-	3,066,927
Fixed interest securities	10,494,272,874	-	615,700,000	11,109,972,874
<b>Total</b>	<b>16,930,036,873</b>	<b>-</b>	<b>615,700,000</b>	<b>17,545,736,873</b>
<b>Financial liabilities</b>				
Financial instruments designated at fair value through profit or loss				
Derivatives	-	(30,255,631)	-	(30,255,631)
<b>Total</b>	<b>-</b>	<b>(30,255,631)</b>	<b>-</b>	<b>(30,255,631)</b>

There were no transfers between levels for the year ended 31 December 2021 (2020: nil).

There were no movements in all levels of instruments for the year ended 31 December 2021 (2020: nil).

A detailed schedule of financial assets at fair value through profit or loss is at Note 24.

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**14. Financial assets and financial liabilities at fair value through profit or loss (continued)**

The following table sets out the fair values and notional amounts of derivative assets and liabilities held by the Petroleum Fund as at the reporting date.

Derivative financial instruments	As at 31/12/2021		As at 31/12/2020	
	Fair value	Notional value	Fair value	Notional value
	USD	USD	USD	USD
Equity futures	761,230	53,506,780	-	-
Foreign currency forward contracts	(10,233,488)	1,437,476,723	(30,255,631)	1,672,444,286
<b>Total</b>	<b>(9,472,258)</b>	<b>1,490,983,503</b>	<b>(30,255,631)</b>	<b>1,672,444,286</b>

**Accounting policies**

*Recognition*

The Petroleum Fund recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

As the Petroleum Fund's publicly traded financial assets are held within a business model whose objective is not to hold financial assets in order to collect contractual cash flows; or is achieved by both collecting contractual cash flows and selling the financial assets, all publicly traded financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Petroleum Fund commits to purchase or sell the asset.

*Financial assets and liabilities (initial measurement)*

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognized directly in profit or loss.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself classified as held for trading or designated as at fair value through profit or loss. Embedded derivatives separated from the host are carried at fair value with changes in fair value recognized in profit or loss.

*Subsequent measurement*

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments is based on their quoted market prices at the statement of financial position date without any deduction for estimated future selling costs. Financial assets held or a liability to be issued are priced at current bid prices, while financial liabilities held and assets to be acquired are priced at current asking prices.

All changes to fair value, other than interest or dividend income, are recognized in the profit or loss as part of net gain from financial assets or liabilities at fair value through profit or loss. Interest and dividend income is presented separately from other fair value movements in the statement of profit or loss.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

- Either the rights to receive cash flows from the asset have expired, or the Petroleum Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement, and
- Either (a) the Petroleum Fund has transferred substantially all the risks and rewards of the asset or (b) the Petroleum Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Petroleum Fund has transferred its rights to receive cash flows from an asset (or has entered into a pass through arrangement) and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Petroleum Fund's continuing involvement in the asset. In that case, the Petroleum Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Petroleum Fund has retained.

The Petroleum Fund derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

**Petroleum Fund of Timor-Leste**  
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**14. Financial assets and financial liabilities at fair value through profit or loss (continued)**

*Offsetting*

The Petroleum Fund offsets financial assets and financial liabilities if the Petroleum Fund has a legally enforceable right to set off the recognized amounts and interests and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS.

**Critical accounting estimates**

The manner in which assets are valued can have a material effect on the financial position and profit of the Petroleum Fund. In order to assess the reliability and objectivity of the valuation process, the Petroleum Fund categorizes the method of valuation into three levels, as follows: Level 1 (Quoted market price) fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities. The Petroleum Fund does not adjust the quoted prices for these instruments.

Level 2 (Valuation technique: market observable inputs) fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). As level 2 investments include positions that are not traded in active markets and/or subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non transferability which are generally based on available market information. Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The level 2 instruments include over-the-counter derivatives.

Level 3 (Valuation technique: non market observable inputs) fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Risks**

*(a) Market risk*

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Petroleum Fund's income or fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The maximum risk resulting from financial instruments equals their fair value.

The Petroleum Fund's strategy for the management of market risks is driven by the Petroleum Fund's investment objectives, including diversification of its investment portfolio, by specifying benchmarks in individual investment mandates with risk limits defined by maximum or target tracking errors.

The Petroleum Fund's market risk is thus managed on a regular basis by the investment managers in accordance with these investment mandates.

*(i) Equity price risk*

Equity price risk is the risk of unfavorable changes in the fair values of equities or equity linked derivatives as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Petroleum Fund's investments in equity securities and from equity linked derivatives. The Petroleum Fund manages this risk by investing in a variety of stock exchanges and by limiting exposure to any one company or issuing entity, excluding sovereign states, to 3% of net assets (consistent with Article 15.5a of the Petroleum Fund Law). The Petroleum Fund Law limits equity investments to no more than 5% of the share capital of a particular issuer (consistent with Article 15.3b of the Petroleum Fund Law).

Management's best estimate of the effect on the profit or loss for a year due to a reasonably possible change in equity indices, with all other variables held constant is indicated in the table below. There is no effect on 'other comprehensive income' as the Petroleum Fund has no assets classified as 'Financial assets at fair value through other comprehensive income' or designated hedging instruments. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in each of the indices shown below would have resulted in an equivalent impact.

The Petroleum Fund manages its exposure to equity price risk by analyzing the portfolio by industrial sector and country each month and benchmarking the performance of each sector/country to the MSCI World Index by considering the performance of the Petroleum Fund attributable to stock allocation, security selection and the interaction effect.

The following table summarizes the sensitivity of the Petroleum Fund's operating profit and net assets to price risk. The analysis is based on reasonably possible movements in the benchmark with all other variables held constant and the fair value of the Petroleum Fund's portfolio moving according to the movement in the benchmark. The reasonably possible movements in the risk variables have been determined based on the investment managers' best estimates having regard to a number of factors including historical levels of changes in market index, security prices and/or benchmark returns and interest rates. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities to which the variable is exposed. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables. The table below shows the impact on operating profit/net assets resulting from a 10% change in the price of equities.

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**14. Financial assets and financial liabilities at fair value through profit or loss (continued)**

	<b>Price risk</b>	
	<b>Impact on profit/(loss) for the year/Net assets</b>	
	<b>(-10.00%)</b>	<b>(+10.00%)</b>
<b>31 December 2021</b>	<b>(582,787,427)</b>	<b>582,787,427</b>
31 December 2020	(643,269,707)	643,269,707

The Petroleum Fund has determined that a fluctuation in equity prices of 10% is reasonably possible within a one year period based on historical movements in global equity markets.

(ii) *Interest rate risk*

Interest rate risk arises from the possibility that an investment's fair value or associated future cash flows will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.

The majority of interest rate exposure arises on investments in Fixed interest securities in the United States of America and, to a lesser extent, the rest of the developed world. Most of the Petroleum Fund's investments in Fixed interest securities carry fixed interest rates and mature within ten years.

The Petroleum Fund manages this risk by investing according to benchmarks with specified duration targets and/or tracking error limits. The assets and the Petroleum Fund will re-price or mature within the following periods:

		<i>As at 31/12/2021</i>						
		USD						
FINANCIAL ASSETS	Statement of financial position	Non- interest sensitive	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years
Cash and cash equivalents	961,113,252	-	961,113,252	-	-	-	-	-
Other receivables	8,898,318	8,898,318	-	-	-	-	-	-
Financial assets at fair value through profit or loss	18,665,502,427	5,831,064,355	167,507,364	721,154,710	1,094,037,380	7,614,380,765	2,015,234,175	1,222,123,678
<b>Total assets</b>	<b>19,635,513,997</b>	<b>5,839,962,673</b>	<b>1,128,620,616</b>	<b>721,154,710</b>	<b>1,094,037,380</b>	<b>7,614,380,765</b>	<b>2,015,234,175</b>	<b>1,222,123,678</b>
<b>FINANCIAL LIABILITIES</b>								
Payables	1,827,928	1,827,928	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	12,662,346	12,662,346	-	-	-	-	-	-
<b>Total liabilities</b>	<b>14,490,274</b>	<b>14,490,274</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
		<i>As at 31/12/2020</i>						
		USD						
FINANCIAL ASSETS	Statement of financial position	Non- interest sensitive	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years
Cash and cash equivalents	1,368,699,037	-	1,368,699,037	-	-	-	-	-
Other receivables	23,374,447	23,374,447	-	-	-	-	-	-
Financial assets at fair value through profit or loss	17,545,736,873	6,432,697,071	20,539,265	40,384,436	86,095,946	7,451,449,507	2,349,684,342	1,164,886,306
<b>Total assets</b>	<b>18,937,810,357</b>	<b>6,456,071,518</b>	<b>1,389,238,302</b>	<b>40,384,436</b>	<b>86,095,946</b>	<b>7,451,449,507</b>	<b>2,349,684,342</b>	<b>1,164,886,306</b>
<b>FINANCIAL LIABILITIES</b>								
Payables	2,590,255	2,590,255	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	30,255,631	30,255,631	-	-	-	-	-	-
<b>Total liabilities</b>	<b>32,845,886</b>	<b>32,845,886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The following table summarizes the sensitivity of the Petroleum Fund's operating profit and net assets attributable to interest rate risk. The analysis is based on reasonably possible movements in the benchmark with all other variables held constant and the fair value of the Petroleum Fund's portfolio moving according to the movement in the benchmark. The reasonably possible movements in the risk variables have been determined based on the investment managers' best estimates, having regard to a number of factors, including historical levels of interest rates. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities to which the variable is exposed. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.



**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2021**

**14. Financial assets and financial liabilities at fair value through profit or loss (continued)**

	<b>Interest rate risk</b>	
	<b>Impact on profit/ (loss) for the year/ Net assets</b>	
	(- 1.00%)	(+ 1.00%)
<b>31 December 2021</b>	<b>799,782,343</b>	<b>(799,782,343)</b>
31 December 2020	609,160,412	(609,160,412)

The Petroleum Fund has determined that a fluctuation in interest rates of +1% / 1% is reasonably possible within a given one year time period, given the economic environment in which the Petroleum Fund operates.

In determining the impact of an increase/decrease in net assets arising from market risk, management of the Petroleum Fund has considered prior period and expected future movements of the portfolio based on market information.

*(iii) Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Petroleum Fund invests in fixed income and equity securities that are denominated in currencies other than the United States dollar. Accordingly, the Petroleum Fund's assets may be affected favorably or unfavorably by fluctuations in currency rates. Therefore, the Petroleum Fund is necessarily subject to foreign exchange risks. The Petroleum Fund's assets are 91% (2020: 88%) in US dollars after accounting for currency hedging, therefore exposure to currency movements are limited.

The assets of the Petroleum Fund to which the Petroleum Fund had significant currency exposure at financial position date, reported in United States dollar equivalents, are set out in the following table:

<i>As at 31/12/2021</i>							
USD							
	USD	EUR	AUD	GBP	JPY	Other Currencies	Total
Cash and Cash Equivalents	941,442,233	1,078,696	1,937,634	2,020,017	4,638,747	9,995,925	961,113,252
Equity securities	3,970,520,476	524,088,012	131,898,800	251,563,124	366,834,627	582,969,228	5,827,874,267
Money market securities	149,993,280	-	-	-	-	-	149,993,280
Fixed interest securities at FVTPL	11,267,230,043	417,926,341	144,806,027	144,411,473	134,791,976	575,278,932	12,684,444,792
Receivables	2,907,194	331,350	157,701	573,401	420,042	4,508,630	8,898,318
Payables	(1,827,928)	-	-	-	-	-	(1,827,928)
<b>Total physical exposure</b>	<b>16,330,265,298</b>	<b>943,424,399</b>	<b>278,800,162</b>	<b>398,568,015</b>	<b>506,685,392</b>	<b>5</b>	<b>19,630,495,981</b>
Futures	761,230	-	-	-	-	-	761,230
Forward exchange contracts							-
- buy foreign currency	-	(424,866,193)	(145,846,631)	(161,026,639)	(139,065,672)	(576,905,076)	(1,447,710,211)
- sell foreign currency	1,437,476,723	-	-	-	-	-	1,437,476,723
<b>Total derivative exposure</b>	<b>1,438,237,953</b>	<b>(424,866,193)</b>	<b>(145,846,631)</b>	<b>(161,026,639)</b>	<b>(139,065,672)</b>	<b>(576,905,076)</b>	<b>(9,472,258)</b>
<b>Total net exposure</b>	<b>17,768,503,251</b>	<b>518,558,206</b>	<b>132,953,531</b>	<b>237,541,376</b>	<b>367,619,720</b>	<b>595,847,639</b>	<b>19,621,023,723</b>
<b>Exposure (% of net assets)</b>	<b>90.57%</b>	<b>2.64%</b>	<b>0.68%</b>	<b>1.21%</b>	<b>1.87%</b>	<b>3.03%</b>	<b>100%</b>

<i>As at 31/12/2020</i>							
USD							
	USD	EUR	AUD	GBP	JPY	Other Currencies	Total
Cash and Cash Equivalents	1,345,879,154	8,823,087	1,029,398	1,433,987	4,357,310	7,176,101	1,368,699,037
Equity securities	4,159,886,732	625,778,239	235,530,183	288,536,431	488,471,018	634,494,469	6,432,697,072
Money market securities	-	3,066,927	-	-	-	-	3,066,927
Fixed interest securities at FVTPL	9,436,943,469	487,215,772	174,392,524	168,103,912	156,225,246	687,091,951	11,109,972,874
Receivables	3,701,996	2,379,796	313,799	1,035,591	1,085,418	14,857,847	23,374,447
Payables	(2,590,255)	-	-	-	-	-	(2,590,255)
<b>Total physical exposure</b>	<b>14,943,821,096</b>	<b>1,127,263,821</b>	<b>411,265,904</b>	<b>459,109,921</b>	<b>650,138,992</b>	<b>8</b>	<b>18,935,220,102</b>
Forward exchange contracts							-
- buy foreign currency	1,672,444,286	-	-	-	-	-	1,672,444,286
- sell foreign currency	-	(495,655,300)	(176,033,026)	(184,225,181)	(156,134,705)	(690,651,705)	(1,702,699,917)
<b>Total derivative exposure</b>	<b>1,672,444,286</b>	<b>(495,655,300)</b>	<b>(176,033,026)</b>	<b>(184,225,181)</b>	<b>(156,134,705)</b>	<b>(690,651,705)</b>	<b>(30,255,631)</b>
<b>Total net exposure</b>	<b>16,616,265,382</b>	<b>631,608,521</b>	<b>235,232,878</b>	<b>274,884,740</b>	<b>494,004,287</b>	<b>652,968,663</b>	<b>18,904,964,471</b>
<b>Exposure (% of net assets)</b>	<b>87.89%</b>	<b>3.34%</b>	<b>1.24%</b>	<b>1.46%</b>	<b>2.62%</b>	<b>3.45%</b>	<b>100%</b>

The Petroleum Fund is primarily exposed to the Euro, Australian Dollar, Pound Sterling and Japanese Yen.

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2021**

**14. Financial assets and financial liabilities at fair value through profit or loss (continued)**

The following table details the Petroleum Fund's sensitivity to a 10% increase and decrease in the United States dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes cash and cash equivalents, interest receivable and qualifying instruments. A negative number below indicates a decrease in profit where the United States dollar strengthens 10% against the relevant currency. For a 10% weakening of the United States dollar against the relevant currency, there would be a comparable impact on the profit, and the balances below would be a positive. The analysis presumes that all other variables, in particular interest rates, remain constant.

	<b>As at</b> <b>31/12/2021</b>	<b>As at</b> <b>31/12/2020</b>
	<b>USD</b>	<b>USD</b>
EUR impact	(51,855,821)	(63,160,852)
AUD impact	(13,295,353)	(23,523,288)
GBP impact	(23,754,138)	(27,488,474)
JPY impact	(36,761,972)	(49,400,429)
Other currencies impact	(59,584,764)	(65,296,866)
<b>Total currencies impact</b>	<b>(185,252,048)</b>	<b>(228,869,909)</b>

This is mainly attributable to the exposure outstanding on all relevant foreign currencies relating to cash and cash equivalents, interest receivable and qualifying instruments in the Petroleum Fund at the end of the reporting period.

*(b) Credit risk*

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time or from losses arising from the change in value of a traded financial instrument as a result of changes in the credit risk on that instrument. It arises principally from Fixed interest securities held and also from derivative financial instruments, cash and cash equivalents, balances due from brokers and receivables from reverse repurchase agreements. For risk management reporting purposes the Petroleum Fund considers and consolidates all elements of credit risk exposure reflecting the fact that the main concentration to which the Petroleum Fund is exposed arises from the Petroleum Fund's investments in Fixed interest securities.

*(i) Credit risk management*

Article 15 of the Petroleum Fund Law provides broad constraints on the extent of credit risk that can be taken by the Petroleum Fund. To qualify as an eligible investment, debt must have a credit quality of at least equal to investment grade, while deposits are only held with financial institutions with a credit rating of at least investment grade. The investment grade rating reflects the credit rating agencies' assessment of capacity by the issuer to pay. Higher ratings reflect lower credit risk associated with the bonds. Credit risk is also managed by limiting exposure to any one company or issuer (except for a sovereign state) to 3% of the total value of the Petroleum Fund. The limits are reflected in the underlying investment mandates with managers and are monitored by the BCTL. The Petroleum Fund's maximum exposure to credit risk at reporting date in relation to each class of financial asset is the carrying amount of those assets as indicated in the statement of financial position. The Petroleum Fund is segmented into a liquidity and growth portfolio. The liquidity portfolio is comprised of US dollar cash and cash equivalents, money market securities, short-maturity US Treasury bonds and other short term liquid instruments. The target asset allocation weights for the growth portfolio were 65% fixed interest securities and 35% global equities at the end of December. The Fund's investment in private debt is separated from the financial market investments and is limited to 5% of the total value of the Fund under the Petroleum Fund Law. The IAB regularly monitors and reviews the Petroleum Fund's asset allocation at its meetings, with consideration to the desired risk profile of the Petroleum Fund. The Board considers the current asset allocation to be appropriate given the current investment horizon of the Petroleum Fund.

The mandate in the Operational Management Agreement prescribes that the performance of the Petroleum Fund shall be measured against benchmark indexes for a series of mandates, restricts the permissible investment universe to highly rated financial instruments and establishes tracking error limits restricting the permissible deviation of the portfolio investments from the benchmark for each mandate. The maximum loss that the Petroleum Fund would suffer from the default of a single issuer is the amount disclosed below with respect to investments in treasury notes issued by the United States Government, government bonds issued by other countries, and equity securities traded on developed market exchanges.

*(ii) Concentration of credit exposure*

Concentrations of credit risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or when a number of counterparties are engaged in similar business activities or activities in the same geographic regions, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The allocation to each sovereign issuer is constantly monitored and any actual or anticipated changes to the credit risk profile of each issuing country will be considered in the allocation. Securities issued by US Treasury was 59% (2020: 52%) of the Petroleum Fund's Financial Market Investments measured at fair value through profit or loss. Diversification within the non US sovereign bond mandate is achieved through limiting each country to a maximum weight of 10% of the index and the Euro zone weight to 30%.

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2021**

**14. Financial assets and financial liabilities at fair value through profit or loss (continued)**

The Petroleum Fund's significant end of year concentrations of credit exposure by the industry or country of the issuer were as follows:

	As at 31/12/2021 USD	As at 31/12/2020 USD
<b>Fixed interest securities and money market securities</b>		
<b>Financial assets at FVTPL - Sovereign issuers:</b>		
United States Government	10,715,869,958	8,821,243,469
Australian Government	144,806,027	174,392,524
Japan Government	134,791,975	156,225,246
United Kingdom Government	144,411,474	168,103,912
European Governments	417,926,338	842,334,665
Timor- Leste Government ( note 13)	701,353,365	615,700,000
Governments of other countries	575,278,935	335,039,985
	<b>12,834,438,072</b>	<b>11,113,039,801</b>

*(iii) Credit exposure by credit rating*

The following table presents an analysis of the Petroleum Fund's debt securities classified according to the Standard & Poor's credit rating of the issuer as at each period end, and where the securities are not rated by Standard & Poor, the fund opt for the rating from Moody. AAA is the highest rating possible and indicates that the entity has an extremely strong capacity to pay interest and principal. AA is a high-grade rating, indicating a very strong capacity, and A is an upper medium grade, indicating a strong capacity to pay interest and principal. BBB is the lowest investment grade rating, indicating a medium capacity to pay interest and principal. Ratings lower than AAA can be modified by + or – signs to indicate relative standing within the major categories.

	As at 31/12/2021 USD	As at 31/12/2020 USD
<b>International fixed interest securities and money market securities</b>		
<b><u>Standard &amp; Poor's / Moody's credit rating</u></b>		
AAA/ Aaa	11,317,071,848	9,678,885,428
AA/ Aa2	260,045,789	463,936,566
A/ A2	113,518,414	158,925,257
BBB/ Baa2	122,196,340	195,592,550
Not- rated	1,021,605,681	615,700,000
<b>Total</b>	<b>12,834,438,072</b>	<b>11,113,039,801</b>

*(iv) Credit exposure by counterparty as a percentage of the Petroleum Fund's capital*

No more than 1% (2020: 1%) of assets of the Petroleum Fund is exposed to a single sovereign issuer, other than the United States Government, all of which sovereigns are developed nations. The assets exposed to the United States Government amounted to 54% (2020: 46%) of the Petroleum Fund's capital. A change in the credit ratings of the Petroleum Fund's counterparties may have an impact on the future financial performance of the Petroleum Fund.

*(c) Derivative financial instruments*

The Petroleum Fund Law sets limits on the use of derivative financial instruments whereby derivatives may only be used to reduce the risk to the Petroleum Fund or to efficiently facilitate the desired exposure to an asset and whereby the risk arising from the use of the derivatives may not be higher than would result from direct exposure to the underlying assets. As such, the objective of using derivative instruments is to reduce financial risks and costs associated with implementing the investment strategy. The Petroleum Fund does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The individual investment mandates set by the IAB include rules for the use of derivatives within these statutory requirements.

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the OTC market. Futures contracts are transacted in standardized amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk. The Petroleum Fund has credit exposure to the counterparties of forward contracts. The credit risk related to futures contracts is considered minimal because the exchange ensures that these contracts are always honored. Forward contracts are settled gross and, therefore, considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2021**

**15. Financial liabilities**

Financial liabilities are amounts owed by the Petroleum Fund to third parties. One type of financial liability is the amount payable for securities purchased.

Another type of financial liabilities arises when derivative contracts are “out of the money”, that is, an amount must be paid at the due date of the derivative contract. As a derivative is often used by the Petroleum Fund for hedging, an “out of the money” derivative may be indicative of a corresponding asset having risen in value.

There were financial instruments liabilities at fair value through profit or loss as at 31 December 2021 of \$12,662,346 (2020: \$30,255,631).

**Accounting policy**

*Classification*

The Petroleum Fund's financial liabilities are categorized as at fair value through profit or loss, unless otherwise noted.

Financial liabilities that are not at fair value through profit or loss include balances payable to financial intermediaries for the purchase of securities and other short-term payables.

**PART IV: NOTES TO THE STATEMENT OF CHANGES IN CAPITAL**

The statement of changes in capital details the change in the net wealth of the Petroleum Fund over the year. Typically, this includes contributions to the Petroleum Fund by participants in the petroleum sector, withdrawals by the government, refunds of taxation and the net profit or loss from the Petroleum Fund's investments.

**16. Capital receipts and payments**

Capital receipts and payments reflect moneys received by the Petroleum Fund pursuant to the Petroleum Fund Law and amounts transferred to the State budget pursuant to an appropriation of Parliament.

Capital receipts are classified in the Petroleum Fund Law as follows:

- Article 6.1(a) receipts are the gross revenues, including tax revenue, of Timor-Leste from any petroleum operations.
- Article 6.1(b) receipts are amounts received by the National Petroleum Authority pursuant to the Timor Sea Treaty.
- Article 6.1(c) receipts are amounts received from the investment of the capital of the Petroleum Fund.
- Article 6.1(e) include any other petroleum related receipts.

The following table shows the capital receipts and payments of the Petroleum Fund.

