

**Minutes of Meeting**  
**Petroleum Fund of Timor-Leste**  
**Investment Advisory Board**

*Held on 11<sup>th</sup> November 2009*

*At the Office of the World Bank*

Present:

Olgário de Castro (Chairman)  
Venancio Alves Maria, as alternate for Mr. Abraao de Vasconcelos  
Subodh Kumar Mathur, as alternate for Mrs. Sara Lobo Brites  
Tørres Trovik (via videoconference)  
Kevin Bailey

In attendance:

Vidar Ovesen, Fiscal Policy and Petroleum Fund Advisor, Ministry of Finance  
Filipe Nery Bernardo, National Adviser, Ministry of Finance  
Torgrim Roll, Advisor for PF Department, BPA  
Sam Robinson, Advisor for BPA  
Gastao de Sousa, Chief Economist, BPA (Secretary)

The Chairman declared the meeting open at 08:15 hours.

### **1. Apologies**

Apologies were received from Mrs. Sara Lobo Brites and Mr. Abraao de Vasconcelos. Mrs. Sara nominated Mr. Subodh Kumar Mathur as her alternate, while Mr. Venancio was present as alternate for Mr. De Vasconcelos.

### **2. Approval of the agenda**

The agenda for the meeting was approved without amendment.

### **3. Minutes of last meeting**

The minutes of the previous meetings held on 23<sup>rd</sup> October and 30<sup>th</sup> October 2009 were approved and adopted for publication.

#### **4. Watson Wyatt's report "From oil to financial assets: planning for a sustainable future for Timor-Leste"**

Messrs Ryan-Kane, Killmier and Chee from Watson Wyatt joined the meeting for this agenda item.

They presented a draft report, "From Oil to Financial Assets: Planning for a Sustainable Future for Timor-Leste" to the Board. Watson Wyatt is engaged by the Ministry of Finance in order to undertake analysis in relation to the investment strategy and overall management of the Petroleum Fund. The purpose of the draft report was to provide analytical data to assist the IAB and Minister in developing and recommending appropriate amendments to Articles 14 and 15 of the Petroleum Fund Law.

The Watson Wyatt presentation focused on long term investment return of the Fund and the strategic asset allocation. It identified the key drivers of the evolution of the Petroleum Fund and Timor-Leste's Petroleum Wealth as being the investment strategy, the Petroleum Fund Law spending policy and the discount rate. The report examined the historical and forward looking impact of a range of investment strategies on Petroleum Fund assets, Petroleum Wealth and the interaction with the spending rule. The presentation also touched on the implications of the financial crisis and potential adverse scenarios that may develop, and explored the issue of inflation protection for the portfolio through an allocation to Treasury Inflation Protected Securities (TIPS).

The members of the Board agreed to study the report and conclude its discussion at the next meeting. The Board requested the secretariat to start drafting a reply to the Minister's letter of June 2009 based on the analysis in the Watson Wyatt report and the Board's earlier discussions on the subject.

#### **5. Other Business**

The Chairman informed the Board that he had received a letter from Lao Hamutuk requesting further information about the Board's consideration of the proposal to deposit USD 1.2 billion into a blocked account proposed by Asian Champ Investment Ltd as published in the minutes of 18<sup>th</sup> of September 2009. The Board requested the Secretariat to prepare a draft response for the Board's consideration at the next meeting.

It was resolved that the next meeting would be held on November 20, 2009.

As there was no other business the Chairman declared the meeting closed at 12.15 hours

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**Chairman**

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**Secretary**