

## **Petroleum Fund Quarterly Report**

**Quarter ended 31 December 2007**

### **PRESS RELEASE**

The Banking & Payments Authority (BPA) today released the **tenth** Quarterly Report of the Petroleum Fund of Timor-Leste showing that the Capital of the fund as of 31 Dec 2007 was \$2,086.16 million compared to \$1,817.91 million at the end of Sept 2007.

The report shows that the gross cash inflows during the quarter was US\$258.54 million consist of the taxpayers contribution to the Fund was US\$ 68.22 million and the royalties contribution of the TSDA was US\$ 190.32 million.

The fund accrued interest was \$18.30 million during the quarter, while the change in the securities valuation was \$31.66 million.

The return on the Fund for the quarter was positive 2.53 %, equivalent to an annual return of 10.51%. The benchmark return for the period was 2.51%. The portfolio return for the quarter was 2 basis points higher than the benchmark return within the mandated target of  $\pm 25$  basis points.

An amount of US\$ 40.26 million has deducted from the Fund consisting \$40 million for transfer to the State Budget and \$ 260.69 thousands for the management fees during the quarter.

The Petroleum Fund law specifies that the BPA, as the future central bank of Timor-Leste, is the agent responsible for the operational management of the Fund. The Ministry of Finance is responsible for setting the overall investment strategy for the Fund. The mandate given to the BPA is to manage the fund closely to the Merrill Lynch 0-5 years US Government Bond Index. The BPA has managed the portfolio close to the benchmark over the first tenth quarters. The difference in return between the portfolio and the benchmark since the inception of the fund is 2 basis points within the target of  $\pm 25$  basis points.

Highlights of the X Quarterly Report, which covers the period from 1 October to 31 December 2007, include:

- An opening Balance was \$1,817.91 million.
- The gross receipts during the quarter was \$258.54 million which consist of taxpayer's receipt of \$68.22 million and the royalties receipts of \$190.32 million whereof the cash outflows was US\$ 40.26 million consist of \$40 million transfer to the General State Budget and 260.69 thousands for the management fees. The net cash inflow was US\$ 218.28 million.
- The portfolio return number was 2.53% for the quarter while the benchmark return was 2.51%.

- The investment income during the quarter was \$49.96 million consisting of interest income was \$18.30 million and the market revaluation was \$31.66 million.
- A closing balance was \$2,086.16 million.

The BPA has undertaken the long term investment strategy review, custodian project management and workforce planning by engaging an international consultant company.

The Executive Director of the Petroleum Fund Department of the BPA participated in a Working Group established by the Minister of Finance to review the optimal strategic asset allocation within the limit of the Petroleum Fund Law and to suggest appropriate changes in investment rules and qualifying instruments in the Petroleum Fund Act and correspondingly in the Management Agreement.

Following the recommendation of the Investment Advisory Board to the Minister of Finance to authorise the BPA enter into contract negotiations with non-commercial managers, during the quarter, the BPA obtained authorization from the Minister of Finance to enter into contract negotiations with the World Bank and the BIS as non-commercial external managers.

The quarterly report, as well as the Petroleum Fund law and Management Agreement, is available from the Banking & Payment Authority's website [www.bancocentral.tl](http://www.bancocentral.tl).

Further information may be obtained from:

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