Month	<i>Year ended 31/12/2021</i>				To Consolidated Fund	Total
	Article 6.1(a) receipts	Article 6.1(b) receipts	Article 6.1(e) other receipts	USD		
January	13,996,590	1,324,986	-	-	-	15,321,576
February	3,360,157	17,465,773	-	-	(200,000,000)	(179,174,070)
March	14,408,711	3,620,704	-	-	-	18,029,415
April	4,984,666	3,385,814	-	-	(150,000,000)	(141,629,520)
May	19,380,548	21,895,276	914,550	-	-	42,190,374
June	17,587,371	5,594,296	-	-	-	23,181,667
July	15,517,557	5,578,934	-	-	(197,873,000)	(176,776,509)
August	13,139,991	60,875,373	-	-	-	74,015,364
September	13,975,983	9,676,452	5,811,200	-	(250,000,000)	(220,536,365)
October	66,251,318	8,003,476	2,497,474	-	-	76,752,268
November	43,106,711	159,621,775	-	-	(350,000,000)	(147,271,514)
December	174,819,433	12,802,643	-	-	-	187,622,076
<b>Totals</b>	<b>400,529,036</b>	<b>309,845,502</b>	<b>9,223,224</b>	<b>(1,147,873,000)</b>	<b>(1,147,873,000)</b>	<b>(428,275,238)</b>
<b>Total Article 6.1</b>			<u><u>719,597,762</u></u>			

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
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**16. Capital receipts and payments (continued)**

Month	Year ended 31/12/2020				Total
	Article 6.1(a) receipts	Article 6.1(b) receipts	Article 6.1(e) Other receipts	To Consolidated Fund	
January	22,279,629	36,593,454	-	-	58,873,083
February	21,274,686	21,041,035	5,385,600	-	47,701,321
March	27,136,370	47,400,097	-	-	74,536,467
April	1,529,577	22,278,580	-	(150,000,000)	(126,191,843)
May	7,378,624	23,211,926	-	(100,000,000)	(69,409,450)
June	7,020,803	2,087,463	2,224,838	-	11,333,104
July	6,613,045	2,386,681	-	-	8,999,726
August	11,993,140	2,351,296	-	(169,500,000)	(155,155,564)
September	12,873,926	1,473,636	5,836,800	-	20,184,362
October	8,831,529	2,471,737	-	(116,800,000)	(105,496,734)
November	10,601,250	-	-	-	10,601,250
December	7,977,043	3,280,368	2,617,282	(350,000,000)	(336,125,307)
<b>Totals</b>	<b>145,509,622</b>	<b>164,576,273</b>	<b>16,064,520</b>	<b>(886,300,000)</b>	<b>(560,149,585)</b>
<b>Total Article 6.1</b>			<b>326,150,415</b>		

**Accounting policies, estimates, assumptions, judgements and risks**

*Capital*

Judgments have been made as to whether certain transactions should be recognized as capital or revenue.

*Petroleum Fund gross receipts*

The Petroleum Fund Law requires certain parties to deposit taxes and other petroleum related payments payable to the Government of Timor-Leste directly into the Petroleum Fund. The Petroleum Fund recognizes these and other transactions as follows:

- Payments made as Petroleum Fund receipts in accordance with Article 6.1(a) are recognized as increases in the statement of changes in capital of the Petroleum Fund.
- Payments made by the Designated Authority in accordance with Article 6.1(b) are recognized as increases in the statement of changes in capital of the Petroleum Fund.
- Income earned by the Petroleum Fund from the investment of its assets is recognized in the statement of profit or loss and other comprehensive income in accordance with Article 6.1(c).
- It is noted that the main source of capital receipts currently relates to the oil revenues generated from the Bayu Undan Field for which gas production is expected to be exhausted around 2022. On 6 March 2018, the governments of Timor-Leste and Australia signed a new Maritime Boundaries Treaty, and in the same year, negotiations between the governments of Timor-Leste, Australia and the Sunrise Joint Venture on the new Greater Sunrise Production Sharing Contract commenced. It is expected that the production from the new Greater Sunrise field will start in 2026. Payments received by Timor-Leste relating directly to Petroleum Fund resources not covered in Article 6.1 (a) to (d) of the Petroleum Fund Law are recognized as increases in the statement of changes in capital of the Petroleum Fund in accordance with Article 6.1(e).
- Management fees paid from the gross receipts of the Petroleum Fund pursuant to Article 6.2 are recognized in the statement of profit or loss and other comprehensive income.
- Contractors pay both Corporate Income Tax (CIT) and Supplemental Petroleum Tax (SPT) in advance based upon forecast financial information. Where the amount of tax based upon actual financial information is less than the amount paid based upon forecast, an overpayment of tax may occur. In order to verify and validate the overpayment of taxes claimed by contractors, the Directorate General of Tax Authority conducts an audit exercise to verify the amount of the overpayment claimed by a contractor. The overpayment amount of taxes to be refunded is determined after the audit inspection is completed. It is possible that future tax refunds might be paid out in the upcoming years from the Petroleum Fund. Refunds of taxation made pursuant to Article 10 are recognized as reductions in the statement of changes in capital of the Petroleum Fund.

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2021**

**16. Capital receipts and payments (continued)**

*Transfers to the Consolidated Fund*

The National Government of República Democrática de Timor-Leste (“the Consolidated Fund”) comprises:

- Central government ministries, and
- Autonomous agencies under significant control of Ministry of Finance.

Transfers to the Consolidated Fund are appropriations approved by the National Parliament of Timor-Leste. All transfers to the Consolidated Fund are authorized and recognized when paid to the Consolidated Fund.

*Objectives of managing capital*

The Petroleum Fund is a mandatory financial reserve established with the objective of allocating financial wealth obtained from natural resources fairly and equitably between current and future generations of Timor-Leste citizens. The Petroleum Fund’s capital structure consists solely of paid in capital derived from petroleum receipts and other sources as described in Note 16. The Petroleum Fund Law requires the Government to annually calculate Estimated Sustainable Income (ESI) which is defined as the maximum amount that can be appropriated from the Petroleum Fund in a fiscal year and leave sufficient resources in the Petroleum Fund for an amount of equal real value to be appropriated in all later fiscal years. The ESI calculation is submitted with the annual budget to Parliament who are required to take the ESI into consideration when determining the amount of capital to be appropriated from the Petroleum Fund. Transfers in excess of the ESI are permitted subject to certain provisions in the Petroleum Fund Law being satisfied.

There has been no change during the year in these objectives and policies for managing capital and the Petroleum Fund has complied with all legislative requirements relating to the management of the Petroleum Fund’s capital

**PART V: NOTES TO THE STATEMENT OF CASH FLOWS**

The statement of cash flows, also known as the cash flow statement, presents the movement in cash flows over the period of 1 January to 31 December as classified under operating and financing activities.

Cash flow generally means cash movements in the Petroleum Fund’s bank accounts and movements in short term investments that are highly liquid and involve very low risk of change in value

Cash flow from operating activities presents the movement in cash during the year relating to the Petroleum Fund’s revenue generating activities of the Petroleum Fund, namely investing in securities

Cash flow from financing activities includes the movement in cash flow resulting from receipts into the Petroleum Fund deposited by participants in the exploitation of petroleum resources and transfers out of the Petroleum Fund to the Consolidated Fund or to refund tax.

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with an original maturity of less than 90 days.

**17. Reconciliation of net cash flows**

	<b>Year ended</b>	<b>Year ended</b>
	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>USD</b>	<b>USD</b>
<b>Profit for the year</b>	<b>1,144,334,490</b>	<b>1,773,297,623</b>
Adjustments:		
Decrease in financial assets at fair value through profit or loss	(1,137,350,798)	(749,454,983)
Increase/ (decrease) in receivables	14,615,856	(22,480,556)
Decrease in accounts payable	(770,368)	(720,787)
Decrease in payables for securities purchased	-	(14,279,912)
<b>Net cash provided by operating activities</b>	<b>20,829,180</b>	<b>986,361,385</b>

**Accounting policy**

Cash inflows from investments are presented net of withholding taxes, when applicable.

**PART VI: NON FINANCIAL DISCLOSURES**

**18. Personnel**

The Petroleum Fund did not employ any personnel during the year (2020: nil). The BCTL as operational manager of the Petroleum Fund employs personnel as does the Ministry of Finance, the executive of the Petroleum Fund.

**19. Contingent assets, contingent liabilities and commitments**

There were no contingent assets, contingent liabilities or commitments as at 31 December 2021 (2020: nil).

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2021**

**20. Related parties**

The management of the fund spreads the decision making process across various stakeholders to ensure prudent management with checks and balances.

The Government, represented by the Minister of Finance, is responsible for the overall management and investment strategy of the Petroleum Fund. Minister of Finance is considered Key Management Personnel of the Fund. No remuneration was paid to the Ministry of Finance by Petroleum Fund.

The Central Bank of Timor-Leste (BCTL) is the operational manager responsible for operational management of the Petroleum Fund by implementing the investment policy determined by Minister of Finance. In doing so, the Central Bank ensures that the management of the Petroleum Fund is in line with the legal framework. BCTL management is the ultimate responsible for daily operations. however, they are not remunerated from the fund.

The Investment Advisory Board is responsible for developing performance benchmarks for the Minister of Finance and advises the Minister on investment policy and the management of the Fund (art 17 of the PF Law). Under article 17.1 the dispatch appointing the Members of the IAB shall determine their remuneration, in conformity with the applicable legislation. The IAB members shall have no income, but are entitled sitting allowances per meeting. Please see IAB expenses in the table under BCTL.

The following parties are considered related parties of the Petroleum Fund:

**The Government**

The ultimate controlling party of the Petroleum Fund is the Democratic Republic of Timor-Leste ('the Government'). The Government, as stipulated in Article 11.1 of the Petroleum Fund Law, is the overall manager of the Petroleum Fund.

The Petroleum Fund receives receipts on behalf of the Government as disclosed in Note 16. The Government, through the State budget, meets the expenses of the Petroleum Fund, including the audit fee, not otherwise covered by the management fee.

The Petroleum Fund makes transfers to the Consolidated Fund of Timor-Leste (pursuant to Article 7 of the Petroleum Fund Law) as disclosed in the statement of changes in capital.

**Banco Central de Timor-Leste (BCTL)**

The BCTL is the operational manager of the Petroleum Fund, in accordance with Article 11.3 of the Petroleum Fund Law.

This means that the operational manager is, in particular, responsible for oversight of the investment managers and service providers, collection of dividends, interest and proceeds of matured securities, the exercise of options and, in general, for any other operation concerning the day to day administration of the securities and other assets and liabilities of the Petroleum Fund.

The management fee covers the operational management of the Petroleum Fund which is undertaken by the BCTL in accordance with the provisions of Article 11.3 of the Petroleum Fund Law. The audit fee and expenses incurred within the Ministry of Finance relating to the overall management of the Petroleum Fund are met directly from the State budget. The management fee paid to the BCTL for the period was composed as follows:

	<b>Year ended</b> <i>31/12/2021</i>	<b>Year ended</b> <i>31/12/2020</i>
	<b>USD</b>	<b>USD</b>
Custody and external management services	8,139,336	8,815,267
IAB expenses	139,781	241,552
BCTL operating expenses	7,711,743	5,972,837
<b>Total management expenses</b>	<u>15,990,860</u>	<u>15,029,656</u>
Other expenses	966,635	1,989,365
<b>Total</b>	<u><b>16,957,495</b></u>	<u><b>17,019,021</b></u>

BCTL were entitled to receive a management fee for its respective services within the parameters of Annex 2 of the Operational Management Agreement Actualization dated 20 April 2015. In the current year, these fees amount to an aggregate of 0.08% (2020: 0.08%) per annum of the net assets of the Petroleum Fund. Management fees are payable monthly in arrears. Total management fees for the year amounted to US\$ 15,990,860 (2020: US\$15,029,656).

The management fees payable as at 31 December 2021 is US\$ 1,827,928 (2020: US\$2,590,255).

**National Petroleum and Minerals Authority**

The National Petroleum and Minerals Authority manages the revenues from the production sharing contracts between Timor-Leste and Australia and transfers the Timor-Leste portion to the Petroleum Fund as Article 6.1(b) receipts as disclosed in Note 16.

**Timor Gap E.P.**

Timor Gap E.P. is the national petroleum company and has the mandate to conduct oil and gas business on behalf of the Timor-Leste Government. Timor Gap is building an integrated oil and gas company to cover upstream and downstream activities, as well as services to the sector.

During the 2019 financial year certain subsidiaries of Timor Gap E.P. issued debt instruments with a face value of \$650,000,000 which were bought by the Petroleum Fund. Further details of these transactions are set out in Note 13.

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2021**

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**21. Encumbrances on the Petroleum Fund**

*Encumbrances on the assets of the Petroleum Fund*

In accordance with Article 20 of the Petroleum Fund Law, burdens or encumbrances, in any of their forms, may be put by way of contract or agreement on Petroleum Fund assets, up to a limit of 10% of the total value of the Petroleum Fund at the time the burden or encumbrances is put, provided that this is in compliance with the principles in general rules for creating, issuing and managing public debt.

During the 2021 financial year and as at the financial position date, there were no encumbrances or burdens on the assets of the Petroleum Fund.

**22. Application of new and revised IFRS**

This note provides information about new IFRS that have been adopted and forthcoming standards that are not yet effective.

**22.1. New and revised IFRS applied with no material effect on the financial statements**

Adopted all the new and revised IFRS that are relevant with no material impact.

**22.2. Adoption of IFRS that are not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Petroleum Fund. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**23. Subsequent events**

No subsequent events have occurred after the reporting date but prior to the issuance of the financial statements that have a material effect on the financial statements and therefore require adjustment or disclosure in the statements.



**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2021**

**PART VII: SCHEDULE OF FINANCIAL ASSETS**

**24. Schedule of financial assets valued through profit or loss**

**(a) Fixed interest securities – issued by sovereign states and supranationals**

<b>Security</b>	<b>Nominal</b>	<b>Fair Value</b>	<b>Security</b>	<b>Nominal</b>	<b>Fair Value</b>
Australia 5.75% 07/22	23,041,000	17,709,878	Denmark 1.75% 11/25	122,158,000	20,244,083
Australia 2.25% 11/22	8,500,000	6,304,317	Denmark 0.5% 11/27	111,174,000	17,722,264
Australia 2.75% 04/24	14,120,000	10,826,462	Denmark 0.5% 11/29	12,000,000	1,913,897
Australia 0.25% 11/25	14,500,000	10,153,566	Denmark 4.5% 11/39	144,817,200	39,415,001
Australia 4.75% 04/27	13,713,000	11,785,437			<b>89,277,371</b>
Australia 2.75% 11/27	6,573,000	5,152,727			
Australia 2.75% 11/28	6,500,000	5,122,249	Finland 0.50% 9/29	2,290,000	2,730,698
Australia 3.25% 04/29	40,594,000	33,192,434	Finland 2.62% 7/42	250,000	416,558
Australia 2.75% 11/29	8,497,000	6,734,881			<b>3,147,256</b>
Australia 4.5% 04/33	12,640,000	11,906,736			
Australia 3.75% 04/37	11,289,000	10,152,865	France 0.75% 11/28	1,000,000	1,207,449
Australia 3.00% 03/47	19,272,000	15,764,475	France 0.5% 05/29	8,326,000	9,899,395
		<b>144,806,027</b>	France 0% 11/30	6,500,000	7,323,453
			France 0% 11/31	7,000,000	7,808,293
Austria 2.1% 09/17	124,000	218,128	France 5.75% 10/32	1,126,000	2,058,967
Austria 3.65% 04/22	336,000	396,539	France 1.25% 05/34	3,200,000	4,058,215
Austria 1.75% 10/23	274,000	326,314	France 1.25% 05/36	809,000	1,026,868
Austria 0% 07/24	725,000	836,349	France 4% 10/38	798,124	1,429,752
Austria 4.85% 03/26	2,438,000	3,507,676	France 1.75% 06/39	1,970,000	2,725,994
Austria 6.25% 07/27	195,000	310,171	France 2% 05/48	7,165,000	10,576,264
Austria 0.5% 04/27	60,000	71,396	France 0.75% 05/52	4,500,000	4,916,369
Austria 0.5% 02/29	2,764,000	3,292,163	France 4% 04/55	1,214,000	2,636,867
Austria 2.4% 05/34	1,255,000	1,830,125	France 1.75% 05/66	626,000	900,082
Austria 4.15% 03/37	1,624,000	2,970,594			<b>56,567,968</b>
Austria 0% 10/40	1,800,000	1,869,767			
Austria 3.8% 01/62	153,000	363,531	Germany 0% 08/30	20,100,000	23,388,979
		<b>15,992,753</b>	Germany 4.75% 07/34	100	188
			Germany 0% 05/35	500,000	570,246
Belgium 0.5% 10/24	2,845,000	3,336,550	Germany 2.5% 07/44	4,080,039	7,303,408
Belgium 4.5% 03/26	1,034,000	1,467,229	Germany 2.5% 08/46	4,224,000	7,726,465
Belgium 0.8% 06/27	2,640,000	3,198,643			<b>38,989,286</b>
Belgium 5.5% 03/28	559,000	895,402			
Belgium 0.9% 06/29	770,000	945,260	Hong Kong 2.49% 08/28	10,350,000	1,446,659
Belgium 3% 06/34	5,100,000	7,798,414	Hong Kong 1.16% 05/22	33,000,000	4,253,228
Belgium 4.25% 03/41	3,622,400	6,921,365			<b>5,699,887</b>
Belgium 3.75% 06/45	892,000	1,682,453			
		<b>26,245,316</b>	Ireland 1.5% 05/50	2,210,000	2,676,844
			Ireland 1.1% 05/29	1,265,000	1,563,952
Canada 1.5% 06/23	16,000,000	12,798,594	Ireland 0.4% 05/35	1,885,000	2,117,087
Canada 0.25% 08/23	4,500,000	3,530,659	Ireland 1.7% 05/37	610,000	819,083
Canada 2.5% 06/24	5,500,000	4,513,276	Ireland 1% 05/26	298,000	393,105
Canada 2.25% 03/24	40,080,000	32,794,250			<b>7,570,071</b>
Canada 1.5% 09/24	4,665,000	3,753,681			
Canada 0.25% 04/24	6,000,000	4,672,306	Italy 0.9% 08/22	3,159,000	3,634,151
Canada 0.625% 09/25	20,000,000	15,388,231	Italy 0% 09/22	16,500,000	18,835,170
Canada 0.875% 08/27	10,000,000	7,599,410	Italy 3.75% 09/24	2,795,000	3,532,359
Canada 1.5% 05/28	15,000,000	11,730,003	Italy 0% 08/24	11,000,000	12,491,312
Canada 5.75% 06/33	6,447,000	7,351,338	Italy 1.45% 05/25	14,000,000	16,638,486
Canada 5.00% 06/37	9,100,000	10,549,398	Italy 2.5% 11/25	7,665,000	9,503,278
Canada 4.00% 06/41	14,155,000	15,600,434	Italy 0.35% 02/25	5,698,000	6,537,184
Canada 3.5% 12/45	8,331,000	8,998,843	Italy 6.5% 11/27	872,000	1,338,887
Canada 2.75% 12/48	2,825,000	2,765,279	Italy 2.05% 08/27	1,269,000	1,574,332
Canada 2.75% 12/64	2,545,000	2,618,850	Italy 0.85% 01/27	800,000	930,800
Canada 1.5% 05/22	900,000	717,242	Italy 0.95% 09/27	2,000,000	2,328,013
		<b>145,381,794</b>	Italy 2.2% 06/27	11,410,000	14,172,744
			Italy 4.75% 09/28	840,000	1,222,592
Denmark 1.5% 11/23	47,580,200	7,570,561	Italy 0.25% 03/28	13,000,000	14,426,908
Denmark 7% 11/24	12,882,000	2,411,565	Italy 1.35% 04/30	9,150,000	10,786,676

**Petroleum Fund of Timor-Leste**  
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**24. Schedule of financial assets valued through profit or loss (continued)**

Security	Nominal	Fair Value	Security	Nominal	Fair Value
Italy 6% 05/31	1,557,000	2,576,271			
Italy 2.45% 09/33	1,202,000	1,550,574	Portugal 0.70% 15Oct27	3,000,000	3,559,793
Italy 3.35% 03/35	7,430,000	10,490,568	Portugal 1.95% 15Jun29	1,925,000	2,502,352
Italy 5% 09/40	1,610,000	2,843,743			<b>6,062,145</b>
Italy 3.1% 03/40	1,855,000	2,602,674			
Italy 1.8% 03/41	18,000,000	20,796,608	Singapore 3.125% 09/22	7,946,000	6,056,865
Italy 3.85% 09/49	339,000	546,482	Singapore 2.75% 07/23	16,239,000	12,574,386
Italy 2.45% 09/50	4,260,000	5,368,357	Singapore 3% 09/24	15,519,000	12,225,291
Italy 2.8% 03/67	1,500,000	1,942,798	Singapore 3.5% 03/27	24,701,000	20,391,299
		<b>166,670,967</b>	Singapore 2.88% 09/30	18,137,000	14,816,196
			Singapore 3.38% 09/33	3,020,000	2,608,844
Japan 0.8% 09/22	918,550,000	8,045,379	Singapore 2.75% 04/42	7,924,000	6,566,317
Japan 0.8% 09/23	226,550,000	2,001,831	Singapore 2.75% 03/46	13,582,000	11,311,869
Japan 0.1% 12/26	314,500,000	2,755,908			<b>86,551,067</b>
Japan 2.1% 03/27	99,100,000	963,579			
Japan 0.1% 06/29	1,400,000,000	12,293,726	Slovenia 3.12% 08/45	245,000	411,063
Japan 0.1% 09/29	2,512,300,000	22,057,803			<b>411,063</b>
Japan 0.1% 12/29	1,500,000,000	13,162,731			
Japan 0.1% 09/30	990,000,000	8,670,804	Spain 4.4% 10/23	11,750,000	14,678,935
Japan 0.1% 12/30	700,000,000	6,123,095	Spain 4.65% 07/25	5,640,000	7,684,490
Japan 1.6% 03/33	501,650,000	5,076,770	Spain 1.45% 04/29	10,035,000	12,534,639
Japan 1.7% 06/33	714,500,000	7,289,314	Spain 1.25% 10/30	21,609,000	26,382,587
Japan 0.5% 09/36	550,000,000	4,925,909	Spain 4.9% 07/40	860,000	1,645,428
Japan 0.2% 06/36	453,350,000	3,891,774	Spain 4.7% 07/41	2,164,000	4,092,023
Japan 2.3% 03/39	438,900,000	5,044,140	Spain 2.9% 10/46	703,000	1,083,665
Japan 2.3% 03/40	38,750,000	448,495	Spain 3.45% 07/66	710,000	1,227,048
Japan 2% 09/40	43,550,000	485,418			<b>69,328,815</b>
Japan 0.4% 06/40	600,000,000	5,172,914			
Japan 2.2% 03/41	1,163,050,000	13,374,729	Sweden 3.5% 06/22	106,135,000	12,147,075
Japan 1.9% 09/42	164,350,000	1,827,669	Sweden 1.5% 11/23	35,235,000	4,022,227
Japan 0.3% 06/46	656,000,000	5,340,791	Sweden 2.5% 05/25	79,610,000	9,684,398
Japan 0.8% 09/47	72,850,000	662,547	Sweden 0.75% 05/28	65,000,000	7,489,939
Japan 0.4% 03/50	160,000,000	1,294,976	Sweden 0.75% 11/29	81,790,000	9,456,151
Japan 0.7% 06/51	150,000,000	1,306,748	Sweden 2.25% 06/32	19,175,000	2,567,182
Japan 2% 03/52	91,750,000	1,082,949	Sweden 3.5% 03/39	58,910,000	9,890,414
Japan 0.4% 03/56	189,300,000	1,491,976	Sweden 0.5% 11/45	75,000,000	7,922,712
		<b>134,791,975</b>			<b>63,180,098</b>
Luxemburg 0% 03/31	12,000,000	13,471,781	Switzerland 4% 02/23	4,500,000	5,311,917
		<b>13,471,781</b>	Switzerland 0% 06/29	22,875,000	25,565,069
			Switzerland 0.5% 05/30	4,000,000	4,655,102
Netherland 5.5% 01/28	2,444,000	3,918,254	Switzerland 0% 07/39	5,000,000	5,469,604
Netherland 0.25% 07/29	645,000	759,243	Switzerland 0.5% 06/45	21,000,000	25,846,216
Netherland 2.5% 01/33	3,327,000	4,914,233	Switzerland 0.5% 05/58	2,000,000	2,697,261
Netherland 0.5% 01/40	2,871,000	3,491,842			<b>69,545,169</b>
Netherland 2.75% 01/47	205,000	385,345			
		<b>13,468,917</b>	UK 3.50% 07/68	1,900	5,079
			UK 1.50% 07/47	8,961,000	13,097,265
NZ 5.5% 04/23	26,000,000	18,888,441	UK 1.00% 04/24	8,128,000	11,123,850
NZ 0.5% 05/26	30,000,000	19,091,859	UK 1.625% 10/54	3,000,000	4,656,034
NZ 3% 04/29	10,246,000	7,390,408	UK 0.875% 10/29	14,387,000	19,555,494
NZ 1.5% 05/31	21,935,000	14,019,077	UK 0.625% 06/25	10,000,000	13,530,794
NZ 3.5% 04/33	12,019,000	9,134,232	UK 0.375% 10/30	3,500,000	4,530,043
NZ 2.75% 04/37	5,984,000	4,181,310	UK 0.375% 10/26	6,400,000	8,497,359
		<b>72,705,327</b>	UK 3.5% 01/45	11,091,000	22,230,312
			UK 2.5% 07/65	1,024,000	2,164,713
Norwegia 2% 05/23	211,597,000	24,567,462	UK 4.75% 12/38	700,000	1,481,196
Norwegia 3% 03/24	39,160,000	4,698,712	UK 4.25% 12/46	3,881,000	8,731,304
Norwegia 1.75% 03/25	51,060,000	5,908,051	UK 4.25% 09/39	2,106,000	4,306,967
Norwegia 1.75% 09/29	34,390,000	3,935,333	UK 3.75% 07/52	766,500	1,756,763
Norwegia 1.38% 08/30	34,474,000	3,828,664	UK 4.25% 12/40	2,372,300	4,901,071
		<b>42,938,222</b>	UK 1.75% 09/22	3,500,000	4,815,152

