

Banking & Payments Authority of Timor - Leste

Forth Petroleum Fund Quarterly Report

MEDIA RELEASE

The Banking & Payments Authority (BPA) today released the forth Quarterly Report of the Petroleum Fund of Timor-Leste showing that the Net Asset Value (NAV) of the fund as of 30 June 2006 was \$649.7 million compared with \$507.9 million at the end of March 2006.

The report shows that the taxpayers and the Timor Sea Designated Authority (TSDA) paid \$137.7 million directly into the Fund during the quarter via the BPA's account with the US Federal Reserve Bank in New York (FRBNY).

The fund accrued interest of \$5.3 million during the quarter, while the changes in market value due to lower bond prices was negative \$1.2 million.

The absolute return on the Fund for the quarter was positive 0.70%, equivalent to an annual return of 2.82%. The portfolio return for the quarter was 2 basis points higher than 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 Minister of Planning and 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 four quarters. The difference in return between the portfolio and the benchmark since the inception of the fund is 3 basis points.

During the unrest in Dili, the BPA management implemented the contingency plan procedures to ensure the minimum operational management of the Petroleum Fund. In this period, the limited Petroleum Fund staff were able to monitor and perform the most time critical tasks, including the rebalancing around the May/June month end.

Highlights of the forth Quarterly Report, which covers the period from 1 April 2006 to 30 June 2006, include:

- An opening Net Asset Value of \$507.9 million.
- Receipts from taxpayers and TSDA during the quarter of \$137.7 million.
- Absolute return number was 0.70% for the quarter, or \$4.1 million
- A closing Net Asset Value balance of \$649.7 million.

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 .

Further information may be obtained from:

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