

## **Petroleum Fund Quarterly Report**

**Quarter ended 30 September 2010**

### **PRESS RELEASE**

The Banking & Payments Authority (BPA) today released the Quarterly Report ended 30 September 2010 of the Petroleum Fund of Timor-Leste showing that the Capital of the fund as of 30 September 2010 was \$6,603,63 million compared to \$6,299,13 million at the end of June 2010.

The report shows that the gross capital inflows during the quarter were \$376.72 million, consisting of \$222.73 million as contributions of taxpayers to the Fund, royalty contributions from the NPA (National Petroleum Authority) of \$153.99 million. The investment income of the Fund was \$103.66 million of which the coupon and interest received was \$53.27 million and the change in the market valuation was \$50.39million. This resulted in a portfolio return of the Fund for the quarter of 1.62%, while the benchmark return for the period was 1.68%. The portfolio return was -0.06% below the benchmark return.

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 has not changed, namely to manage the fund closely to the Merrill Lynch 0-5 years US Government Bond Index, while the mandate given to the BIS is to manage a diversified bond portfolio in an active manner with the objective of outperforming the benchmark while maintaining an ex ante tracking error within 100 basis points.

The BPA has managed the portfolio close to the benchmark over the first 21quarters. The difference in return between the portfolio and the benchmark since the inception of the fund in 2005 is -3 basis points.

Highlights of the XXI Quarterly Report, which covers the period from 1 July to 30 September 2010, include:

- The opening balance was \$6.299, 13 million.
- Receipts during the quarter were \$376.72 million which consisted of taxpayer receipts of \$222.73 million, royalty receipts of \$153.99 million.

- The fund outflows were \$175.88 million consisting of \$175.00 million was transferred to the State Budget while \$0.88 million was to cover the operational management costs.
- The net incoming capital flow was \$200.84 million.
- The portfolio return was 1.62 % for the quarter while the benchmark return was 1.68 %. The excess return was -0.06% below the benchmark return.
- Investment income during the quarter was \$103.66 million consisting of interest income was \$53.27 million and market revaluations were \$50.39 million.
- The closing balance was \$ 6, 603, 63 million.

In 2009, the Ministry of Finance requested the BPA to commence the process of appointing an external manager for the management of an equity mandate of 4% of the Fund. As the result, Schroder Investment Management Ltd ("Schroders") was selected and the contract has been signed with Schroders on 7th September 2010 for the management of about \$260 million. The portfolio was implemented in early October 2010.

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

Further information may be obtained from:

Venancio Alves Maria  
Executive Director  
Petroleum Fund Management,  
Banking & Payments Authority of Timor-Leste  
Email: [venancio.maria@bancocentral.tl](mailto:venancio.maria@bancocentral.tl)  
Telephone: (670) 3313718

Dili, 10 November 2010.