**Petroleum Fund of Timor-Leste  
Notes to the financial statements  
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**24. Schedule of financial assets valued through profit or loss (continued)**

Security	Nominal	Fair Value
UK 3.25% 01/44	7,835,000	14,990,820
UK 4.25% 06/32	734,000	1,317,182
UK 4.25% 03/36	1,407,120	2,720,076
		<b>144,411,474</b>
US 1.375% 10/22	121,200,000	122,532,389
US 0.125% 11/22	136,200,000	135,906,390
US 0.125% 10/22	127,600,000	127,412,989
US 1.875% 10/22	124,400,000	126,349,630
US 2.125% 12/22	141,200,000	143,552,401
US 1.375% 09/23	268,300,000	272,491,498
US 2.75% 11/23	224,200,000	233,469,298
US 1.5% 01/23	146,500,000	149,111,283
US 0.125% 02/23	174,700,000	174,057,657
US 0.125% 01/23	159,100,000	158,636,319
US 2.375% 08/24	134,500,000	140,860,653
US 2.25% 01/24	187,300,000	194,814,266
US 0.375% 04/25	2,656,600,000	2,599,362,929
US 0.25% 10/25	1,879,300,000	1,817,192,173
US 0.75% 04/26	1,925,700,000	1,890,035,729
US 1.125% 10/26	715,000,000	711,629,616
US 2.25% 08/27	140,700,000	148,787,861
US 0.625% 03/27	218,100,000	211,164,071
US 2.875% 08/28	239,800,000	264,491,907
US 2.75% 02/28	239,800,000	261,662,201
US 2.625% 02/29	110,200,000	120,224,869
US 1.625% 08/29	86,800,000	88,590,692
US 1.5% 02/30	78,900,000	79,753,857
US 0.625% 08/30	118,900,000	111,164,229
US 1.125% 02/31	130,000,000	126,718,427
US 1.25% 08/31	158,700,000	155,903,344
		<b>10,565,876,678</b>
<b>Private Debt Instruments</b>		
TL Debt Ins1 4.5% 4/37	143,000,000	154,297,740
TL Debt Ins2 4.5% 4/37	279,650,000	301,743,798
TL Debt Ins3 4.5% 4/37	226,600,000	244,502,573
TL Debt Ins4 4.5% 4/37	750,000	809,254
		<b>701,353,365</b>
		<b>12,684,444,792</b>

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2021**

**24. Schedule of financial assets valued through profit or loss (continue)**

**(b) Equity Securities**

Security	Unit	Fair Value			
<b>Australia</b>			Westpac Banking Corp	413,329	6,415,907
Afterpay Ltd	23,833	1,438,033	Wisetech Global Ltd	16,058	679,250
Ampol Ltd	26,173	560,977	Woodside Petroleum Ltd	105,681	1,682,695
Apa Group Stapled	129,587	947,815	Woolworths Group Ltd	141,056	3,897,080
Aristocrat Leisure Ltd	66,919	2,113,993	Xero Ltd	14,503	1,477,376
Asx Ltd	21,262	1,432,852			<b>131,898,798</b>
Aurizon Holdings Ltd	203,692	516,849	<b>Canada</b>		
Ausnet Services Ltd	208,744	387,007	Agnico Eagle Mines Ltd	18,686	988,776
ANZ Bank	321,538	6,428,791	Air Canada	14,386	240,535
Bhp Group Ltd	327,668	9,881,823	Algonquin Power &	56,454	816,095
Bluescope Steel Ltd	55,330	839,954	Alimentation Couche-Tard	70,281	2,932,200
Brambles Ltd	161,471	1,244,413	Altagas Ltd	28,419	612,410
Cochlear Ltd	7,220	1,133,849	Arc Resources Ltd	55,305	502,633
Coles Group Ltd	146,505	1,904,514	Argonaut Gold Inc	62,050	117,405
Computershare Ltd	59,540	846,291	B2Gold Corp	116,226	458,224
Crown Resorts Ltd	40,905	350,337	Ballard Power Systems Inc	18,190	228,392
Csl Ltd	50,639	10,686,159	Bank Of Montreal	63,496	6,838,959
Dexus Reit	119,315	961,168	Bank Of Nova Scotia/The	118,644	8,411,171
Domino'S Pizza	6,652	570,688	Barrick Gold Corp	140,808	2,676,483
Endeavour Group	147,311	719,729	Bausch Health Cos Inc	21,727	599,443
Evolution Mining Ltd	187,662	552,581	Bce Inc	39,447	2,053,311
Fortescue Metals Group	185,989	2,596,287	Blackberry Ltd	35,036	327,574
Goodman Group	182,612	3,518,353	Brookfield Asset	115,184	6,946,694
GPT Group	213,940	841,499	Brookfield Renewable Corp	14,435	528,192
IDP Education Ltd	17,900	448,339	Brp Inc	4,313	377,607
Insurance Australia Group	270,741	838,548	Cae Inc	22,827	574,854
James Hardie Industries	48,783	1,954,269	Cameco Corp	27,323	593,767
Lendlease Corp Ltd	75,600	580,430	Canadian Apartment	11,964	565,831
Macquarie Group Ltd	38,934	5,802,928	Canadian Imperial Bank Of	39,412	4,594,401
Magellan Financial Group	15,140	233,800	Canadian National Railway	74,481	9,137,138
Medibank Pvt Ltd	302,471	736,704	Canadian Natural	110,399	4,660,155
Mirvac Group	432,461	911,820	Canadian Pacific Railway	73,578	5,294,890
National Australia Bank	371,665	7,790,415	Canadian Tire Corp Ltd	6,032	863,529
Newcrest Mining Ltd	89,682	1,594,873	Canadian Utilities Ltd	7,613	220,588
Northern Star Resources	121,391	826,089	Canopy Growth Corp	9,100	79,462
Orica Ltd	44,692	442,234	Ccl Industries Inc	11,916	638,652
Origin Energy Ltd	193,433	735,523	Cenovus Energy Inc	113,729	1,395,558
Qantas Airways Ltd	101,500	367,502	Cgi Inc	19,941	1,763,377
Qbe Insurance Group Ltd	162,017	1,335,789	Ci Financial Corp	25,437	530,630
Ramsay Health Care Ltd	20,110	1,039,551	Constellation Software	2,868	5,318,089
Rea Group Ltd	5,804	706,099	Crescent Point Energy	48,482	258,693
Reece Ltd	31,927	619,774	Dollarama Inc	84,770	4,237,997
Rio Tinto Ltd	40,629	2,948,024	Emera Inc	21,344	1,065,384
Santos Ltd	341,945	1,566,250	Empire Co Ltd	9,522	289,998
Scentre Group	570,058	1,305,551	Enbridge Inc	176,943	6,918,588
Seek Ltd	36,835	877,074	Fairfax Financial	3,275	1,606,971
Sonic Healthcare Ltd	49,857	1,679,394	First Quantum Minerals	62,135	1,485,554
South32 Ltd	525,069	1,523,188	Firstservice Corp	2,421	474,502
Stockland	262,172	804,383	Fortis Inc/Canada	41,177	1,984,607
Suncorp Group Ltd	140,648	1,130,975	Franco-Nevada Corp	14,846	2,050,808
Sydney Airport Stapled	145,235	916,548	George Weston Ltd	7,234	837,624
Tabcorp Holdings Ltd	243,508	885,212	Gfl Environmental Inc	9,619	361,793
Telstra Corp Ltd	457,183	1,386,087	Gildan Activewear Inc	17,820	753,768
Transurban Group Stapled	338,447	3,395,737	Great-West Lifeco Inc	25,883	774,349
Treasury Wine Estates Ltd	79,236	712,618	Hydro One Ltd	20,437	530,199
Vicinity Centres	424,979	522,178	Ia Financial Corp Inc	9,662	552,344
Washington H Soul	24,160	519,940	Iamgold Corp	44,080	137,494
Wealth Bank	198,924	14,607,397	Igm Financial Inc	14,864	535,182
Wesfarmers Ltd	128,418	5,527,285	Imperial Oil Ltd	33,539	1,211,297
			Intact Financial Corp	14,215	1,846,043

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**24. Schedule of financial assets valued through profit or loss (continued)**

Interfor Corp	6,188	197,620	Netcompany Group A/S	5,823	627,240
Ivanhoe Mines Ltd	59,129	482,151	Ambu A/S	15,211	400,146
Keyera Corp	16,787	377,430	Demant A/S	6,750	346,156
Kinross Gold Corp	201,982	1,172,092	Rockwool A/S	391	170,862
Kirkland Lake Gold Ltd	20,127	841,473			<b>48,537,879</b>
Lightspeed Commerce Inc	6,292	254,041	<b>Europe</b>		
Loblaw Cos Ltd	13,271	1,086,349	Abn Amro Bank Nv	63,806	936,026
Lundin Mining Corp	63,457	495,338	Accor Sa	14,258	461,294
Magna International Inc	37,413	3,029,116	Acs Actividades De	20,718	555,321
Manulife Financial Corp	214,690	4,096,132	Adidas Ag	15,288	4,409,836
Meg Energy Corp	20,234	187,098	Adyen Nv	1,643	4,318,852
Metro Inc/Cn	22,467	1,195,252	Aegon Nv	294,192	1,468,028
National Bank Of Canada	39,624	3,021,481	Aena Sme Sa	5,714	901,592
Northland Power Inc	18,232	545,885	Aeroports De Paris	3,216	414,182
Nutrien Ltd	45,433	3,413,005	Ageas Sa/Nv	23,903	1,237,891
Nuvei Corp	4,786	310,314	Air Liquide Sa	57,034	9,936,409
Onex Corp	6,537	511,668	Airbus Se	41,068	5,243,760
Open Text Corp	19,815	940,434	Akzo Nobel Nv	16,166	1,771,848
Pan American Silver Corp	20,920	521,199	Allianz Se	36,413	8,600,621
Parkland Corp/Canada	11,790	323,883	Alstom Sa	24,419	865,846
Pembina Pipeline Corp	45,276	1,372,815	Amadeus It Group Sa	31,114	2,109,525
Power Corp Of Canada	54,215	1,791,930	Amg Advanced	5,361	171,312
Quebecor Inc	12,750	287,472	Amplifon Spa	9,294	501,294
Restaurant Brands	23,472	1,422,647	Amundi Sa	3,155	259,941
Riocan Real Estate	11,651	211,224	Anheuser-Busch Inbev	60,875	3,680,802
Ritchie Bros Auctioneers	8,139	497,109	Anima Holding Spa	28,341	144,678
Rogers Communications Inc	34,270	1,631,905	Aperam Sa	3,159	171,143
Royal Bank Of Canada	162,804	17,283,788	Arcelormittal Sa	64,366	2,059,764
Saputo Inc	23,968	540,592	Argenx Se	3,485	1,249,182
Shaw Communications Inc	30,319	919,303	Arkema Sa	5,268	741,957
Shopify Inc	7,919	10,908,491	Aroundtown Sa	78,720	477,323
Sun Life Financial Inc	56,756	3,161,873	Asm International Nv	5,475	2,419,490
Suncor Energy Inc	113,871	2,850,494	Asml Holding Nv	37,348	30,015,065
Tc Energy Corp	82,015	3,813,277	Asr Nederland Nv	9,615	442,834
Teck Resources Ltd	41,344	1,191,731	Assicurazioni Generali	91,164	1,930,885
Telus Corporation	58,304	1,375,036	Atlantia Spa	38,515	764,516
Tfi International Inc	3,423	382,528	Axa Sa	157,777	4,697,320
Thomson Reuters Corp	14,793	1,768,976	Azimut Holding Spa	6,473	181,377
Tmx Group Ltd	5,927	599,950	Banco Bilbao Vizcaya	661,360	3,947,766
Toromont Industries Ltd	13,996	1,264,033	Banco Espirito Santo Sa	247,871	33,825
Toronto-Dominion Bank/The	205,799	15,779,308	Banco Santander Sa	1,386,365	4,635,917
Tourmaline Oil Corp	40,127	1,297,063	Bank Of Ireland Group Plc	44,120	251,769
Transalta Renewables Inc	10,627	157,409	Basf Se	72,705	5,097,230
West Fraser Timber Co Ltd	13,895	1,325,643	Bayer Ag	78,337	4,191,887
Wheaton Precious Metals	34,613	1,484,373	Bayerische Motoren Werke	30,760	3,018,545
Whitecap Resources Inc	56,469	333,946	Bechtle Ag	6,318	452,501
Wsp Global Inc	11,077	1,605,404	Beiersdorf Ag	7,636	786,218
		<b>198,060,501</b>	Biomerieux	2,693	382,504
<b>Denmark</b>			Bnp Paribas Sa	108,263	7,467,027
Novo Nordisk A/S	199,414	22,514,017	Bollore Se	61,669	345,040
Dsv A/S	15,846	3,721,487	Bouygues Sa	30,741	1,099,100
Ap Moller - Maersk A/S	1,034	3,650,606	Brenntag Se	14,461	1,308,697
Coloplast A/S	16,872	2,979,574	Bureau Veritas Sa	26,109	866,388
Vestas Wind Systems A/S	81,165	2,482,015	Caixabank Sa	397,201	1,090,396
Genmab A/S	5,223	2,100,300	Capgemini Se	12,930	3,167,241
Orsted As	14,927	1,906,657	Carl Zeiss Meditec Ag	2,667	563,363
Carlsberg As	9,092	1,575,052	Carrefour Sa	56,862	1,037,202
Novozymes A/S	17,810	1,467,226	Cellnex Telecom Sa	37,209	2,162,249
Pandora A/S	10,742	1,345,819	Cie De Saint-Gobain	39,355	2,768,514
Danske Bank A/S	55,030	951,209	Cie Generale Des	15,393	2,523,334
Tryg A/S	33,237	819,459	Cnh Industrial Nv	81,201	1,576,274
Chr Hansen Holding A/S	10,274	809,321	Cnp Assurances	11,469	283,545
Gn Store Nord As	10,632	670,733	Commerzbank Ag	97,924	746,886

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**24. Schedule of financial assets valued through profit or loss (continued)**

Continental Ag	8,959	948,927	Infineon Technologies Ag	91,010	4,209,206
Covestro Ag	24,312	1,498,500	Infrastrutture Wireless	19,156	232,655
Covivio	5,428	445,547	Ing Groep Nv	374,042	5,206,413
Credit Agricole Sa	98,247	1,401,944	Inpost Sa	28,376	340,117
Crh Plc	62,438	3,302,419	Intesa Sanpaolo Spa	1,305,848	3,376,914
Daimler Truck Holding Ag	39,658	1,454,220	Ipsen Sa	4,732	432,866
Danone Sa	57,041	3,541,091	Jde Peet'S Nv	3,695	113,873
Dassault Aviation Sa	2,240	240,722	Jeronimo Martins Sgpps Sa	30,619	699,881
Dassault Systemes Se	52,410	3,117,114	Just Eat Takeaway.Com Nv	11,868	654,165
Davide Campari-Milano Nv	44,461	649,709	Kbc Group Nv	24,624	2,109,142
Delivery Hero Se	11,170	1,242,561	Kering Sa	6,097	4,894,364
Deutsche Bank Ag	163,374	2,058,170	Kerry Group Plc	13,983	1,796,866
Deutsche Boerse Ag	16,696	2,789,145	Kesko Oyj	19,677	655,637
Deutsche Lufthansa Ag	31,598	221,421	Kingspan Group Plc	10,178	1,214,736
Deutsche Post Ag	86,394	5,535,250	Kion Group Ag	5,595	612,849
Deutsche Telekom Ag	265,997	4,923,356	Klepierre Sa	19,430	460,476
Diasorin Spa	3,084	586,041	Knorr-Bremse Ag	6,845	677,064
E.On Se	176,491	2,450,615	Kone Oyj	32,762	2,350,168
Edenred	35,031	1,613,807	Koninklijke Ahold	89,624	3,071,372
Edp - Energias De	277,468	1,524,673	Koninklijke Dsm Nv	14,736	3,318,040
Edp Renovaveis Sa	14,651	364,212	Koninklijke Kpn Nv	288,064	894,311
Eiffage Sa	6,897	709,502	Koninklijke Philips Nv	79,667	2,967,062
Electricite De France Sa	34,269	402,373	La Francaise Des Jeux	4,589	202,847
Elia Group Sa/Nv	1,649	216,966	Lanxess Ag	8,685	536,101
Elisa Oyj	12,181	750,791	Leg Immobilien Se	6,680	929,051
Enagas Sa	19,870	460,962	Legrand Sa	32,550	3,794,126
Endesa Sa	24,270	557,241	L'Oreal Sa	21,994	10,426,076
Enel Spa	641,740	5,141,348	Lvmh Moet Hennessy Louis	22,765	18,807,892
Engie Sa	144,489	2,137,711	Mediobanca Banca Di	53,565	615,842
Eni Spa	266,601	3,702,418	Mercedes-Benz Group Ag	79,318	6,104,765
Erste Group Bank Ag	33,387	1,561,991	Merck Kgaa	12,609	3,272,149
Essilorluxottica Sa	23,448	4,960,752	Metropole Television Sa	10,733	209,203
Etablissements Franz	5,964	252,639	Moncler Spa	25,873	1,883,646
Eurazeo Se	3,417	297,848	Mtu Aero Engines Ag	3,572	728,331
Eurofins Scientific Se	11,160	1,380,544	Muenchener	12,469	3,693,115
Euronext Nv	6,833	706,726	Naturgy Energy Group Sa	11,289	367,548
Evonik Industries Ag	14,908	483,171	Nemetschek Se	5,440	695,348
Exor Nv	8,488	761,973	Neste Oyj	42,004	2,067,354
Faurecia Se	16,879	800,615	Nexi Spa	28,689	456,099
Ferrari Nv	10,148	2,623,111	Nn Group Nv	42,288	2,289,561
Ferrovial Sa	43,492	1,363,093	Nokia Oyj	541,128	3,431,923
Fincobank Banca Fineco	39,147	686,912	Omv Ag	23,971	1,363,536
Flutter Entertainment Plc	9,879	1,561,581	Orange Sa	209,538	2,242,515
Fortum Oyj	34,122	1,047,307	Orion Oyj	10,923	452,396
Fresenius Medical Care Ag	15,415	1,003,764	Orpea Sa	2,779	278,421
Fresenius Se & Co Kgaa	35,719	1,436,717	Permod Ricard Sa	27,740	6,668,809
Fuchs Petrolub Se	5,686	258,386	Porsche Automobil Holding	20,224	1,923,154
Galp Energia Sgpps Sa	41,122	398,429	Poste Italiane Spa	47,073	617,485
Gea Group Ag	9,430	517,852	ProSiebenSat.1	9,818	156,980
Gecina Sa	5,042	704,393	Prosus Nv	65,352	5,464,624
Getlink Se	35,486	587,362	Proximus Sadp	16,387	319,409
Grifols Sa	27,417	525,983	Prysmian Spa	29,512	1,111,206
Groupe Bruxelles Lambert	8,904	993,932	Publicis Groupe Sa	16,160	1,087,927
Hannover Rueck Se	6,034	1,149,705	Puma Se	7,031	856,734
Heidelbergcement Ag	11,223	761,939	Qiagen N.V.	17,697	987,133
Heineken Holding Nv	10,029	924,944	Raiffeisen Bank	23,991	701,162
Heineken Nv	19,930	2,240,602	Randstad Nv	9,549	651,982
Hellofresh Se	11,804	912,530	Rational Ag	530	542,685
Henkel Ag & Co Kgaa	49,240	3,959,280	Recordati Industria	24,447	1,570,764
Hermes International	3,429	5,983,720	Red Electrica Corp Sa	113,373	2,450,917
Iberdrola Sa	525,100	6,213,280	Remy Cointreau Sa	1,945	470,683
Imcd Nv	4,532	1,003,443	Renault Sa	17,721	615,452
Industria De Diseno	89,904	2,915,851	Repsol Sa	198,038	2,349,829

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**24. Schedule of financial assets valued through profit or loss (continued)**

Rexel Sa	9,393	190,455	<b>Hong Kong</b>		
Rwe Ag	50,115	2,029,442	Aia Group Ltd	1,086,000	10,948,732
Safran Sa	23,790	2,906,139	Boc Hong Kong Holdings	314,000	1,029,039
Sampo Oyj	44,292	2,223,785	Budweiser Brewing Co Apaco	153,000	401,325
Sanofi S.A	155,907	15,703,234	Chow Tai Fook Jewellery	55,000	98,906
SAP SE	102,001	14,420,565	Ck Asset Holdings Ltd	172,677	1,088,603
Sartorius Ag	2,518	1,711,209	Ck Hutchison Holdings Ltd	264,740	1,708,044
Sartorius Stedim Biotech	2,981	1,635,333	Ck Infrastructure	64,500	407,453
Schaeffler Ag	16,801	138,615	Clp Holdings Ltd	163,000	1,646,454
Schneider Electric Se	53,113	10,412,978	Esr Cayman Ltd	208,200	702,341
Scout24 Se	7,297	513,158	Galaxy Entertainment	162,000	838,436
Seb SA	3,214	499,633	Hang Lung Properties Ltd	164,000	336,990
Shell Plc	34,012	746,803	Hang Seng Bank Ltd	74,100	1,356,293
Siemens Ag	61,247	10,596,564	Henderson Land	148,953	633,351
Siemens Energy Ag	30,928	792,410	Hk Electric Investments &	160,000	156,998
Siemens Gamesa Renewable	17,932	429,665	Hkt Trust & Hkt Ltd	383,040	514,893
Siemens Healthineers Ag	23,295	1,750,000	Hong Kong & China Gas	1,089,119	1,695,920
Signify Nv	7,550	350,131	Hong Kong Exchanges &	107,975	6,307,071
Smurfit Kappa Group Plc	19,829	1,092,300	Hsbc Holdings Plc	96,400	579,293
Snam Spa	173,257	1,044,248	Js Global Lifestyle Co	62,500	105,018
Societe Generale Sa	96,339	3,308,065	Link Reit	174,129	1,531,052
Sodexo Sa	9,135	800,524	Mtr Corp Ltd	120,853	648,731
Sofina Sa	1,293	635,213	New World Development	81,999	324,470
Solvay Sa	10,831	1,258,799	Pacific Basin Shipping	357,000	130,962
Stellantis Nv	217,047	4,119,052	Power Assets Holdings Ltd	120,000	748,047
Stmicroelectronics Nv	53,419	2,634,645	Sands China Ltd	176,000	409,056
Stora Enso Oyj	49,440	908,566	Sino Land Co Ltd	472,942	589,032
Suez Sa	24,150	544,050	Sitc International	167,000	600,843
Symrise Ag	12,210	1,812,714	Sun Hung Kai Properties	174,500	2,117,376
Telecom Italia Spa/Milano	698,219	344,602	Swire Pacific Ltd	98,000	557,482
Telefonica Deutschland	103,314	285,967	Swire Properties Ltd	189,923	475,033
Telefonica Sa	435,812	1,908,576	Techtronic Industries	109,500	2,178,399
Teleperformance	5,236	2,334,117	Wh Group Ltd	1,222,053	766,497
Tenaris Sa	45,514	475,661	Wharf Real Estate	228,000	1,158,088
Terna - Rete Elettrica	214,136	1,732,369	Xinyi Glass Holdings Ltd	276,000	690,327
Thales Sa	8,171	695,046			<b>43,480,555</b>
Totalenergies Se	245,248	12,447,130	<b>Israel</b>		
Ubisoft Entertainment Sa	6,914	338,564	Azrieli Group Ltd	3,560	339,712
Ucb Sa	10,887	1,242,403	Bank Hapoalim Bm	100,934	1,038,721
Umicore	14,812	601,170	Bank Leumi Le-Israel Bm	129,413	1,390,845
Unibail-Rodamco-Westfield	9,416	655,479	Elbit Systems Ltd	2,730	472,601
Unicredit Spa	167,359	2,577,703	Icl Group Ltd	69,868	673,673
Unilever Plc	34,906	1,867,059	Israel Discount Bank Ltd	97,166	653,726
Uniper Se	6,834	324,543	Mizrachi Tefahot Bank Ltd	16,479	635,355
United Internet Ag	7,883	313,042	Nice Ltd	4,944	1,511,761
Universal Music Group Nv	60,471	1,704,062	Teva Pharmaceutical	20,189	174,490
Upm-Kymmene Oyj	49,023	1,867,033			<b>6,890,884</b>
Valeo	47,122	1,424,346	<b>Japan</b>		
Veolia Environnement Sa	50,249	1,842,867	Advantest Corp	15,800	1,494,177
Verbio Vereinigte	3,041	210,952	Aeon Co Ltd	56,800	1,335,963
Verbund Ag	5,220	590,947	Age Inc	22,700	1,082,220
Vinci Sa	47,249	4,988,976	Air Water Inc	14,000	215,796
Vivendi Se	60,471	817,647	Aisin Corp	29,100	1,114,420
Voestalpine Ag	8,682	316,534	Ajinomoto Co Inc	40,800	1,239,005
Volkswagen Ag	19,832	4,305,917	Alps Alpine Co Ltd	18,900	178,077
Vonovia Se	64,220	3,534,700	Ana Holdings Inc	26,400	551,247
Wacker Chemie Ag	1,918	287,803	Asahi Group Holdings Ltd	43,000	1,670,635
Wartsila Oyj Abp	42,374	596,564	Asahi Intecc Co Ltd	16,200	347,339
Wendel Se	2,425	290,663	Asahi Kasei Corp	126,600	1,187,888
Wolters Kluwer Nv	38,349	4,465,713	Astellas Pharma Inc	344,600	5,595,953
Worldline Sa/France	16,210	903,266	Azbil Corp	13,000	590,422
Zalando Se	12,259	992,872	Bandai Namco Holdings Inc	17,800	1,389,623
		<b>524,088,008</b>	Baycurrent Consulting Inc	700	270,201

