



PETROLEUM FUND QUARTERLY REPORT

Quarter ended 30 September 2011

PRESS RELEASE

The Banco Central de Timor – Leste today released the Quarterly Report ended 30 September 2011 of the Petroleum Fund of Timor-Leste showing that the Capital of the fund as of 30 September was \$ 8, 903.14 million compared to \$ 8,305.80 million at the end of June 2011.

The report shows that the gross capital inflows during the quarter were \$ 805.85 million, consisting of \$ 323.1 million as contributions of taxpayers to the Fund and royalty contributions from the NPA (National Petroleum Authority) of \$ 482.5 million.

The net investment income of the Fund was \$42.77 million of which the coupon and interest received was \$61.63 million and the change in the market valuation of its financial assets was -\$18,86 million. This resulted in a portfolio return of the Fund for the quarter of 0.52%, while the benchmark return for the period was 0.44%. The portfolio return was 0.08% above the benchmark return.

The Petroleum Fund law specifies that the Banco Central de 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 Banco Cental de Timor-Leste 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 mandate given to Schrodgers is to manage the portfolio in an enhanced passive indexing style and maintained within a tracking error relative to the benchmark that does not normally exceed 100 basis points, and with load differences maintained within 0.5% (security level) and 2.5% (country and sector levels). At no time shall the ex-ante tracking error exceed 150 basis points.

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The Banco Central de Timor-Leste has managed the portfolio close to the benchmark over the first 25 quarters. The difference in return between the portfolio and the benchmark since the inception of the fund in 2005 is -2 basis points.

Highlights of the XXV Quarterly Report, which covers the period from 1 July to 30 September 2011, include:

- The capital of the Fund grew from US\$ 8,305.80 million to US\$ 8, 903.14 million.
- Gross cash inflows to the fund from royalties, taxes were US\$ 805.85 million consisting of taxpayers \$323.1 million, royalties \$ 482.5 million. Cash outflows were US\$ 251.26 million in which US\$ 250.00 million for transfers to State Budget and US\$ 1.26 million for external and internal management costs
- Net cash inflows during the period were US\$ 554.59 million.
- The portfolio return in the period was 0.52% compared with the benchmark return for the quarter of 0.44%.
- Investment income during the quarter was \$ 42.77 million consisting of interest income was \$61.63 million and market revaluations was -\$18.86 million.
- The closing balance was \$ 8, 903.14 million.

The quarterly reports, as well as the Petroleum Fund law and Management Agreement, are available from the Banco Central's website www.bancocentral.tl.

Further information may be obtained from:

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Dili, 14 November 2011.