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# PETROLEUM FUND ANNUAL REPORT

## FINANCIAL YEAR 2017

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Petroleum Fund Administration Unit  
Ministry of Finance  
Democratic Republic of Timor-Leste







DEMOCRATIC REPUBLIC OF TIMOR-LESTE  
MINISTRY OF FINANCE



*“To be a good citizen is to be a new hero for our Nation”*

Timor-Leste Petroleum Fund  
ANNUAL REPORT  
2017



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## Message from Sara Lobo Brites Vice Minister of Finance

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The Fund had a remarkably good year in 2017 returning 10.4 percent with investment income after expenses of US\$1.6 billion. Favourable economic conditions for financial markets led to the highest annual return since inception and equities were again the driver of performance. The cumulative return from investments since the Fund's inception is \$4.8 billion at the end of 2017. The corresponding annual investment return is 4.4 percent, which is 2.5 percent after accounting for inflation.

The strong returns in 2017 are certainly welcome but as a long-term investor we should not focus too much on annual performance. The value of the Fund can fluctuate considerably from year to year. We must remember that annual losses are to be expected relatively frequently – once in every five years – and that these losses can be large. The Fund's simple but robust strategy is to maintain the equity exposure during such times to ensure that we earn the additional return that equities systematically provide over bonds in the long-term. Timor-Leste has benefitted from this

strategy since introducing equities in 2010 by being able to withstand periodic volatility in returns.

The strong investment performance allowed the Fund to end 2017 at \$16.8 billion. The annual increase of \$955 million reversed the previous declines in value in 2015 and 2016. Nevertheless, the Petroleum Fund's outlook is not without challenges. Withdrawals have been well in excess of the ESI for an extended period, justified by front-loading economic development, while long-term real investment returns are now expected to be lower than the 3 per cent ESI. Needless to say this represents a challenge to sustainability, at least until there are new petroleum inflows. We face a delicate balancing-act between promoting development and maintaining savings for future generations.

Timor-Leste is blessed with the gift of petroleum wealth and establishing the Petroleum Fund is a credit to the foresight of our founding fathers. I trust in the Petroleum Fund's institutions – namely the Investment Advisory Board, which helps set the investment strategy; the Banco Central de Timor-Leste, which administers the Fund; and my colleagues at the Ministry of Finance - to continue to manage the Fund's investments in Timor-Leste's long-term interests.



## The Petroleum Fund at a Glance

### Fund Size

As of 31 Dec 2017 **\$16,799,312,691**

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### Increase in Fund Size in 2017

**\$954,985,404**

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### Receipts from Oil and Gas Sold

**\$421.7 million**  
(2017)

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**\$21.4 billion**  
(Since inception)

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### 2017 Transfer to State Budget

**\$1,078.8million**  
(2017)

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**\$9.6 billion**  
(Since inception)

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### Return on Investments (\$)

**\$1,612.1million**  
(2017)

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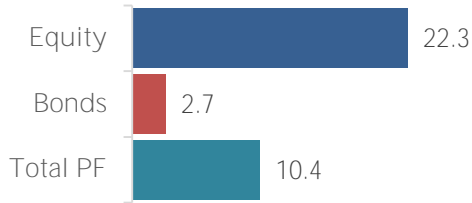
**\$4.8 billion**  
(Since inception)

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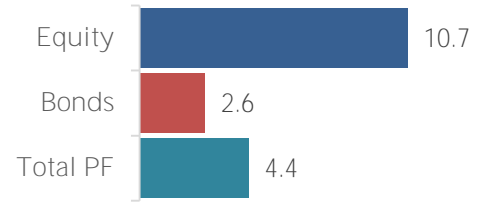


# The Petroleum Fund's Investments

## Return on Investments (%)

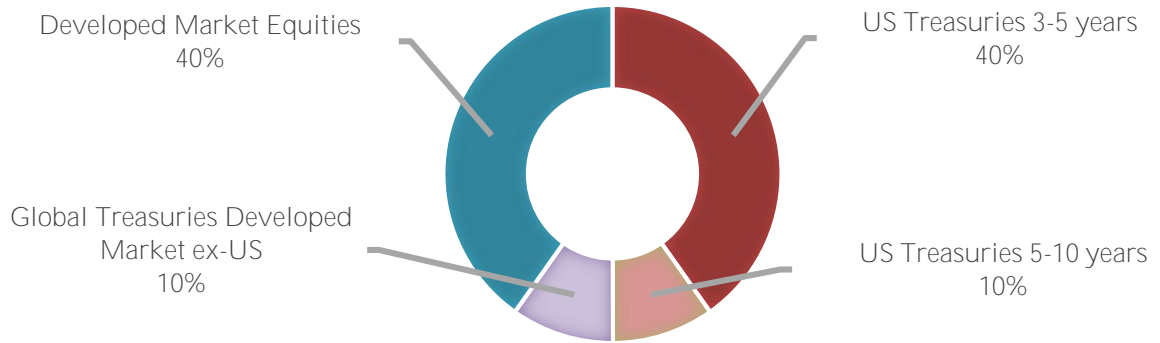


(2017)

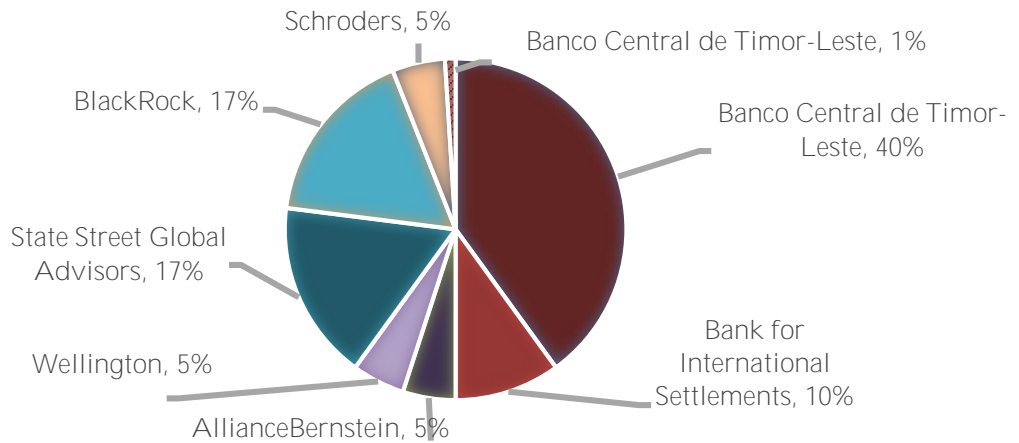


(Since inception)

## PF Target Asset Allocation



## PF Asset Managers



# About the Petroleum Fund

## Framework and Features

The Petroleum Fund was established in 2005 to meet the requirement in Article 139 of the Constitution of the Democratic Republic of Timor-Leste (RDTL). The Constitution mandates a fair and equitable use of State-owned natural resources in accordance with national interests, and that the income derived from the exploitation of these resources should lead to the establishment of a mandatory financial reserve. The Petroleum Fund was created under the provision of the Petroleum Fund Law No.9/2005 (3 August 2005) as amended by the Law No.12/2011 (28 September 2011).

The preamble to the Petroleum Fund Law provides that the Petroleum Fund shall contribute to the wise management of Timor-Leste's petroleum resources for the benefit of both current and future generations. The Fund is a tool that contributes to sound fiscal policy, where appropriate consideration and weight is given to the long-term interest of Timor-Leste's citizens.

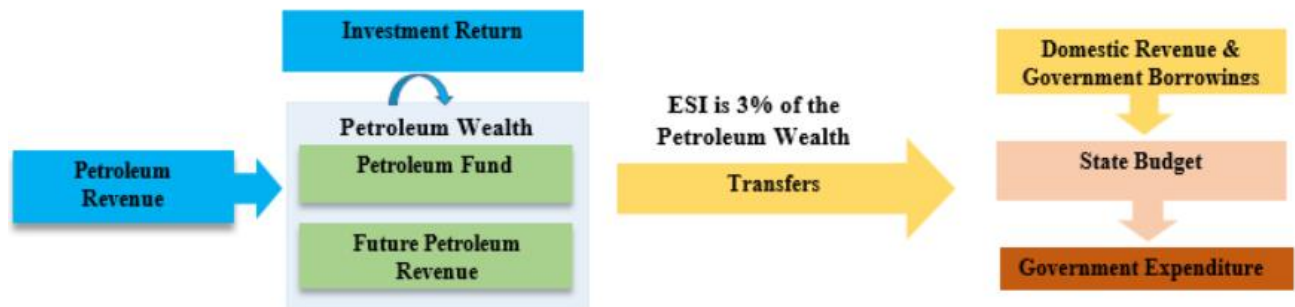
The governing law lays down the key parameters for the operation and management of the Fund. Rather than a separate entity, the Petroleum Fund is formed as an account of the Ministry of Finance (MoF) held in the Banco Central de Timor-Leste (BCTL), which is appointed as

operational manager of the Fund. The Law requires all petroleum income to initially enter the Fund before transfers are made to the State Budget. The Law regulates the withdrawals in order to sustainably manage petroleum wealth and smooth spending over time. The amount is guided by the Estimated Sustainable Income (ESI), which is set at 3% of total Petroleum Wealth. Petroleum Wealth comprises the balance of the Petroleum Fund and the Net Present Value of expected future petroleum revenue. Withdrawals in excess of the ESI can be made, provided that the Parliament approves the Government's explanation that this is made in the long-term interests of the country. This structure is illustrated in Figure 1.

The ESI framework is designed around what is called the "permanent income hypothesis". The Fund's purchasing power will be maintained where the Government's withdrawals equal the real investment return. By providing for the same real value of withdrawals and expenditure each year, this framework can be said to equally benefit current and future generations.

Following from the 3% ESI, the implied investment objective is to achieve a 3% real return over the long-run. The investment strategy and strategic asset allocation are described in more detail in the "The Fund's Investments" section.

Figure 1 – Petroleum Fund and the State Budget



## Institutions and Governance

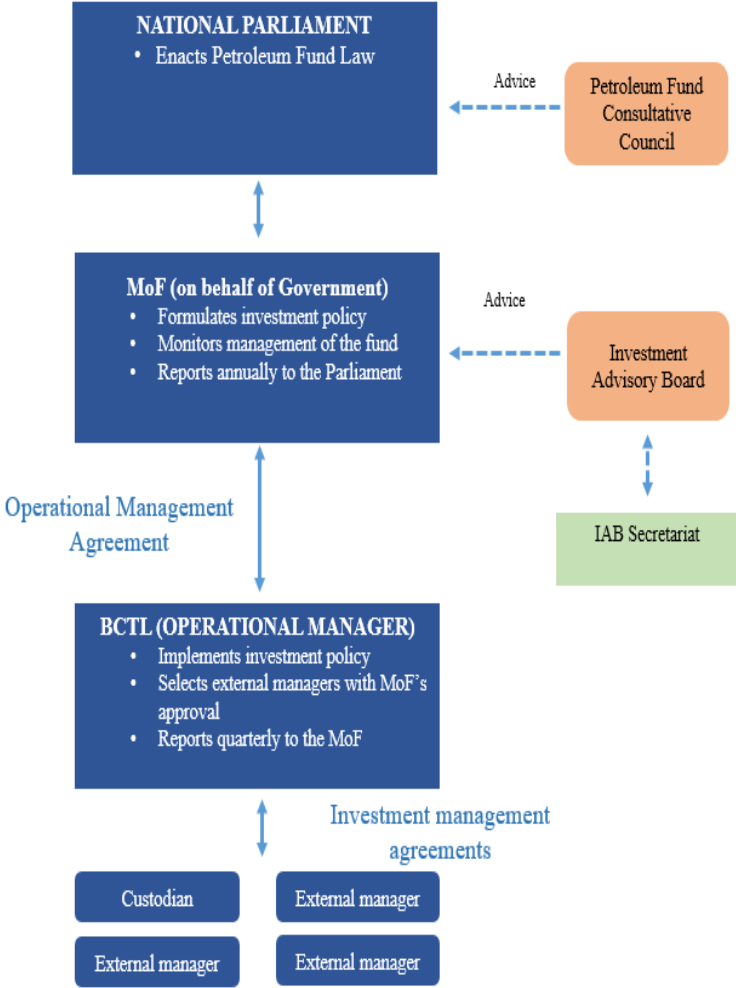
The Petroleum Fund model is designed to provide a high standard of governance through accountability and transparency. This reduces the risk of mismanagement and builds public confidence that petroleum revenues are being wisely managed. The entities involved in the management of the Petroleum Fund are shown in Figure 2. The Petroleum Fund Law defines the roles and responsibilities of these institutions, which are accountable to the Government and overseen by the MoF.

The Parliament in enacting the Petroleum Fund Law sets the objectives of the Fund, the broad asset allocation guidelines and the risk limits. The MoF, representing the Government, is responsible for the overall management of the Petroleum Fund including setting the investment policy and strategy, setting guidelines for new investments and exercising oversight. The Minister is required to seek advice from the Investment Advisory Board (IAB) before making decisions on any matter relating to the investment strategy or management of the Fund. The operational management of the Fund is delegated to and carried out by the BCTL according to guidelines established by the MoF. **The BCTL invests the Fund’s capital directly and also delegates investments to external fund managers that it selects and monitors.**

Transparency is critical and the Petroleum Fund Law sets out reporting requirements for all entities involved in the management of the Fund. The MoF **prepares the Petroleum Fund’s Annual Report** and financial statements, as well as the General State Budget statement for the National Parliament, which includes the ESI calculations. The BCTL provides quarterly reports to the **Minister on the Fund’s performance. In addition,** an internationally recognised external auditor is required to issue and publish an audit report on **the Fund’s annual financial statements.**

These reports are shared with key stakeholders and are publicly available on both Ministry of Finance ([www.mof.gov.tl](http://www.mof.gov.tl)) and Central Bank

Figure 2 – Petroleum Fund’s Governance Structure



([www.bancocentral.tl](http://www.bancocentral.tl)) websites. The Petroleum Fund, as an active member of the International Forum for Sovereign Wealth Funds (IFSWF), has conducted a seventh annual self-assessment of **the Petroleum Fund’s adherence with the Santiago Principles** to ensure that the Fund continues to exemplify international best practice with regard to fund governance. The self-assessment report is attached as Annex XIII to this report. These efforts have been reflected in international recognition of the high level of transparency of the Fund and the good management of the resources.<sup>1</sup>

<sup>1</sup> <https://www.swfinstitute.org/statistics-research/linaburg-maduell-transparency-index/>

## Petroleum Fund Balance and Flows

The Fund's balance increased by \$955 million in 2017 to end the year at \$16,799 million (Figure 3). The balance of the Fund is affected by inflows from petroleum revenues, investment returns and outflows from government withdrawals. As Figure 4 illustrates, petroleum revenues and investment returns contributed \$422 million and \$1,612 million respectively to the Fund over the year. A total of \$1,079 million was withdrawn from the Fund to finance the Government's budget. The following sections provide more details on these flows.

Figure 3 – Market Value of the Petroleum Fund

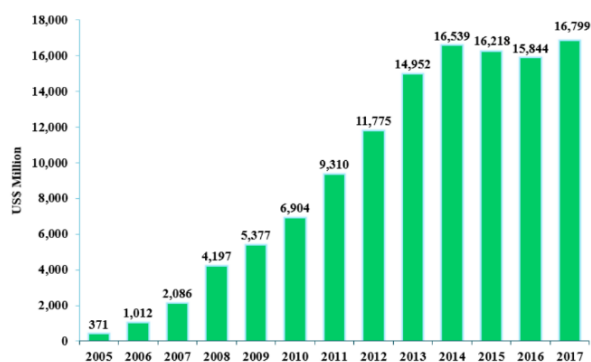
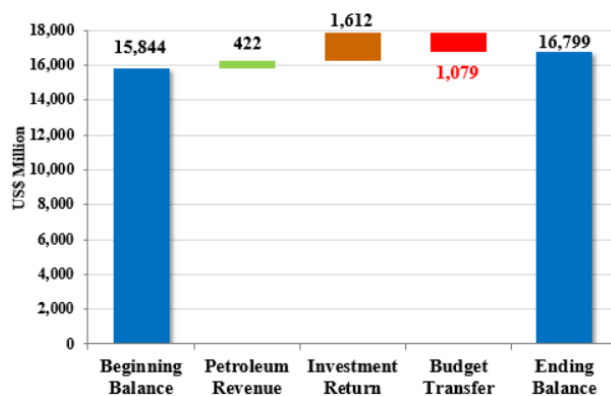


Figure 4 – Movement in Net Assets during 2017



<sup>2</sup> A treaty to establish permanent maritime boundaries was signed by Timor-Leste and Australia on 6 March 2018. All

## Petroleum Revenues

Oil revenues received in 2017 followed the structure of previous years.<sup>2</sup> Timor-Leste's petroleum revenues depend firstly on the geographical location of the petroleum operations, which determines Timor-Leste's ownership interest, and secondly, on the Production Sharing Contracts (PSC) between the government and the oil companies.

There are currently two jurisdictions – the Joint Petroleum Development Area (JPDA) and Timor-Leste Exclusive Area (TLEA). The JPDA was established by the Timor Sea Treaty (TST) in 2002, whereby Timor-Leste and Australia agreed to jointly manage the exploration and exploitation of petroleum resources for the benefit of both countries. The TST provides that revenues from petroleum production in the JPDA is split between Timor-Leste and Australia on a 90%-10% basis. The TLEA refers to the Territory of Timor-Leste as defined by the Petroleum Act (Law No. 13/2005) of the RDTL. The revenues from the TLEA are exclusively Timor-Leste's.

Under production sharing, the oil company contractor agrees to meet the exploration and development costs in return for a share of any production that may result. The PSC sets out how the revenues are to be shared between the government and the contractors. There are effectively 2 types of PSCs for the JPDA. Bayu-Undan and Greater Sunrise apply an older PSC, which is in accordance with Annex F of the Timor Sea Treaty. The newer contracts, such as Kitan, apply a new regime, referred to as "Non Annex F". The TLEA PSC is broadly similar to the new JPDA regime, although provides the Government of Timor-Leste an option to take up to a 20% participating interest.

Petroleum revenues are comprised of:

- **Royalties** which represents the government's share of production before cost recovery. For projects based on Annex F, "First Tranche Petroleum" (FTP) is 10% of production, which is equally shared between the government and

areas formerly in the JPDA will fall within Timor-Leste's sovereign waters. The treaty needs to be ratified by the respective parliaments to have full effect.

contractors. Both Non Annex F (the new regime) and the TLEA apply royalties of 5% of production, which is the government’s share.