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**24. Schedule of financial assets valued through profit or loss (continued)**

Benefit One Inc	3,300	140,993	Japan Post Insurance Co	18,300	293,836
Bridgestone Corp	51,300	2,204,713	Japan Real Estate	124	702,080
Brother Industries Ltd	22,300	427,584	Japan Tobacco Inc	112,000	2,257,896
Canon Inc	87,600	2,128,477	Jfe Holdings Inc	38,700	492,677
Capcom Co Ltd	13,600	319,819	Jsr Corp	15,300	581,282
Central Japan Railway Co	11,900	1,585,737	Kajima Corp	75,500	864,787
Chiba Bank Ltd/The	50,700	289,702	Kakaku.Com Inc	12,600	335,365
Chubu Electric Power Co	58,000	609,943	Kansai Electric Power Co	44,100	410,918
Chugai Pharmaceutical Co	52,600	1,705,600	Kansai Paint Co Ltd	11,400	247,295
Concordia Financial Group	44,800	162,230	Kao Corp	44,000	2,299,822
Cosmos Pharmaceutical	1,000	146,932	Kddi Corp	253,500	7,398,841
Cyberagent Inc	30,100	500,033	Keio Corp	8,600	378,637
Dai Nippon Printing Co	14,000	351,353	Keisei Electric Railway	13,800	372,098
Daifuku Co Ltd	9,600	782,806	Keyence Corp	16,060	10,080,472
Dai-Ichi Life Holdings	78,800	1,591,328	Kikkoman Corp	13,700	1,149,251
Daiichi Sankyo Co Ltd	116,900	2,967,801	Kintetsu Group Holdings	17,700	494,164
Daikin Industries Ltd	21,300	4,824,893	Kirin Holdings Co Ltd	65,700	1,053,494
Daito Trust Construction	5,200	594,260	Kobayashi Pharmaceutical	4,200	329,712
Daiwa House Industry Co	50,700	1,455,553	Kobe Bussan Co Ltd	12,200	471,981
Daiwa House	151	456,324	Koei Tecmo Holdings Co	7,020	275,850
Daiwa Securities Group	127,000	715,206	Koito Manufacturing Co	9,000	474,404
Denka Co Ltd	6,800	221,736	Komatsu Ltd	67,000	1,566,562
Denso Corp	38,800	3,210,000	Konami Holdings Corp	6,800	324,780
Dentsu Group Inc	18,000	640,094	Kose Corp	2,400	271,773
Disco Corp	2,300	702,054	Kubota Corp	87,700	1,944,700
Dowa Holdings Co Ltd	4,200	176,163	Kurita Water Industries	7,600	359,689
East Japan Railway Co	28,800	1,768,691	Kyocera Corp	30,200	1,884,304
Eisai Co Ltd	18,700	1,060,406	Kyowa Kirin Co Ltd	22,400	607,876
Eneos Holdings Inc	201,200	751,650	Lasertec Corp	9,300	2,850,046
Fanuc Corp	15,100	3,196,236	Lawson Inc	6,000	282,402
Fast Retailing Co Ltd	4,000	2,268,247	Lion Corp	24,100	321,668
Fuji Electric Co Ltd	10,100	550,805	Lixil Corp	20,200	536,772
Fujifilm Holdings Corp	37,600	2,782,247	M3 Inc	41,200	2,072,612
Fujitsu Ltd	15,500	2,655,008	Makita Corp	18,500	784,308
Glp	346	596,422	Marubeni Corp	179,700	1,746,206
Gmo Payment Gateway Inc	3,300	410,942	Mazda Motor Corp	133,000	1,022,144
Gs Yuasa Corp	8,800	195,403	Mcdonald'S Holdings Co	25,300	1,116,096
Hakuhodo Dy Holdings Inc	17,300	287,695	Medipal Holdings Corp	22,800	426,281
Hamamatsu Photonics Kk	13,100	833,859	Meiji Holdings Co Ltd	10,000	594,850
Hankyu Hanshin Holdings	19,200	543,546	Mercari Inc	6,500	330,772
Hikari Tsushin Inc	2,500	384,265	Minebea Mitsumi Inc	31,900	903,078
Hino Motors Ltd	22,600	185,856	Misumi Group Inc	25,200	1,031,809
Hirose Electric Co Ltd	3,391	567,743	Mitsubishi Chemical	99,400	735,433
Hitachi Construction	5,200	149,694	Mitsubishi Corp	134,900	4,278,189
Hitachi Ltd	76,900	4,159,699	Mitsubishi Electric Corp	156,200	1,977,679
Hitachi Metals Ltd	18,100	334,949	Mitsubishi Estate Co Ltd	96,200	1,331,621
Honda Motor Co Ltd	171,200	4,800,528	Mitsubishi Gas Chemical	25,900	437,908
Hoshizaki Corp	5,000	374,278	Mitsubishi Hc Capital Inc	38,000	187,764
Hoya Corp	29,400	4,367,044	Mitsubishi Heavy	21,700	500,972
Hulic Co Ltd	30,500	289,228	Mitsubishi Ufj Financial	1,067,900	5,794,138
Ibiden Co Ltd	8,500	504,147	Mitsui & Co Ltd	179,800	4,246,937
Idemitsu Kosan Co Ltd	16,186	412,539	Mitsui Chemicals Inc	13,400	358,986
Iida Group Holdings Co	27,100	629,756	Mitsui Fudosan Co Ltd	77,300	1,529,151
Inpex Corp	144,400	1,255,216	Mitsui Osk Lines Ltd	5,400	400,469
Isuzu Motors Ltd	96,500	1,198,341	Miura Co Ltd	11,400	391,533
Ito En Ltd	2,900	151,856	Mizuho Financial Group	194,110	2,466,093
Itochu Corp	141,100	4,310,623	Monotaro Co Ltd	20,600	370,659
Itochu Techno-Solutions	6,600	212,062	Ms&Ad Insurance Group	35,500	1,093,161
Japan Airlines Co Ltd	15,500	295,584	Murata Manufacturing Co	45,000	3,577,960
Japan Exchange Group Inc	42,000	917,650	Nec Corp	23,800	1,097,460
Japan Metropolitan Fund	599	514,967	Nexon Co Ltd	42,200	814,646
Japan Post Bank Co Ltd	95,300	872,270	Ngk Insulators Ltd	33,600	566,346
Japan Post Holdings Co	171,000	1,331,411	Ngk Spark Plug Co Ltd	17,300	300,765



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**24. Schedule of financial assets valued through profit or loss (continued)**

Nidec Corp	35,400	4,154,670	Shimadzu Corp	19,300	813,699
Nihon M&A Center Holdings	26,500	648,951	Shimano Inc	6,000	1,596,978
Nintendo Co Ltd	8,800	4,099,101	Shimizu Corp	70,400	434,058
Nippon Building Fund Inc	122	708,766	Shin-Etsu Chemical Co Ltd	27,900	4,825,049
Nippon Carbon Co Ltd	6,100	220,629	Shinko Electric	5,500	262,212
Nippon Electric Glass Co	5,800	148,431	Shionogi & Co Ltd	24,600	1,734,209
Nippon Express Co Ltd	5,700	342,035	Shiseido Co Ltd	27,100	1,509,203
Nippon Paint Holdings Co	46,600	505,840	Shizuoka Bank Ltd/The	49,200	350,345
Nippon Prologis	173	610,694	Smc Corp	4,400	2,964,665
Nippon Sanso Holdings	8,900	194,068	Softbank Corp	250,800	3,167,805
Nippon Shinyaku Co Ltd	4,700	326,516	Softbank Group Corp	85,400	4,029,904
Nippon Steel Corp	65,624	1,070,226	Sohgo Security Services	7,100	281,460
Nippon Telegraph &	243,900	6,669,629	Sompo Holdings Inc	29,000	1,223,412
Nippon Yusen Kk	16,400	1,247,571	Sony Group Corp	104,900	13,185,945
Nissan Chemical Corp	8,800	509,713	Square Enix Holdings Co	7,300	374,018
Nissan Motor Co Ltd	217,100	1,047,653	Stanley Electric Co Ltd	15,600	389,881
Nisshin Seifun Group Inc	17,795	256,058	Subaru Corp	51,400	917,929
Nissin Foods Holdings Co	3,600	261,977	Sumco Corp	24,600	501,805
Nitori Holdings Co Ltd	6,400	957,318	Sumitomo Chemical Co Ltd	209,300	985,112
Nitto Denko Corp	10,100	778,846	Sumitomo Corp	78,600	1,160,349
Nomura Holdings Inc	268,700	1,170,422	Sumitomo Dainippon Pharma	11,900	136,924
Nomura Real Estate	6,900	158,486	Sumitomo Electric	132,700	1,727,387
Nomura Real Estate Master	398	559,215	Sumitomo Forestry Co Ltd	10,100	195,150
Nomura Research Institute	48,021	2,055,868	Sumitomo Heavy Industries	10,100	244,179
Nsk Ltd	30,600	195,842	Sumitomo Metal Mining Co	30,100	1,136,510
Ntt Data Corp	51,400	1,100,265	Sumitomo Mitsui Financial	146,500	5,012,461
Obayashi Corp	106,900	825,271	Sumitomo Mitsui Trust	29,600	987,566
Obic Co Ltd	8,800	1,650,645	Sumitomo Realty &	22,900	671,757
Odakyu Electric Railway	25,000	462,637	Suntory Beverage & Food	14,900	537,619
Oji Holdings Corp	68,300	330,364	Suzuki Motor Corp	35,500	1,365,064
Olympus Corp	79,600	1,831,101	Systemex Corp	12,800	1,728,453
Omron Corp	15,100	1,502,722	T&D Holdings Inc	80,500	1,028,314
Ono Pharmaceutical Co Ltd	83,900	2,080,469	Taisei Corp	25,400	770,900
Open House Group Co Ltd	3,400	176,857	Taisho Pharmaceutical	4,700	215,501
Oracle Corp Japan	10,100	763,936	Takeda Pharmaceutical Co	124,438	3,388,803
Oriental Land Co	16,200	2,727,784	Tdk Corp	34,800	1,355,373
Orix Corp	103,400	2,107,868	Terumo Corp	54,900	2,314,615
Orix	177	276,209	Tis Inc	15,400	458,035
Osaka Gas Co Ltd	52,800	871,174	Tohu Railway Co Ltd	14,700	334,198
Otsuka Corp	11,800	561,539	Toho Co Ltd/Tokyo	11,500	491,338
Otsuka Holdings Co Ltd	32,800	1,187,186	Tokai Rika Co Ltd	9,300	124,937
Pan Pacific International	34,000	468,273	Tokio Marine Holdings Inc	60,500	3,357,171
Panasonic Corp	236,700	2,599,168	Tokyo Century Corp	2,600	125,987
Persol Holdings Co Ltd	18,700	539,946	Tokyo Electric Power Co	176,600	453,941
Pola Orbis Holdings Inc	4,400	73,209	Tokyo Electron Ltd	14,100	8,115,566
Rakuten Group Inc	68,900	689,868	Tokyo Gas Co Ltd	35,100	627,597
Recruit Holdings Co Ltd	108,400	6,563,022	Tokyu Corp	48,600	644,455
Renesas Electronics Corp	87,200	1,077,553	Toppan Inc	56,100	1,048,389
Resona Holdings Inc	185,100	718,668	Topre Corp	7,900	81,638
Ricoh Co Ltd	59,600	552,758	Toray Industries Inc	169,500	1,003,267
Rinnai Corp	3,500	313,968	Toshiba Corp	32,200	1,322,338
Rohm Co Ltd	6,800	617,081	Tosoh Corp	45,800	678,121
Ryohin Keikaku Co Ltd	21,700	330,338	Toto Ltd	10,000	459,381
Santen Pharmaceutical Co	31,600	385,824	Toyo Suisan Kaisha Ltd	8,400	354,149
Sbi Holdings Inc/Japan	23,280	632,768	Toyo Tire Corp	12,000	186,844
Sesk Corp	12,300	244,387	Toyota Industries Corp	15,800	1,259,555
Secom Co Ltd	24,000	1,662,108	Toyota Motor Corp	1,184,500	21,652,316
Seiko Epson Corp	18,300	328,957	Toyota Tsusho Corp	23,400	1,074,951
Sekisui Chemical Co Ltd	35,700	593,992	Trend Micro Inc/Japan	11,500	637,141
Sekisui House Ltd	62,500	1,340,042	Tsuruha Holdings Inc	4,100	392,714
Seven & I Holdings Co Ltd	71,500	3,138,040	Unicharm Corp	38,900	1,687,339
Sg Holdings Co Ltd	25,800	603,355	Uss Co Ltd	45,200	703,386
Sharp Corp/Japan	27,900	319,570	Wakita & Co Ltd	19,300	180,003

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**24. Schedule of financial assets valued through profit or loss (continued)**

Welcia Holdings Co Ltd	10,800	336,694	Embracer Group Ab	30,822	328,719
West Japan Railway Co	15,100	630,724	Epiroc Ab	118,656	2,870,488
Yakult Honsha Co Ltd	10,500	547,089	Eqf Ab	34,992	1,904,224
Yamaha Corp	13,400	659,789	Essity Ab	82,292	2,688,577
Yamaha Motor Co Ltd	46,200	1,106,104	Evolution Ab	13,745	1,950,808
Yamato Holdings Co Ltd	18,900	443,634	Fastighets Ab Balder	5,912	425,222
Yaskawa Electric Corp	17,500	855,586	Getinge Ab	9,353	407,018
Yokogawa Electric Corp	16,500	297,173	H & M Hennes & Mauritz Ab	49,748	976,295
Yokohama Rubber Co	15,700	251,271	Hexagon Ab	157,157	2,489,142
Z Holdings Corp	208,200	1,205,391	Husqvarna Ab	40,095	639,919
Zozo Inc	21,800	677,729	Industrivarden Ab	25,769	814,527
		<b>366,834,625</b>	Investment Ab Latour	12,799	522,910
<b>New Zealand</b>			Investor Ab	218,763	5,558,629
Auckland International	96,065	503,805	Kinnevik Ab	24,824	888,212
Fisher & Paykel	50,099	1,121,619	L E Lundbergforetagen Ab	6,467	362,284
Mercury Nz Ltd	44,768	185,435	Lifco Ab	9,532	284,470
Meridian Energy Ltd	136,048	449,892	Lundin Energy Ab	33,274	1,195,150
Ryman Healthcare Ltd	30,469	254,917	Mips Ab	3,916	513,838
Spark New Zealand Ltd	171,578	530,968	Nibe Industrier Ab	147,244	2,228,863
		<b>3,046,636</b>	Nordea Bank Abp	254,578	3,110,436
<b>Norway</b>			Sagax Ab	6,585	221,104
Adevinta Asa	18,292	243,318	Sandvik Ab	88,864	2,479,282
Aker Bp Asa	14,515	447,056	Securitas Ab	38,070	524,764
Dnb Bank Asa	75,870	1,737,947	Sinch Ab	36,177	458,114
Equinor Asa	127,183	3,402,296	Skandinaviska Enskilda	192,785	2,680,808
Gjensidige Forsikring Asa	19,787	479,961	Skanska Ab	32,739	845,428
Mowi As	34,574	817,860	Skf Ab	33,083	784,519
Nordic Semiconductor Asa	6,846	231,039	Svenska Cellulosa Ab Sea	41,873	744,606
Norsk Hydro Asa	103,822	818,021	Svenska Handelsbanken Ab	125,578	1,358,440
Orkla Asa	73,901	740,493	Swedbank Ab	70,752	1,423,503
Schibsted Asa	15,595	537,760	Swedish Match Ab	164,515	1,309,019
Subsea 7 Sa	20,804	148,817	Tele2 Ab	45,748	652,832
Telenor Asa	62,026	974,882	Telefonaktiebolaget Lm	296,031	3,257,245
Yara International Asa	20,242	1,021,247	Telia Co Ab	244,314	953,769
		<b>11,600,697</b>	Thule Group Ab	14,011	849,588
<b>Singapore</b>			Volvo Ab	125,976	2,917,776
Ascendas Real Estate	296,495	648,785	Zalando Se	2,614	211,711
Capitaland Integrated	455,452	689,183			<b>64,664,868</b>
Capitaland Investment	226,500	572,907	<b>Switzerland</b>		
City Developments Ltd	40,000	202,055	Abb Ltd	134,985	5,170,363
DBS Group Holdings Ltd	185,658	4,497,712	Adecco Group Ag	11,700	598,130
Genting Singapore Ltd	636,700	366,015	Alcon Inc	34,491	3,056,361
Keppel Corp Ltd	80,100	303,609	Bachem Holding Ag	253	198,535
Mapletree Commercial	263,500	386,997	Baloise Holding Ag	4,612	754,705
Mapletree Logistics Trust	157,169	220,339	Barry Callebaut Ag	308	749,084
Oversea-Chinese Banking Singapore	426,478	3,606,312	Chocoladefabriken Lindt & Cie Financiere Richemont	42,480	6,384,938
Singapore Airlines Ltd	111,850	413,168	Clariant Ag	17,020	354,914
Singapore Exchange Ltd	75,100	518,065	Credit Suisse Group Ag	279,643	2,722,311
Singapore Technologies	162,100	450,896	Ems-Chemie Holding Ag	661	740,691
United Overseas Bank Ltd	127,263	2,539,313	Geberit Ag	4,067	3,326,267
Uol Group Ltd	60,484	317,640	Givaudan Sa	811	4,265,282
Venture Corp Ltd	16,500	223,974	Holcim Ag	45,966	2,345,848
Wilmar International Ltd	192,900	590,941	Julius Baer Group Ltd	38,302	2,571,823
		<b>17,852,336</b>	Kuehne + Nagel	4,792	1,548,334
<b>Sweden</b>			Logitech International Sa	14,965	1,262,700
Alfa Laval Ab	26,928	1,085,287	Lonza Group Ag	5,905	4,935,793
Assa Abloy Ab	77,986	2,381,653	Nestle Sa	305,263	42,696,281
Atlas Copco Ab	38,691	2,276,029	Novartis Ag	261,622	23,051,105
Atlas Copco Ab	79,392	5,496,325	Partners Group Holding Ag	2,461	4,083,885
Boliden Ab	27,068	1,044,590	Roche Holding Ag	88,363	36,840,031
Electrolux Ab	22,738	548,745	Schindler Holding Ag	5,577	1,500,943
			Sgs Sa	773	2,585,009

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**24. Schedule of financial assets valued through profit or loss (continued)**

Sika Ag	11,996	5,005,629	Intercontinental Hotels	14,401	932,360
Sonova Holding Ag	4,784	1,878,632	Intertek Group Plc	29,954	2,283,347
Straumann Holding Ag	1,035	2,199,723	Itv Plc	540,501	809,316
Swatch Group Ag/The	9,884	1,362,799	J Sainsbury Plc	136,169	508,485
Swiss Life Holding Ag	2,892	1,774,272	Jd Sports Fashion Plc	180,090	531,264
Swiss Prime Site Ag	5,510	541,838	Johnson Matthey Plc	35,914	995,250
Swiss Re Ag	23,800	2,357,667	Kingfisher Plc	161,778	740,845
Swisscom Ag	4,942	2,791,147	Land Securities Group Plc	76,444	803,260
Temenos Ag	4,427	612,196	Legal & General Group Plc	749,042	3,016,227
Ubs Group Ag	388,623	7,003,446	Lloyds Banking Group Plc	7,267,278	4,705,033
Vat Group Ag	3,166	1,578,222	London Stock Exchange	25,843	2,425,711
Vifor Pharma Ag	4,080	726,531	M&G Plc	183,160	493,805
Zurich Insurance Group Ag	14,837	6,520,039	Man Group Plc/Jersey	155,524	477,964
		<b>188,834,869</b>	Melrose Industries Plc	293,143	634,085
<b>United Kingdom</b>			Mondi Plc	44,144	1,091,781
3I Group Plc	82,881	1,626,621	Moneysupermarket.Com	38,900	113,806
Abrdn Plc	175,127	571,179	National Grid Plc	317,885	4,563,068
Admiral Group Plc	27,262	1,165,354	Natwest Group Plc	640,822	1,958,121
Aib Group Plc	96,342	231,033	Next Plc	11,935	1,317,477
Aj Bell Plc	17,195	88,361	Nmc Health Plc	6,918	469
Anglo American Plc	102,656	4,193,519	Ocado Group Plc	38,026	864,242
Antofagasta Plc	29,878	541,668	Pearson Plc	62,374	515,681
Ashtead Group Plc	31,432	2,529,692	Persimmon Plc	28,392	1,098,290
Associated British Foods	30,376	824,090	Phoenix Group Holdings	59,626	527,366
Astrazeneca Plc	165,337	19,424,616	Plus500 Ltd	11,040	203,437
Auto Trader Group Plc	228,499	2,290,229	Prudential Plc	206,275	3,560,815
Aveva Group Plc	7,834	361,084	Rathbones Group Plc	7,499	201,515
Aviva Plc	330,759	1,838,578	Reckitt Benckiser Group	74,384	6,387,513
Bae Systems Plc	254,561	1,895,656	Relx Plc	209,933	6,818,563
Barclays Plc	1,767,958	4,477,922	Rentokil Initial Plc	157,517	1,243,397
Barratt Developments Plc	102,145	1,034,860	Rightmove Plc	120,400	1,296,452
Berkeley Group Holdings	11,562	747,772	Rio Tinto Plc	123,964	8,213,817
Bhp Group Plc	219,138	6,526,884	Rolls-Royce Holdings Plc	631,058	1,050,300
Bp Plc	1,966,101	8,801,167	Royal Dutch Shell Plc	781,617	17,171,193
British American Tobacco	172,696	6,388,030	Royal Mail Plc	61,006	418,106
British Land Co Plc/The	76,089	547,242	Sage Group Plc/The	105,349	1,216,575
Britvic Plc	20,454	254,876	Schroders Plc	12,743	614,275
Bt Group Plc	776,091	1,782,270	Segro Plc	118,648	2,306,888
Bunzl Plc	27,762	1,084,825	Severn Trent Plc	19,405	774,563
Burberry Group Plc	33,803	831,904	Smith & Nephew Plc	73,624	1,286,887
Coca-Cola Hbc Ag	14,509	499,154	Smiths Group Plc	38,159	816,356
Compass Group Plc	144,423	3,228,605	Spirax-Sarco Engineering	6,925	1,504,951
Croda International Plc	12,962	1,770,561	Sse Plc	88,078	1,966,019
Dcc Plc	8,054	659,979	St James'S Place Plc	47,318	1,078,953
Diageo Plc	242,426	13,252,363	Standard Chartered Plc	376,975	2,289,503
Drax Group Plc	51,924	425,487	Strix Group Plc	27,829	113,644
Entain Plc	45,778	1,043,528	Synthomer Plc	27,558	149,080
Evraz Plc	56,952	464,066	Taylor Wimpey Plc	355,006	843,870
Experian Plc	81,330	4,000,917	Tesco Plc	591,201	2,321,381
Ferguson Plc	19,672	3,490,461	Unilever Plc	275,369	14,713,806
Flutter Entertainment Plc	1,599	254,477	United Utilities Group	64,585	952,626
Gamma Communications Plc	9,880	220,267	Vodafone Group Plc	2,136,528	3,246,288
Glaxosmithkline Plc	630,312	13,715,963	Watches Of Switzerland	9,071	174,219
Glencore Plc	793,279	4,028,676	Whitbread Plc	18,078	733,103
Halma Plc	35,992	1,559,980	Wpp Plc	86,215	1,307,284
Harbour Energy Plc	31,918	152,952			<b>251,563,125</b>
Hargreaves Lansdown Plc	24,574	451,002	<b>United States of America</b>		
Hikma Pharmaceuticals Plc	16,622	497,777	10X Genomics Inc	5,278	786,422
Hsbc Holdings Plc	1,993,144	12,110,468	3M Co	76,999	13,675,792
Ig Group Holdings Plc	63,064	694,440	A O Smith Corp	10,781	925,764
Imperial Brands Plc	72,491	1,587,168	Abbott Laboratories	140,967	19,838,286
Informa Plc	131,635	921,062	Abbvie Inc	186,888	25,304,635
Integratin Holdings Plc	12,080	91,708	Abiomed Inc	3,560	1,278,610

