

**The Secretary of State for the Council of Ministers and  
Official Spokesperson for the Government of Timor-Leste  
Ágio Pereira**



**March 16, 2012  
Dili, Timor-Leste**

**The Government of Timor-Leste announces further diversification of  
Petroleum Fund to increase the equity exposure up to 20%**

The Minister of Finance, Her Excellency Emilia Pires, and the Governor of the Central Bank of Timor-Leste, Mr Abraão de Vasconcelos, announced that following the revision of the Petroleum Fund law in 2011, significant progress has been made in implementing a new asset allocation of the Petroleum Fund.

Based on advice received from the Investment Advisory Board, the Governor of the Central Bank now has the mandate to progressively invest the Petroleum Fund in global equities up to 20% of the Fund.

The decision to invest 20% of the Petroleum Fund into global equities was made after careful consideration and in depth analysis of the benefits and risks associated with diversification. Firstly, the increased allocation to equities would increase the expected return of the Fund from 2.0% to 2.6%. This would allow the Fund to closer approximate the 3% Estimated Sustainable Income that will be necessary in the longer term to fund the General State budget and serve the needs of the People.

Secondly, the new allocation recognized the benefits of diversification, meaning that the increased investment in equities would be efficient in terms of balancing risk and return. A move to 20% equities would result in an increase of the Fund standard deviation from 2.6% to 3.9%. While the expected return would be higher, there would also be a chance that some quarters, or even years, would show negative returns. It is important to note, **Timor-Leste is classified as a 'long-term' investor which means the fund should be evaluated on the long term results not the short term gains or losses.** Due to the size of the fund, it can afford to incur the occasional rough spot in order to increase the average long-term returns.

Lastly, **increasing the Fund's equity allocation will be done progressively to avoid the risks** associated with investing in the market at a single point in time. Proceeding in this way Timor-Leste will optimize the chance of investing at the average index price.

Mr Abraão de Vasconcelos, Governor of the Central Bank, confirmed the Central Bank has commenced the equity purchase programme. The Central Bank appointed a new equity manager, State Street Global Advisors, in early January, and made further market purchases in February. As a result of these steps, the Fund has now invested 12.5% of its capital (approximately \$ 1.2 billion) in 1,800 companies in 23 developed countries. **The Central Bank will continue to increase the Fund's investment in these markets progressively until the 20% target is reached at the end of June 2012.**

The purpose of diversification in **the fund's investment strategy** is to increase returns to the fund for the sovereign wealth owners, the People of Timor-Leste, to ensure long term growth as per global best investment practice. **ENDS**

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## **About the Petroleum Fund of Timor-Leste**

The Petroleum Fund is the sovereign wealth fund of Timor-Leste. The Fund was established in 2005 and is the vehicle for managing Timor-Leste's receipts from the exploitation of its petroleum resources with the twin objectives of preserving intergenerational equity and maintaining fiscal responsibility. As of February 2012 the balance of the Petroleum Fund was USD 9.9 billion.

Further information about the Petroleum Fund is available at [www.bancocentral.tl](http://www.bancocentral.tl).

## **Contact Information**

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