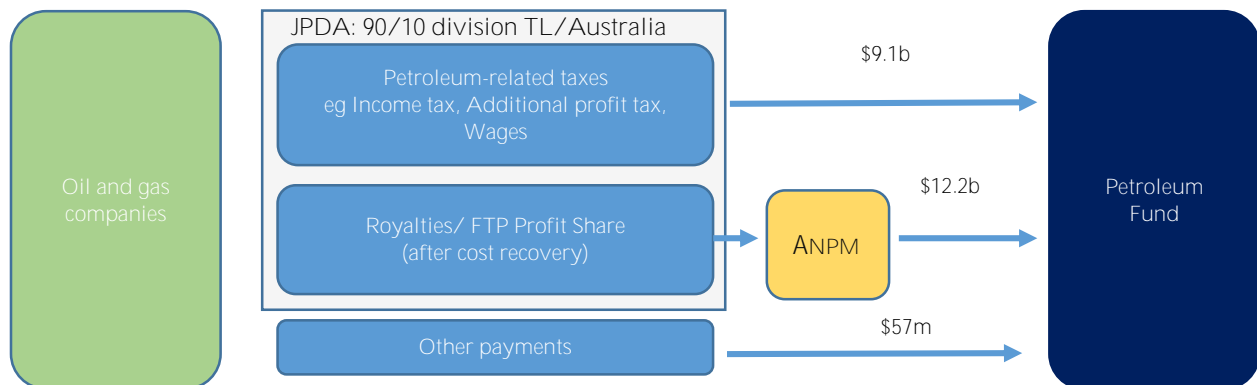
**Note that royalties and the government’s share** of the FTP for the JPDA jurisdiction are apportioned between Timor-Leste and Australia according to the TST.

- Timor-Leste’s 40% (or 50% for condensate under JPDA Annex F) share of “profit oil”, which is calculated after allowing the oil companies to recover their exploration and development costs.
- Taxes paid by the oil companies. This includes corporate income tax of 30%; an additional profit tax or supplemental petroleum tax for profitable projects that exceed a hurdle rate of return; and wage income tax for wages received for employment in Timor-Leste and the JPDA.

How does this work in practice? The Bayu-Undan field is located in the JPDA and operated by ConocoPhillips on behalf of its joint venture partners. **The operator’s non-tax payments – royalties and profit shares – are collected by the National Petroleum and Minerals Authority, ANPM, as the Designated Authority, which then pays Timor-Leste’s 90% share into the Petroleum Fund.** Timor-Leste taxation applies to 90% of the joint venture’s revenues and costs, with the **remainder subject to Australia’s income tax rules.** The Petroleum-related taxes are paid directly by the contractor into the Petroleum Fund.

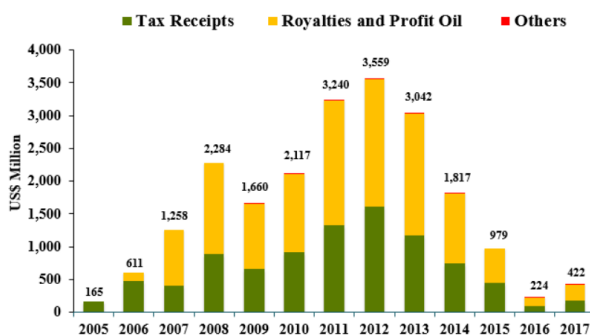
Since **the Fund’s** inception, petroleum revenue has totalled \$21,378 million. Petroleum-related tax receipts comprised \$9,106 million and royalties and profit share amounted to \$12,215 million (Figure 5).

Figure 5 - Components of Petroleum Revenues from the JPDA



Timor-Leste’s petroleum revenue depends on the jurisdiction and the Production Sharing Contracts. Production to date has come from Bayu-Undan and Kitan, both of which are located in the JPDA. JPDA revenues are shared 90%/10% between TL and Australia. Petroleum revenue is primarily petroleum-related taxes and non-taxes (royalties/FTP and profit share) collected by the ANPM. Since inception revenues are shown.

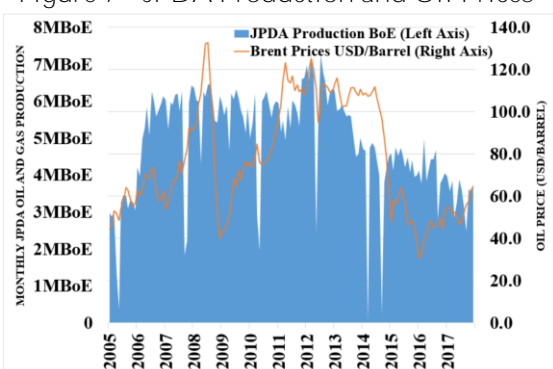
Figure 6 - Annual Petroleum Revenues



The total petroleum revenues collected during 2017 was \$422 million. The revenues were comprised of \$181 million in petroleum taxes, \$234 million in royalties and profit from oil and gas, and \$7 million in other petroleum revenues (Figure 6 and Annex II - Note 15 of the Audited Financial Statements for details). These collections were in accordance with Articles 6.1 (a), (b), and (e) of the Petroleum Fund Law respectively.

Oil and gas production decreased from 49 million barrels of oil in 2016 to 41 million barrels of oil in 2017.<sup>3</sup> Petroleum revenue was about two thirds higher than the revenue received in 2016, boosted by higher oil prices (Figure 7). Oil prices rose as a result of strong global demand and producers agreeing to cut production.

Figure 7 – JPDA Production and Oil Prices



Source: EIA and ANPM

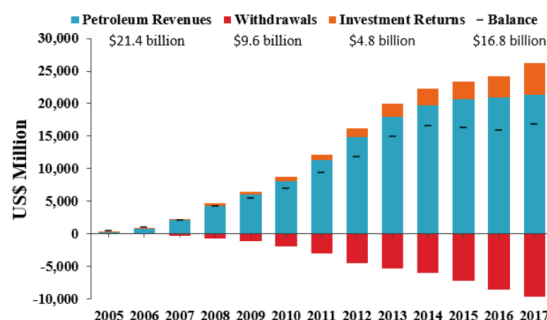
Petroleum revenue has declined significantly since peaking at close to \$3.6 billion in 2012 (Figure 6). The fall in revenue reflects both lower oil prices and declining production (Figure 7). Prices received from Timor petroleum products track the Brent crude oil price. The global oil price fell sharply in the second half of 2014 and has remained below its earlier highs. Production has also fallen and the Bayu-Undan field is now the only field in operation. Kitan, the second, much smaller field, started production in 2011 but was suspended in December 2015 due to the decrease in the oil price. Production from Bayu-Undan has declined since its peak in 2011. Bayu-Undan’s PSC will expire in 2021 (JPDA 03-13) and 2022 (JPDA 03-12) although production may extend beyond 2022.<sup>4</sup>

Most of the country’s Petroleum Wealth from Bayu-Undan has already been transformed into financial assets. The present value of future petroleum revenues from that field is now estimated at \$1.5 billion, compared to the \$21.4 billion of petroleum revenue received since the Fund’s inception in 2005 (Figure 8). Investment income and government withdrawals will be the

<sup>3</sup><http://web01.anpm.tl/webs/anptlweb.nsf/pgLafaekDataGasListHTML>

main drivers of the Petroleum Fund’s balance until new projects come online.

Figure 8 – Cumulative Flows for the Fund



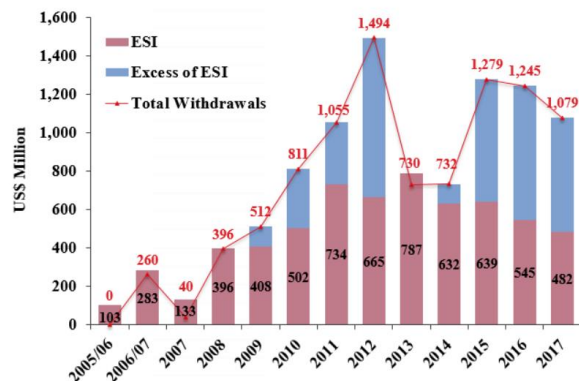
## Withdrawals

The Government’s General State Budget is largely financed by withdrawals from the Petroleum Fund. The Government withdrew \$1,078.8 million from the Fund during 2017. While lower than the transfers in 2015 and 2016, the withdrawal was \$597 million more than the annual ESI of \$482 million (Figure 8). The ESI is set at 3% of the Petroleum Wealth, which consists of the Petroleum Fund balance and the forecasted net present value of the future petroleum revenues. Future revenues only include estimates from fields with approved development plans and therefore does not include Greater Sunrise and other potential sources of revenues.

The Government has withdrawn \$9,633 million from the Fund since its inception until the end of 2017 (Figure 9). This exceeds the cumulative ESI over that period by \$3,600 million. Since 2009, annual withdrawals have averaged about 5 per cent of Petroleum Wealth, compared to the 3 per cent ESI. The excess reflects the Government’s policy to front-load expenditure to enable economic development. The IAB is considering the implications of this policy in conjunction with lower expected investment returns.

<sup>4</sup> The ANPM recently approved the implementation of Bayu-Undan Infill Well drilling, which will start in mid-2018 in order to increase production.

Figure 9 - Transfers to the State Budget



## Investment Income and Expenses

Category	\$US
External manager & custody fees	6,630,389
BCTL operational management costs	6,550,326
IAB expenses	246,766
Other expenses	716,306
<b>Total</b>	<b>14,143,787</b>

The Petroleum Fund posted a gain of \$1,612 million in 2017 after deducting expenses. This follows income of \$648 million in 2016 and a small loss of \$21 million in 2015. Details on the **Fund's investment performance** are provided in the following section. **Since the Fund's inception**, investment income has been \$4,849 million (Figure 8).

The Operational management Agreement signed between the Ministry of Finance and the BCTL provides for the BCTL to recover the expenses it incurs as the **Petroleum Fund's operational manager**.<sup>5</sup> Figure 10 shows that management expenses incurred in 2017 totalled US\$14.1 million. This included custody and external **manager fees of US\$6.6 million; the BCTL's operating expenses of US\$6.6 million; and Investment Advisory Board (IAB) expenses of US\$247 thousand**. Relative to the size of the Fund, the management expenses for 2017 were 8 basis points (0.08 per cent), which was in line **with the previous year's expense**.

<sup>5</sup> <https://www.bancocentral.tl/en/go/other-regulatory-instruments>

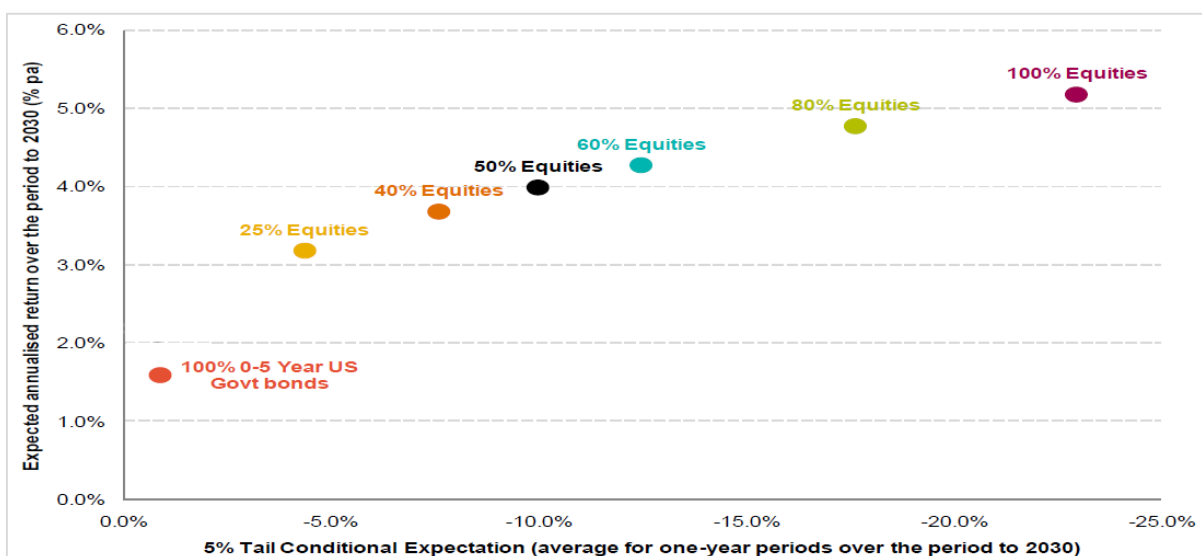
## The Fund's Investment Strategy and Holdings

The Petroleum Fund Law set out the eligible investments, guidelines for asset allocation and risk limits for the Fund.

The implied investment objective is to achieve a 3% return net of inflation over the long-run. This follows from the ESI framework. The split between equity and bonds is the key determinant of investment performance. The asset allocation guidelines in the 2005 Law required 90% of investments to be in US dollar bonds. When the Law was subsequently reviewed, it was agreed that such a high allocation to bonds would fail to meet a 3% real return objective over the long-term. After a broad consultation with stakeholders, the Petroleum Fund Law was amended in 2011 to allow up to half of the Fund to be invested in listed equities. Correspondingly, no less than 50% of the Fund is to be invested in fixed interest.

An SAA of 40 per cent equities and 60 per cent bonds was chosen based on projections that the allocation could attain a 3 per cent real return with a reasonable probability (Figure 11). It was agreed that the 40% equity allocation involved an acceptable level of risk, given that the Petroleum Fund has the benefit of a long-term horizon. By withstanding short-term fluctuations, the Fund can benefit from the higher long-term expected returns available from equities. There will be considerable variability each year around the central return expectation and the objective will not be met every year. The original modelling predicted that a loss should be expected at least in one out of five years, and the loss can be large. The measure of risk shown in Figure 11 means that with a 40% equity allocation the expected loss is 7.3% in the worst five years out 100. The volatility in performance and the potential for losses can be reduced but that would necessitate accepting a lower expected return.

Figure 11 - Returns and Risks for Alternative Investment Strategies



Source: Willis Towers Watson, 2011

The Fund’s investment strategy is intentionally simple but robust and consistent with the underlying investment beliefs. These are documented in the Investment Advisory Board’s “Statement of Investment Beliefs and Principles”, which are published on the Ministry of Finance’s website ([www.mof.gov.tl](http://www.mof.gov.tl)).

The risk-return objective is sought to be achieved in the most efficient manner while avoiding unnecessary complexity. Investments are in bonds and listed equities. A 5% allocation to alternatives is permitted by the Law but is currently unused. Diversification is used to remove unrewarded risk. Equities are highly diversified across a large number of companies, sectors and countries. The sovereign bond portfolio helps to mitigate the risk from equities.

Passive management is the Fund’s main investment style. Passive managers closely match the performance of the benchmark index by holding securities so that the invested weights correspond to those in the benchmark. Passive management is usually preferred because it is believed that markets are generally efficient and that the bulk of investment returns come from rewarded systematic risk factors. Passive

management provides cost effective and diversified exposure. It is difficult for active managers to consistently outperform the benchmark by deviating from the index’s holdings and it is also hard for investors to identify in advance such truly skilled managers.

Forecasting short-term market movements can be prone to error. Remaining invested in riskier, higher-returning assets over long periods, including periods of adverse performance, allows investors to collect systematic risk premia such as the equity risk premium. Ill-timed attempts to jump in and out of markets will fail to realise those premia. For this reason, the **Petroleum Fund’s allocations are maintained** close to those in the SAA, with periodic rebalancing undertaken by the BCTL.

Figure 12 shows that the Fund’s actual holdings at the end of December 2017 closely correspond with the SAA weights. The 2.3 per cent overweight to equities and the corresponding underweight to bonds are within the mandated parameters. Note that an allocation to Cash was set aside to fund future withdrawals. The balance of \$318 million at the end of the year is excluded from these weights.



Figure 12 - Petroleum Fund's Investment Mandate

	Manager	Style	Allocation	
			Benchmark	Year-end
US Treasuries 3 - 5 Years	BCTL	Passive	40%	38.0%
US Treasuries 5 - 10 Years	BIS	Enhanced passive	10%	9.5 %
Global Treasury ex US	AllianceBernstein	Enhanced passive	5%	5.0 %
	Wellington	Enhanced passive	5%	5.0 %
Developed Market Equities	SSGA	Passive	34%	36.0%
	BlackRock	Passive		
	Schroders	Enhanced passive	5%	5.4%
Australian Equities	BCTL	Passive	1%	1.1%

The composition of the equity portfolio closely follows the benchmark, the MSCI World Index, because the bulk of portfolio is passively managed. The benchmark index represents large and mid-capitalisation companies listed on developed markets and provides broad coverage across industries. The Fund held 1,875 companies at the end of the year and the individual holdings are detailed in Annex II – Note 23 (schedule of financial assets) of the annual financial statements. Figure 13 shows that almost 60 per cent of equities are in companies listed in the US. The Eurozone, Japan and UK combine to account for about another quarter of the equity holdings.

A separate allocation to Australian equities is internally managed by the BCTL. This was funded from the two passive external managers. The 3 per cent weight of Australian equities in the **Petroleum Fund's equity allocation** is fractionally higher than **Australia's weight in the MSCI World Index**.

The composition of the bond portfolio follows from the allocations to the mandates in Figure 12. More than 80 per cent of the bond portfolio is invested in US government **bonds**. **The BCTL's internal mandate of US Treasury 3 to 5 year bonds constitutes about two thirds of the bond portfolio and the BIS's mandate of US Treasury 5**

to 10 year bonds represents about another one sixth of the portfolio.

The remaining allocation is to non-US sovereign bonds and is managed by two external managers. To provide a broad country exposure, a standard index was customised by capping country weights at 10 per cent and the Eurozone at 30 per cent. The enhanced passive mandates allow the managers moderate discretion to depart from the benchmark's **holdings**. The allocations shown in Figure 13 are in line with those in the benchmark, with the Eurozone accounting for 4.3 per cent of the total bond portfolio and Australia, Canada, Japan and the UK being the other more significant non-US holdings.

Figure 13 also represents the **Petroleum Fund's** currency exposure. Almost three quarters of the total Fund is held in the US and therefore denominated in US Dollars. Investments outside the US are denominated in their local currencies and are currently unhedged. **The Petroleum Fund's largest exposures are to the major currencies, namely the Euro, the Japanese Yen, the British Pound, the Canadian Dollar, the Swiss Franc and the Australian Dollar.** The value of the non-US dollar investments in equities and bonds fluctuates with movements in the US Dollar.