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**24. Schedule of financial assets valued through profit or loss (continued)**

Accenture Plc	58,877	24,406,283	Arthur J Gallagher & Co	17,365	2,946,320
Activision Blizzard Inc	94,399	6,278,477	Artisan Partners Asset	8,306	395,532
Adient Plc	8,168	391,166	Asana Inc	2,723	202,891
Adobe Inc	42,444	24,068,719	Asbury Automotive Group	2,010	347,047
Advance Auto Parts Inc	5,394	1,293,751	Assurant Inc	5,481	854,269
Advanced Micro Devices	87,569	12,602,930	Assured Guaranty Ltd	8,490	426,198
Aes Corp/The	58,160	1,413,288	At&T Inc	736,365	18,114,579
Affiliated Managers Group	5,539	911,387	Athene Holding Ltd	10,714	892,262
Affirm Holdings Inc	6,269	630,411	Atlas Air Worldwide	4,115	387,016
Aflac Inc	58,024	3,388,021	Atmos Energy Corp	12,269	1,285,423
Agco Corp	1,910	221,598	Autodesk Inc	15,240	4,285,640
Agilent Technologies Inc	30,242	4,829,647	Automatic Data Processing	52,618	12,974,546
Agnc Investment Corp	43,780	658,451	Autonation Inc	4,302	502,861
Air Lease Corp	3,449	152,411	Autozone Inc	2,976	6,240,642
Air Products And	19,697	5,993,009	Avalara Inc	6,412	827,469
Airbnb Inc	16,333	2,719,445	Avalonbay Communities Inc	12,336	3,115,457
Akamai Technologies Inc	14,601	1,707,879	Avantor Inc	35,890	1,512,405
Albemarle Corp	9,829	2,296,153	Avaya Holdings Corp	7,536	149,213
Alexandria Real Estate	10,839	2,416,772	Avery Dennison Corp	6,914	1,497,365
Align Technology Inc	6,324	4,155,943	Avnet Inc	9,640	397,457
Alleghany Corp	1,175	784,418	Axcelis Technologies Inc	2,683	200,044
Allegion Plc	19,489	2,580,733	Baker Hughes Co	63,390	1,524,530
Alliant Energy Corp	20,673	1,270,769	Ball Corp	25,355	2,439,912
Allison Transmission	8,210	298,680	Bank Of America Corp	709,474	31,557,404
Allstate Corp/The	29,934	3,521,136	Bank Of New York Mellon	99,128	5,756,363
Ally Financial Inc	28,277	1,345,985	Bank Ozk	14,745	686,085
Alnylam Pharmaceuticals	7,910	1,341,378	Bath & Body Works Inc	16,446	1,147,766
Alphabet Inc	60,865	176,223,782	Baxter International Inc	40,116	3,443,156
Altria Group Inc	149,737	7,094,539	Becton Dickinson And Co	28,307	7,118,644
Amazon.Com Inc	36,301	121,034,068	Bentley Systems Inc	11,655	563,286
Amc Entertainment	35,073	953,986	Berkshire Hathaway Inc	134,939	40,340,014
Amc Networks Inc	2,797	96,329	Best Buy Co Inc	18,781	1,908,150
Amcorg Plc	100,581	1,206,972	Bill.Com Holdings Inc	5,354	1,333,681
Amdocs Ltd	19,427	1,453,722	Biogen Inc	13,663	3,278,437
Amerco	735	532,405	Biomarin Pharmaceutical	12,072	1,066,561
Ameren Corp	22,616	2,012,824	Bio-Rad Laboratories Inc	1,916	1,447,270
American Electric Power	43,888	3,905,154	Bio-Techne Corp	3,902	2,019,012
American Express Co	54,906	8,980,425	Black Knight Inc	17,452	1,447,120
American Financial Group	7,019	963,849	Blackrock Inc	14,922	13,653,630
American International	69,821	3,968,626	Blackstone Group Inc/The	54,916	7,106,130
American Tower Corp	35,570	10,401,735	Block Inc	27,227	4,397,433
American Water Works Co	14,159	2,673,219	Boeing Co/The	38,670	7,783,884
Ameriprise Financial Inc	13,818	4,168,200	Boise Cascade Co	4,796	341,475
Amerisourcebergen Corp	13,212	1,756,139	Booking Holdings Inc	3,320	7,965,444
Ametek Inc	20,679	3,041,054	Booz Allen Hamilton	12,661	1,073,273
Amgen Inc	66,212	14,896,376	Borgwarner Inc	38,349	1,728,006
Amphenol Corp	54,233	4,741,591	Boston Properties Inc	11,182	1,287,943
Analog Devices Inc	53,079	9,330,227	Boston Scientific Corp	113,302	4,811,936
Annaly Capital Management	101,839	795,363	Brighthouse Financial Inc	4,210	217,994
Ansys Inc	6,967	2,792,513	Bristol-Myers Squibb Co	240,907	15,020,551
Anthem Inc	19,569	9,071,014	Broadcom Inc	38,951	25,919,553
Aon Plc	18,091	5,437,069	Broadridge Financial	10,461	1,912,480
Apa Corp	9,784	263,092	Brown & Brown Inc	23,358	1,641,600
Apollo Asset Management	13,153	952,803	Brown-Forman Corp	35,602	2,593,962
Apple Inc	1,498,789	266,169,939	Bruker Corp	2,724	228,544
Applied Materials Inc	87,699	13,795,930	Brunswick Corp/De	4,505	453,924
Aptiv Plc	21,901	3,611,913	Builders Firstsource Inc	4,074	349,142
Aramark	14,489	533,920	Bunge Ltd	10,562	986,174
Arch Capital Group Ltd	46,232	2,054,550	Burlington Stores Inc	5,023	1,463,803
Archer-Daniels-Midland Co	54,858	3,707,852	Cable One Inc	396	698,326
Arista Networks Inc	30,876	4,438,116	Cadence Design Systems	22,269	4,149,383
Array Technologies Inc	9,470	148,395	Caesars Entertainment Inc	14,363	1,342,797
Arrow Electronics Inc	10,553	1,417,268	Camden Property Trust	7,311	1,306,695

**Petroleum Fund of Timor-Leste**  
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**24. Schedule of financial assets valued through profit or loss (continued)**

Campbell Soup Co	13,804	599,784	Costar Group Inc	31,593	2,496,795
Canadian Pacific Railway	20,864	1,500,956	Costco Wholesale Corp	39,481	22,413,759
Canadian Solar Inc	3,849	120,435	Coterra Energy Inc	52,930	1,005,141
Capital One Financial	42,241	6,127,479	Coupa Software Inc	5,467	864,059
Cardinal Health Inc	25,173	1,296,158	Crocs Inc	7,423	951,183
Carlyle Group Inc/The	10,846	595,120	Crowdstrike Holdings Inc	15,544	3,182,012
Carmax Inc	12,982	1,690,646	Crown Castle	34,532	7,204,756
Carnival Corp	68,400	1,376,208	Crown Holdings Inc	10,240	1,132,749
Carrier Global Corp	65,896	3,574,199	Csx Corp	183,313	6,890,736
Carvana Co	5,098	1,181,767	Cummins Inc	13,171	2,871,937
Catalent Inc	12,898	1,651,202	Cushman & Wakefield Plc	8,041	178,832
Caterpillar Inc	43,919	9,080,253	Cvs Health Corp	104,960	10,825,574
Cboe Global Markets Inc	10,208	1,329,082	Cyberark Software Ltd	4,068	704,781
Cbre Group Inc	26,597	2,886,572	Dana Inc	12,771	291,307
Cdw Corp/De	11,379	2,330,192	Danaher Corp	59,362	19,531,285
Celanese Corp	11,037	1,854,989	Darden Restaurants Inc	8,858	1,334,281
Centene Corp	51,613	4,252,911	Datadog Inc	12,787	2,277,620
Centerpoint Energy Inc	42,577	1,187,898	Davita Inc	4,824	548,730
Century Communities Inc	4,137	338,365	Deere & Co	23,742	8,142,319
Ceridian Hcm Holding Inc	9,897	1,033,940	Dell Technologies Inc	20,869	1,172,420
Cerner Corp	26,793	2,488,534	Delta Air Lines Inc	12,289	480,254
Cf Industries Holdings	14,298	1,011,869	Deluxe Corp	3,231	103,747
Ch Robinson Worldwide Inc	11,001	1,183,598	Dentsply Sirona Inc	14,885	830,285
Charles River	3,764	1,418,275	Devon Energy Corp	63,380	2,791,255
Charles Schwab Corp/The	118,197	9,935,640	Dexcom Inc	6,654	3,572,865
Chart Industries Inc	2,360	376,396	Diamondback Energy Inc	16,158	1,741,994
Charter Communications	10,424	6,796,135	Digital Realty Trust Inc	22,418	3,965,296
Check Point Software	16,727	1,949,532	Discover Financial	30,447	3,517,846
Chemours Co/The	9,494	318,619	Discovery Inc	31,035	710,702
Cheniere Energy Inc	21,419	2,168,031	Dish Network Corp	21,955	712,220
Chevron Corp	153,206	17,977,192	DocuSign Inc	12,970	1,975,590
Chewy Inc	7,631	450,076	Dollar General Corp	19,754	4,658,191
Chipotle Mexican Grill	1,957	3,420,092	Dollar Tree Inc	18,293	2,570,349
Chubb Ltd	43,976	8,500,121	Dominion Energy Inc	65,644	5,156,336
Church & Dwight Co Inc	22,176	2,272,818	Domino'S Pizza Inc	3,495	1,972,298
Cigna Corp	27,505	6,316,248	Doordash Inc	6,488	966,193
Cincinnati Financial Corp	13,596	1,548,992	Dover Corp	13,006	2,361,890
Cintas Corp	7,586	3,358,853	Dow Inc	59,331	3,364,661
Cisco Systems Inc	452,471	28,668,563	Dr Horton Inc	27,905	3,026,855
Citigroup Inc	199,384	12,036,812	Draftkings Inc	18,552	509,623
Citizens Financial Group	36,877	1,742,069	Dropbox Inc	40,447	992,569
Citrix Systems Inc	8,255	780,263	Dte Energy Co	17,167	2,052,487
Clarivate Plc	26,631	626,627	Duke Energy Corp	68,632	7,199,497
Clorox Co/The	25,480	4,442,948	Duke Realty Corp Usd	32,166	2,111,698
Cloudflare Inc	15,462	2,033,253	Dupont De Nemours Inc	41,188	3,326,755
Cme Group Inc	32,159	7,347,045	Dynatrace Inc	17,628	1,064,379
Cms Energy Corp	25,580	1,663,723	Eastman Chemical Co	10,086	1,219,196
Cnx Resources Corp	11,583	159,150	Eaton Corp Plc	35,891	6,203,759
Coca-Cola Co/The	458,163	27,127,831	Ebay Inc	72,098	4,794,517
Coca-Cola Europacific	17,107	956,795	Ecobab Inc	20,262	4,751,439
Cognex Corp	15,937	1,239,102	Edison International	29,603	2,020,701
Cognizant Technology	48,215	4,276,671	Edwards Lifesciences Corp	59,639	7,722,058
Coinbase Global Inc	2,643	666,644	Elanco Animal Health Inc	32,597	925,103
Colgate-Palmolive Co	125,053	10,670,772	Electronic Arts Inc	22,425	2,957,633
Comcast Corp	393,538	19,810,703	Eli Lilly & Co	80,130	22,123,893
Conagra Brands Inc	35,087	1,197,870	Emerson Electric Co	48,433	4,502,816
Conocophillips	115,457	8,333,686	Encore Wire Corp	1,347	192,500
Consolidated Edison Inc	30,778	2,625,671	Endava Plc ADR Usd 0.02	1,908	320,086
Constellation Brands Inc	13,390	3,360,488	Enersys	1,496	118,274
Cooper Cos Inc/The	3,920	1,642,833	Enphase Energy Inc	11,370	2,080,028
Copart Inc	16,844	2,551,698	Entegris Inc	9,045	1,252,733
Corning Inc	61,646	2,295,081	Entergy Corp	16,932	1,906,882
Corteva Inc	59,237	2,800,725	Eog Resources Inc	51,964	4,617,001

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
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**24. Schedule of financial assets valued through profit or loss (continued)**

Epam Systems Inc	6,096	4,078,651	Graco Inc	7,991	643,835
Equifax Inc	8,508	2,491,908	Graftech International	28,480	336,634
Equinix Inc Usd	7,146	6,044,444	Gray Television Inc	8,689	175,170
Equitable Holdings Inc	41,965	1,376,032	Group 1 Automotive Inc	1,585	309,424
Equity Lifestyle	15,120	1,325,873	Guidewire Software Inc	6,171	700,902
Equity Residential	27,855	2,521,156	H&R Block Inc	19,617	462,177
Erie Indemnity Co	2,556	492,439	Halliburton Co	71,234	1,628,409
Essent Group Ltd	12,711	578,732	Hamilton Lane Inc	5,525	572,556
Essential Utilities Inc	17,780	954,608	Harley-Davidson Inc	9,108	343,189
Essex Property Trust Inc	5,972	2,103,219	Hartford Financial	36,159	2,496,779
Estee Lauder Cos Inc/The	18,145	6,718,912	Hasbro Inc	11,865	1,206,908
Etsy Inc	11,706	2,562,326	Hca Healthcare Inc	20,872	5,362,226
Evercore Inc	2,345	318,451	Healthpeak Properties Inc	40,447	1,459,328
Everest Re Group Ltd	6,990	1,915,050	Heico Corp	12,613	1,727,497
Evergy Inc	23,526	1,613,648	Henry Schein Inc	11,957	927,026
Eversource Energy	29,905	2,721,355	Herbalife Nutrition Ltd	7,967	325,850
Evertec Inc	6,780	338,864	Herc Holdings Inc	1,883	294,878
Exact Sciences Corp	11,552	899,092	Hershey Co/The	26,850	5,195,744
Exelon Corp	86,471	4,997,159	Hess Corp	18,962	1,403,378
Expedia Group Inc	9,488	1,714,671	Hess Midstream Lp	18,572	512,773
Expeditors International	14,663	1,969,094	Hewlett Packard	153,407	2,417,694
Extra Space Storage Inc	11,500	2,608,085	Hibbett Inc	1,396	100,414
Exxon Mobil Corp	337,970	20,677,005	Hilton Worldwide Holdings	18,879	2,944,180
F5 Inc 0	7,393	1,809,067	Hollyfrontier Corp	15,596	511,237
Factset Research Systems	6,980	3,393,606	Hologic Inc	17,393	1,331,608
Fair Isaac Corp	2,202	955,250	Home Depot Inc/The	101,145	41,973,152
Fastenal Co	56,435	3,615,226	Honeywell International	55,589	11,591,418
Federated Hermes Inc	18,909	710,600	Hongkong Land Holdings	164,900	857,480
Fedex Corp	17,560	4,541,543	Horizon Therapeutics Plc	14,551	1,568,016
Fidelity National	76,182	6,838,023	Hormel Foods Corp	25,009	1,220,689
Fifth Third Bancorp	73,141	3,184,559	Host Hotels & Resorts Inc	53,147	924,226
First Republic Bank/Ca	13,963	2,882,661	Houlihan Lokey Inc	2,698	279,351
First Solar Inc	2,264	197,308	Howmet Aerospace Inc	33,745	1,073,766
Firstenergy Corp	42,733	1,777,265	Hp Inc	137,496	5,176,724
Fiserv Inc	48,860	5,069,225	Hubspot Inc	3,010	1,983,500
Fiverr International Ltd	1,195	135,943	Humana Inc	10,198	4,729,017
Fleetcor Technologies Inc	6,458	1,445,946	Huntington Bancshares	116,959	1,802,338
Flex Ltd	19,172	351,423	Huntington Ingalls	3,500	653,450
Fmc Corp	9,418	1,035,038	Huntsman Corp	13,059	455,367
Foot Locker Inc	7,680	335,155	Iac/Interactivecorp	5,841	763,477
Ford Motor Co	328,917	6,828,317	Idex Corp	12,549	2,964,199
Fortinet Inc	14,177	5,095,214	Idexx Laboratories Inc	8,327	5,482,996
Fortive Corp	30,450	2,322,726	Ihs Markit Ltd	33,929	4,509,843
Fortune Brands Home &	10,001	1,068,907	Illinois Tool Works Inc	28,419	7,013,809
Fox Corp	69,966	2,521,987	Illumina Inc	11,698	4,450,387
Franklin Resources Inc	47,713	1,596,954	Incyte Corp	12,383	909,408
Freeport-Memoran Inc	101,498	4,234,497	Ingersoll Rand Inc	25,884	1,601,443
Frontdoor Inc	6,599	241,853	Inmode Ltd	8,222	579,487
Futu Holdings Ltd Adr Usd	3,428	148,295	Insulet Corp	4,517	1,201,432
Garmin Ltd	14,301	1,947,081	Intel Corp	391,122	20,142,783
Gartner Inc	6,262	2,093,512	Intercontinental Exchange	45,193	6,181,499
Generac Holdings Inc	6,908	2,431,063	International Business	72,160	9,642,741
General Dynamics Corp	22,804	4,754,406	International Flavors &	19,807	2,983,330
General Electric Co	76,645	7,239,887	International Paper Co	29,054	1,365,247
General Mills Inc	78,736	5,304,444	International Seaways Inc	10,915	160,232
General Motors Co	104,993	6,154,690	Interpublic Group Of Cos	27,331	1,023,273
Gentex Corp	14,418	502,467	Intuit Inc	26,096	16,782,077
Genuine Parts Co	12,937	1,814,285	Intuitive Surgical Inc	28,320	10,167,446
Gilead Sciences Inc	104,743	7,605,389	Invesco Ltd	46,143	1,061,750
Global Payments Inc	20,575	2,781,534	Invitation Homes Inc	44,420	2,014,447
Globe Life Inc	8,384	785,665	Ipg Photonics Corp	3,343	575,029
Godaddy Inc	12,972	1,100,415	Iqvia Holdings Inc	13,468	3,799,188
Goldman Sachs Group	27,389	10,475,471	Iron Mountain Inc	22,226	1,163,087

**Petroleum Fund of Timor-Leste**  
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**24. Schedule of financial assets valued through profit or loss (continued)**

J M Smucker Co/The	9,305	1,263,712	Marsh & McLennan Cos Inc	53,457	9,288,688
Jabil Inc	3,796	267,049	Martin Marietta Materials	4,861	2,140,444
Jack Henry & Associates	11,943	1,992,928	Marvell Technology Inc	68,140	5,961,569
Jacobs Engineering Group	10,448	1,454,675	Masco Corp	30,071	2,111,285
Janus Henderson Group Plc	5,363	224,763	Masimo Corp	4,459	1,303,901
Jardine Matheson Holdings	17,900	984,679	Mastercard Inc	89,429	32,134,523
Jazz Pharmaceuticals Plc	10,635	1,355,005	Match Group Inc	22,411	2,963,855
Jb Hunt Transport	7,877	1,610,059	Mccormick & Co Inc/Md	21,935	2,118,921
Jeld-Wen Holding Inc	7,926	208,929	Mcdonald'S Corp	82,268	22,049,469
Johnson & Johnson	283,806	48,539,340	Mckesson Corp	13,795	3,430,541
Johnson Controls	56,901	4,626,051	Mdc Holdings Inc	4,344	242,526
Jpmorgan Chase & Co	294,462	46,622,168	Medical Properties Trust	43,472	1,026,809
Juniper Networks Inc	39,917	1,425,037	Medtronic Plc	138,381	14,315,514
Kb Home	6,121	273,854	Melco Resorts &	18,980	193,027
Kellogg Co	26,206	1,688,191	Mercadolibre Inc	3,145	4,240,246
Keurig Dr Pepper Inc	56,328	2,075,124	Merek & Co Inc	299,896	22,984,029
Keycorp	83,264	1,925,064	Meritage Homes Corp	3,690	450,401
Keysight Technologies Inc	19,110	3,945,642	Meritor Inc	5,340	132,379
Kimberly-Clark Corp	42,761	6,109,692	Meta Platforms Inc	228,411	76,819,188
Kinder Morgan Inc	156,527	2,482,518	Metlife Inc	76,660	4,789,717
Kkr & Co Inc	42,135	3,139,900	Mettler-Toledo	2,833	4,808,196
Kla Corp	15,244	6,556,597	Mgic Investment Corp	31,793	458,137
Knight-Swift	14,615	890,784	Mgm Resorts International	26,858	1,205,387
Kohl'S Corp	6,593	325,694	Microchip Technology Inc	37,140	3,233,408
Kornit Digital Ltd	1,892	287,660	Micron Technology Inc	111,228	10,357,551
Kraft Heinz Co/The	56,622	2,033,296	Microsoft Corp	669,328	225,034,767
Kroger Co/The	57,744	2,612,916	Mid-America Apartment	9,703	2,227,033
Kulicke & Soffa	6,331	383,279	Moderna Inc	26,007	6,605,778
L3Harris Technologies Inc	18,359	3,914,873	Mohawk Industries Inc	6,254	1,139,729
Laboratory Corp Of	7,713	2,423,193	Molina Healthcare Inc	4,485	1,426,589
Lam Research Corp	11,475	8,252,246	Molson Coors Beverage Co	15,526	719,630
Laredo Petroleum Inc	1,936	116,315	Mondelez International	126,450	8,383,635
Las Vegas Sands Corp	23,032	866,694	MongodB Inc	4,130	2,186,216
Lattice Semiconductor	3,024	233,029	Monolithic Power Systems	4,580	2,259,451
Lear Corp	9,064	1,658,259	Monster Beverage Corp	62,528	6,002,688
Leidos Holdings Inc	11,842	1,052,517	Moody'S Corp	22,838	8,916,640
Lennar Corp	30,578	3,551,940	Morgan Stanley	116,792	11,460,799
Lennox International Inc	2,696	873,881	Mosaic Co/The	36,049	1,416,365
Liberty Broadband Corp	11,308	1,821,044	Motorola Solutions Inc	13,559	3,683,031
Liberty Global Plc	44,179	1,235,009	Msci Inc	8,709	5,333,566
Liberty Media	36,368	2,048,076	Mueller Industries Inc	3,613	214,359
Lincoln National Corp	19,797	1,351,145	Nasdaq Inc	9,843	2,067,128
Linde Plc	41,699	14,442,032	Netapp Inc	21,544	1,981,833
Lithia Motors Inc	1,645	488,252	Netflix Inc	31,162	18,773,235
Live Nation Entertainment	12,295	1,471,712	Neurocrine Biosciences	6,423	547,047
Lkq Corp	25,656	1,539,360	Newell Brands Inc	32,718	714,234
Lockheed Martin Corp	20,274	7,204,163	Newmont Corp	64,161	3,978,624
Loews Corp	26,909	1,553,726	News Corp	34,857	777,660
Louisiana-Pacific Corp	5,440	426,170	Nexstar Media Group Inc	4,060	612,938
Lowe'S Cos Inc	49,459	12,789,603	Nextera Energy Inc	156,575	14,617,842
Lucid Group Inc	28,346	1,077,431	Nike Inc	122,879	20,480,243
Lululemon Athletica Inc	9,721	3,804,508	Nisource Inc	30,609	845,114
Lumen Technologies Inc	82,516	1,034,751	Nmi Holdings Inc	7,693	168,092
Lyft Inc	17,629	752,935	Nordson Corp	3,950	1,008,277
Lyondellbasell Industries	29,240	2,696,513	Norfolk Southern Corp	19,809	5,896,743
M&T Bank Corp	12,289	1,886,853	Northern Trust Corp	24,636	2,944,495
M/I Homes Inc	3,119	193,908	Northrop Grumman Corp	12,479	4,830,247
Malibu Boats Inc	3,373	231,826	Nortonlifelock Inc	70,751	1,837,403
Marathon Petroleum Corp	51,445	3,291,451	Novavax Inc	4,785	683,920
Marinemax Inc	2,561	151,073	Novocure Ltd	6,789	509,650
Markel Corp	1,217	1,501,863	Nrg Energy Inc	19,141	824,594
Marketaxess Holdings Inc	2,962	1,218,182	Nuance Communications Inc	18,718	1,035,667
Marriott International	18,937	3,129,150	Nucor Corp	23,076	2,633,664