Figure 13 - Petroleum Fund Allocations by Country			
Country	% of Bonds	% of Equities	% of Portfolio
Australia	2.1%	3.0%	2.4%
Canada	1.8%	3.4%	2.5%
Denmark	1.2%	0.7%	1.0%
Eurozone	4.3%	11.7%	7.4%
Hong Kong	0.0%	1.2%	0.5%
Israel	0.0%	0.2%	0.1%
Japan	1.8%	8.9%	4.8%
New Zealand	0.7%	0.1%	0.4%
Norway	0.5%	0.2%	0.4%
Singapore	0.9%	0.5%	0.7%
Sweden	1.0%	1.0%	1.0%
Switzerland	1.0%	3.1%	1.9%
UK	1.5%	6.9%	3.8%
USA	83.1%	59.2%	73.0%
Total	100.0%	100.0%	100.0%

## Investment Performance in 2017

Figure 14 - Investment Returns in 2017

	Q1	Q2	Q3	Q4	2017	Inception
Total Fund	3.14	2.38	2.29	2.17	10.36	4.36
Excess to benchmark	0.11	-0.03	-0.09	0.12	0.13	0.03
Bonds	0.83	1.35	0.67	-0.16	2.70	2.64
Excess to benchmark	0.00	0.03	-0.08	0.05	0.00	0.01
Equities	6.30	3.95	4.80	5.63	22.32	10.74
Excess to benchmark	-0.08	-0.08	-0.04	0.13	-0.08	0.60

The Petroleum Fund's investment return in 2017 was 10.4 per cent before expenses (Figure 14). This represents the highest annual return since inception (Figure 15). On an annualized basis, the Fund's return since inception rose to 4.4 per cent, which is 2.5 per cent in real terms after accounting for US inflation. Equities have met their growth objective, returning 10.7 per cent per annum since the first investment in stocks in 2010 (Figure 16). This compares to the bond portfolio's average annual return of 1.3 per cent over the corresponding period.

	Q1	Q2	Q3	Q4	2017	Inception
3-5 Yr US Treasuries	0.53	0.7	0.3	-0.56	0.96	1.12
Excess to benchmark	0.02	0.06	-0.05	0.01	0.04	0.03
5-10 Yr US Treasuries	0.89	1.23	0.44	-0.36	2.20	1.73
Excess to benchmark	0.04	0.05	-0.01	0.06	0.14	0.01
Non-US Sovereigns	2.01	4.12	2.57	1.44	10.51	-0.03
Excess to benchmark	-0.03	-0.02	-0.06	0.02	-0.09	-0.01

Figure 15 - Investment Returns since Inception

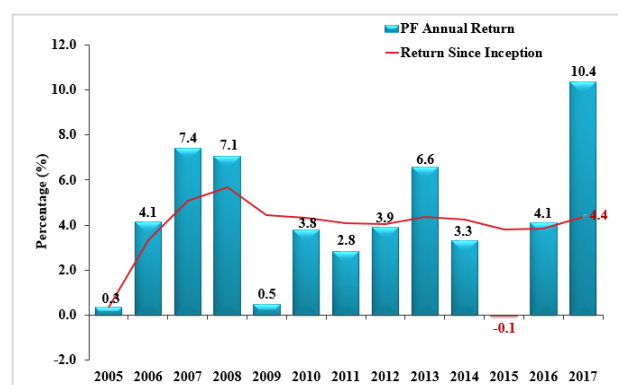
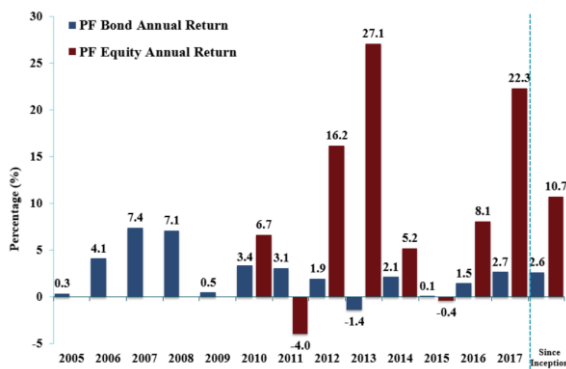


Figure 16 – PF Bond and Equity Returns



The Fund’s actual returns were close to the performance of the benchmarks, which follows from the largely passive style of implementation. The bond portfolio’s return matched its benchmark, while the equity portfolio’s return was slightly less than its benchmark. At the aggregate level, the Petroleum Fund’s return exceeded the benchmark by 0.13% in 2017. The allocations at times deviated slightly from the SAA weights.

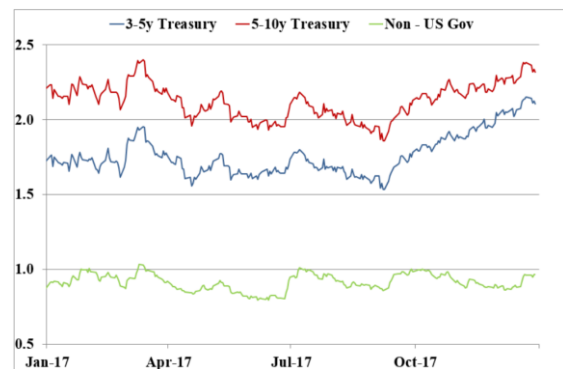
Equities returned 22.3% in 2017 to continue the strong performance in the latter part of 2016. Market sentiment was boosted by synchronized global growth and subdued inflation. Volatility was limited and the equity portfolio and the total Fund posted positive returns each quarter (Figure 14). The gains were broad-based across country and regional indices. The annual performance of other developed markets in aggregate was similar to US equities after adjusting for weakness in the US Dollar over the year (Figure 17).

Figure 17 - Equity Returns in USD



The bond portfolio returned 2.7 per cent in 2017. Bonds generated positive returns over the first three quarters and a negative return in the final quarter when US interest rates rose (Figure 14). The Federal Reserve increased the policy rate three times in 2017, from 0.5-0.75 per cent at the start of the year to 1.25-1.50 per cent at the year-end. Further rate hikes were signaled. The Federal Reserve also began in October to reduce the size of its balance sheet by not fully reinvesting the proceeds of maturing Treasury bonds. These gradual changes in policy were well signaled in advance. The upward move in US Treasury yields in the final quarter (Figure 18), particularly for shorter maturity bonds, followed progress on the US Tax reform legislation. The US Treasury 3-5 year mandate returned 0.96 per cent in 2017 and the 5-10 year mandate returned 2.2 per cent.

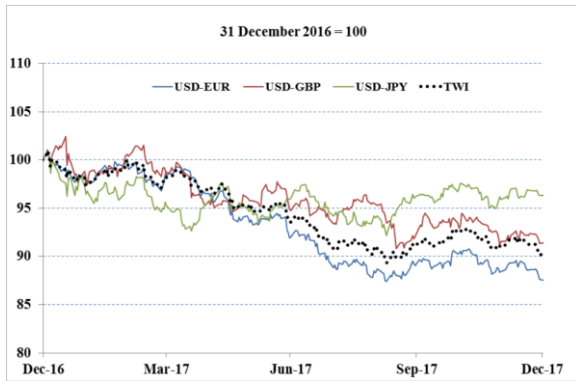
Figure 18 – Government Bond Yields



Monetary policy outside the US reflected the different stages of the economic cycle. The European Central Bank kept its policy rate on hold and continued its asset purchase program but on a reduced scale. The Bank of Japan’s accommodative policy was unchanged, with the policy rate on hold and asset purchases continuing to target the 10 year bond yield. The Bank of England raised its policy rate by 25 basis points to 0.5 per cent at the end of the year, while maintaining its bond purchase program. Overall, a gradual removal of accommodative monetary policy was expected by the market and the yield on the non-US bond portfolio tracked mostly sideways, edging up by 11bp over the year.

The non-US bond portfolio's 10.5 per cent return in 2017 was largely a result of currency returns.

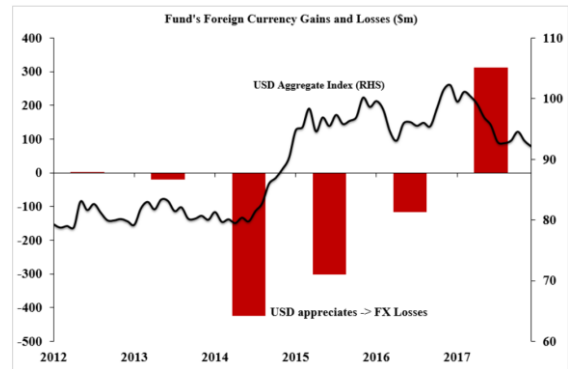
Figure 19 - USD Relative to Foreign Currency



The USD was weak against all major currencies over the year (Figure 19). The trade-weighted USD declined 10 per cent in 2017, and the USD fell by 14.2 per cent against the Euro and almost

10 per cent against the Pound. This boosted the return from the Petroleum Fund's non-US dollar equities and bonds, resulting in a \$312 million increase in the value of foreign currency denominated investments. This offset some of the mark to market losses in previous years when the US dollar had risen (Figure 20).

Figure 20 - Fund Currency Gains and Losses



# IAB Advice and the Fund Going Forward

In 2016, the IAB reviewed the Fund’s investment strategy in light of the likelihood that the Fund’s balance will continue to decline unless fiscal policy changes or there are new sources of petroleum revenues. One of the recommendations was to introduce a cash portfolio to better facilitate the projected net withdrawals from the Fund. The IAB’s Secretariat, which is resourced from staff from the BCTL and also the MoF, helped to determine the parameters for the cash mandate in April 2017. The allocation represents the expected net cash shortfall over the next 12 months and is calculated quarterly by the BCTL as part of its usual portfolio rebalancing. This was approved by the Minister and the initial allocation in quarter two in 2017 was \$840 million.

The IAB had eight meetings and one workshop in 2017. The IAB and its Secretariat undertook further work on introducing equity factors and foreign currency hedging over the course of the year. The Board reviewed reports from the BCTL that assessed external fund managers for the equity factor mandate. The implementation of equity factors is more complex than the Fund’s prior investments. The Board’s advice to the Minister in July 2017 explained how factor exposures could potentially offset one another when strategies and managers are combined. Residual exposures to country and sectors also need to be considered. The Minister adopted the Board’s recommendation, which required further analysis before a decision could be made appointing external managers. The IAB’s advice referred to specific fund managers and, as such, will be disclosed once the recommendations have been fully implemented.

The BCTL also worked on introducing currency hedging of the non-US bond allocation. There have proved to be complications in implementing this with the Petroleum Fund’s custodian. Alternative approaches are being assessed and a decision is expected in 2018.

The IAB and its Secretariat undertook its first internal review of the Petroleum Fund’s Strategic

Asset Allocation in 2017. The work was concluded in the first quarter of 2018 and the Minister of Finance was advised in May 2018. An important issue arising from the review was the growing consensus around the prospect of lower asset class returns over the next decade. The expectation for lower returns are being primarily driven by low bond yields, which act as a drag on the return forecasts for bonds. As Figure 21 shows, the current yield may act as a useful predictor of the return over the next 10 years. The return from equities may also be lower than its long-term average.

Figure 21 – Bond Yields and Returns



The result is that it is unlikely that the Fund’s current asset allocation will provide a real return of 3 per cent. Instead, the expected return from the portfolio is closer to 2 per cent. While a significantly higher equity allocation would be required to target a 3 per cent real return, the IAB believes the 40 per cent equity allocation remains appropriate based on the information currently available. The additional risk from significantly increasing the equity allocation does not appear suitable for Timor-Leste, at least for the time being. Equities are required for the Fund to earn a sufficient return over the long-term given that the expected return from government bonds is likely to barely offset inflation. Equities necessarily involve risk and it is essential that stakeholders are committed to maintaining the equity allocation during times of market stress.

The Board’s advice in May 2018 to the then Minister of Planning and Finance drew attention

to the challenge of the lower return environment **to the Fund's ESI framework. The sustainable** level of withdrawals is lower along with the expected investment return. At the same time, withdrawals seem likely to exceed the 3 per cent ESI as the Government prioritizes economic development.

The IAB now reviews **the Fund's asset allocation** annually to account for any new information relevant to projections of government spending **and future oil revenues. The IAB's next review** will seek to take into account other sources of revenue and savings, as well as public liabilities. In setting the policy for the Petroleum Fund, including the level of risk in its investments, a national wealth perspective is needed rather than viewing the Fund in isolation.

**An important part of the IAB's role is to advise** the Ministry of Finance on further developments **in the Petroleum Fund's investments. The IAB** will continue to work closely with the BCTL and the Petroleum Fund Unit at the Ministry of Finance in looking for ways to potentially improve the Petroleum Fund, taking into account its characteristics and constraints.

# **Annex I**

## **Statement by Director General of Treasury**

**Petroleum Fund of Timor-Leste**  
**General Information**  
**31 December 2017**

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<b>Minister of Planning and Finance</b>	His Excellency Rui A. Gomes
<b>Director General of Treasury</b>	Rui Ferreira Magno
<b>Members of Investment Advisory Board</b>	Olgario de Castro Gualdino da Silva Torres Trovik Prof. Michael Drew (appointed 3 April 2017) Kevin Bailey (resigned 20 April 2017)
<b>Ex Officio (non-voting)</b>	Venancio Alves Maria Rui Ferreira Magno (alternate, Ernesto da Conceição Silva)
<b>Governor of Central Bank of Timor-Leste</b>	Abraão de Vasconcelos
<b>Executive Director of the Petroleum Fund</b>	Venancio Alves Maria
<b>Operational Manager</b>	Banco Central de Timor-Leste Avenida Xavier do Amaral, no. 9 Dili Timor-Leste
<b>Investment Managers</b>	Banco Central de Timor-Leste Bank for International Settlements Schroders Investment Management Limited State Street Global Advisors BlackRock Investment Management Australia Limited Alliance Bernstein Wellington Management
<b>Members of Petroleum Fund Consultative Council</b>	Mericio Juvinal dos Reis Jose Augusto Fernandes Teixeira Rui Meneses da Costa Julio Fernandes Pe. Julio Crispim Ximenes Belo Bonaventura M. Bali Zelia Fernandes
<b>Custodian</b>	J P Morgan Chase Bank N.A.
<b>Independent Auditor</b>	Deloitte Touche Tohmatsu





**Republica Democrática de Timor-Leste**  
**Ministério do Plano e Finanças**  
**Direção Geral do Tesouro**



**Petroleum Fund of Timor-Leste**  
**Statement by the Director General of Treasury**  
**31 December 2017**

**BACKGROUND**

The Petroleum Fund Law No. 9/2005 promulgated on 3 August 2005 and amended on 28 September 2011 (Petroleum Fund Law No. 12/2011) established the Petroleum Fund of Timor-Leste ("Petroleum Fund"). The Banco Central de Timor-Leste ("BCTL") is responsible for the operational management of the Petroleum Fund. In accordance with a Management Agreement dated 12 October 2005 and amended on 25 June 2009 between the Ministry of Planning and Finance and the BCTL, BCTL is also responsible for maintaining the books of account for the Petroleum Fund on behalf of the Director General of Treasury.

**FINANCIAL STATEMENTS**

In accordance with Article 21 of the Petroleum Fund Law, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The statements are:

- Statement of profit or loss and other comprehensive income,
- Statement of financial position,
- Statement of changes in capital,
- Statement of cash flows, and
- Notes to the financial statements

These financial statements cover the year ended 31 December 2017.

The Petroleum Fund's financial statements are the most complex IFRS financial statements produced in Timor-Leste. To optimize the readability of the notes to a wide audience, the notes are structured to provide the reader with:

- a general introduction to the subject matter of the note,
- financial tables elaborating on the data in the primary statements,
- a description of the risks, important judgements or key assumptions that have been made in recording and presenting the data, and
- the related accounting policies.

The financial statements have been independently audited by Deloitte Touche Tohmatsu whose audit opinion is attached to the financial statements.

**PETROLEUM FUND CAPITAL**

The Petroleum Fund had capital of US\$15.8bn on 1 January 2017 (2016: US\$16.2bn). During the period, taxes and other petroleum revenue under Article 6 of the Petroleum Fund were US\$0.4bn (2016: US\$0.2bn). The Petroleum Fund recorded a gain of US\$1,612m (2016: US\$648m) during the period. A summary of transactions for the income is given in the "Statement of profit or loss and other comprehensive income".

US\$1.08bn was transferred from the Petroleum Fund to the Consolidated Fund during the year. The capital of Petroleum Fund as at 31 December 2017 was US\$16.8bn (2016: US\$15.8bn). A summary of the transactions is given in the "Statement of changes in capital".

**BENCHMARKS AND PERFORMANCE**

During 2017, the asset allocation of the Petroleum Fund was 60% fixed interest securities and 40% global equities. The Investment Advisory Board considers this to be an appropriate level given the long term investment horizon of the Petroleum Fund.

The Board intends to review the investment strategy and asset allocation of the Petroleum Fund regularly with the objective of maintaining an alignment between the expected level of returns and the Estimated Sustainable Income (ESI).

**Summary of benchmarks**

Benchmark index	As at 31 December 2017	As at 31 December 2016
<b>Fixed interest</b>		
BOA Merrill Lynch US Government 3-5 Years	40.0%	40.0%
BOA Merrill Lynch US Government 5-10 Years	10.0%	10.0%
Developed Market Sovereigns - Custom	10.0%	10.0%
<b>Total fixed interest</b>	<b>60.0%</b>	<b>60.0%</b>
<b>Global equities</b>		
MSCI World	40.0%	40.0%
<b>Total global equities</b>	<b>40.0%</b>	<b>40.0%</b>
<b>Total benchmark</b>	<b>100%</b>	<b>100%</b>



Republica Democrática de Timor-Leste  
Ministério do Plano e Finanças  
Direção Geral do Tesouro



Petroleum Fund of Timor-Leste  
Statement by the Director General of Treasury  
31 December 2017

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**Performance**

In accordance with the Article 24.1(a) of the Petroleum Fund and the provisions of the Management Agreement, the Petroleum Fund assets were invested in mandated instruments during the year. The list of instruments held as at 31 December 2017 is given at Note 23. The credit exposure by credit rating is given at Note 13(b)(iii). The performance of the Petroleum Fund during the period has been in accordance with the mandate of the Management Agreement.

Net gains on financial assets at fair value through the profit or loss has been significant at US\$983m in 2017 reflecting the performance of global equities during the year. The net foreign exchange gain reflects the weakening of the US dollar during 2017 into which foreign investments are translated.

During the period, the Ministry of Planning and Finance together with the BCTL have been able to accomplish the stewardship and fiduciary role for the Petroleum Fund.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Petroleum Fund during the year.

**APPROVAL OF FINANCIAL STATEMENTS**

The accompanying financial statements for the year ended 31 December 2017 have been approved on behalf of the Ministry of Planning and Finance by:

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Rui Ferreira Magno  
Director General of Treasury  
Ministry of Planning and Finance Government of Timor-Leste  
28 March 2018

## **Annex II**

### **Audited Financial Statements**

## **Independent Auditor's Report to The Ministry of Planning and Finance, Democratic Republic of Timor-Leste, in respect of the Petroleum Fund Annual Financial Report for the year ended 31 December 2017**

### *Opinion*

We have audited the financial statements of the Petroleum Fund of Timor-Leste (the 'Petroleum Fund'), which comprises the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Petroleum Fund as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Petroleum Fund in accordance with the ethical requirements of the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code) that are relevant to our audit of the financial statements. We have also fulfilled our ethical other responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

Management is responsible for the other information included in the Petroleum Fund Annual Report. The other information, which does not include the financial statements and our auditor's report thereon, which we received prior to the date of this auditor's report is comprised of the following:

- Annex I Statement by Director General of Treasury
- Annex III Statement on Accounting Policies of the Petroleum Fund for the Fiscal Year 2017
- Annex IV Comparison of Income Derived from the Investment of the Petroleum Fund Assets with the Previous Three Fiscal Years
- Annex V Comparison of Nominal Income on the Investment of the Petroleum Fund Assets to the Real Returns
- Annex VI Comparison of Nominal Income on the Investment of the Petroleum Fund Assets with the Benchmark Performance Index
- Annex VII Comparison of the Estimated Sustainable Income with the Sum of Transfers from the Petroleum Fund
- Annex VIII Statement on Borrowing
- Annex IX A List of Persons Holding Positions Relevant for the Operations and Performance of the Petroleum Fund
- Annex X Statement on Total Withdrawals versus the Approved Appropriation Amount
- Annex XI Article 35 Report on the Petroleum Fund Receipts from Deloitte Touche Tohmatsu
- Annex XII Advice Provided by the Investment Advisory Board

- Annex XIII Implementation of the Santiago Principles

The other information which is expected to be made available to us after the date of this auditor's report is comprised of the following:

- the Message from Minister of Planning and Finance
- The Petroleum Fund at a Glance

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management of the Petroleum Fund is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Petroleum Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Petroleum Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Petroleum Fund's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Petroleum Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Petroleum Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Petroleum Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



28 March 2018  
Chartered Accountants  
Dili

**Petroleum Fund of Timor-Leste**  
**Statement of profit or loss and other comprehensive income**  
**for the year ended 31 December 2017**

	<i>Note</i>	<i>Year ended 31/12/2017 USD</i>	<i>Year ended 31/12/2016 USD</i>
<b>Income</b>			
Interest income	4	169,503,377	157,797,693
Dividend income	5	162,786,768	175,011,786
Trust income	5	7,591,401	7,516,692
Other investment income		733,310	545,803
Net gains on financial assets and liabilities at fair value through profit or loss	6	982,967,577	447,243,609
Net foreign exchange gains/(losses)	7	<u>312,405,389</u>	<u>(115,796,014)</u>
<b>Total income</b>		<b><u>1,635,987,822</u></b>	<b><u>672,319,569</u></b>
<b>Expenses</b>			
External management and custody fees	19	(6,630,389)	(8,257,197)
Investment Advisory Board expenses	19	(246,766)	(203,420)
BCTL operational management fees	19	(6,550,326)	(4,934,218)
Other expenses	19	<u>(716,306)</u>	<u>(1,475,000)</u>
<b>Total expenses</b>		<b><u>(14,143,787)</u></b>	<b><u>(14,869,835)</u></b>
<b>Profit before tax</b>		<b>1,621,844,035</b>	<b>657,449,734</b>
Withholding taxes	9	<u>(9,756,441)</u>	<u>(9,767,840)</u>
<b>Profit for the year</b>		<b>1,612,087,594</b>	<b>647,681,894</b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<b><u>1,612,087,594</u></b>	<b><u>647,681,894</u></b>

The financial statements should be read in conjunction with the policies and notes on pages 28 - 72.

**Petroleum Fund of Timor-Leste**  
**Statement of financial position**  
**as at 31 December 2017**

	<i>Note</i>	<i>As at</i> <i>31/12/2017</i> <i>USD</i>	<i>As at</i> <i>31/12/2016</i> <i>USD</i>
<b>Assets</b>			
Cash and cash equivalents	11	318,007,230	108,985,160
Other receivables	12	31,422,089	27,853,010
Financial assets at fair value through profit or loss	13,14	<u>16,462,177,711</u>	<u>15,715,654,040</u>
<b>Total assets</b>		<b><u>16,811,607,030</u></b>	<b><u>15,852,492,210</u></b>
<b>Liabilities</b>			
Payables for securities purchased		10,169,424	3,211,916
Accounts payable		<u>2,124,915</u>	<u>4,953,007</u>
<b>Total liabilities</b>		<b><u>12,294,339</u></b>	<b><u>8,164,923</u></b>
<b>Net assets</b>		<b><u>16,799,312,691</u></b>	<b><u>15,844,327,287</u></b>
<b>Capital</b>			
Capital		<b><u>16,799,312,691</u></b>	<b><u>15,844,327,287</u></b>

The financial statements should be read in conjunction with the policies and notes on pages 28 - 72.



**Petroleum Fund of Timor-Leste  
Statement of changes in capital  
for the year ended 31 December 2017**

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	<i>Note</i>	<i>Year ended 31/12/2017 USD</i>	<i>Year ended 31/12/2016 USD</i>
<b>Capital at the beginning of the year</b>	15	<b>15,844,327,287</b>	<b>16,217,572,505</b>
Petroleum Fund gross receipts <i>(pursuant to Article 6 of the Petroleum Fund Law)</i>	15	<u>421,697,810</u>	<u>223,872,888</u>
		<b><u>16,266,025,097</u></b>	<b><u>16,441,445,393</u></b>
Transfers to the Consolidated Fund of Timor-Leste <i>(pursuant to Article 7 of the Petroleum Fund Law)</i>	15	(1,078,800,000)	(1,244,800,000)
Total comprehensive income for the year		<u>1,612,087,594</u>	<u>647,681,894</u>
<b>Capital at the end of the year</b>		<b><u>16,799,312,691</u></b>	<b><u>15,844,327,287</u></b>

The financial statements should be read in conjunction with the policies and notes on pages 28 - 72

**Petroleum Fund of Timor-Leste**  
**Statement of cash flows**  
**for the year ended 31 December 2017**

	<i>Note</i>	<i>Year ended 31/12/2017 USD</i>	<i>Year ended 31/12/2016 USD</i>
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial assets at fair value through profit or loss	13	10,970,436,785	10,377,148,481
Purchases of financial assets at fair value through profit or loss	13	(10,424,618,656)	(9,698,427,751)
Interest received		168,909,243	161,397,601
Dividends received		151,934,989	161,637,232
Trust distributions received		7,435,669	7,495,819
External management and custody fees paid		(16,255,572)	(13,612,273)
Other operating receipts		733,310	913,627
Other operating payments		<u>(716,306)</u>	<u>(1,475,000)</u>
<b>Net cash utilized in operating activities</b>	<b>16</b>	<b><u>857,859,462</u></b>	<b><u>995,077,736</u></b>
<b>Cash flows from financing activities</b>			
Petroleum Fund gross receipts	15	421,697,810	223,872,888
Transfer payments to the Consolidated Fund of Timor-Leste	15	<u>(1,078,800,000)</u>	<u>(1,244,800,000)</u>
<b>Net cash flows provided by financing activities</b>		<b><u>(657,102,190)</u></b>	<b><u>(1,020,927,112)</u></b>
Net increase/(decrease) in cash and cash equivalents		200,757,272	(25,849,376)
Cash and cash equivalents at the beginning of the year		108,985,160	135,176,810
Effects of foreign currency exchange rate changes on cash and cash equivalents		<u>8,264,798</u>	<u>(342,274)</u>
<b>Cash and cash equivalents at 31 December</b>	<b>11</b>	<b><u>318,007,230</u></b>	<b><u>108,985,160</u></b>

The financial statements should be read in conjunction with the policies and notes on pages 28 - 72.

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2017**

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## **PART I: INTRODUCTION**

### **1. Fund information**

The Petroleum Fund of Timor-Leste (“Petroleum Fund”) was established under the provisions of the Petroleum Fund Law No. 9/2005 as amended by Law No. 12/2011 on 28 September 2011.

The investment strategy and benchmarks of the Petroleum Fund are determined by the Ministry of Planning and Finance based on advice from the Investment Advisory Board (IAB).

The Banco Central de Timor-Leste (BCTL) having its office at Avenida Xavier do Amaral, no. 9, Dili, Timor-Leste, is responsible for the operational management of the Petroleum Fund and is the registered owner of all the assets of the Petroleum Fund. The management of the Petroleum Fund is undertaken according to a Management Agreement between the Ministry of Planning and Finance and the BCTL.

The Petroleum Fund’s objective is to meet benchmark returns on its capital within the risk limit provided in mandates and within the limits established in Articles 14 and 15 of the Petroleum Fund Law relating to Investment Policy and Investment Rules.

The Petroleum Fund’s investment portfolio of assets at fair value through profit or loss (including cash and cash equivalents) complied with the legislative and contractual requirements throughout the period.

These financial statements were authorized for issue by the Director General of Treasury on 28 March 2018.

### **2. Statement of compliance with IFRS**

In accordance with Article 21 of the Petroleum Fund Law, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) (formerly: “International Accounting Standards”).

The Petroleum Fund has adopted the IFRS that were applicable during the year under review.

Information about the impact of new and forthcoming IFRS on these financial statements is provided in Note 21.

### **3. Basis of preparation**

Items included in the Petroleum Fund’s financial statements are measured and presented in United States dollars, being the functional and official currency of the Democratic Republic of Timor-Leste.

The financial statements are prepared on the historical cost basis, except for certain financial investments that are measured at fair value through profit or loss, as explained in the accounting policies described herein.

The accounting policies have been consistently applied by the Petroleum Fund.

#### **Estimates and judgements**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values and assets and liabilities that are not readily apparent from other sources. Estimates use observable data to the extent practicable. However, areas such as potential market changes, credit risk, volatilities and correlations require management to make estimates that could affect the reported fair value of financial instruments. Actual results may therefore vary from these estimates. This process involves a high degree of judgement or complexity.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision, and future periods if the revision affects both current and future periods.

Assumptions and estimates that are significant to the financial statements are disclosed in the relevant notes, as are the judgements made by management which have a significant effect on the amounts recognized in the financial statements.

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**PART II: NOTES TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

The statement of profit or loss and other comprehensive income, also known as the profit & loss account, is a report of income, expenses and the resulting profit or loss earned by the Petroleum Fund during the period from 1 January to 31 December each year.

The concept of income encompasses both revenue and gains. Revenue arises in the course of the normal activities of the Petroleum Fund and is referred to by a variety of names, including interest and dividends. Gains represent increases in economic benefits and include both realized and unrealized gains, including the revaluation of marketable securities and foreign exchange.

The concept of expenses encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Petroleum Fund.

Other comprehensive income includes items of income or expense (including reclassification adjustments) that are not recognized in profit or loss as required or permitted by IFRS.

**4. Interest income**

Interest income is derived from the Petroleum Fund's investments in fixed interest securities, cash balances and short-term cash investments.

	<i>Year ended</i>	<i>Year ended</i>
	<i>31/12/2017</i>	<i>31/12/2016</i>
	<i>USD</i>	<i>USD</i>
Interest from debt securities at fair value through profit or loss	166,772,887	157,083,828
Interest from cash and cash equivalents	<u>2,730,490</u>	<u>713,865</u>
	<b><u>169,503,377</u></b>	<b><u>157,797,693</u></b>

**Accounting policy**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable. It is recognized in the statement of profit or loss and other comprehensive income and shown separately from other fair value movements.

**5. Dividends and trust income**

Dividends received are distributions from the Petroleum Fund's holding of equities and represent the Petroleum Fund's share of profits paid out to shareholders. Trust income is similar to dividends but is derived from the Petroleum Fund's investments in real estate entities that are incorporated as Real Estate Investment Trusts.

	<i>Year ended</i>	<i>Year ended</i>
	<i>31/12/2017</i>	<i>31/12/2016</i>
	<i>USD</i>	<i>USD</i>
Dividend income	162,786,768	175,011,786
Trust income	<u>7,591,401</u>	<u>7,516,692</u>
	<b><u>170,378,169</u></b>	<b><u>182,528,478</u></b>

**Accounting policy**

Dividend income from investments and unit trust distribution income are recognized when the shareholder's right to receive payment has been established. Dividend income and unit trust distributions are presented gross of any non-recoverable withholding taxes and are disclosed separately in the statement of profit or loss and other comprehensive income.

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## 6. Gain or loss on financial assets and liabilities at fair value through profit or loss

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as 'at fair value through profit or loss' and excludes interest and dividend income and expenses. These changes arise from changes in the market value of the financial investments (or liabilities) held by the Petroleum Fund.

	<i>Year ended</i>	<i>Year ended</i>
	<i>31/12/2017</i>	<i>31/12/2016</i>
	<i>USD</i>	<i>USD</i>
Net gains on financial assets and liabilities at fair value through profit or loss	<u>982,967,577</u>	<u>447,243,609</u>

### Accounting policy, estimates, assumptions, judgements and risks

See Note 13 which sets out information that relates to this item:

- details of the accounting policies relating to gains and losses on financial assets and liabilities designated as 'at fair value through profit or loss',
- the significant judgements and estimates that have been made and may be material in determining the reported gain or loss on financial assets and liabilities,
- the risks associated with holding financial assets and liabilities that may impact on the reported profit or loss, and
- an analysis of the sensitivity to changes in future market conditions that may give rise to gains or losses on financial assets and liabilities.

## 7. Foreign exchange gain or loss

Foreign exchange gains and losses arise when the Petroleum Fund invests in assets denominated in a currency other than the US dollar (the Petroleum Fund's functional currency). When the US dollar strengthens relative to another currency in which the Petroleum Fund holds assets, the Petroleum Fund will report a foreign exchange loss. Conversely, if the Petroleum Fund holds an asset denominated in a currency other than US dollars, and that currency strengthens, the Petroleum Fund will report a foreign exchange gain.

	<i>Year ended</i>	<i>Year ended</i>
	<i>31/12/2017</i>	<i>31/12/2016</i>
	<i>USD</i>	<i>USD</i>
Net foreign exchange gains/(losses)	<u>312,405,389</u>	<u>(115,796,014)</u>

### Accounting policy

Foreign currency transactions are translated into the functional currency (US dollars) using the exchange rates prevailing at the dates of transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss and other comprehensive income as part of the 'Net gains/(losses) on financial assets and liabilities at fair value through profit or loss'. Exchange differences on other financial instruments are included in profit or loss in the statement of profit or loss and other comprehensive income as 'Net foreign exchange gains/(losses)'.

## 8. Expenses

In accordance with the provisions of the Petroleum Fund Law, all expenses of the Petroleum Fund, not relating to the purchase or sale of securities and recognized in the sale or purchase price, are met by the BCTL and are covered by a management fee.

In accordance with Article 6.3 of the Petroleum Fund Law, the management fee paid to the BCTL is recognized as a deduction from the gross receipts of the Petroleum Fund, although it is accounted for as an expense in the statement of profit or loss and other comprehensive income of the Petroleum Fund. In accordance with the provisions of the Petroleum Fund Law, all expenses of the Petroleum Fund other than the external audit fee (which is met from the State budget), not relating to the purchase or sale of securities and recognized in the sale or purchase price, are met by the BCTL and are covered by a management fee.

Expenses which are incidental to the acquisition of an investment are included in the cost of that investment.

Expenses that are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

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## **9. Taxation**

The Petroleum Fund is exempt from all forms of taxation in Timor-Leste. Therefore the Petroleum Fund has a statutory tax rate of 0%.

Investment income and capital gains are subject to withholding tax in certain foreign jurisdictions and are the only items subject to taxation.

In the current year tax has been withheld from foreign dividend, unit trust income and interest received according to the applicable laws. Relief from withholding tax is available on application in some of these jurisdictions.

### **Accounting policy**

Income of the Petroleum Fund earned in foreign jurisdictions subject to withholding taxes levied in those jurisdictions is recorded gross of withholding taxes in the statement of profit or loss and other comprehensive income. Withholding taxes, to the extent that they are not recoverable, are shown as a separate line item in the statement of profit or loss and other comprehensive income.

### **Critical accounting estimates, assumptions and judgements**

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on income derived in foreign jurisdictions and the recoverability of amounts withheld. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. The Petroleum Fund establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it invests. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective investment's domicile. As the Petroleum Fund assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

## **PART III: NOTES TO THE STATEMENT OF FINANCIAL POSITION**

The statement of financial position, also known as the balance sheet, presents the financial position of the Petroleum Fund as at the end of its financial year, 31 December. The statement of financial position comprises three main components: assets, liabilities and capital.

An asset is something that the Petroleum Fund owns or controls in order to get economic benefits from its use. The main assets of the Petroleum Fund are bonds and equities (shares).

A liability is an obligation that the Petroleum Fund owes to another party which in normal circumstances is settled in cash or other financial resources.

The capital is the net wealth of the Petroleum Fund that belongs to its owner, the Democratic Republic of Timor-Leste.

The statement of financial position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items.

## **10. Risk management**

The Petroleum Fund's overall risk management programme seeks to maximize the returns derived for the level of risk to which the Petroleum Fund is exposed and seeks to minimize potential adverse effects on the Petroleum Fund's performance. Specific risks are managed as follows:

### **10.1. Financial risk**

The Petroleum Fund's activities expose it to a variety of financial risks: market risk (including equity price risk, interest rate risk and currency risk), credit risk and liquidity risk.

The financial risks associated with the Petroleum Fund are monitored by the Risk Management Division of the Petroleum Fund Management Department at the BCTL which prepares daily management reports for senior management and quarterly reports for the Ministry of Planning and Finance. The Petroleum Fund is subject to periodic audit by the Internal Audit Office of the BCTL which has operational independence from the management of the Petroleum Fund. The Internal Audit Office provides formal monthly reports to the Governor and half-yearly reports to the Governing Board of the BCTL.

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## 10. Risk management (continued)

### 10.2. Liquidity risk

Liquidity risk is the risk that the Petroleum Fund may not be able to generate sufficient cash resources to settle its obligations which would primarily be to fund the State budget account, in full, or can only do so on terms that are materially disadvantageous.

To manage this risk, the Ministry of Planning and Finance has agreed in the Management Agreement to provide the Central Bank with a forecast of the future cash requirements of the government, including the projected timings and amounts to be transferred from the Petroleum Fund.