**Petroleum Fund of Timor-Leste**  
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**24. Schedule of financial assets valued through profit or loss (continued)**

Nvidia Corp	219,820	64,651,260	Realty Income Corp	48,266	3,454,880
Nvr Inc	314	1,853,941	Regency Centers Corp	11,084	835,179
Nxp Semiconductors Nv	22,597	5,147,145	Regeneron Pharmaceuticals	8,247	5,208,145
Oak Street Health Inc	9,128	302,776	Regions Financial Corp	113,606	2,475,475
Oasis Petroleum Inc	2,745	345,458	Reinsurance Group Of	3,641	398,653
Occidental Petroleum Corp	73,866	2,140,637	Renaissancere Holdings	3,930	665,428
Ocugen Inc	20,483	93,198	Republic Services Inc	25,109	3,501,701
Okta Inc	8,384	1,879,441	Resmed Inc	15,017	3,911,628
Old Dominion Freight Line	10,784	3,863,368	Revolve Group Inc	3,319	185,831
Old Republic	18,368	451,302	Ringcentral Inc	5,198	974,261
Omnicom Group Inc	54,752	4,011,132	Rivian Automotive Inc	11,958	1,239,925
On Semiconductor Corp	31,833	2,162,097	Robert Half International	8,751	975,824
Oneok Inc	34,694	2,038,619	Robinhood Markets Inc	7,414	131,599
Oracle Corp	187,783	16,374,678	Rockwell Automation Inc	9,375	3,269,344
O'Reilly Automotive Inc	9,998	7,060,788	Roku Inc	7,581	1,729,984
Organon & Co	4,510	137,284	Rollins Inc	21,068	720,736
Otis Worldwide Corp	54,730	4,765,341	Roper Technologies Inc	8,514	4,187,696
Ovintiv Inc	19,239	648,162	Ross Stores Inc	24,721	2,825,116
Owens Corning	11,604	1,050,046	Royal Caribbean Cruises	17,319	1,331,658
Paccar Inc	30,763	2,715,450	Royalty Pharma Plc	22,368	891,365
Pacira Biosciences Inc	3,634	218,222	Rpm International Inc	15,297	1,544,844
Packaging Corp Of America	8,099	1,102,274	S&P Global Inc	26,531	12,516,795
Palantir Technologies Inc	107,313	1,954,170	Salesforce Inc	68,579	17,423,181
Palo Alto Networks Inc	8,239	4,582,697	Sally Beauty Holdings Inc	10,120	186,815
Paramount Global	45,095	1,360,516	Sba Communications Corp	7,595	2,954,607
Parker-Hannifin Corp	10,407	3,309,322	Schlumberger Nv	113,822	3,408,969
Paychex Inc	37,229	5,081,759	Schmitzer Steel	3,003	155,676
Paycom Software Inc	3,903	1,620,721	Sea Ltd-Adr	10,034	2,244,706
Paypal Holdings Inc	105,273	19,851,330	Seagate Technology	22,020	2,487,599
Peloton Interactive Inc	17,397	622,117	Seagen Inc	11,986	1,850,638
Pentair Plc	13,440	981,120	Sealed Air Corp	10,211	688,630
Pepsico Inc	150,826	26,199,984	Sei Investments Co	22,536	1,373,118
Perkinelmer Inc	8,704	1,750,113	Sempra Energy	25,423	3,363,463
Pfizer Inc	543,969	32,115,930	Sensata Technologies	12,067	744,413
Pg&E Corp	114,997	1,397,214	Servicenow Inc	13,762	8,937,318
Philip Morris	140,053	13,305,035	Sherwin-Williams Co/The	19,923	7,014,490
Phillips 66	34,244	2,481,320	Shoals Technologies Group	5,837	141,606
Pinterest Inc	57,051	2,073,233	Shutterstock Inc	2,244	248,792
Pioneer Natural Resources	20,144	3,664,596	Signature Bank/New York	4,079	1,319,434
Plug Power Inc	37,760	1,065,587	Signet Jewelers Ltd	3,487	303,264
Pnc Financial Services	33,906	6,798,492	Simon Property Group Inc	26,105	4,170,796
Pool Corp	3,454	1,954,964	Sirius Xm Holdings Inc	78,529	498,659
Power Integrations Inc	4,356	404,193	Skyworks Solutions Inc	21,454	3,328,374
Ppg Industries Inc	18,835	3,246,212	Snap Inc	81,389	3,826,911
Ppl Corp	66,119	1,986,876	Snap-On Inc	4,928	1,061,738
Principal Financial Group	21,308	1,541,208	Snowflake Inc	14,113	4,780,779
Procter & Gamble Co/The	287,664	47,050,324	Sofi Technologies Inc	37,622	594,428
Progress Software Corp	4,465	215,481	Solaredge Technologies	6,465	1,812,204
Progressive Corp/The	52,580	5,398,914	Sonoco Products Co	3,699	214,098
Prologis Inc Usd	65,967	11,107,523	Southern Co/The	83,743	5,742,257
Prudential Financial Inc	38,478	4,164,859	Southwest Airlines Co	11,766	503,938
Ptc Inc	8,362	1,013,056	Splunk Inc	11,049	1,278,590
Public Service Enterprise	45,575	3,041,220	Ss&C Technologies	15,935	1,305,555
Public Storage Usd	15,372	5,758,966	Stanley Black & Decker	12,915	2,435,769
Pultgroup Inc	29,993	1,714,100	Starbucks Corp	96,230	11,256,023
Qorvo Inc	10,561	1,651,529	State Street Corp	37,575	3,493,723
Qualcomm Inc	98,267	17,972,052	Steel Dynamics Inc	28,496	1,767,892
Qualys Inc	3,164	433,943	Steris Plc	8,275	2,013,225
Quest Diagnostics Inc	8,964	1,551,668	Stryker Corp	39,306	10,512,390
Radian Group Inc	19,090	403,563	Sun Communities Inc	8,324	1,748,290
Range Resources Corp	8,494	151,448	Sunrun Inc	10,858	372,429
Raymond James Financial	14,842	1,490,285	Svb Financial Group	4,447	3,016,800
Raytheon Technologies	121,058	10,415,830	Synchrony Financial	59,097	2,741,510



**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2021**

**24. Schedule of financial assets valued through profit or loss (continued)**

Synopsys Inc	12,264	4,519,161	Visa Inc	186,349	40,378,101
Sysco Corp	40,395	3,173,027	Vistra Corp	39,335	895,658
T Rowe Price Group Inc	34,488	6,781,375	Vmware Inc	24,748	2,867,798
Take-Two Interactive	7,935	1,410,288	Vontier Corp	25,453	781,662
Target Corp	40,406	9,352,373	Vornado Realty Trust	10,731	449,200
Taylor Morrison Home Corp	6,561	229,373	Vulcan Materials Co	11,649	2,417,517
Te Connectivity Ltd	26,704	4,307,889	W R Berkley Corp	14,083	1,159,594
Tegna Inc	16,617	308,411	Walgreens Boots Alliance	58,495	3,050,514
Teladoc Health Inc	9,861	905,338	Walmart Inc	137,586	19,910,070
Teledyne Technologies Inc	3,907	1,706,499	Walt Disney Co/The	126,964	19,665,454
Teleflex Inc	4,404	1,446,626	Warner Bros Discovery Inc	33,827	795,949
Teradyne Inc	13,153	2,149,726	Waste Connections Inc	20,642	2,812,885
Terex Corp	5,727	251,702	Waste Management Inc	44,378	7,406,688
Tesla Inc	66,082	69,841,405	Waters Corp	9,773	3,641,322
Teva Pharmaceutical	71,180	569,440	Wayfair Inc- Class A	5,408	1,027,304
Texas Instruments Inc	95,009	17,906,346	Wec Energy Group Inc	28,136	2,731,162
Texttron Inc	17,903	1,381,933	Wells Fargo & Co	328,476	15,753,709
Thermo Fisher Scientific	31,370	20,937,593	Welltower Inc	33,160	2,843,802
Thor Industries Inc	3,724	386,067	Wesco International Inc	2,248	295,814
Tjx Cos Inc/The	101,961	7,740,879	West Pharmaceutical	7,367	3,453,944
T-Mobile Us Inc	49,769	5,772,209	Western Digital Corp	32,942	2,148,477
Toll Brothers Inc	7,195	520,774	Western Union Co/The	68,019	1,213,459
Toro Co/The	6,349	634,265	Westinghouse Air Brake	14,321	1,318,821
Tractor Supply Co	9,581	2,285,931	Westlake Corp	3,765	365,770
Trade Desk Inc/The	29,513	2,703,096	Westrock Co	27,482	1,218,827
Tradeweb Markets Inc	10,246	1,026,034	Weyerhaeuser Co	59,014	2,429,606
Trane Technologies Plc	20,488	4,138,986	Whirlpool Corp	7,349	1,724,075
Transdigm Group Inc	4,236	2,694,816	Williams Cos Inc/The	94,711	2,465,327
Transunion	13,040	1,546,153	Willis Towers Watson Plc	11,615	2,758,330
Travelers Cos Inc/The	24,969	3,905,901	Winnebago Industries Inc	3,166	237,197
Tri Pointe Homes Inc	11,225	313,065	Wix.Com Ltd	3,788	597,443
Trimble Inc	19,985	1,742,492	Workday Inc	12,500	3,412,750
Triton International Ltd	6,820	410,700	Wp Carey Inc Usd	13,211	1,084,095
Truist Financial Corp	130,973	7,667,159	Ww Grainger Inc	11,290	5,850,930
Twilio Inc	11,079	2,917,544	Wynn Resorts Ltd	6,778	576,266
Twitter Inc	71,250	3,078,712	Xcel Energy Inc	47,077	3,186,171
Tyler Technologies Inc	3,168	1,704,067	Xilinx Inc	23,084	4,894,039
Tyson Foods Inc	26,017	2,267,382	Xylem Inc/Ny	13,917	1,669,344
Uber Technologies Inc	83,873	3,516,795	Yum Brands Inc	28,336	3,935,304
Udr Inc Usd 0.01	22,203	1,331,736	Zebra Technologies Corp	3,698	2,200,828
Ugi Corp	19,374	889,267	Zendesk Inc	9,041	942,705
Ulta Beauty Inc	3,700	1,525,658	Zillow Group Inc	14,778	938,416
Union Pacific Corp	62,466	15,734,561	Zimmer Biomet Holdings	14,545	1,847,360
United Parcel Service Inc	82,072	17,588,030	Zoetis Inc	38,035	9,278,258
United Rentals Inc	5,668	1,883,420	Zoom Video Comm	16,512	3,035,731
Unitedhealth Group Inc	101,134	50,778,370	Zoominfo Technologies Inc	16,491	1,058,227
Unity Software Inc	3,484	498,038	Zscaler Inc	8,274	2,658,684
Universal Display Corp	1,456	240,051			<b>3,970,520,486</b>
Universal Health Services	6,900	894,171			
Unum Group	27,780	682,277			<b>5,827,874,267</b>
Upstart Holdings Inc	795	120,212			
Us Bancorp	154,809	8,694,073	<b>Security</b>	<b>Unit holding</b>	<b>Fair Value</b>
Vail Resorts Inc	3,055	1,001,032	<b>Money market securities</b>		
Valero Energy Corp	32,100	2,410,710	European money market securities	150,000,000	<u>149,993,280</u>
Veeva Systems Inc	13,209	3,373,975			<b>149,993,280</b>
Ventas Inc Usd 0.25	28,803	1,472,121			
Verisign Inc	8,685	2,204,427			
Verisk Analytics Inc	16,084	3,678,732			
Verizon Communications	456,984	23,744,889			
Vertex Pharmaceuticals	20,788	4,565,045			
Vf Corp	27,489	2,012,470			
Viatis Inc	96,991	1,312,288			
Vici Properties Inc	41,889	1,261,697			

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2021**

**24. Schedule of financial assets valued through profit or loss (continued)**

**(c) Derivatives**

Security	Unit holding	Fair Value
<b>Equity futures</b>		
MSCI EAFE Index		157,780
S&P 500 E-Mini Index		603,450
		<b>761,230</b>
<b>Forward exchange contracts</b>		
Buy USD: Sell Aud 1/6/2022	142,732,477	142,732,477
Buy USD: Sell Cad 1/6/2022	141,489,154	141,489,154
Buy USD: Sell Chf 1/6/2022	70,016,941	70,016,941
Buy USD: Sell Dkk 1/6/2022	90,193,111	90,193,111
Buy USD: Sell Eur 1/6/2022	423,512,362	423,512,362
Buy USD: Sell Gbp 2/9/2022	11,615,672	11,615,672
Buy USD: Sell Gbp 1/6/2022	146,677,984	146,677,984
Buy USD: Sell Hkd 1/6/2022	7,188,279	7,188,279
Buy USD: Sell Jpy 1/6/2022	140,842,868	140,842,868
Buy USD: Sell Nok 1/6/2022	42,925,284	42,925,284
Buy USD: Sell Nzd 1/6/2022	71,670,656	71,670,656
Buy USD: Sell Sek 1/7/2022	62,705,181	62,705,181
Buy USD: Sell Sgd 1/6/2022	85,906,755	85,906,754
		<b>1,437,476,723</b>
<b>Forward exchange contracts</b>		
Sell Aud: Buy USD 1/6/2022	(200,600,000)	(145,846,631)
Sell Cad: Buy USD 1/6/2022	(180,100,000)	(142,579,945)
Sell Chf: Buy USD 1/6/2022	(64,400,000)	(70,681,706)
Sell Dkk: Buy USD 1/6/2022	(591,700,000)	(90,472,407)
Sell Eur: Buy USD 1/6/2022	(373,600,000)	(424,866,193)
Sell Gbp: Buy USD 2/9/2022	(8,788,200)	(11,901,962)
Sell Gbp: Buy USD 1/6/2022	(110,100,000)	(149,124,678)
Sell Hkd: Buy USD 1/6/2022	(56,000,000)	(7,182,903)
Sell Jpy: Buy USD 1/6/2022	(16,014,000,000)	(139,065,672)
Sell Nok: Buy USD 1/6/2022	(389,000,000)	(44,111,962)
Sell Nzd: Buy USD 1/6/2022	(105,200,000)	(72,024,429)
Sell Sek: Buy USD 1/7/2022	(568,300,000)	(62,769,915)
Sell Sgd: Buy USD 1/6/2022	(117,400,000)	(87,081,808)
		<b>(1,447,710,211)</b>
		<b>(9,472,258)</b>

**Annex III. Statements on accounting policies of the Petroleum Fund for the fiscal year 2020**



REF NO: *654*/VIII/DGT-MF/12/2022

28 December 2022

**Treasury Statement on Accounting Policies of the Petroleum Fund for the Fiscal Year 2021**

This statement on the Accounting Policies of the Petroleum Fund is made in accordance with the provisions of Article 24.1 (d) of the Petroleum Fund Law, No. 12/2011. It may be retained for Petroleum Fund records.

In accordance with Article 21 of the Petroleum Fund Law, the Financial Statements of the Petroleum Fund for the Fiscal Year ended 31st December, 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations approved by the International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee (IASC) that remained in effect at the balance sheet date of the Petroleum Fund.

During the 2021 Fiscal Year, the Petroleum Fund has adopted all new and revised IFRS that were relevant. Adoption of these new and revised IFRS did not have a material impact.

Previously adopted accounting standards have continued to be applied.



**Regina de Jesus de Sousa**  
Director General of Treasury

**Annex IV. Comparison of income derived from the investment of the Petroleum Fund assets with the previous three fiscal years**

## Comparison of Income Derived from the Investment of the Petroleum Fund Assets with the Previous Three Fiscal Years

*(As per Article 24.1 (e) of the Petroleum Fund Law No. 9/2005, of 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September)*

Please refer to the Audited Financial Statements for details.

<b>Fiscal Year 2021</b>	<b>Fiscal Year 2020</b>	<b>Fiscal Year 2019</b>	<b>Fiscal Year 2018</b>
US\$ 1,144,334,490	US\$ 1,773,297,623	US\$ 2,100,923,843	US\$ (459,920,721)

**Annex V. Comparison of nominal income on the investment of the Petroleum Fund assets with the real returns after adjusting for inflation**

## Comparison of Nominal Income on the Investment of the Petroleum Fund Assets with the Real returns After Adjusting for Inflation

*(As per Article 24.1 (f) of the Petroleum Fund Law No. 9/2005, of 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September)*

Petroleum Fund's nominal and real return:

<b>Return</b>	<b>2021</b>	<b>2020</b>
Nominal return	6.25%	10.17%
Inflation <sup>19</sup>	7.04%	1.36%
Real return	-0.74%	8.69%

The Petroleum Fund's nominal return for 2021 was 6.25%. The real return of the Fund for the year was 7.04%, after adjusting for the US inflation of -0.74%.

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<sup>19</sup> US CPI was used in portfolio real return calculation. Source: US Department of Labor – Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov)).



**Annex VI. Comparison of nominal income on the investment of the Petroleum Fund assets with the benchmark index performance**

## Comparison of Nominal Income on the Investment of the Petroleum Fund Assets with the Benchmark Performance Index

(As per Article 24.1 (g) of the Petroleum Fund Law No. 9/2005, of 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September)

Petroleum Fund Monthly Returns  
January - December 2021



Petroleum Fund Monthly Return  
January - December 2021

Period	Portfolio	Benchmark	Excess return
January	-0.46%	-0.54%	0.08%
February	0.18%	0.07%	0.10%
March	1.06%	0.92%	0.14%
April	1.87%	1.83%	0.05%
May	0.78%	0.70%	0.08%
June	0.47%	0.49%	-0.02%
July	1.07%	1.14%	-0.07%
August	0.60%	0.62%	-0.02%
September	-1.61%	-1.65%	0.04%
October	1.18%	1.23%	-0.05%
November	-0.45%	-0.41%	-0.04%
December	1.56%	1.07%	0.50%
<b>Fiscal Year 2021</b>	<b>6.25%</b>	<b>5.56%</b>	<b>0.68%</b>

**Annex VII. Comparison of the Estimated Sustainable Income for the fiscal year 2020 with the sum of transfers from the Petroleum Fund for the same year**

## **Comparison of the Estimated Sustainable Income for the Fiscal Year 2021 with the Sum of Transfers from the Petroleum Fund for the Same Year**

*(As per Article 24.1 (h) of the Petroleum Fund Law No. 9/2005, of 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September)*

The total withdrawals from the Petroleum Fund for the Financial Year 2021 was US\$1,147.9 million which was US\$600.0 million higher than the Estimated Sustainable Income (ESI) amount of US\$547.9 million projected for the year.

Please refer to Statement of Changes in Capital and Notes to the Financial Statements for further details.

## **Annex VIII. Treasury statement on borrowings**



República Democrática de Timor-Leste  
Ministério das Finanças

Direção Geral do Tesouro



REF NO: 653/DGT-MF/12/2022

28 December 2022

**Treasury Statement on Borrowings by Government of Timor-Leste for Fiscal Year 2021**

This statement is made in accordance with the requirement under Article 24.1 (i) of the Petroleum Fund Law No. 12/2011 to declare if there have been any borrowings by the Government of Timor-Leste in which the Petroleum Fund is being used as collateral as detailed in Article 20.2.

While sovereign loans negotiated and entered into from time to time by Timor-Leste with international financial institutions such as World Bank, Asian Development Bank, and Japan International Co-operation Agency, engage all of Timor-Leste's assets for payment of interest and re-payment of principal, such sovereign loans do not have any specific collateral requirements that encumber the Petroleum Fund, under their terms and conditions.

Four new loans were signed with the Asian Development Bank during the fiscal year ended 31st December 2021 for around US\$217 million. Total value of all loans committed or signed up to 31st December 2021 at exchange rates ruling on that date amounted to approximately US\$709 million. This also includes Special Drawing Rights (SDRs) and Yen denominated liabilities which can vary according to ruling exchange rates.



**Regina de Jesus de Sousa**  
Director General of Treasury

**Annex IX. List of persons holding positions relevant for the operations and performance of the Petroleum Fund**

## List of Persons Holding Relevant positions for the Operations and Performance of the Petroleum Fund

(As per Article 24.1 (j) of the Petroleum Fund Law No. 9/2005, of 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September)

The list of persons holding relevant positions for the operation and performance of the Petroleum Fund is given below:

- (i) **Minister of Finance**  
Mr. Rui Augusto Gomes

**Vice- Minister**  
Ms. Sara Lobo Brites (Vice-Minister, 25 June 2018 – 22 March 2022)

Mr. Antonio Freitas (from 22 March 2022)

- (ii) **The Director General of Treasury:**  
Ms. Regina de Jesus de Sousa

- (iii) **The members of the Investment Advisory Board (IAB):**

Name	Position
Mr. Olgario de Castro	Chairman of the IAB
Mr. Torres Trovik	Member of the IAB
Mr. Gualdino da Silva	Member of the IAB
Prof. Michael Drew	Member of the IAB
Mr. Venancio Alves Maria	Representative of the Central Bank of Timor-Leste
Ms. Regina de Jesus de Sousa (Alternate Mr. Ernesto da Conceição Silva)	Director General of Treasury

Note: See page 88 for the details.

- (iv) **Operational Manager:**
- Banco Central de Timor-Leste (BCTL) – from 12 October 2005.



**(v) The External Investment Managers:**

- Bank for International Settlements (BIS) – from 3 June 2009.
- Schroders Investment Management Limited – from 8 October 2010.
- State Street Global Advisors (SSgA) – from 14 September 2011 (implementation commenced in January 2012).
- BlackRock Investment Management Australia Limited – from April 2012 (implementation commenced in February 2013).

**(vi) Custodian**

- JP Morgan Chase Bank N.A.

**(vii) Independent Auditor**

- Ernst & Young

**(viii) The Governor of the Central Bank**

Mr. Abraão Fernandes de Vasconcelos

**(ix) The Petroleum Fund Consultative Council (PFCC) was formally constituted on the 6<sup>th</sup> of November, 2006. For the Financial Year 2021 members of the PFCC were:**

<b>Name</b>	<b>Representation</b>	<b>Position</b>
Mr. Juvinal Dias	Civil Society	President of PFCC
Mr. Nuno Eugénio Goulart	National Parliament	Vice President of PFCC
Ms. Izilda Imanuela da Luz Pereira Soares	National Parliament	Secretary of PFCC
Ms. Martinha da Silva de Jesus	Civil Society	Member of PFCC
Mr. Hernani Agostinho Soares	Private Sector	Member of PFCC
Fr. Julio Crispim X. Belo	Religious Confession	Member of PFCC

## Members of the Investment Advisory Board



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**Mr. Olgario de Castro** is the Chairman of the Investment Advisory Board. He joined the Petroleum Fund in May 2008. He is a Timorese national and chartered accountant and partner in De Castro Sullivan Lai Practice in Darwin, Australia. His areas of expertise include tax, financial and management accounting and auditing.

**Dr. Torres Trovik** is one of the architects in setting up the Petroleum Fund in 2005 and has been a member of IAB since inception. He is a Norwegian national and an investment professional with international experience in financial markets, sovereign wealth funds and pension funds. He is currently a non-executive director at the Government Pension Fund Norway, Chairman of the management board of the Pension Reserve Fund of the Council of Europe and a Senior Advisor at KLP, Oslo. He is also a member of the Advisory Committee for the International Forum of Sovereign Wealth Funds (IFSWF), representing the Timor-Leste Petroleum Fund.

**Mr. Gualdino da Silva** has been with the Petroleum Fund since June 2012. He holds a geological engineering qualification from RMIT and is the former President of the National Authority for Petroleum and Minerals (ANPM).

**Prof. Michael Drew** joined the Petroleum Fund in April 2017. He is a Professor of Finance at Griffith University and a consulting financial economist specializing in the areas of investment, governance, and pension plan design. He also serves as a Trustee Director of QSuper and is a member of the Investment Committee.