Liabilities at the year-end were US\$12.3m (2016: US\$8.2m) and consists of payables for securities purchased but not settled at the year end and management fees payable. These are expected to be settled within 30 days of the year end but are not considered to create a liquidity risk for the Petroleum Fund due to available cash which is sufficient to cover these liabilities. The Central Bank monitors the Petroleum Fund's liquidity position on a daily basis. Where there are potential shortfalls, financial assets will be sold to meet anticipated shortfall. The Petroleum Fund invests primarily in marketable securities and other financial instruments which, under normal market conditions, are readily convertible to cash.

### 10.3. Settlement risk

The financial activities of the Petroleum Fund may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed. For the majority of transactions, the Petroleum Fund mitigates this risk by requiring the custodian to conduct settlements on a delivery versus payment basis, whereby a trade is settled only when both parties have fulfilled their contractual settlement obligations by delivering the agreed amounts of cash or financial assets. The settlement will fail if either party fails to meet its obligation.

## 11. Cash and cash equivalents

The Petroleum Fund has a number of bank accounts in which it holds cash. Surplus cash is invested in overnight markets with banks or through reverse repurchase agreements which may be thought of as secured overnight deposits.

	<i>As at</i> <i>31/12/2017</i>	<i>As at</i> <i>31/12/2016</i>
	<i>USD</i>	<i>USD</i>
Cash at bank	124,907,230	107,685,110
Overnight reverse repurchase agreements	<u>193,100,000</u>	<u>1,300,050</u>
	<u><b>318,007,230</b></u>	<u><b>108,985,160</b></u>

### Accounting policy

Cash comprises current deposits with banks which have maturities of less than 90 days. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

Securities purchased under agreements to resell (reverse repurchase agreements) with a maturity period of greater than one financial day are reported not as purchases of securities but as receivables and are carried in the statement of financial position at amortized cost.

Interest earned on reverse repurchase agreements is recognized as interest income over the life of each agreement using the effective interest method.

### Risks

Cash and cash equivalents are not subject to market or interest rate risk. Credit risk is managed by holding cash at financial institutions with a high reputation – the Federal Reserve Bank of New York with a Standard & Poor's rating of AA+ (very strong capacity to meet its financial commitments) and JPMorgan Chase Bank N.V. with a Standard & Poor's short-term issuer rating of A-2 (susceptible to adverse economic conditions however the obligor's capacity to meet its financial commitment on the obligation is satisfactory).



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## 12. Other receivables

Other receivables are financial assets that are classified as loans and receivables including cash balances due from financial intermediaries from the sale of securities, receivables from reverse repurchase agreements with a maturity of more than one business day and other short term loans and receivables including accruals for investment income receivables.

	<i>As at</i> 31/12/2017	<i>As at</i> 31/12/2016
	<i>USD</i>	<i>USD</i>
Dividends receivables	6,697,458	7,350,712
Withholding tax receivables	16,486,564	13,676,837
Trust distributions receivables	982,547	872,203
Due from brokers receivables	7,027,527	5,843,469
Interest receivables	<u>227,993</u>	<u>109,789</u>
	<b><u>31,422,089</u></b>	<b><u>27,853,010</u></b>

### Accounting policy

Loans and receivables (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue and subsequently measured at amortized cost.

#### *Impairment of financial assets*

The Petroleum Fund assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, defaulter delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss as 'Credit loss expense'.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Petroleum Fund. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a previous write off is later recovered, the recovery is credited to the statement of profit or loss and other comprehensive income.

Interest revenue on impaired financial assets is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

### Risks

Receivables, other than recoverable withholding taxes, are subject to minimal risk and are generally paid within a short timeframe in the normal course of business.

The recovery of withholding tax receivables is dependent on processing and approval by the relevant tax authorities.

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### 13. Financial assets at fair value through profit or loss

The Petroleum Fund invests in a range of financial instruments in order to generate income. The investments include equities (shares) and fixed interest (bonds) and a limited number of derivative instruments.

Typically, derivative contracts serve as components of the Petroleum Fund's investment strategy and are utilized primarily to structure and hedge investments, to enhance performance and reduce risk to the Petroleum Fund (the Petroleum Fund does not designate any derivative as a hedging instrument for hedge accounting purposes).

The Petroleum Fund uses derivative financial instruments to economically hedge its risks associated with foreign currency fluctuations. Additionally, derivative financial instruments may also be used for trading purposes where the investment manager believes this would be more efficient than investing directly in the underlying financial instruments. Derivatives often reflect, at their inception, only a mutual exchange of promises with little or no transfer of tangible consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the underlying of a derivative contract may have a significant impact on the profit or loss of the Petroleum Fund. Over the counter ("OTC") derivatives may expose the Petroleum Fund to the risks associated with the absence of an exchange market on which to close out an open position. Investment managers are instructed to closely monitor the Petroleum Fund's exposure under derivative contracts as part of the overall management of the Petroleum Fund's market risk.

The Minister of Finance has approved the use of equity index futures, bond and interest rate futures and currency forward contracts under Annex 1, Amendment Number 9, 19 May 2017 of the Management Agreement between the Minister and the BCTL.

A summary of financial assets held at financial position date is as follows:

	<i>As at 31/12/2017</i>		<i>As at 31/12/2016</i>	
	<i>USD</i>		<i>USD</i>	
<b>Designated as at fair value through profit or loss</b>	<b>Fair value</b>	<b>% of net assets</b>	<b>Fair value</b>	<b>% of net assets</b>
<b>Fixed interest securities</b>				
United States treasury notes	7,881,288,280	48	7,676,184,954	49
Australian government bonds	195,429,108	1	146,449,574	1
Japanese government bonds	172,052,719	1	136,232,736	1
United Kingdom government bonds	144,968,761	1	139,399,330	1
European government bonds	410,612,531	3	399,342,253	2
Other government bonds	674,182,722	4	574,150,141	4
<b>Total fixed interest securities</b>	<b>9,478,534,121</b>	<b>58</b>	<b>9,071,758,988</b>	<b>58</b>
<b>Equity securities</b>				
United States equities	4,142,894,998	25	4,015,681,418	25
Australian equities	206,942,195	1	175,063,538	1
Japanese equities	619,540,864	4	583,604,197	4
United Kingdom equities	479,839,946	3	439,217,073	3
European equities	812,991,745	5	717,827,720	5
Equities from other countries	721,280,481	4	712,779,194	4
<b>Total equity securities</b>	<b>6,983,490,229</b>	<b>42</b>	<b>6,644,173,140</b>	<b>42</b>
<b>Held for trading</b>				
<b>Derivatives</b>				
United States equity futures	198,271	-	(57,771)	-
Foreign currency forward contracts	(44,910)	-	(220,317)	-
<b>Total derivatives</b>	<b>153,361</b>	<b>-</b>	<b>(278,088)</b>	<b>-</b>
<b>Total securities</b>	<b>16,462,177,711</b>		<b>15,715,654,040</b>	

In the table above, European equities represents all equities denoted in Euros.

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### 13. Financial assets at fair value through profit or loss (continued)

Transactions in financial assets which arise either from the investment of new funds, the periodic rebalancing of the investment portfolio or sales to generate cash for budgetary transfers, are summarized as follows:

	<i>As at</i> 31/12/2017 USD	<i>As at</i> 31/12/2016 USD
<b>Financial assets at fair value through profit or loss</b>		
<b>Opening fair value</b>	<b>15,715,654,040</b>	<b>16,076,302,454</b>
Purchases at cost	10,424,618,656	9,698,427,751
Proceeds from sales	(10,970,436,785)	(10,377,148,481)
Net gains on financial assets at fair value through profit or loss	982,967,577	447,243,609
Net foreign exchange gains/(losses)	312,405,389	(115,796,014)
Net losses through interest income	(3,031,166)	(13,375,279)
<b>Closing fair value</b>	<b><u>16,462,177,711</u></b>	<b><u>15,715,654,040</u></b>

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 (see accounting policies below for definitions of the levels) based on the degree to which the fair value is observable.

	<i>As at 31/12/2017</i> USD			Total
	Quoted market price (Level 1)	Valuation technique: market observable inputs (Level 2)	Valuation technique: non-market observable inputs (Level 3)	
<b>Financial assets</b>				
Financial instruments designated at fair value through profit or loss				
Derivatives	198,271	-	-	198,271
Equity securities	6,983,490,229	-	-	6,983,490,229
Fixed interest securities	9,478,534,121	-	-	9,478,534,121
<b>Total</b>	<b><u>16,462,222,621</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>16,462,222,621</u></b>
<b>Financial liabilities</b>				
Financial instruments designated at fair value through profit or loss				
Derivatives	-	(44,910)	-	(44,910)
<b>Total</b>	<b><u>-</u></b>	<b><u>(44,910)</u></b>	<b><u>-</u></b>	<b><u>(44,910)</u></b>

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**13. Financial assets at fair value through profit or loss (continued)**

	<i>As at 31/12/2016</i>			<b>Total</b>
	<i>USD</i>			
<b>Financial assets</b>	<b>Quoted market price (Level 1)</b>	<b>Valuation technique: market observable inputs (Level 2)</b>	<b>Valuation technique: non-market observable inputs (Level 3)</b>	
Financial instruments designated at fair value through profit or loss				
Equity securities	6,644,173,140	-	-	6,644,173,140
Fixed interest securities	9,071,758,988	-	-	9,071,758,988
<b>Total</b>	<b><u>15,715,932,128</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>15,715,932,128</u></b>
<b>Financial liabilities</b>				
Financial instruments designated at fair value through profit or loss				
Derivatives	(57,771)	(220,317)	-	(278,088)
<b>Total</b>	<b><u>(57,771)</u></b>	<b><u>(220,317)</u></b>	<b><u>-</u></b>	<b><u>(278,088)</u></b>

There were no transfers between levels for the year ended 31 December 2017 (2016: nil).

There were no movements in all levels of instruments for the year ended 31 December 2017 (2016: nil).

A detailed schedule of financial assets at fair value through profit or loss is at Note 23.

The following table sets out the fair values and notional amounts of derivative assets and liabilities held by the Petroleum Fund as at the reporting date.

<b>Derivative financial instruments</b>	<i>As at 31/12/2017</i>		<i>As at 31/12/2016</i>	
	<i>Fair value USD</i>	<i>Notional value USD</i>	<i>Fair value USD</i>	<i>Notional value USD</i>
Equity futures	198,271	29,936,713	(57,771)	10,036,804
Foreign currency forward contracts	(44,910)	(26,411,050)	(220,317)	(18,906,811)
<b>Total</b>	<b><u>153,361</u></b>	<b><u>3,525,663</u></b>	<b><u>(278,088)</u></b>	<b><u>(8,870,007)</u></b>

**Accounting policies**

*Recognition*

The Petroleum Fund recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

The Petroleum Fund categorizes financial assets as “financial assets at fair value through profit or loss” if the asset is held for trading or is a derivative instrument. A financial instrument is classified as held for trading if it is acquired principally for the purpose of selling it in the near term or is held as part of a portfolio that is managed with a view to profit-taking.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Petroleum Fund commits to purchase or sell the asset.

*Financial assets and liabilities (initial measurement)*

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognized directly in profit or loss.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself classified as held for trading or designated as at fair value through profit or loss. Embedded derivatives separated from the host are carried at fair value with changes in fair value recognized in profit or loss.

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### **13. Financial assets at fair value through profit or loss (continued)**

#### *Initial recognition*

These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments. These financial instruments are designated at fair value through profit or loss upon initial recognition.

The manner in which the Petroleum Fund is managed is set out in Annex 1 to the Management Agreement between the BCTL and the Ministry of Planning and Finance who establishes the performance benchmark for the Petroleum Fund.

Financial assets of the Petroleum Fund are managed and performance is evaluated on a fair value basis and reported in accordance with documented risk management and investment strategies and have accordingly been designated at fair value through profit or loss for accounting purposes.

#### *Subsequent measurement*

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments is based on their quoted market prices at the statement of financial position date without any deduction for estimated future selling costs. Financial assets held or a liability to be issued are priced at current bid prices, while financial liabilities held and assets to be acquired are priced at current asking prices.

All changes to fair value, other than interest or dividend income, are recognized in the profit or loss as part of net gain from financial assets or liabilities at fair value through profit or loss. Accrued interest and dividend income is presented separately from other fair value movements in the statement of profit or loss.

#### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

- Either the rights to receive cash flows from the asset have expired, or the Petroleum Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement, and
- Either (a) the Petroleum Fund has transferred substantially all the risks and rewards of the asset or (b) the Petroleum Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Petroleum Fund has transferred its rights to receive cash flows from an asset (or has entered into a pass through arrangement) and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Petroleum Fund's continuing involvement in the asset. In that case, the Petroleum Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Petroleum Fund has retained.

The Petroleum Fund derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

#### *Offsetting*

The Petroleum Fund offsets financial assets and financial liabilities if the Petroleum Fund has a legally enforceable right to set off the recognized amounts and interests and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, e.g. for gains and losses arising from a group of similar transactions such as gains and losses from financial assets and liabilities at fair value through profit or loss.

#### **Critical accounting estimates**

The manner in which assets are valued can have a material effect on the financial position and profit of the Petroleum Fund. In order to assess the reliability and objectivity of the valuation process, the Petroleum Fund categorizes the method of valuation into three levels, as follows:

- Level 1 (Quoted market price) fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities. The Petroleum Fund does not adjust the quoted prices for these instruments.
- Level 2 (Valuation technique: market observable inputs) fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). As level 2 investments include positions that are not traded in active markets and/or subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability which are generally based on available market information.
- Level 3 (Valuation technique: non-market observable inputs) fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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### 13. Financial assets at fair value through profit or loss (continued)

#### Risks

##### (a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Petroleum Fund's income or fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The maximum risk resulting from financial instruments equals their fair value.

The Petroleum Fund's strategy for the management of market risks is driven by the Petroleum Fund's investment objectives, including diversification of its investment portfolio, by specifying benchmarks in individual investment mandates with risk limits defined by maximum or target tracking errors.

The Petroleum Fund's market risk is thus managed on a regular basis by the investment managers in accordance with these investment mandates.

##### (i) Equity price risk

Equity price risk is the risk of unfavorable changes in the fair values of equities or equity linked derivatives as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Petroleum Fund's investments in equity securities and from equity linked derivatives. The Petroleum Fund manages this risk by investing in a variety of stock exchanges and by limiting exposure to any one company or issuing entity, excluding sovereign states, to 3% of net assets (consistent with Article 15.5a of the Petroleum Fund Law). The Petroleum Fund Law limits equity investments to no more than 5% of the share capital of a particular issuer (consistent with Article 15.3b of the Petroleum Fund Law).

Management's best estimate of the effect on the profit or loss for a year due to a reasonably possible change in equity indices, with all other variables held constant is indicated in the table below. There is no effect on 'other comprehensive income' as the Petroleum Fund has no assets classified as 'available for sale' or designated hedging instruments. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in each of the indices shown below would have resulted in an equivalent, but opposite, impact.

The Petroleum Fund manages its exposure to equity price risk by analyzing the portfolio by industrial sector and country each month and benchmarking the performance of each sector/country to the MSCI World Index by considering the performance of the Petroleum Fund attributable to stock allocation, security selection and the interaction effect.

The following table summarizes the sensitivity of the Petroleum Fund's operating profit and net assets to price risk. The analysis is based on reasonably possible movements in the benchmark with all other variables held constant and the fair value of the Petroleum Fund's portfolio moving according to the movement in the benchmark. The reasonably possible movements in the risk variables have been determined based on the investment managers' best estimates having regard to a number of factors including historical levels of changes in market index, security prices and/or benchmark returns and interest rates. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities to which the variable is exposed. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables. The table below shows the impact on operating profit/net assets resulting from a 10% change in the price of equities.

	<b>Price risk</b>	
	<b>Impact on profit/(loss) for the year / Net assets</b>	
	<b>(-10.00%)</b>	<b>(+10.00%)</b>
<b>31 December 2017</b>	<b>(698,364,359)</b>	<b>698,364,359</b>
31 December 2016	(664,389,505)	664,389,505

The Petroleum Fund has determined that a fluctuation in equity prices of 10% is reasonably possible within a one year period based on historical movements in global equity markets.

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### 13. Financial assets at fair value through profit or loss (continued)

(ii) Interest rate risk

Interest rate risk arises from the possibility that an investment's fair value or associated future cash flows will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.

The majority of interest rate exposure arises on investments in debt securities in the United States of America and, to a lesser extent, the rest of the developed world. Most of the Petroleum Fund's investments in debt securities carry fixed interest rates and mature within ten years.

The Petroleum Fund manages this risk by investing according to benchmarks with specified duration target and tracking error limit. The assets and the Petroleum Fund will re-price or mature within the following periods:

As at 31/12/2017								
USD								
FINANCIAL ASSETS	Statement of financial position	Non-interest sensitive	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years
Cash and cash equivalents	318,007,230	-	318,007,230	-	-	-	-	-
Other receivables	31,422,089	31,422,089	-	-	-	-	-	-
Financial assets at fair value through profit or loss	16,462,177,711	6,983,643,590	20,461,829	11,105,915	159,689,071	6,925,999,557	1,929,749,389	431,528,360
<b>Total assets</b>	<b>16,811,607,030</b>	<b>7,015,065,679</b>	<b>338,469,059</b>	<b>11,105,915</b>	<b>159,689,071</b>	<b>6,925,999,557</b>	<b>1,929,749,389</b>	<b>431,528,360</b>
<b>Weighted average interest rate</b>			3.04%	2.85%	2.71%	1.88%	2.14%	3.62%

As at 31/12/2016								
USD								
FINANCIAL ASSETS	Statement of financial position	Non-interest sensitive	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years
Cash and cash equivalents	108,985,160	-	108,985,160	-	-	-	-	-
Other receivables	27,853,010	27,853,010	-	-	-	-	-	-
Financial assets at fair value through profit or loss	15,715,654,040	6,643,895,052	32,032,767	57,855,052	56,564,138	6,675,464,341	1,852,827,110	397,015,580
<b>Total assets</b>	<b>15,852,492,210</b>	<b>6,671,748,062</b>	<b>141,017,927</b>	<b>57,855,052</b>	<b>56,564,138</b>	<b>6,675,464,341</b>	<b>1,852,827,110</b>	<b>397,015,580</b>
<b>Weighted average interest rate</b>			2.54%	3.03%	2.02%	1.69%	1.93%	3.66%

The following table summarizes the sensitivity of the Petroleum Fund's operating profit and net assets attributable to interest rate risk. The analysis is based on reasonably possible movements in the benchmark with all other variables held constant and the fair value of the Petroleum Fund's portfolio moving according to the movement in the benchmark. The reasonably possible movements in the risk variables have been determined based on the investment managers' best estimates, having regard to a number of factors, including historical levels of interest rates. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities to which the variable is exposed. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	<b>Interest rate risk</b>	
	<b>Impact on profit/(loss) for the year / Net assets</b>	
	<b>(-1.00%)</b>	<b>(+1.00%)</b>
<b>31 December 2017</b>	<b>446,195,306</b>	<b>(446,195,306)</b>
31 December 2016	434,394,565	(434,394,565)

The Petroleum Fund has determined that a fluctuation in interest rates of 1% is reasonably possible within a given one year time period, given the economic environment in which the Petroleum Fund operates.

In determining the impact of an increase/decrease in net assets arising from market risk, management of the Petroleum Fund has considered prior period and expected future movements of the portfolio based on market information.

(iii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Petroleum Fund invests in fixed income and equity securities that are denominated in currencies other than the United States dollar. Accordingly, the Petroleum Fund's assets may be affected favorably or unfavorably by fluctuations in currency rates. Therefore, the Petroleum Fund is necessarily subject to foreign exchange risks. The Petroleum Fund's assets are 73% (2016: 74%) in US dollars, therefore exposure to currency movements are limited.

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### 13. Financial assets at fair value through profit or loss (continued)

The assets of the Petroleum Fund to which the Petroleum Fund had significant currency exposure at financial position date, reported in United States dollar equivalents, are set out in the following table:

	<i>As at 31/12/2017</i>						<b>Total</b>
	<i>USD</i>						
	<b>USD</b>	<b>EUR</b>	<b>AUD</b>	<b>GBP</b>	<b>JPY</b>	<b>Other Currencies</b>	
Cash and cash equivalents	273,772,616	2,774,822	18,408,481	9,785,323	5,457,892	7,808,096	318,007,230
Equity securities	4,142,894,999	812,991,745	206,942,195	479,839,946	619,540,864	721,280,480	6,983,490,229
Interest bearing securities	7,881,288,281	410,612,531	195,429,108	144,968,760	172,052,719	674,182,722	9,478,534,121
Receivables	8,389,799	7,774,618	522,186	2,140,193	933,218	11,662,075	31,422,089
Payables	<u>(3,928,384)</u>	-	-	-	<u>(6,839,321)</u>	<u>(1,526,634)</u>	<u>(12,294,339)</u>
<b>Total physical exposure</b>	<b>12,302,417,311</b>	<b>1,234,153,716</b>	<b>421,301,970</b>	<b>636,734,222</b>	<b>791,145,372</b>	<b>1,413,406,739</b>	<b>16,799,159,330</b>
Futures	198,271	-	-	-	-	-	198,271
Forward exchange contracts							
- buy foreign currency	78,320,424	119,461,539	3,436,591	14,825,620	9,145,003	65,274,481	290,463,658
- sell foreign currency	<u>(104,731,474)</u>	<u>(40,714,844)</u>	<u>(50,383,550)</u>	<u>(7,274,410)</u>	<u>(17,664,485)</u>	<u>(69,739,805)</u>	<u>(290,508,568)</u>
<b>Total derivative exposure</b>	<b>(26,212,779)</b>	<b>78,746,695</b>	<b>(46,946,959)</b>	<b>7,551,210</b>	<b>(8,519,482)</b>	<b>(4,465,324)</b>	<b>153,361</b>
<b>Total net exposure</b>	<b>12,276,204,532</b>	<b>1,312,900,411</b>	<b>374,355,011</b>	<b>644,285,432</b>	<b>782,625,890</b>	<b>1,408,941,415</b>	<b>16,799,312,691</b>
<b>Exposure (% of net assets)</b>	<b>73.07%</b>	<b>7.82%</b>	<b>2.23%</b>	<b>3.84%</b>	<b>4.66%</b>	<b>8.38%</b>	<b>100.00%</b>

	<i>As at 31/12/2016</i>						<b>Total</b>
	<i>USD</i>						
	<b>USD</b>	<b>EUR</b>	<b>AUD</b>	<b>GBP</b>	<b>JPY</b>	<b>Other Currencies</b>	
Cash and cash equivalents	70,157,711	3,467,353	2,543,786	7,596,073	3,400,158	21,820,079	108,985,160
Equity securities	4,015,681,418	717,827,720	175,063,538	439,217,073	583,604,197	712,779,194	6,644,173,140
Interest bearing securities	7,676,184,955	399,342,252	146,449,574	139,399,330	136,232,736	574,150,141	9,071,758,988
Receivables	4,564,550	9,647,691	486,626	2,090,601	814,455	10,249,087	27,853,010
Payables	<u>(4,953,007)</u>	-	-	-	<u>(1,090,107)</u>	<u>(2,121,809)</u>	<u>(8,164,923)</u>
<b>Total physical exposure</b>	<b>11,761,635,627</b>	<b>1,130,285,016</b>	<b>324,543,524</b>	<b>588,303,077</b>	<b>722,961,439</b>	<b>1,316,876,692</b>	<b>15,844,605,375</b>
Futures	(57,771)	-	-	-	-	-	(57,771)
Forward exchange contracts							
- buy foreign currency	47,625,866	48,640,375	4,771,076	12,284,977	11,027,308	23,042,011	147,391,613
- sell foreign currency	<u>(66,532,677)</u>	<u>(20,448,170)</u>	<u>(9,268,184)</u>	<u>(11,731,075)</u>	<u>(1,810,092)</u>	<u>(37,821,732)</u>	<u>(147,611,930)</u>
<b>Total derivative exposure</b>	<b>(18,964,582)</b>	<b>28,192,205</b>	<b>(4,497,108)</b>	<b>553,902</b>	<b>9,217,216</b>	<b>(14,779,721)</b>	<b>(278,088)</b>
<b>Total net exposure</b>	<b>11,742,671,045</b>	<b>1,158,477,221</b>	<b>320,046,416</b>	<b>588,856,979</b>	<b>732,178,655</b>	<b>1,302,096,971</b>	<b>15,844,327,287</b>
<b>Exposure (% of net assets)</b>	<b>74.11%</b>	<b>7.31%</b>	<b>2.02%</b>	<b>3.72%</b>	<b>4.62%</b>	<b>8.22%</b>	<b>100%</b>

The Petroleum Fund is primarily exposed to the Euro, Australian Dollar, Pound Sterling and Japanese Yen.

The following table details the Petroleum Fund's sensitivity to a 10% increase and decrease in the United States dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes cash and cash equivalents, interest receivable and qualifying instruments. A negative number below indicates a decrease in profit where the United States dollar strengthens 10% against the relevant currency. For a 10% weakening of the United States dollar against the relevant currency, there would be a comparable impact on the profit, and the balances below would be a positive. The analysis presumes that all other variables, in particular interest rates, remain constant.

	<i>As at</i> <b>31/12/2017</b> <i>USD</i>	<i>As at</i> <b>31/12/2016</b> <i>USD</i>
EUR impact	(131,290,041)	(115,847,722)
AUD impact	(37,435,501)	(32,004,642)
GBP impact	(64,428,543)	(58,885,698)
JPY impact	(78,262,589)	(73,217,866)
Other currencies impact	<u>(140,894,142)</u>	<u>(130,209,697)</u>
<b>Total currencies impact</b>	<b>(452,310,816)</b>	<b>(410,165,625)</b>



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### 13. Financial assets at fair value through profit or loss (continued)

This is mainly attributable to the exposure outstanding on all relevant foreign currencies relating to cash and cash equivalents, interest receivable and qualifying instruments in the Petroleum Fund at the end of the reporting period.

*(b) Credit risk*

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time or from losses arising from the change in value of a traded financial instrument as a result of changes in the credit risk on that instrument. It arises principally from debt securities held and also from derivative financial instruments, cash and cash equivalents, balances due from brokers and receivables from reverse repurchase agreements. For risk management reporting purposes the Petroleum Fund considers and consolidates all elements of credit risk exposure reflecting the fact that the main concentration to which the Petroleum Fund is exposed arises from the Petroleum Fund's investments in debt securities.

*(i) Credit risk management*

Article 15 of the Petroleum Fund Law provides broad constraints on the extent of credit risk that can be taken by the Petroleum Fund. To qualify as an eligible investment, debt must have a credit quality of at least equal to investment grade, while deposits are only held with financial institutions with a credit rating of at least investment grade. The investment grade rating reflects the credit rating agencies' assessment of capacity by the issuer to pay. Higher ratings reflect lower credit risk associated with the bonds. Credit risk is also managed by limiting exposure to any one company or issuer (except for a sovereign state) to 3% of the total value of the Petroleum Fund. The limits are reflected in the underlying investment mandates with managers and are monitored by the BCTL. The Petroleum Fund's maximum exposure to credit risk at reporting date in relation to each class of financial asset is the carrying amount of those assets as indicated in the statement of financial position.

The allocation of investments is 40% to listed equities and 60% to investment grade fixed interest securities which was achieved in 2016 and has been maintained during the 2017 year. The IAB regularly monitors and reviews the strategic asset allocation between asset classes with consideration to the desired risk profile of the Petroleum Fund. The current strategic asset allocation is continually monitored and discussed at the IAB meetings and the Board considers this to be an appropriate level given the current investment horizon of the Petroleum Fund.

The mandate in the Operational Management Agreement prescribes that the performance of the Petroleum Fund shall be measured against benchmark indexes for a series of mandates, restricts the permissible investment universe to highly rated financial instruments and establishes tracking error limits restricting the permissible deviation of the portfolio investments from the benchmark for each mandate. The maximum loss that the Petroleum Fund would suffer from the default of a single issuer is the amount disclosed below with respect to investments in treasury notes issued by the United States Government and equity securities traded on developed market exchanges.

*(ii) Concentration of credit exposure*

Concentrations of credit risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or when a number of counterparties are engaged in similar business activities or activities in the same geographic regions, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The allocation to each sovereign issuer is constantly monitored and any actual or anticipated changes to the credit risk profile of each issuing country will be considered in the allocation. Securities issued by US Treasury was 48% (2016: 49%) of the Petroleum Fund. Diversification within the non-US sovereign bond mandate is achieved through limiting each country to a maximum weight of 10% of the index and the Euro zone weight to 30%.

The Petroleum Fund's significant end of year concentrations of credit exposure by the industry or country of the issuer were as follows:

	<i>As at</i> <i>31/12/2017</i>	<i>As at</i> <i>31/12/2016</i>
	<i>USD</i>	<i>USD</i>
<b>Fixed interest securities and money market securities</b>		
<b>Sovereign issuers:</b>		
United States Government	7,881,288,280	7,676,184,954
Australia Government	195,429,108	146,449,574
Japan Government	172,052,719	136,232,736
United Kingdom Government	144,968,761	139,399,330
European Governments	410,612,531	399,342,253
Governments of other countries	<u>674,182,722</u>	<u>574,150,141</u>
	<b><u>9,478,534,121</u></b>	<b><u>9,071,758,988</u></b>

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### 13. Financial assets at fair value through profit or loss (continued)

(iii) *Credit exposure by credit rating*

The following table presents an analysis of the Petroleum Fund's debt securities classified according to the Standard and Poor's credit rating of the issuer as at each period end. AAA is the highest rating possible and indicates that the entity has an extremely strong capacity to pay interest and principal. AA is a high grade rating, indicating a very strong capacity, and A is an upper medium grade, indicating a strong capacity to pay interest and principal. BBB is the lowest investment grade rating, indicating a medium capacity to pay interest and principal. Ratings lower than AAA can be modified by + or – signs to indicate relative standing within the major categories.

	<i>As at</i> <b>31/12/2017</b>	<i>As at</i> <b>31/12/2016</b>
	<i>USD</i>	<i>USD</i>
<b>International fixed interest securities and money market securities</b>		
AAA	8,750,364,585	8,435,040,514
AA	371,433,601	326,971,490
A	179,537,600	144,726,245
BBB	<u>177,198,335</u>	<u>165,020,739</u>
<b>Total</b>	<b><u>9,478,534,121</u></b>	<b><u>9,071,758,988</u></b>

(iv) *Credit exposure by counterparty as a percentage of the Petroleum Fund's capital*

No more than 1% (2016: 1%) of assets of the Petroleum Fund is exposed to a single sovereign issuer, other than the United States Government, all of which sovereigns are developed nations. The assets exposed to the United States Government amounted to 47% (2016: 48%) of the Petroleum Fund's capital. A change in the credit ratings of the Petroleum Fund's counterparties may have an impact on the future financial performance of the Petroleum Fund.

(c) *Derivative financial instruments*

The Petroleum Fund Law sets limits on the use of derivative financial instruments whereby derivatives may only be used to reduce the risk to the Petroleum Fund or to efficiently facilitate the desired exposure to an asset and whereby the risk arising from the use of the derivatives may not be higher than would result from direct exposure to the underlying assets. As such, the objective of using derivative instruments is to reduce financial risks and costs associated with implementing the investment strategy. The Petroleum Fund does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The individual investment mandates set by the IAB include rules for the use of derivatives within these statutory requirements.

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the OTC market. Futures contracts are transacted in standardized amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk. The Petroleum Fund has credit exposure to the counterparties of forward contracts. The credit risk related to futures contracts is considered minimal because the exchange ensures that these contracts are always honored. Forward contracts are settled gross and, therefore, considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

### 14. Financial liabilities

Financial liabilities are amounts owed by the Petroleum Fund to third parties. One type of financial liability is the amount payable for securities purchased.

Another type of financial liabilities arises when derivative contracts are “out of the money”, that is, an amount must be paid at the due date of the derivative contract. As a derivative is often used by the Petroleum Fund for hedging, an “out of the money” derivative may be indicative of a corresponding asset having risen in value.

There were no financial instruments liabilities designated at fair value through profit or loss as at 31 December 2017 (2016: nil).

#### **Accounting policy**

*Classification*

The Petroleum Fund's financial liabilities are categorized as at fair value through profit or loss, unless otherwise noted.

Financial liabilities that are not at fair value through profit or loss include balances payable to financial intermediaries for the purchase of securities and other short term payables.

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## 14. Financial liabilities (continued)

### Risks

There were no transfers between levels for the year ended 31 December 2017 (2016: nil).

There were no movements in all levels of instruments for the year ended 31 December 2017 (2016: nil).

## PART IV: NOTES TO THE STATEMENT OF CHANGES IN CAPITAL

The statement of changes in capital details the change in the net wealth of the Petroleum Fund over the year. Typically, this includes contributions to the Petroleum Fund by participants in the petroleum sector, withdrawals by the government, refunds of taxation and the net profit or loss from the Petroleum Fund's investments.

## 15. Capital receipts and payments

Capital receipts and payments reflect moneys received by the Petroleum Fund pursuant to the Petroleum Fund Law and amounts transferred to the State budget pursuant to an appropriation of Parliament.

Capital receipts are classified in the Petroleum Fund Law as follows:

- Article 6.1(a) receipts are the gross revenues, including tax revenue, of Timor-Leste from any petroleum operations.
- Article 6.1(b) receipts are amounts received by the National Petroleum Authority pursuant to the Timor Sea Treaty.
- Article 6.1(c) receipts are amounts received from the investment of the capital of the Petroleum Fund.
- Article 6.1(e) include any other petroleum-related receipts.

The following table shows the capital receipts and payments of the Petroleum Fund.

Month	<i>Year ended 31/12/2017</i>					Total
	Article 6.1(a) receipts	Article 6.1(b) receipts	Article 6.1(e) other receipts	To Consolidated Fund	USD	
January	11,754,901	11,554,598	-	-	-	23,309,499
February	17,105,805	12,392,505	-	(100,000,000)	-	(70,501,690)
March	24,905,121	26,661,796	-	(80,000,000)	-	(28,433,083)
April	16,647,679	20,743,849	-	(120,000,000)	-	(82,608,472)
May	10,190,101	31,905,031	-	-	-	42,095,132
June	14,922,947	1,243,881	-	(120,000,000)	-	(103,833,172)
July	11,646,533	21,323,384	-	(165,000,000)	-	(132,030,083)
August	17,049,469	29,883,806	-	-	-	46,933,275
September	18,295,192	28,323,439	264,345	(150,000,000)	-	(103,117,024)
October	15,959,420	22,218,163	-	(60,000,000)	-	(21,822,417)
November	12,816,269	5,061,093	-	(60,000,000)	-	(42,122,638)
December	9,737,284	22,680,799	6,410,400	(223,800,000)	-	(184,971,517)
<b>Totals</b>	<b><u>181,030,721</u></b>	<b><u>233,992,344</u></b>	<b><u>6,674,745</u></b>	<b><u>(1,078,800,000)</u></b>	<b><u>(657,102,190)</u></b>	
<b>Total Article 6.1</b>			<b><u>421,697,810</u></b>			

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**15. Capital receipts and payments (continued)**

Month	<i>Year ended 31/12/2016</i>				
	Article 6.1(a) receipts	Article 6.1(b) receipts	Article 6.1(e) other receipts	To Consolidated Fund	Total
January	16,313,849	28,761,203	-	-	45,075,052
February	15,056,102	30,734,725	-	(100,000,000)	(54,209,173)
March	25,031,873	9,401,244	-	(90,000,000)	(55,566,883)
April	8,192,481	9,847,910	-	(10,000,000)	8,040,391
May	1,589,430	1,134,343	-	-	2,723,773
June	4,215,660	1,805,769	-	(240,000,000)	(233,978,571)
July	4,892,437	6,734,383	-	-	11,626,820
August	2,187,188	5,737,082	6,088,000	(104,800,000)	(90,787,730)
September	2,873,920	6,909,878	154,000	(100,000,000)	(90,062,202)
October	1,083,265	11,055,818	-	(150,000,000)	(137,860,917)
November	4,570,291	4,727,479	-	(150,000,000)	(140,702,230)
December	4,487,983	10,286,575	-	(300,000,000)	(285,225,442)
<b>Totals</b>	<b><u>90,494,479</u></b>	<b><u>127,136,409</u></b>	<b><u>6,242,000</u></b>	<b><u>(1,244,800,000)</u></b>	<b><u>(1,020,927,112)</u></b>
<b>Total Article 6.1</b>			<b><u>223,872,888</u></b>		

**Accounting policies, estimates, assumptions, judgements and risks**

*Capital*

Judgments have been made as to whether certain transactions should be recognized as capital or revenue.