**Mr. Venancio Alves Maria** is Executive Director of the Petroleum Fund at the Central Bank and is the Deputy Governor of the Central Bank. He is a Timorese national with more than 15 years' experience in managing the Petroleum Fund's investments. He is a non-voting member representing the Central Bank appointed by the Governor of the Central Bank.

**Mr. Ernesto D.C. Silva** joined the Petroleum Fund in 2017. He is a public servant and in 2021 was Director for Accounting and Financial Regulation at the Ministry of Finance. He is a non-voting member and the appointed alternate to the Director General of Treasury.

**Annex X. Statement on total withdrawals versus the approved appropriation amount**

## **Statement affirming that Total Withdrawals from the Fund did not exceed the Approved Appropriation Amount for the Fiscal Year**

*(As per Article 7.2 of the Petroleum Fund Law No. 9/2005, of 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September)*

In accordance with Article 7 of Law No.9/2005, of the 3<sup>rd</sup> August as amended by the Law No.12/2011, of the 28<sup>th</sup> September, Petroleum Fund Law, the total transfer amount for the Petroleum Fund for a Fiscal year shall not exceed the appropriation amount approved by the Parliament for the Fiscal year.

In accordance with Article 7 of Law No. 14/2020, of the 29<sup>th</sup> December as amended by the Law No. 8/2021, of the 3<sup>rd</sup> May on the General State Budget for 2021 and approval of socio-economic support measures, the transfer amount from the Petroleum Fund to the General State Budget for 2021 is not to exceed US\$1,377.6 million.

The total actual transfer amount from the Petroleum Fund to the Consolidated Fund of Timor-Leste for 2021 was US\$1,147.9 million.

The total transfer amount from the Petroleum Fund for 2021 was in compliance with Article 7.2 of the Petroleum Fund Law No.9/2005 as amended by Law No.12/2011.

**Annex XI. Article 35 report on the Petroleum Fund receipts from Ernst & Young**



**Building a better  
working world**

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
ey.com/au

## **Compilation report to the Ministry of Finance, Democratic Republic of Timor-Leste in respect of the Statement of Petroleum Fund Receipts for the year ended 31 December 2021**

We have compiled the accompanying Statement of Petroleum Fund Receipts detailing the payments made to the Petroleum Fund of Timor-Leste ("the Petroleum Fund") for the year ended 31 December 2021 based on information provided to us by the Petroleum Fund's operational manager, Banco Central de Timor-Leste ("the operational manager").

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised) *Compilation Engagements*.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of the Statement of Petroleum Fund Receipts. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

The National Petroleum Authority and the National Directorate of Petroleum Tax Revenue are responsible for monitoring that all payments that should have been made under the Petroleum Fund Law No. 9/2005 dated 3 August 2005, as amended by Law No. 12/2011 dated 28 September 2011 (the "Petroleum Fund Law") have been made for the year ended 31 December 2021. This Statement of Petroleum Fund Receipts and the accuracy and completeness of the information used to compile it are the responsibility of the operational manager.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile the Statement of Petroleum Fund Receipts. Accordingly, we do not express an audit opinion or a review conclusion on the Statement of Petroleum Fund Receipts.

As stated in Note 1, the Statement of Petroleum Fund Receipts is prepared and presented in accordance with the requirements under the Petroleum Fund Law. Accordingly, the Statement of Petroleum Fund Receipts is for use only in connection with that purpose and may not be suitable for any other purpose.

Our compilation report is intended solely for the use by the Ministry of Finance as required under the Petroleum Fund Law. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party.

Ernst & Young  
Perth  
28 December 2022

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**PETROLEUM FUND OF TIMOR-LESTE  
STATEMENT OF PETROLEUM FUND RECEIPTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

<b>Article 6.1(a) receipts</b>	<b>\$</b>
Payee:	
Australia Intern'l Petro-Cons	6,892
Australia intr'l petro Ltd	3,228
Babcock Offshore Services	48,925
Brunel Energy Pty Ltd	81,989
Brunei Energy Pty Ltd	21,170
BU 12 Aust Pty Ltd	57,443,545
BU 13 Aust Pty Ltd	32,886,386
Callidus Process Solution Pty Ltd	5,070
Caltech Unip Lda	1,037,877
Cameron Services Int'l Pty	2,711
Cameron Services Pty Ltd	565,738
Cape Aust Onshore	79,077
Carnarvon Petroleum Ltd	2,783
Carnarvon Petroleum Timor Unip	301,251
Clough Amec Pty Ltd	1,635,355
Compas Group (Australia) Pty.Ltd.	52,069
Conoco Phillips (EMET) Pty Ltd	2,159,108
Conoco Phillips Timor Leste Pty Ltd	17,342,006
Conoco Phillips (03-12) Pty Ltd	45,956,089
Conoco Phillips (03-13) Pty Ltd	9,571,952
Conoco Phillips (Timor Sea) Pty Ltd	18,342,845
Conocophillips JPDA Pty Ltd	13,944,379
Eni JPDA 03-13 Ltd Branch	24,256,330
Eni JPDA 05-105 Pty Ltd	3,977
Eni JPDA 06-105 Pty Ltd	297,871
Eni JPDA 11-106 BV BRANCH	13,831
Eni Timor Lesta Spa Branch	16,778
Fsip & Farstad Account	102,230
Haliburton Australia Pty Ltd	75,660
Hertel Modern Pty Ltd	207,898
Inpex Sahul Ltd	48,739,019
Inpex Timor Sea Ltd	14,386
Japan Energy EP JPDA Pty Ltd	5,129
Japan Energy JPDA Pty Ltd	939
Konekto/Babcock Unip Lda	271,097
KOTUG MARITIME SERVICES (BAYU UNDAN PTY LTD	3,853
KT Maritime Services	15,788
LLoyd Helicopters Lda	470
MMA Offshore Vessel Operation Pty	262,545
Nobel International Finance Comp	538,181
Noble Int'l Finance	251,398
NOBLE INTERNATIONAL FINANCE COMPANY MASTER	280,626
Oceaneering Aust Pty Ltd	203,766
OFFSHORE SERVICES AUSTRALASIA PTY	574
Regforce Pty.Ltd.	208,409
Rigforce Pty Ltd	280,651
Ringforce Pty Ltd	562,046

**PETROLEUM FUND OF TIMOR-LESTE**  
**STATEMENT OF PETROLEUM FUND RECEIPTS continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

<b>Article 6.1(a) receipts (continued)</b>	<b>\$</b>
Payee:	
Santos (JPDA 91-12) Pty Ltd	13,417,716
Santos Ltd	93,868,652
Schlumber Australia Pty Ltd	185,115
SGS Australia Pty.Limited	98,115
SGS Singapore Pty Limited	83,466
Sodexo Timor Unip Lda	330,594
Sodexo Timor Unipessoal	86
Solar Tubirnes Int. Co	1,008
Spectrum Geo Aust Pty Ltd	71,765
Sudexo Unip Lda	54
Sundagas Banda Unip Lda	2,841
Sundagas Pty Ltd	6,571
Sundagas Timor Leste Pty Ltd	3,406
Sundagas Timor Leste Sahul Ltd	490
Timor Gap Onshore Block Unip Lda	16,719
Timor Gap Chuditch Unipessoal Lda	6,918
Timor Gap E.P	3,590
Timor Gap Greater 03-19	5,990
Timor Gap Offshore Block Unip	72,878
Timor Gap PSC 11-106 Unip.Lda	20,578
Timor Resources Pty Ltd	413,855
Tokyo Timor Sea Resources Pty Ltd	13,683,772
Total Marine Tech Pty Ltd	30,735
WEATHERFORD AUSTRALIA PTY LTD	53,861
WETHERFORD AUSTRALIA PTY LTD	12,711
Wood Australia Pty Ltd	416
Wood Group PSN Aust Pty Ltd	2,698
Woodside Energy Pty Ltd	30,539
<b>Total Article 6.1(a) receipts per the Petroleum Fund and National Directorate of Petroleum and Mineral Revenue (NDPMR) for the year</b>	<b>400,529,036</b>



**PETROLEUM FUND OF TIMOR-LESTE**  
**STATEMENT OF PETROLEUM FUND RECEIPTS continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

<b>Article 6.1(b) receipts</b>	<b>\$</b>
Article 6.1(b) receipts per Autoridade Nacional do Petroleo e Minerals (ANPM)	318,521,302
Less: Amount paid to Petroleum Fund in January 2022	(13,761,706)
Add: Amount paid to Petroleum Fund in January 2021	5,085,906
<b>Total Article 6.1(b) receipts per the Petroleum Fund for the year</b>	<b>309,845,502</b>
<b>Article 6.1 (e) receipts</b>	
Development service fee	914,550
Department Foreign Affairs	5,811,200
Adjustment tax payers receipts into art 6.1 (e)	2,497,474
<b>Total Article 6.1 (e) receipts per the Petroleum Fund for the year</b>	<b>9,223,224</b>
<b>Summary of Receipts for the year ended 31 December 2021 per the Petroleum Fund</b>	
Article 6.1(a) receipts	400,529,036
Article 6.1(b) receipts	309,845,502
Article 6.1(e) receipts	9,223,224
<b>Total Article 6.1 receipts per the Petroleum Fund for the year</b>	<b>719,597,762</b>

**PETROLEUM FUND OF TIMOR-LESTE**  
**STATEMENT OF PETROLEUM FUND RECEIPTS continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Note 1 Basis of Preparation**

The Statement of Petroleum Fund Receipts details the payments made to the Petroleum Fund of Timor-Leste ("the Petroleum Fund") for the year ended 31 December 2021 as required under article 35 of the Petroleum Fund Law No. 9/2005 dated 3 August 2005, as amended by Law No. 12/2011 dated 28 September 2011 ("the Law").

The National Petroleum Authority and the National Directorate of Petroleum Tax Revenue are responsible for monitoring that all payments that should have been made under the Law have been made for the year ended 31 December 2021.

Banco Central de Timor-Leste, the operational manager of the Petroleum Fund of Timor-Leste is responsible for the accuracy and completeness of the information contained in the Statement of Petroleum Fund Receipts.

The petroleum receipts are received in US\$ and the Statement of Petroleum Fund Receipts is presented in US\$.

The petroleum receipts are recorded in the Statement of Petroleum Fund Receipts on a receipt basis. The Statement of Petroleum Fund Receipts include the following types of receipts for the financial year ended 31 December 2021:

- Article 6.1 (a) receipts - the gross revenue, including Tax Revenue, of Timor-Leste from any Petroleum Operations, including prospecting or exploration for, and development, exploitation, transportation, sale or export of petroleum, and other activities relating thereto
- Article 6.1 (b) receipts - any amount received by Timor-Leste from the Designated Authority pursuant to the Treaty
- Article 6.1 (d) - any amount received from direct or indirect participation of Timor-Leste in Petroleum Operations. There is no receipt under this category for the current financial year; and
- Article 6.1 (e) any amount received by Timor-Leste relating directly to petroleum resources not covered in paragraphs above.

**Annex XII. Advice provided by the Investment Advisory Board**

## Investment Advisory Board

Date: 2 June 2021

To  
H.E. Rui Augusto Gomes  
Minister of Finance  
Democratic Republic of Timor-Leste

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**Subject: Advice on Implementing Segmentation**

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Dear Minister,

Thank you for attending the first session of the Investment Advisory Board's (IAB) online workshop in May. The Board appreciated the opportunity to discuss with Your Excellency its earlier advice to segment the Petroleum Fund to account for near-term withdrawals. As Professor Drew explained in his presentation, it is important to manage the Fund's investment risk during the expected decumulation phase.

The IAB's advice in November 2020 recommended segmenting the Petroleum Fund into a low-risk, Liquidity portfolio to finance the government's expected withdrawals over the next three years, and a Growth portfolio that follows the current 35/65 percent weights to equities and fixed interest. The advice also referred to the need for a rules-based regime to transfer funds from the Growth portfolio to the Liquidity portfolio, which will deplete as withdrawals are made during the year.

The Board understands that this change has now been endorsed by the Council of Ministers and that the next step is for Your Excellency to present the change to Parliament. The investment policy will also need to be amended to incorporate the details. On the direction of the IAB, the IAB's secretariat, comprised of staff from both the BCTL and PFPMO from the Ministry of Finance, have been working on these details and briefed the Board in April and May 2021. The IAB has reviewed the suggestions, in accordance with its mandate to advise the Minister of Finance on any matter relating to investment strategy or management of the Petroleum Fund.

Implementing segmentation requires amendments to the overall investment mandate, the individual mandates, the benchmarks and the rebalancing rule. The Board recommends the following.

1. The aggregate benchmark for the Fund's financial market investments will be a composite of the performance of the benchmarks of the Liquidity and Growth portfolios. The weights in the aggregate will correspond with the actual market values of the two portfolios at the beginning of each month.
2. The Liquidity portfolio will initially equal the sum of expected withdrawals in 2021, 2022 and 2023. The Liquidity portfolio will consist of two mandates:
  - i) A Cash mandate equal to the expected withdrawals in the current budget year. This mandate will follow the parameters of the existing cash mandate and therefore be benchmarked to 3-month US Treasury Bills.
  - ii) A Short-term US Treasury mandate that equals the withdrawals expected in the subsequent two years, currently 2022 and 2023. The projections shared by the Ministry of Finance are for annual withdrawals of \$1 billion in both 2022 and 2023. The Short-term US Treasury mandate will be benchmarked to a 1-3 Year US Treasury index. Eligible instruments include 0-5 Year US Treasury instruments and their equivalent.



The aggregate benchmark for the Liquidity portfolio will be a composite of these two mandates with weights corresponding to the actual market values at the beginning of each month.

3. The asset allocation in the Growth portfolio will follow the weights in the current Fund, subject to one adjustment. The Liquidity portfolio finances withdrawals so there is no need for a cash allocation in the Growth portfolio. The 5% allocation to Cash will be allotted to the US Treasury 3-5 Year mandate. The increase in the weight to 45% means that most of the Fund's current holdings in US Treasury 3-5 Year bonds are maintained. The Board is reviewing other possible changes to the fixed interest allocation in the Growth portfolio.
4. Equities will be sold upon implementation of segmentation to expediently reduce the Fund's risk.
5. Annual transfers from the Growth portfolio to the Liquidity portfolio will be made at the beginning of each year. The size of the transfer will depend on the value of the Liquidity portfolio and the updated projections for withdrawals for the next three years. A "100% transfer" increases the Liquidity portfolio to equal the total of expected withdrawals. However, the size of the transfer will also be linked to the Growth portfolio's return. When the portfolio's annual return is negative, 50% will be transferred; when the portfolio's return is within the range of 0-6%, 100% will be transferred; and when the portfolio's return is higher than 6%, 150% will be transferred. This adopts a recommendation in Willis Tower Watson's report to the IAB. The objective is for the transfer rule to act countercyclically and reduce the sale of investments following a loss and increase sales after a strong gain.
6. The annual transfer will be funded by an annual rebalance of the Growth portfolio to its asset allocation weights. This replaces the existing rebalancing rule in Annex 1.

If Your Excellency agrees, these details can then be incorporated into Annex 1 of the Operational Management Agreement between the BCTL and the Minister of Finance. This can be completed by PFPMO in consultation with the BCTL.

The IAB stands ready to provide further guidance or advice as required.

Yours sincerely,



Olgario de Castro  
Chairman

Investment Advisory Board

Date: 14 December 2021

To  
H. E. Rui Augusto Gomes  
Minister of Finance  
Democratic Republic of Timor-Leste

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**Subject: Proposal to introduce TIPS as a new asset class and commence a manager search**

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Dear Minister,

The Board is writing to recommend adding US Treasury Inflation-Protected Securities (TIPS) to the Petroleum Fund's growth portfolio. This follows a presentation by the IAB's secretariat on 3 December 2021.

The presentation outlined the investment properties of TIPS. Like the Fund's holdings in nominal US Treasury bonds, TIPS are issued by the US Government and are AAA-rated by Moody's and Fitch. However, in contrast to nominal bonds that will fall in value when inflation is higher than expected, TIPS provide protection against unexpected inflation by linking the coupon and principal payments to actual inflation. There is a well-established, liquid market for TIPS, having first been issued in 1997, and it is common for institutional investors, including sovereign wealth funds, to include TIPS (and other inflation linked bonds) in their portfolios. TIPS are eligible instruments under Article 15.2 of the Petroleum Fund Law, which requires a 50 per cent minimum allocation to investment grade fixed income.

There are concerns about inflationary pressures and the potential impact on the Fund's portfolio. Inflation in the US rose sharply in 2021 having averaged below the 2% target for many years. COVID-19 and the subsequent easing of health restrictions has resulted in an imbalance between demand and supply, causing supply constraints to emerge. The increase in prices in the US is broad-based, which is reflected in rises in both headline and core inflation. Measures of medium-to-longer-term inflation expectations have also risen, as have wages. While the central case is that inflationary pressures will moderate over time, there is a risk that higher inflation may prove to be persistent. In that event, an allocation to US TIPS to the Fund's investment portfolio will help protect its US dollar purchasing power.

The IAB recommends a strategic allocation to US TIPS of up to 10 per cent of the total growth portfolio to be funded from the US Treasury nominal bond allotment. The weights in the growth portfolio are currently 55 per cent US Treasuries (45 per cent 3-to-5-year bonds and 10 per cent 5-to-10-year bonds), 10 per cent sovereign bonds from other developed markets, and 35 per cent equities.

The proposed mandate will be externally managed and the parameters proposed for the BCTL's manager selection process are set out below. These guidelines were suggested by the secretariat on 3 December and provide sufficient detail for the BCTL to undertake the search and determine the best managers. The IAB will advise on the final parameters to implement the mandate after the Board receives and reviews the BCTL's manager selection report. As well as recommending managers, the Board requests that the BCTL discuss with managers the benchmark index, the costs and benefits of passive indexing relative to an enhanced passive approach, and the suitability of

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derivative instruments along with any operational constraints faced by the Petroleum Fund. The size of the allocation - either 5 per cent (one manager) or 10% (more likely to be two managers) – in the growth portfolio will also be settled after receiving the BCTL’s report. PFPMO has suggested additional portfolio modelling, which they will seek to arrange while the BCTL conducts the manager search.

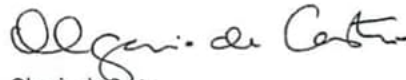
***Proposed parameters for the BCTL’s external manager search***

Weight	5 or 10% of the total growth portfolio.
Benchmark Index	Bloomberg Barclays US TIPS Index 1-10 Years.
Eligible instruments	US TIPS and US Treasury nominal bonds. The suitability of derivatives (bond futures, bond forwards, inflation linked swaps), including common practice and any operational constraints faced by the Fund, will be reviewed by the BCTL and addressed in its report.
Objective	To provide inflation protection.
Style of management	Passive or enhanced passive. The BCTL’s report will review the opportunities in the TIPS market and suggest a corresponding tracking error.

If Your Excellency agrees with the Board’s recommendation, the next step is for the Ministry to request the BCTL to commence the manager search. The secretariat has already discussed the asset class with a number of managers, which may help expedite the selection process.

Please contact the Board should Your Excellency require any further information. The Board members look forward to the opportunity to host a virtual meeting with Your Excellency early in the new year to discuss this proposal along with identifying the Petroleum Fund’s objectives for 2022.

Yours sincerely,



Olgario de Castro  
Chairman of the Investment Advisory Board

Attached:

“US Treasury Inflation-Protected Securities”, IAB Secretariat’s Asset Class Review, 3 December 2021.

## **Annex XIII. TLPF implementation of the Santiago Principles**



## **TIMOR-LESTE PETROLEUM FUND**

### **IMPLEMENTATION OF THE GENERALLY ACCEPTED PRINCIPLES AND PRACTICES**

### **“SANTIAGO PRINCIPLES”**

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Timor-Leste Petroleum Fund is an active member of the International Forum for Sovereign Wealth Funds (IFSWF). The cornerstone of the IFSWF is the “Santiago Principles”, 24 Generally Accepted Principles and Practices for sovereign wealth funds. The Principles are designed to promote good governance, accountability, transparency and prudent investment practices whilst encouraging a more open dialogue and deeper understanding of sovereign wealth fund activities.

All members of the IFSWF voluntarily endorse the Santiago Principles and seek to implement them in their governance and investment practices. The IFSWF’s members regularly undertake a self-assessment of their adherence to the Principles. Timor-Leste Petroleum Fund has decided to conduct an annual review of the Santiago Principles’ implementation, which is published in the Petroleum Fund Annual Report and on the IFSWF’s website. The Ministry of Finance, the government’s entity that is responsible for the overall management of the Petroleum Fund has completed the eleventh self-assessment of the Fund’s adherence to the Santiago Principles and its results are presented in the table below. Key sources are identified for each principle. Reference is made throughout the document to the following formative documents, which are available on the Ministry of Finance’s website <https://www.mof.gov.tl/pagedetails/petroleum-fund-of-timor-leste>

The Petroleum Fund Law: Petroleum Fund Law No. 9/2005, of 3rd of August as amended by the Law No. 12/2011, of 28th of September.

The Petroleum Fund Operational Management Agreement (OMA) signed on 25 June 2009 between the Ministry of Finance and Timor-Leste’s Central Bank (BCTL, Banco Central de Timor-Leste), the appointed operational manager of the Petroleum Fund.

The Petroleum Fund Law has been supplemented by amendments to the Petroleum Activities Law No. 13/2005, of 2<sup>nd</sup> of September, 2<sup>nd</sup> amendment by the Law No. 6/2019 of 4<sup>th</sup> of December.

The BCTL’s website also provides a general overview of the Petroleum Fund and publishes the Petroleum Fund Monthly and Quarterly Reports with audited financial statements.