*Petroleum Fund gross receipts*

The Petroleum Fund Law requires certain parties to deposit taxes and other petroleum related payments payable to the Government of Timor-Leste directly into the Petroleum Fund. The Petroleum Fund recognizes these and other transactions as follows:

- Payments made as Petroleum Fund receipts in accordance with Article 6.1(a) are recognized as increases in the statement of changes in capital of the Petroleum Fund.
- Payments made by the Designated Authority in accordance with Article 6.1(b) are recognized as increases in the statement of changes in capital of the Petroleum Fund.
- Income earned by the Petroleum Fund from the investment of its assets is recognized in the statement of profit or loss and other comprehensive income in accordance with Article 6.1(c).
- Payments received by Timor-Leste relating directly to Petroleum Fund resources not covered in Article 6.1 (a) to (d) of the Petroleum Fund Law are recognized as increases in the statement of changes in capital of the Petroleum Fund in accordance with Article 6.1(e).
- Management fees paid from the gross receipts of the Petroleum Fund pursuant to Article 6.2 are recognized in the statement of profit or loss and other comprehensive income.
- Refunds of taxation made pursuant to Article 10 are recognized as reductions in the statement of changes in capital of the Petroleum Fund.

*Transfers to the Consolidated Fund*

The National Government of República Democrática de Timor-Leste (“the Consolidated Fund”) comprises:

- Central government ministries, and
- Autonomous agencies under significant control of Ministry of Planning and Finance.

Transfers to the Consolidated Fund are appropriations approved by the National Parliament of Timor-Leste. All transfers to the Consolidated Fund are authorized and recognized when paid to the Consolidated Fund.

**Petroleum Fund of Timor-Leste**  
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## 15. Capital receipts and payments (continued)

### *Objectives of managing capital*

The Petroleum Fund is a mandatory financial reserve established with the objective of allocating financial wealth obtained from natural resources fairly and equitably between current and future generations of Timor-Leste citizens. The Petroleum Fund's capital structure consists solely of paid in capital derived from petroleum receipts and other sources as described in Note 3(c). The Petroleum Fund Law requires the Government to annually calculate Estimated Sustainable Income (ESI) which is defined as the maximum amount that can be appropriated from the Petroleum Fund in a fiscal year and leave sufficient resources in the Petroleum Fund for an amount of equal real value to be appropriated in all later fiscal years. The ESI calculation is submitted with the annual budget to Parliament who are required to take the ESI into consideration when determining the amount of capital to be appropriated from the Petroleum Fund. Transfers in excess of the ESI are permitted subject to certain provisions in the Petroleum Fund Law being satisfied.

There has been no change during the year in these objectives and policies for managing capital and the Petroleum Fund has complied with all legislative requirements relating to the management of the Petroleum Fund's capital.

## PART V: NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows, also known as the cash flow statement, presents the movement in cash flows over the period of 1 January to 31 December as classified under operating and financing activities.

Cash flow generally means cash movements in the Petroleum Fund's bank accounts and movements in short term investments that are highly liquid and involve very low risk of change in value.

Cash flow from operating activities presents the movement in cash during the year relating to the Petroleum Fund's revenue generating activities of the Petroleum Fund, namely investing in securities.

Cash flow from financing activities includes the movement in cash flow resulting from receipts into the Petroleum Fund deposited by participants in the exploitation of petroleum resources and transfers out of the Petroleum Fund to the Consolidated Fund or to refund tax.

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with an original maturity of less than 90 days.

## 16. Reconciliation of net cash flows

	<i>Year ended</i> <i>31/12/2017</i> <i>USD</i>	<i>Year ended</i> <i>31/12/2016</i> <i>USD</i>
<b>Profit for the year</b>	<b>1,612,087,594</b>	<b>647,681,894</b>
(Increase)/decrease in financial assets at fair value through profit or loss	(746,523,671)	360,648,414
Increase in receivables	(11,833,877)	(619,885)
Decrease in accounts payable	(2,828,092)	(217,437)
Increase/(decrease) in payables for securities purchased	<u>6,957,508</u>	<u>(12,415,250)</u>
<b>Net cash utilized in operating activities</b>	<b><u>857,859,462</u></b>	<b><u>995,077,736</u></b>

### **Accounting policy**

Cash inflows from investments are presented net of withholding taxes, when applicable.

## PART VI: NON-FINANCIAL DISCLOSURES

### 17. Personnel

The Petroleum Fund did not employ any personnel during the year (2016: nil).

### 18. Contingent assets, contingent liabilities and commitments

There were no contingent assets, contingent liabilities or commitments as at 31 December 2017 (2016: nil).

**Petroleum Fund of Timor-Leste**  
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## 19. Related parties

The following parties are considered related parties of the Petroleum Fund:

The ultimate controlling party of the Petroleum Fund is the Democratic Republic of Timor-Leste ('the Government').

### The Government

The Government, as stipulated in Article 11.1 of the Petroleum Fund Law, is the overall manager of the Petroleum Fund.

The Petroleum Fund receives receipts on behalf of the Government as disclosed in Note 15. The Government, through the State budget, meets the expenses of the Petroleum Fund, including the audit fee, not otherwise covered by the management fee.

The Petroleum Fund makes transfers to the Consolidated Fund of Timor-Leste (pursuant to Article 7 of the Petroleum Fund Law) as disclosed in the statement of changes in capital.

### Banco Central de Timor-Leste (BCTL)

The BCTL is the operational manager of the Petroleum Fund, in accordance with Article 11.3 of the Petroleum Fund Law.

This means that the operational manager is, in particular, responsible for oversight of the investment managers and service providers, collection of dividends, interest and proceeds of matured securities, the exercise of options and, in general, for any other operation concerning the day-to-day administration of the securities and other assets and liabilities of the Petroleum Fund.

The management fee covers the operational management of the Petroleum Fund which is undertaken by the BCTL in accordance with the provisions of Article 11.3 of the Petroleum Fund Law. The audit fee and expenses incurred within the Ministry of Planning and Finance relating to the overall management of the Petroleum Fund are met directly from the State budget. The management fee paid to the BCTL for the period was composed as follows:

	<i>Year ended</i> <i>31/12/2017</i>	<i>Year ended</i> <i>31/12/2016</i>
	<i>USD</i>	<i>USD</i>
Custody and external management services	6,630,389	8,257,197
IAB expenses	246,766	203,420
BCTL operating expenses	6,550,326	4,934,218
<b>Total management fees</b>	<b>13,427,481</b>	<b>13,394,835</b>
Other expenses	716,307	1,475,000
<b>Total</b>	<b>14,143,788</b>	<b>14,869,835</b>

BCTL were entitled to receive a management fee for its respective services within the parameters of Annex 2 of the Operational Management Agreement Actualization dated 20 April 2015. In the current year, these fees amount to an aggregate of 0.08% (2016: 0.08%) per annum of the net assets of the Petroleum Fund. Management fees are payable monthly in arrears. Total management fees for the year amounted to US\$13,427,481 (2016: US\$13,394,835).

The management fees payable as at 31 December 2017 is US\$2,124,915 (31 December 2016: US\$4,953,007).

### Autoridade Nacional do Petróleo e Minerais (ANPM)

The ANPM manages the revenues from the production sharing contracts between Timor-Leste and Australia and transfers the Timor-Leste portion to the Petroleum Fund as Article 6.1(b) receipts as disclosed in Note 15.

## 20. Encumbrances on the Petroleum Fund

### *Encumbrances on the assets of the Petroleum Fund*

In accordance with Article 20 of the Petroleum Fund Law, burdens or encumbrances, in any of their forms, may be put by way of contract or agreement on Petroleum Fund assets, up to a limit of 10% of the total value of the Petroleum Fund at the time the burden or encumbrances is put, provided that this is in compliance with the principles in general rules for creating, issuing and managing public debt.

During the 2017 financial year and as at the financial position date, there were no encumbrances or burdens on the assets of the Petroleum Fund.

**Petroleum Fund of Timor-Leste  
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## **21. Application of new and revised IFRS**

This note provides information about new IFRS standards that have been adopted and forthcoming standards that are not yet effective.

### **21.1. New and revised IFRS applied with no material effect on the financial statements**

There are no new and revised IFRSs which have been adopted in these financial statements.

### **21.2. Adoption of IFRS standards that are not yet effective**

Management has not yet had an opportunity to consider the potential impact of the adoption of standards and interpretations in issue but not yet effective.

Management of the Petroleum Fund anticipates that these amendments will be adopted in the Petroleum Fund's financial statements as outlined below:

<b>Standard/interpretation</b>	<b>Effective date (periods beginning on or after)</b>	<b>Expected to be initially applied in the financial year beginning</b>
IFRS 9 Financial Instruments	1 January 2018	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018	1 January 2018
IFRS 16 Leases	1 January 2019	1 January 2019

## **22. Subsequent events**

No subsequent events have occurred after the reporting date but prior to the issuance of the financial statements that have a material effect on the financial statements and therefore require adjustment or disclosure in the statements.

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**PART VII: SCHEDULE OF FINANCIAL ASSETS**

**23. Schedule of financial assets valued through profit or loss**

**(a) Fixed interest securities – issued by sovereign states and supranationals**

Security	Nominal	Fair Value	Security	Nominal	Fair Value
Australia 5.50% 21Jan18	10,586,000	8,501,988	Canada 1.75% 01Sep19	21,165,000	17,012,730
Australia 5.25% 15Mar19	28,785,000	23,776,558	Canada 0.75% 01Sep20	5,375,000	4,192,142
Australia 1.75% 21Nov20	17,055,000	13,223,381	Canada 1.50% 01Mar20	16,000,000	12,775,547
Australia 4.50% 15Apr20	21,005,000	17,487,421	Canada 3.50% 01Jun20	2,380,000	1,984,335
Australia 5.75% 15May21	4,000,000	3,513,731	Canada 0.75% 01Mar21	24,770,000	19,197,550
Australia 5.75% 15Jul22	16,596,000	15,248,006	Canada 0.75% 01Sep21	15,385,000	11,857,329
Australia 5.50% 21Apr23	7,045,000	6,424,066	Canada 1.50% 01Jun23	8,172,000	6,397,355
Australia 2.75% 21Apr24	24,110,000	19,276,276	Canada 2.50% 01Jun24	17,495,000	14,454,951
Australia 3.25% 21Apr25	11,940,000	9,847,186	Canada 2.25% 01Jun25	25,120,000	20,436,748
Australia 4.25% 21Apr26	22,324,000	19,778,627	Canada 1.50% 01Jun26	8,160,000	6,256,015
Australia 2.75% 21Nov27	10,490,000	8,312,154	Canada 1.00% 01Jun27	1,540,000	1,120,756
Australia 4.75% 21Apr27	25,101,000	23,265,002	Canada 5.75% 01Jun29	8,820,000	9,663,648
Australia 3.25% 21Apr29	5,776,000	4,779,815	Canada 5.75% 01Jun33	13,142,000	15,439,967
Australia 4.50% 21Apr33	11,815,000	11,136,360	Canada 5.00% 01Jun37	3,600,000	4,136,223
Australia 2.75% 21Jun35	2,060,000	1,548,713	Canada 4.00% 01Jun41	7,611,000	7,983,954
Australia 3.75% 21Apr37	8,693,000	7,492,955	Canada 3.50% 01Dec45	11,856,000	11,863,670
Australia 3.00% 21Mar47	2,465,000	1,816,870	Canada 2.75% 01Dec64	1,575,000	1,445,264
		<b>195,429,108</b>			<b>170,903,238</b>
Austria 1.95% 18Jun19	363,000	456,411	Denmark 4.00% 15Nov19	92,847,700	16,339,582
Austria 3.90% 15Jul20	673,000	912,653	Denmark 3.00% 15Nov21	76,225,000	13,916,373
Austria 3.50% 15Sep21	1,878,000	2,601,100	Denmark 1.50% 15Nov23	127,580,200	22,426,360
Austria 3.40% 22Nov22	383,000	541,002	Denmark 7.00% 10Nov24	12,882,000	3,083,641
Austria 3.65% 20Apr22	672,000	961,500	Denmark 1.75% 15Nov25	137,193,000	24,829,300
Austria 1.75% 20Oct23	274,000	362,941	Denmark 0.50% 15Nov27	14,915,000	2,411,236
Austria 0.75% 20Oct26	1,680,000	2,066,680	Denmark 4.50% 15Nov39	123,226,200	33,667,886
Austria 4.85% 15Mar26	848,000	1,433,783			<b>116,674,377</b>
Austria 6.25% 15Jul27	195,000	367,345	Finland 3.37% 15Apr20	287,000	383,345
Austria 4.15% 15Mar37	1,642,000	3,061,670	Finland 0.00% 15Apr22	1,635,000	1,977,638
Austria 3.15% 20Jun44	1,035,000	1,758,338	Finland 1.50% 15Apr23	2,275,000	2,982,310
Austria 3.80% 26Jan62	153,000	317,724	Finland 2.62% 04Jul42	250,000	397,222
		<b>14,841,147</b>			<b>5,740,516</b>
Belgium 3.00% 28Sep19	288,000	369,782	France 0.50% 25Nov19	4,000,000	4,899,696
Belgium 4.00% 28Mar19	372,000	485,648	France 0.00% 25May20	2,060,000	2,501,082
Belgium 3.75% 28Sep20	591,000	798,664	France 0.25% 25Nov20	11,232,000	13,737,318
Belgium 4.25% 28Sep21	1,454,000	2,065,406	France 0.00% 25May21	10,738,000	13,025,762
Belgium 4.00% 28Mar22	476,000	692,990	France 0.00% 25May22	10,215,000	12,343,988
Belgium 4.25% 28Sep22	1,220,000	1,787,533	France 1.75% 25Nov24	4,374,500	5,817,191
Belgium 2.60% 22Jun24	3,981,343	5,603,936	France 0.50% 25May25	10,582,000	12,943,675
Belgium 0.80% 22Jun25	6,038,000	7,528,309	France 1.00% 25May27	8,135,000	10,145,675
Belgium 4.50% 28Mar26	1,034,000	1,703,321	France 2.50% 25May30	4,130,000	5,927,771
Belgium 0.80% 22Jun27	3,087,497	3,779,085	France 1.50% 25May31	571,000	729,876
Belgium 5.50% 28Mar28	559,000	1,025,864	France 5.75% 25Oct32	1,126,000	2,233,378
Belgium 5.00% 28Mar35	1,923,800	3,792,569	France 4.75% 25Apr35	2,364,632	4,500,785
Belgium 4.25% 28Mar41	2,247,400	4,291,293	France 1.25% 25May36	1,872,000	2,220,472
Belgium 3.75% 22Jun45	892,000	1,609,369	France 4.00% 25Oct38	798,124	1,419,341
		<b>35,533,769</b>	France 4.50% 25Apr41	816,621	1,593,842
Canada 1.25% 01Sep18	5,850,000	4,685,054	France 3.25% 25May45	4,765,000	7,827,462



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**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Nominal	Fair Value	Security	Nominal	Fair Value
France 4.00% 25Apr60	761,380	1,504,307	Japan 0.10% 20Sep20	677,650,000	6,052,543
		<b>103,371,621</b>	Japan 1.00% 20Sep20	55,300,000	507,162
Germany 0.00% 15Aug26	7,500,000	8,786,694	Japan 1.10% 20Jun20	55,450,000	507,203
Germany 0.25% 15Feb27	10,160,000	12,112,764	Japan 1.30% 20Jun20	31,450,000	289,069
Germany 2.50% 04Jul44	8,507,039	13,394,132	Japan 1.30% 20Mar20	31,750,000	291,750
Germany 2.50% 15Aug46	1,225,000	1,942,780	Japan 1.40% 20Mar20	495,500,000	4,564,113
Germany 4.75% 04Jul34	306,100	596,581	Japan 1.00% 20Sep21	60,450,000	560,345
Germany 0.00% 17Apr20	7,755,000	9,439,245	Japan 1.10% 20Dec21	39,450,000	367,052
		<b>46,272,194</b>	Japan 1.10% 20Mar21	732,000,000	6,771,926
Hong Kong 0.61% 05Feb18	2,500,000	320,416	Japan 1.10% 20Sep21	34,800,000	323,821
Hong Kong 1.06% 05Feb20	6,050,000	772,179	Japan 1.30% 20Mar21	1,053,400,000	9,810,121
Hong Kong 2.93% 13Jan20	15,100,000	2,015,669	Japan 0.80% 20Sep22	754,000,000	6,993,065
Hong Kong 2.46% 04Aug21	10,750,000	1,427,355	Japan 0.90% 20Jun22	176,200,000	1,634,892
		<b>4,535,619</b>	Japan 0.80% 20Sep23	396,600,000	3,706,062
Ireland 5.90% 18Oct19	258,900	350,434	Japan 0.30% 20Dec24	1,357,250,000	12,346,078
Ireland 5.40% 13Mar25	1,033,000	1,729,740	Japan 0.40% 20Jun25	643,700,000	5,899,822
Ireland 1.70% 15May37	610,000	760,808	Japan 0.10% 10Mar25	776,000,000	7,303,156
Ireland 2.00% 18Feb45	235,000	299,998	Japan 0.10% 10Mar26	1,455,000,000	13,732,079
		<b>3,140,980</b>	Japan 2.10% 20Dec27	997,700,000	10,665,446
Italy 3.50% 01Jun18	2,186,000	2,675,446	Japan 1.60% 20Jun30	32,150,000	335,832
Italy 4.50% 01Feb18	830,000	1,019,159	Japan 1.90% 20Sep30	42,450,000	459,638
Italy 1.50% 01Aug19	3,570,000	4,428,835	Japan 2.00% 20Dec30	30,650,000	334,935
Italy 4.50% 01Mar19	808,000	1,038,530	Japan 2.00% 20Jun30	31,050,000	337,892
Italy 4.00% 01Sep20	4,312,000	5,783,757	Japan 2.10% 20Dec30	43,550,000	480,810
Italy 3.75% 01Aug21	943,000	1,285,887	Japan 2.10% 20Mar30	43,750,000	481,419
Italy 4.75% 01Sep21	838,000	1,181,988	Japan 1.80% 20Dec31	41,150,000	442,839
Italy 1.20% 01Apr22	8,920,000	10,999,676	Japan 1.90% 20Jun31	40,950,000	444,153
Italy 1.35% 15Apr22	13,000,000	16,125,077	Japan 2.20% 20Mar31	31,050,000	348,603
Italy 5.50% 01Sep22	659,000	979,520	Japan 1.70% 20Dec32	245,300,000	2,624,243
Italy 4.50% 01May23	611,000	874,015	Japan 1.80% 20Mar32	32,850,000	355,603
Italy 4.75% 01Aug23	833,000	1,224,189	Japan 1.60% 20Mar33	285,150,000	3,023,558
Italy 9.00% 01Nov23	2,800,000	4,908,742	Japan 1.70% 20Jun33	759,950,000	8,142,756
Italy 2.50% 01Dec24	4,095,000	5,279,750	Japan 1.20% 20Dec34	452,250,000	4,535,650
Italy 3.75% 01Sep24	6,095,000	8,527,959	Japan 1.20% 20Mar35	65,350,000	656,693
Italy 1.50% 01Jun25	1,575,000	1,885,948	Japan 0.20% 20Jun36	350,000,000	2,945,114
Italy 2.00% 01Dec25	1,575,000	1,940,559	Japan 2.30% 20Mar39	284,000,000	3,381,186
Italy 5.00% 01Mar25	2,517,000	3,797,604	Japan 2.00% 20Sep40	43,550,000	498,357
Italy 4.50% 01Mar26	2,890,000	4,265,347	Japan 2.30% 20Mar40	38,750,000	464,083
Italy 7.25% 01Nov26	821,000	1,437,200	Japan 2.20% 20Mar41	40,650,000	481,792
Italy 2.05% 01Aug27	7,700,000	9,372,684	Japan 1.90% 20Sep42	212,050,000	2,399,593
Italy 6.50% 01Nov27	872,000	1,480,552	Japan 0.30% 20Jun46	484,000,000	3,770,811
Italy 4.75% 01Sep28	840,000	1,275,975	Japan 0.80% 20Sep47	36,650,000	325,288
Italy 6.00% 01May31	1,557,000	2,653,932	Japan 2.20% 20Mar51	31,050,000	382,793
Italy 4.00% 01Feb37	7,191,000	10,269,068	Japan 2.00% 20Mar52	91,750,000	1,087,089
Italy 4.75% 01Sep44	4,622,000	7,202,412	Japan 1.70% 20Mar54	105,000,000	1,161,680
Italy 2.70% 01Mar47	1,051,000	1,158,223			<b>172,052,719</b>
		<b>113,072,032</b>	Netherlands 0.25% 15Jan20	2,855,000	3,496,815
Japan 0.10% 20Mar18	776,950,000	6,902,574	Netherlands 3.50% 15Jul20	646,000	868,225
Japan 0.10% 20Dec19	3,692,300,000	32,922,034	Netherlands 3.25% 15Jul21	1,986,000	2,730,832
			Netherlands 2.25% 15Jul22	849,000	1,145,047
			Netherlands 1.75% 15Jul23	1,868,700	2,485,288
			Netherlands 2.00% 15Jul24	3,065,000	4,170,372
			Netherlands 0.25% 15Jul25	1,899,000	2,283,078