<https://www.bancocentral.tl/en/go/about-petroleum-fund>

<https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report>

Information on the Petroleum Fund’s Investment Advisory Board (IAB) and its advice are published in Petroleum Fund Annual Reports that are available on both the Ministry of Finance and BCTL websites:

<https://www.mof.gov.tl/pagedetails/petroleum-fund-of-timor-leste>

<https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020>

<https://www.bancocentral.tl/en/go/investment-advisory-board3>

Principle	Implementation
<b>I. Legal framework, objectives, and coordination with macroeconomic policies</b>	
<p>1. The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).</p> <p>1.1. The legal framework for the SWF should ensure legal soundness of the SWF and its transactions.</p> <p>1.2. The key features of the SWF's legal basis and structure, as well as the legal relationship between the SWF and other state bodies, should be publicly disclosed.</p>	<p>Timor-Leste Petroleum Fund was established to fulfil the constitutional requirement of creating a mandatory financial reserve from the exploitation of the natural resources.</p> <p>Timor-Leste's National Parliament through the enactment of the Petroleum Fund Law established the legal framework for the Petroleum Fund. This was supplemented by recent amendments made to the Petroleum Activities Law.</p> <p>The Fund is formed as an account of the Ministry of Finance held in Timor-Leste's Central Bank (BCTL - Banco Central de Timor-Leste), rather than as a separate legal entity.</p> <p>The Petroleum Fund Law:</p> <ul style="list-style-type: none"> <li>• provides mechanisms that assist Timor-Leste to sustainably manage its petroleum revenues,</li> <li>• details the parameters for operating and managing the Petroleum Fund,</li> <li>• defines the asset allocation guidelines and risk limits,</li> <li>• governs the collection and management of the receipts,</li> <li>• regulates transfers to the State Budget,</li> <li>• defines the roles and responsibilities of the entities involved in the management of the Fund, and</li> <li>• provides for accountability and oversight of these activities.</li> </ul> <p>The Petroleum Fund Law requires the Ministry of Finance to enter into an agreement with the Operational Manager. The Operational Management Agreement (OMA) was signed between the Ministry of Finance and BCTL, the Operational Manager, on 12 October 2005 with the subsequent amendments to account for key changes made to the Fund's investment strategies. The agreement specifies key functions and competencies of the Ministry of Finance, the government's entity that is responsible for the overall management of the Fund and the BCTL, which is responsible for the operational management of the Fund.</p> <p><i>Sources: Petroleum Fund Law</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p> <p><i>Petroleum Activities Law</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/13_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/13_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2019/serie_1/SERIE_1_NO_2_A.pdf">https://mj.gov.tl/jornal/public/docs/2019/serie_1/SERIE_1_NO_2_A.pdf</a></p> <p><i>Operational Management Agreement</i></p>
<p>2. The policy purpose of the SWF should be clearly defined and publicly disclosed.</p>	<p>The Petroleum Fund accumulates petroleum revenues from the extraction of natural resources. The preamble of the Petroleum Fund Law decrees that the purpose of establishing the Fund is to contribute to a prudent management of the petroleum resources for the benefit of both current and future generations. The Petroleum Fund is a tool that contributes to sound fiscal policy, where appropriate consideration and weight is given to the long-term interest of Timor-Leste's citizens. The Petroleum Fund finances the Government's expenditure and acts as a saving vehicle for future generations.</p> <p>Detailed information on the purpose of creating the Petroleum Fund is provided by the Ministry of Finance in the Fund's Annual Reports and regular public consultations.</p> <p><i>Sources: Petroleum Fund Law</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p> <p><i>Petroleum Fund Annual Reports</i>  <a href="https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020">https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020</a>  <a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p>
<p>3. Where the SWF's activities have</p>	<p>The Petroleum Fund is integrated into the State Budget. Transfers are made from the Petroleum Fund to the State Budget to finance the Government's budget deficit. Transfers are guided by</p>

Principle	Implementation
<p>significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency with the overall macroeconomic policies.</p>	<p>the Estimated Sustainable Income (ESI), the amount that can be transferred from the Petroleum Fund. The rationale for adopting the ESI is to smooth the spending of temporarily high petroleum income, shield against the volatility of petroleum inflows, and safeguard the sustainable use of public finances.</p> <p>The Petroleum Fund's assets are invested primarily overseas in financial market instruments. Following amendments to the Petroleum Activities Law in 2019, the Fund can be also invested in petroleum operations in the national territory or abroad, subject to a 5% exposure limit.</p> <p>The Ministry of Finance is responsible for the overall management of the Petroleum Fund and also coordinates the preparation, discussion and execution of the Government's budget.</p> <p><i>Sources: Petroleum Fund Law</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p> <p><i>Petroleum Activities Law</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/13_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/13_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2019/serie_1/SERIE_1_NO_2_A.pdf">https://mj.gov.tl/jornal/public/docs/2019/serie_1/SERIE_1_NO_2_A.pdf</a></p> <p><i>Ministry of Finance Budget Books</i>  <a href="https://www.mof.gov.tl/pagedetails/budget-and-spending-documents">https://www.mof.gov.tl/pagedetails/budget-and-spending-documents</a></p>
<p>4. There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF's general approach to funding, withdrawal, and spending operations.</p> <p>4.1. The source of SWF funding should be publicly disclosed.</p> <p>4.2. The general approach to withdrawals from the SWF and spending on behalf of the Government should be publicly disclosed.</p>	<p>The Petroleum Fund Law clearly defines the methods of funding and withdrawals.</p> <p>All petroleum revenues initially enter the Fund before any transfers are made to the State Budget. The Petroleum Fund Law defines what constitutes Petroleum Fund receipts and sets out the mechanisms for handling these receipts. The returns on the Petroleum Fund's investments also contribute to the accumulation of the Fund's capital.</p> <p>The Petroleum Fund Law also sets out the requirements for withdrawals. The only permissible transfers out of the Petroleum Fund is to the State Budget. The State Budget identifies the contribution made by the Fund to the Government's expenditure. Withdrawals are guided by the ESI rule (see GAPP 3). The National Parliament may approve an excess transfer above the ESI where justification is provided that it is in the long-term interest of Timor-Leste.</p> <p>Detailed information on petroleum receipts and transfers made to finance the Government's budget are publicly disclosed in the Petroleum Fund Annual Reports, Budget Reports prepared by the Ministry of Finance and the Petroleum Fund quarterly and monthly reports from the BCTL.</p> <p>A complete list of all entities making payments to the Petroleum Fund is published annually both in the Petroleum Fund Annual Report and Timor-Leste's EITI (Extractive Industries Transparency Initiative) reports. Timor-Leste was accepted as an EITI compliant country on 1 July 2010.</p> <p><i>Sources: Petroleum Fund Law</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p> <p><i>Petroleum Fund Annual and Quarterly Reports</i>  <a href="https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020">https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020</a>  <a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p> <p><i>Ministry of Finance Budget Books</i>  <a href="https://www.mof.gov.tl/pagedetails/budget-and-spending-documents">https://www.mof.gov.tl/pagedetails/budget-and-spending-documents</a></p> <p><i>TL-EITI reports and website- www.eiti.gov.tl</i>  <a href="https://eiti.org/documents/timor-leste-2018-eiti-report">https://eiti.org/documents/timor-leste-2018-eiti-report</a></p>

Principle	Implementation
<p>5. The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.</p>	<p>Transparency is a fundamental principle of the Petroleum Fund Law. The Law sets out the requirements for all entities involved in the management of the Fund to provide and publish the reports pertaining to the activities of the Fund.</p> <p>The Ministry of Finance prepares and publishes the Petroleum Fund Annual Report along with the Petroleum Fund financial statements. The Law requires an international accredited auditor to issue and publish an annual audit report on the Fund's financial statements. The Ministry of Finance also prepares the State Budget for the National Parliament. The Budget reports the Estimated Sustainable Income (ESI) and withdrawals in excess of the ESI.</p> <p>The BCTL, on a quarterly basis, provides reports to the Ministry of Finance on the Fund's performance and also publishes a monthly report on the Fund's performance on its own website.</p> <p>All information is publicly available on the MOF and BCTL websites.</p> <p><i>Sources: Petroleum Fund Law</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p> <p><i>Petroleum Fund Annual, Quarterly and Monthly Reports</i>  <a href="https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020">https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020</a>  <a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p> <p><i>Ministry of Finance Budget Books.</i>  <a href="https://www.mof.gov.tl/pagedetails/budget-and-spending-documents">https://www.mof.gov.tl/pagedetails/budget-and-spending-documents</a></p>
<p><b>II. Institutional Framework and Governance Structure</b></p>	
<p>6. The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives.</p>	<p>The National Parliament of Timor-Leste established the Petroleum Fund Law, which defines the roles and responsibilities of the entities involved in the management of the Fund.</p> <p>The Minister of Finance is responsible for the overall management of the Petroleum Fund. The Ministry of Finance sets the investment policy, enters into a management agreement with the Operational Manager, and monitors the Fund's performance. The Investment Advisory Board (IAB) provides independent advice to the Minister of Finance on the Fund's investment policy and management, including the investment mandates for the Fund.</p> <p>The BCTL, as Operational Manager, is responsible for the Fund's operations, including implementing the investment mandates set by the Ministry of Finance. The BCTL manages some of the portfolio internally and also contracts with external managers to manage and invest the Fund's assets and monitors their performance.</p> <p><i>Sources: Petroleum Fund Law, Operational Management Agreement.</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p>
<p>7. The owner should set the objectives of the SWF, appoint the members of its governing body (ies) in accordance with clearly defined procedures, and exercise oversight over the SWF's operations.</p>	<p>The National Parliament, representing the people of Timor-Leste, sets the objectives of the Fund as outlined in the Petroleum Fund Law (see GAPP 1). The Law defines the broad asset allocation and risk limits. The Petroleum Fund Consultative Council (PFCC), a statutory body with broad representation, is appointed to advise the Parliament on matters relating to the Petroleum Fund.</p> <p>The Ministry of Finance is responsible for the overall management of the Fund, which includes determining the investment policy in accordance with the provisions in the Law. The Ministry of Finance is required to present to the National Parliament the Fund's investment policy and any changes to its principal asset allocation that will materially impact on the overall level of risk. The Ministry of Finance sets the investment mandates, which reflect the acceptable level of risk, and also exercises oversight of the overall management of the Fund.</p> <p>The Minister of Finance receives independent advice from the Investment Advisory Board (IAB) on the investment strategy and management of the Fund. The Prime Minister appoints members of the IAB on the advice of the Ministry of Finance.</p>

Principle	Implementation
	<p>The Timor-Leste Central Bank (BCTL) is the Operational Manager of the Fund. The BCTL's specific responsibilities are set out in an Operational Management Agreement with the Minister of Finance. This includes reporting requirements that allow the Ministry of Finance to exercise its oversight role.</p> <p><i>Sources: Petroleum Fund Law, Operational Management Agreement.</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p>
<p>8. The governing body (ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions.</p>	<p>The National Parliament through the Petroleum Fund law sets the objective of the Fund, the broad asset allocation guidelines and the risk limits. It is assisted by the Petroleum Fund Consultative Council (PFCC). The Petroleum Fund Consultative Council (PFCC) seek to safeguard the proper management of the Petroleum Fund.</p> <p>The Ministry of Finance has the authority to determine the strategy and policies to achieve the Petroleum Fund's objectives. The Minister of Finance is supported by the Petroleum Fund Policy and Management Office (PFPMO) at the Ministry of Finance.</p> <p>In carrying out his/her functions, the Minister of Finance is required to seek advice from the IAB. The Law requires that at least three of the IAB members have significant knowledge and experience in financial investment management.</p> <p>Further to the discussion in Principle 7, the Minister of Finance is accountable to the Parliament and is required to provide relevant reporting annually and whenever required.</p> <p>The BCTL, through the Operational Management Agreement, has been delegated the responsibility for operational management of the Fund. The agreement seeks to ensure that the BCTL acts in the best interests of the Fund and sets out the operational manager's responsibilities.</p> <p><i>Sources: Petroleum Fund Law, Operational Management Agreement</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p> <p><i>Petroleum Fund Annual Reports</i>  <a href="https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020">https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020</a>  <a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p>
<p>9. The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.</p>	<p>The Petroleum Fund Law defines the roles and responsibilities of the Operational Manager, the BCTL. The BCTL's specific responsibilities are clearly set out in the Operational Management Agreement (OMA) with the Minister of Finance. The BCTL is delegated with authority to make decisions relating to the operational management of the Fund as set out in the OMA. The Operational Manager is able to deduct reasonable management expenses, in accordance with the OMA.</p> <p><i>Sources: Petroleum Fund Law, Operational Management Agreement.</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p>
<p>10. The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.</p>	<p>Accountability arrangements are detailed in the Petroleum Fund Law and the Operational Management Agreement.</p> <p>The Ministry of Finance, on behalf of the Government, is accountable to the National Parliament and the general public. It reports to the Parliament on the performance of the Fund on an annual basis and is required to publish all advice received from the IAB in the Petroleum Fund Annual Report, or earlier upon request.</p> <p>The Operational Manager, the BCTL, is appointed by the Minister of Finance and is accountable to the Minister of Finance for operational management of the Petroleum Fund. The</p>

Principle	Implementation
	<p>BCTL may appoint external investment managers subject to the Minister’s consent. The BCTL reports to the Minister on the Fund’s performance on a quarterly basis. These reports are published and available on the Central Bank’s website.</p> <p><i>Sources: Petroleum Fund Law, Operational Management Agreement</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a></p> <p><a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a></p> <p><a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p> <p><i>Petroleum Fund Annual and Quarterly Reports</i>  <a href="https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020">https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020</a>  <a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p>
<p>11. An annual report and accompanying financial statements on the SWF’s operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.</p>	<p>The Petroleum Fund Law requires the Government to prepare and submit to the Parliament an annual report of the Fund’s operations and performance for the fiscal year, including financial statements prepared according to International Financial Reporting Standards (IFRS) and audited by an internationally recognized auditor, at the same time as the Government’s annual financial statements of that year. The Law identifies the minimum information that need to be disclosed in the Petroleum Fund Annual Report.</p> <p>The Petroleum Fund Law provides that the Director of Treasury of the Ministry of Finance is responsible for maintaining the Petroleum Fund accounts and records, and preparing financial statements, in accordance with the IFRS. Accounting and preparation of the financial statements is delegated to the BCTL as the Fund’s Operational Manager.</p> <p><i>Sources: Petroleum Fund Law, Operational Management Agreement</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a></p> <p><a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a></p> <p><a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p> <p><i>Petroleum Fund Annual Reports and Financial Statements</i>  <a href="https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020">https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020</a>  <a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p>
<p>12. The SWF’s operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.</p>	<p>The Petroleum Fund Law requires the Fund’s annual financial statements to be audited by an internationally recognized accounting firm. The international auditor is appointed by the Ministry of Finance and is subject to strict qualification criteria and a transparent selection process. The audited financial statements are submitted to the Parliament together with the Petroleum Fund Annual Report.</p> <p>The Petroleum Fund Law also requires the accounts, records and other documents relating to the Petroleum Fund to be internally audited every six months. This is undertaken by the BCTL’s Internal Audit, which is independent from the investment management area.</p> <p><i>Sources: Petroleum Fund Law, Operational Management Agreement</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a></p> <p><a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a></p> <p><a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p> <p><i>Petroleum Fund Annual Reports and Financial Statements</i>  <a href="https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020">https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020</a>  <a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p>
<p>13. Professional and ethical standards should be clearly defined and made known to the members of the SWF’s governing body (ies), management, and staff.</p>	<p>Each of the institutions involved in the management of the Petroleum Fund has its own professional and ethical standards to ensure the soundness and integrity of the Fund’s operations.</p> <p>The professional and ethical standards for the Ministry of Finance’s staff are defined by the Public Service Law no. 8/2004, 16<sup>th</sup> of June, as amended by Law no.5/2009, 15<sup>th</sup> of July.</p> <p>All the staff of the Operational Manager are bound by the BCTL’s Code of Conduct.</p>

Principle	Implementation
	<p>The Petroleum Fund Law also requires members of the IAB, before taking office, to declare in writing that their appointment has no conflict with any personal or family interests. The IAB has established its own Standard of Conduct in its Operational Regulations, which includes disclosures of potential conflict of interest. The Operational Regulations are published on the Ministry of Finance website.</p> <p><i>Sources: Petroleum Fund Law, BCTL, MoF and Ministry of Justice websites.</i>  <i>Petroleum Fund Law</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p> <p><i>Civil Service Act</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/8_2004.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/8_2004.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2009/serie_1/serie1_no25.pdf">https://mj.gov.tl/jornal/public/docs/2009/serie_1/serie1_no25.pdf</a></p> <p><i>BCTL's Code of Conduct</i>  <a href="https://www.bancocentral.tl/en/go/code-of-conduct">https://www.bancocentral.tl/en/go/code-of-conduct</a></p> <p><i>IAB Rules and Procedures</i>  <a href="https://www.bancocentral.tl/en/go/rules">https://www.bancocentral.tl/en/go/rules</a></p>
<p>14. Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.</p>	<p>The BCTL's dealings with third parties as operational manager are based purely on economic and financial grounds and follow a clear established procedure.</p> <p>The Operational Management Agreement provides that the BCTL is responsible for the tendering and selection of external investment managers. The selection is based on the parameters for the investment mandate set by the Ministry of Finance. The Petroleum Fund Law also specifies the minimum requirements for the engagement of external managers. The Minister of Finance must be satisfied that each external investment manager has sufficient equity, guarantees and insurance; a sound record of operational and financial performance; and has business references and a reputation of the highest standard. The IAB advises the Minister on whether the BCTL's recommended managers are consistent with the objectives of the mandate.</p> <p>The BCTL is also responsible for tendering for other services, including the Petroleum Fund's custodian and procurement for the IAB. The BCTL's selection procedure is rigorous, fair and transparent and in compliance with the substantive provisions of Timor-Leste's laws.</p> <p><i>Sources: Petroleum Fund Law, Operational Management Agreement</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p>
<p>15. SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.</p>	<p>The Petroleum Fund Law requires the management of the Petroleum Fund to be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which the investments are made.</p> <p><i>Source: Petroleum Fund Law</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p> <p><i>Petroleum Fund Annual Reports and Financial Statements.</i>  <a href="https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020">https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020</a>  <a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p>
<p>16. The governance framework and objectives, as well as the manner in which the</p>	<p>The Petroleum Fund's governance framework and objectives are established by the Parliament in the Petroleum Fund Law. The Operational Management Agreement provides details of the division of responsibilities between the Ministry of Finance and the BCTL, along with accountability arrangements.</p>

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<p>SWF's management is operationally independent from the owner, should be publicly disclosed.</p>	<p>The Minister of Finance is required to seek the advice from the IAB, an independent Board staffed by investment experts, before making any decision relating to the Fund's investment strategy and management.</p> <p>Information on the governance framework and objectives is detailed in the Petroleum Fund Law and published in the Petroleum Fund Annual Report.</p> <p><i>Sources: Petroleum Fund Law, Operational Management Agreement</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p> <p><i>Petroleum Fund Annual Reports</i>  <a href="https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020">https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020</a>  <a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p>
<p>17. Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.</p>	<p>Information regarding the Petroleum Fund's asset allocation, its investment mandates and benchmarks and investment performance are published in the BCTL's quarterly performance reports and the Petroleum Fund's Annual Report and audited financial statements. A full list of the Petroleum Fund's holdings is provided in the Petroleum Fund financial statements, which are annexed to the Petroleum Fund Annual Report. The reports are available on the Ministry of Finance and BCTL's websites.</p> <p><i>Sources: Petroleum Fund Law, Operational Management Agreement Annex 1</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p> <p><i>Petroleum Fund Annual and Quarterly Reports, Petroleum Fund Financial Statements</i>  <a href="https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020">https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020</a>  <a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p>
<p><b>III. Investment and Risk Management Framework</b></p>	
<p>18. The SWF's investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles.</p> <p>18.1. The investment policy should guide the SWF's financial risk exposures and the possible use of leverage.</p> <p>18.2. The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they</p>	<p>The Fund's investment policy is directed by the provisions in the Petroleum Fund Law that define the asset allocation guidelines, eligible investments, concentration limits and investment principles, which include diversification and maximizing the risk-adjusted financial return.</p> <p>The Ministry of Finance, on behalf of the Government, determines the investment policy, which is designed to meet the investment objectives of the Fund after taking into account the risk preference of the Timor-Leste people and any constraints under which the Fund operates. The IAB advises the Minister of Finance on the investment strategy. The advice of the IAB is guided by its publicly disclosed Investment Beliefs and Principles.</p> <p>The investment policy is described in the Petroleum Fund Annual Report. Annex 1 of the Operational Management Agreement specifies the Fund's strategic asset allocation and benchmark portfolio, the parameters for each of the investment mandates and where derivatives are permissible.</p> <p>The Minister of Finance, with advice from the IAB, determines whether a mandate will be internally or externally managed. The Ministry of Finance monitors the internally managed mandates. The selection process for external investment managers is undertaken by the BCTL as operational manager and is based on professional and commercial criteria. The external managers are given clearly defined mandates, including expected performance, risk and fees. Their performance is monitored by the BCTL.</p> <p><i>Sources: Petroleum Fund Law, Operational Management Agreement</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p>



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<p>are selected and their performance monitored.</p> <p>18.3. A description of the investment policy of the SWF should be publicly disclosed.</p>	<p><i>Petroleum Fund Quarterly and Annual Reports</i>  <a href="https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020">https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020</a>  <a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p>
<p>19. The SWF's investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds.</p> <p>19.1. If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed.</p> <p>19.2. The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.</p>	<p>The Petroleum Fund Law provides that the investment policy shall apply the principles of diversification with the objective of maximizing risk-adjusted financial returns after taking into account the Fund's purposes, its operational constraints and ability to bear risk.</p> <p>The Petroleum Fund's investments in offshore financial market instruments are assessed purely on these financial grounds and comply with sound portfolio management practices. The Petroleum Fund Law requires the Fund's assets to be invested in investment grade bonds and developed market equities.</p> <p>The Fund's financial market investments are segmented into a Liquidity and Growth Portfolio. The Liquidity Portfolio is intended to finance the State Budget over a three year period and is invested in low risk and highly liquid assets. The Growth Portfolio is the longer-term segment of the Fund and seeks to earn higher returns through an allocation to equities, with the remainder in fixed interest.</p> <p>The Petroleum Activities Law allows for the Petroleum Fund to invest in petroleum operations in national territory or overseas, subject to a 5% exposure limit. The investment in petroleum operations is an exception to the general rule; in addition to financial considerations, national economic development objectives and social benefits were accounted for in the investment decision. The rules and criteria governing the investment are published and the Minister was required to present the proposed allocation to National Parliament.</p> <p>The Ministry of Finance is required to present to the Parliament a summary of the new investment policy prior to making changes to the Fund's principal asset allocation.</p> <p><i>Sources: Petroleum Fund Law</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p> <p><i>Petroleum Activities Law</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/13_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/13_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2019/serie_1/SERIE_1_NO_2_A.pdf">https://mj.gov.tl/jornal/public/docs/2019/serie_1/SERIE_1_NO_2_A.pdf</a></p> <p><i>Petroleum Fund Annual Reports</i>  <a href="https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020">https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020</a>  <a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p>
<p>20. The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader Government in competing with private entities.</p>	<p>Most of the Fund's assets are invested in offshore financial markets that are regulated and transparent. The Fund does not have access to privileged information nor is there influence exerted from the Government in competing with private entities.</p> <p>The objective of the Petroleum Fund's investment in petroleum operations is to facilitate the development of a national petroleum industry. It is expected that its contribution to the national economic development will in turn encourage private investment in Timor-Leste.</p>
<p>21. SWFs view shareholder ownership rights as a fundamental element of their equity investments' value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is</p>	<p>The BCTL, as operational manager, exercises the Petroleum Fund's shareholder ownership rights by engaging the Institutional Shareholder Services (ISS) proxy voting service.</p>

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<p>consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.</p>	
<p>22. The SWF should have a framework that identifies, assesses, and manages the risks of its operations.</p> <p>22.1. The risk management framework should include reliable information and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function.</p> <p>22.2. The general approach to the SWF's risk management framework should be publicly disclosed.</p>	<p>The Petroleum Fund Law requires the Ministry of Finance and the Operational Manager to develop and maintain policies, systems and procedures to ensure that the risks associated with the implementation of the investment strategy are identified, monitored and managed.</p> <p>The BCTL has developed an operational risk management framework for the Petroleum Fund. This includes a risk register that identifies the section which owns the risk and the associated internal controls. The BCTL's Internal Audit area, which is independent from its investment management area, monitors and ensures that procedures are being followed and there is an effective framework in place. All the staff of the BCTL are bound by its Code of Conduct.</p> <p>The financial risk in the Petroleum Fund's strategy is embedded in the Fund's investment policy that is set by the Ministry of Finance, specifically the parameters for the global mandate and the investment mandates included in Annex 1 of the Operational Management Agreement. The appropriate level of financial risk is assessed during regular asset allocation reviews. The Ministry of Finance is required to present the investment policy to the Parliament on an annual basis as part of the Petroleum Fund Annual Report or prior to making any changes to the Fund's principal asset allocation.</p> <p>The BCTL manages the global mandate, which is comprised of individual mandates with specific allocations. There is periodic rebalancing of the Growth Portfolio and transfers from the Growth Portfolio to the Liquidity Portfolio. The BCTL also monitors the compliance of the external managers with their risk targets. The BCTL reports on compliance to the Ministry of Finance in the quarterly performance report.</p> <p>The Ministry of Finance monitors the Fund's performance including its risk exposure through the BCTL's quarterly performance reports. The Ministry of Finance reports to the Parliament on an annual basis through the Petroleum Fund Annual Reports.</p> <p><i>Sources: Petroleum Fund Law, Operational Management Agreement</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p> <p><i>Petroleum Fund Quarterly and Reports</i>  <a href="https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020">https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020</a>  <a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p>
<p>23. The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.</p>	<p>The Petroleum Fund Law requires the Operational Manager, the BCTL, to report to the Ministry of Finance on a quarterly basis the performance and activities of the Petroleum Fund relative to the benchmarks.</p> <p>Performance reporting is prepared by the Fund's custodian, JP Morgan, in compliance with the Global Investment Performance Standards (GIPS) methodology. The quarterly report is published within 40 days after the end of every quarter.</p> <p><i>Sources: Petroleum Fund Law</i>  <a href="https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf">https://mj.gov.tl/jornal/public/docs/2002_2005/leis_parlamento_nacional/9_2005.pdf</a>  <a href="https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf">https://mj.gov.tl/jornal/public/docs/2011/serie_1/serie1_no36.pdf</a>  <a href="http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf">http://timor-leste.gov.tl/wp-content/uploads/2010/03/Law_2005_9_petroleum_fund_law_.pdf</a></p> <p><i>Petroleum Fund Quarterly Reports</i>  <a href="https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020">https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020</a></p>

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<p>24. A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.</p>	<p>The Ministry of Finance intends to review the Petroleum Fund's implementation of the Santiago Principles annually and publish the results of the self-assessment in the Petroleum Fund Annual Report. This is the eleventh review. The Petroleum Fund conducted its first review in 2010.</p> <p><i>Source: Petroleum Fund Annual Reports</i></p> <p><a href="https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020">https://www.mof.gov.tl/publicationdetails/petroleum-fund-annual-report-2020</a></p> <p><a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p>



Petroleum Fund Policy and Management Office  
Level 10, Ministry of Finance Building, Aitarak-Laran, Dili, Timor-Leste  
Tel: +670 74002006  
Website: [www.mof.gov.tl](http://www.mof.gov.tl)



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**MINISTRY OF FINANCE**  
**DEMOCRATIC REPUBLIC OF TIMOR-LESTE**



*Level 10, MoF Building, Aitarak-Laran, Díli, Timor-Leste*  
*Website: <https://www.mof.gov.tl>*