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Nominal	Fair Value	Security	Nominal	Fair Value
Netherlands 5.50% 15Jan28	1,444,000	2,669,661	Spain 4.40% 31Oct23	380,000	558,670
Netherlands 2.50% 15Jan33	542,000	813,749	Spain 5.40% 31Jan23	1,035,000	1,614,475
Netherlands 4.00% 15Jan37	461,641	864,809	Spain 2.75% 31Oct24	2,335,000	3,173,551
Netherlands 3.75% 15Jan42	1,370,000	2,609,994	Spain 1.60% 30Apr25	625,000	793,694
		<b>24,137,871</b>	Spain 1.30% 31Oct26	4,900,000	5,885,476
New Zealand 5.00% 15Mar19	9,316,000	6,973,579	Spain 5.90% 30Jul26	4,247,000	7,138,990
New Zealand 3.00% 15Apr20	5,320,000	3,898,258	Spain 1.45% 31Oct27	3,705,000	4,415,796
New Zealand 6.00% 15May21	9,245,000	7,463,908	Spain 5.75% 30Jul32	450,000	805,436
New Zealand 5.50% 15Apr23	27,807,000	23,188,847	Spain 4.20% 31Jan37	2,066,000	3,267,483
New Zealand 2.00% 20Sep25	2,655,000	2,091,966	Spain 4.70% 30Jul41	3,564,000	5,942,342
New Zealand 4.50% 5Apr27-D	15,939,000	13,041,949	Spain 5.15% 31Oct44	780,000	1,367,770
New Zealand 3.50% 14Apr33	1,925,000	1,443,999	Spain 2.90% 31Oct46	2,090,000	<b>64,126,303</b>
New Zealand 2.75% 15Apr37	2,228,000	1,472,340	Sweden 4.25% 12Mar19	72,275,000	9,662,719
New Zealand 2.50% 20Sep40	5,600,000	4,303,971	Sweden 5.00% 01Dec20	83,815,000	11,902,155
		<b>63,878,816</b>	Sweden 3.50% 01Jun22	182,915,000	26,365,418
Norway 4.50% 22May19	54,250,000	7,184,878	Sweden 1.50% 13Nov23	146,405,000	19,300,674
Norway 3.75% 25May21	61,550,000	8,410,034	Sweden 1.00% 12Nov26	96,825,000	12,307,483
Norway 2.00% 24May23	153,510,000	19,788,492	Sweden 2.25% 01Jun32	19,175,000	2,716,175
Norway 3.00% 14Mar24	17,005,000	2,338,723	Sweden 3.50% 30Mar39	46,310,000	7,910,212
Norway 1.75% 13Mar25	51,060,000	6,479,116			<b>90,164,836</b>
Norway 1.75% 17Feb27	34,720,000	4,369,038	Switzerland 3.00% 12May19	3,097,000	3,405,800
		<b>48,570,282</b>	Switzerland 2.25% 06Jul20	2,843,000	3,169,457
Singapore 0.50% 01Apr18	1,395,000	1,042,246	Switzerland 2.00% 28Apr21	3,411,000	3,856,078
Singapore 4.00% 01Sep18	7,310,000	5,628,989	Switzerland 2.00% 25May22	11,005,000	12,692,800
Singapore 2.50% 01Jun19	15,064,000	11,427,622	Switzerland 4.00% 11Feb23	4,174,000	5,420,276
Singapore 3.25% 01Sep20	12,450,000	9,797,279	Switzerland 1.25% 11Jun24	3,481,000	3,967,802
Singapore 2.25% 01Jun21	8,063,000	6,156,553	Switzerland 1.50% 24Jul25	6,082,000	7,127,290
Singapore 3.12% 01Sep22	7,946,000	6,383,033	Switzerland 1.25% 28May26	370,000	430,077
Singapore 2.75% 01Jul23	6,972,000	5,464,810	Switzerland 3.25% 27Jun27	3,585,000	4,925,197
Singapore 3.00% 01Sep24	8,227,000	6,627,714	Switzerland 4.00% 08Apr28	6,048,000	8,986,252
Singapore 2.12% 01Jun26	6,000,000	4,544,942	Switzerland 2.25% 22Jun31	3,348,000	4,467,580
Singapore 3.50% 01Mar27	13,416,000	11,402,856	Switzerland 3.50% 08Apr33	3,647,000	5,704,466
Singapore 2.87% 01Sep30	9,193,000	7,420,228	Switzerland 2.50% 08Mar36	3,543,000	5,156,227
Singapore 3.37% 01Sep33	3,020,000	2,587,462	Switzerland 1.25% 27Jun37	5,394,000	6,599,687
Singapore 2.75% 01Apr42	5,709,000	4,523,758	Switzerland 1.50% 30Apr42	4,318,000	5,647,483
Singapore 2.75% 01Mar46	2,625,000	2,110,053	Switzerland 4.00% 06Jan49	5,229,000	11,221,858
		<b>85,117,544</b>	Switzerland 2.00% 25Jun64	922,000	1,559,679
Slovenia 3.12% 07Aug45	245,000	376,099			<b>94,338,009</b>
		<b>376,099</b>	UK 1.75% 22Jul19	3,845,000	5,348,108
Spain 4.10% 30Jul18	632,000	791,871	UK 2.00% 22Jul20	5,650,000	8,006,601
Spain 4.30% 31Oct19	2,149,000	2,818,333	UK 1.50% 22Jan21	10,310,000	14,449,263
Spain 4.60% 30Jul19	605,000	797,407	UK 3.75% 07Sep21	4,759,000	7,260,131
Spain 1.40% 31Jan20	5,455,000	6,858,561	UK 8.00% 07Jun21	5,843,000	9,942,698
Spain 4.00% 30Apr20	6,155,000	8,310,326	UK 0.50% 22Jul22	2,795,000	3,753,237
Spain 4.85% 31Oct20	1,365,000	1,881,418	UK 1.75% 07Sep22	3,810,000	5,427,586
Spain 0.75% 30Jul21	3,224,000	3,976,255	UK 4.00% 07Mar22	1,550,000	2,416,659
Spain 5.50% 30Apr21	801,000	1,171,531	UK 0.75% 22Jul23	1,065,000	1,436,647
			UK 1.50% 22Jul26	320,000	450,114
			UK 1.25% 22Jul27	3,530,000	4,814,345
			UK 6.00% 07Dec28	3,277,000	6,596,778

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Nominal	Fair Value	Security	Nominal	Fair Value
UK 4.75% 07Dec30	1,316,000	2,487,609	USA 1.62% 15Feb26	87,000,000	82,694,623
UK 4.25% 07Jun32	3,549,400	6,520,937	USA 1.62% 15May26	60,000,000	56,639,088
UK 4.50% 07Sep34	832,000	1,617,010	USA 2.00% 15Nov26	30,000,000	29,111,104
UK 4.25% 07Mar36	2,851,400	5,476,565	USA 2.37% 15May27	35,000,000	35,008,120
UK 4.75% 07Dec38	2,504,800	5,209,146	USA 2.25% 15Aug27	34,000,000	33,810,829
UK 4.25% 07Sep39	806,000	1,599,514	USA 2.25% 15Nov27	135,000,000	133,490,661
UK 4.25% 07Dec40	1,638,300	3,268,728	USA 2.75% 15Aug47	10,000,000	10,116,372
UK 4.50% 07Dec42	1,087,000	2,283,724			<b>7,881,288,280</b>
UK 3.25% 22Jan44	5,760,000	10,265,706			
UK 3.50% 22Jan45	8,155,000	15,249,105			
UK 4.25% 07Dec46	890,000	1,879,504			
UK 3.75% 22Jul52	3,327,500	7,011,677			
UK 4.25% 07Dec55	1,479,000	3,480,083			
UK 4.00% 22Jan60	1,285,000	3,042,372			
UK 2.50% 22Jul65	1,320,000	2,356,982			
UK 3.50% 22Jul68	1,453,900	3,317,932			
		<b>144,968,761</b>			
USA 1.75% 30Nov19	10,000,000	9,990,385			
USA 1.37% 30Apr20	10,000,000	9,899,722			
USA 1.75% 15Nov20	50,000,000	49,826,495			
USA 1.87% 15Dec20	25,000,000	24,949,627			
USA 1.25% 31Oct21	1,640,300,000	1,592,552,317			
USA 2.25% 30Apr21	2,611,500,000	2,638,905,632			
USA 1.62% 15Nov22	43,000,000	41,995,565			
USA 1.75% 30Sep22	5,000,000	4,922,160			
USA 1.75% 31May22	1,708,400,000	1,681,264,768			
USA 1.87% 31Oct22	413,400,000	408,720,343			
USA 2.00% 30Nov22	25,000,000	24,816,417			
USA 2.00% 31Oct22	10,000,000	9,947,145			
USA 1.37% 30Jun23	59,000,000	56,365,642			
USA 1.37% 30Sep23	9,000,000	8,604,821			
USA 1.37% 31Aug23	50,000,000	47,899,614			
USA 1.50% 28Feb23	20,000,000	19,401,153			
USA 1.62% 31Oct23	25,000,000	24,205,321			
USA 1.75% 15May23	9,000,000	8,798,613			
USA 1.75% 31Jan23	40,000,000	39,392,935			
USA 2.00% 15Feb23	5,000,000	4,986,405			
USA 2.12% 30Nov23	56,000,000	55,647,428			
USA 2.25% 31Dec23	85,000,000	84,849,142			
USA 1.87% 31Aug24	30,000,000	29,383,704			
USA 2.00% 30Apr24	50,000,000	49,268,927			
USA 2.00% 31May24	50,000,000	49,154,318			
USA 2.12% 29Feb24	75,000,000	74,800,312			
USA 2.12% 30Nov24	118,000,000	116,671,690			
USA 2.12% 30Sep24	5,000,000	4,964,256			
USA 2.12% 31Jul24	10,000,000	9,970,177			
USA 2.12% 31Mar24	94,000,000	93,551,991			
USA 2.25% 15Nov24	20,000,000	19,955,300			
USA 2.25% 31Jan24	20,000,000	20,145,346			
USA 2.25% 31Oct24	70,000,000	69,947,095			
USA 2.00% 15Feb25	22,000,000	21,672,055			
USA 2.25% 15Nov25	70,000,000	69,589,255			
USA 1.50% 15Aug26	25,000,000	23,401,410			

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**23. Schedule of financial assets valued through profit or loss (continued)**

**(b) Equity securities**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
<b>Australia</b>			Platinum Asset Mgmt	34,863	209,964
AGL Energy Ltd	115,659	2,203,671	QBE Insurance Group	242,860	2,028,698
Alumina Ltd	458,549	867,943	Ramsay Health Care Ltd	24,991	1,369,638
Amcor Ltd/Australia	202,243	2,437,621	Rea Group Ltd	10,578	634,170
AMP Ltd	514,475	2,084,415	Rio Tinto Ltd	129,943	7,703,927
APA Group	199,776	1,298,477	Santos Ltd	423,299	1,801,093
Aristocrat Leisure Ltd	98,785	1,830,400	Scentre Group	948,131	3,107,223
ASX Ltd	42,402	1,817,427	Seek Ltd	60,148	893,380
Aurizon Holdings Ltd	362,982	1,408,176	Sonic Healthcare Ltd	75,415	1,347,827
Ausnet Services	271,901	383,865	South32 Ltd	950,611	2,587,451
Aust & NZ Banking	534,158	11,998,977	Stockland	431,312	1,507,958
Bank of Queensland Ltd	68,109	677,613	SunCorp Group Ltd	228,410	2,476,101
Bendigo & Adelaide	91,551	835,649	Sydney airport	186,184	1,026,648
BHP Billiton Ltd	673,681	15,575,743	TabCorp Holdings Ltd	499,998	2,178,279
Bluescope Steel Ltd	102,683	1,234,419	Telstra Corp Ltd	1,767,976	5,019,645
Boral Ltd	207,141	1,260,479	TPG Telecom Ltd	59,081	303,139
Brambles Ltd	296,703	2,336,907	Transurban Group	412,641	3,745,323
BWP Trust	100,279	241,574	Treasury Wine Estate	132,132	1,649,419
Caltex australia Ltd	46,491	1,238,158	Troy Resources Ltd	16,917	1,283
Carsales.com Ltd	84,222	953,859	Vicinity Centers	622,929	1,320,377
Challenger Ltd	102,380	1,123,474	Wesfarmers Ltd	207,141	7,195,101
Charter Hall Group	189,348	891,553	Westfield Corp	344,026	2,548,187
Cimic Group Ltd	15,809	636,180	Westpac Banking Corp	607,883	14,900,781
Coca-Cola Amatil Ltd	165,491	1,101,524	Woodside Petroleum Ltd	215,890	5,585,835
Cochlear Ltd	10,209	1,367,266	Woolworths Group Ltd	238,370	5,084,249
CBA	314,242	19,741,401			<b>206,942,195</b>
Computershare Ltd	86,423	1,101,811	<b>Canada</b>		
Crown Resorts Ltd	65,005	660,459	Agnico Eagle Mines	36,020	1,667,968
CSL Ltd	87,890	9,709,972	Agrium Inc	21,311	2,453,669
Dexus	178,159	1,358,634	Alacer Gold Corp	147,100	260,634
Domino's Pizza	10,616	387,349	Alimentation Couche	58,205	3,041,832
Flight Centre Travel	8,547	295,612	AltaGas Ltd	21,280	484,721
Fortescue Metals	561,833	2,144,456	Arc Resources Ltd	52,722	620,234
Goodman Group	333,407	2,193,112	Argonaut Gold Inc	124,100	236,721
GPT Group	325,373	1,300,446	Atco Ltd/canada	7,284	261,432
Harvey Norman Holdings	108,266	352,270	Athabasca Oil Corp	307,700	260,315
Healthscope Ltd	330,459	542,784	Bank of Montreal	97,022	7,788,396
Incitec Pivot Ltd	289,386	880,475	Bank of Nova Scotia	182,137	11,790,678
Insurance Australia	420,016	2,375,167	Barrick Gold Corp	175,767	2,546,128
James Hardie Industry	76,147	1,346,019	Baytex Energy Corp	127,100	382,431
Lendlease Group	97,675	1,248,319	BCE Inc	63,839	3,074,890
Macquarie Group Ltd	98,253	7,654,119	Birchcliff Energy Ltd	78,100	273,641
MediBank PVT Ltd	465,987	1,195,467	Blackberry Ltd	79,051	885,810
Mirvac Group	666,233	1,224,571	Boardwalk R/Estate	6,500	222,295
National Australia Bank	481,145	11,128,006	Bombardier Inc	339,469	820,935
Newcrest Mining Ltd	142,802	2,547,708	Bonavista Energy Corp	184,400	329,667
Oil Search Ltd	245,980	1,498,743	Brookfield Asset	127,824	5,581,428
Orica Ltd	64,047	906,207	CAE Inc	39,659	736,237
Origin Energy Ltd	328,740	2,422,108	Cameco Corp	65,626	607,575
Oz Minerals Ltd	66,547	476,776	Can RL Est Invst Tst	8,100	297,637
Perseus Mining Ltd	757,229	219,139			

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
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**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Canadian Imperial Bank	60,663	5,927,103	Nevsun Resources Ltd	24,900	60,613
Canadian National Rail	152,053	12,576,120	North West Co Inc	8,100	193,942
Canadian Natural Resources	166,470	5,966,851	Obsidian Energy Ltd	229,300	283,663
Canadian Pacific Rail	20,733	3,799,436	Onex Corp	14,011	1,026,992
Canadian Tire Corp	11,111	1,452,735	Open Text Corp	41,434	1,477,199
Canadian Utilities	12,897	383,426	Pembina Pipeline Corp	78,492	2,850,381
Cardinal Energy Ltd	13,029	52,929	Pengrowth Energy Corp	136,300	108,783
CCL Industries Inc	25,100	1,163,300	Potash Corp of s-dum	132,038	2,716,740
Cenovus Energy Inc	263,869	2,415,561	Power Corp of canada	58,712	1,515,420
Centerra Gold Inc	39,700	203,419	Power Financial Corp	39,579	1,088,861
CGI Group Inc	57,342	3,124,874	Prairiesky Royalty Ltd	34,681	884,913
CI Financial Corp	82,498	1,957,512	Precision Drilling c	104,700	317,539
Constellation Software	3,099	1,881,042	Restaurant Brands Inc	27,597	1,701,479
Crescent Point Energy	143,409	1,096,499	Riocan Real Estate	26,325	511,814
Crew Energy Inc	163,300	409,244	Rogers Communication	52,276	2,671,063
Dollarama Inc	13,763	1,724,672	Royal Bank of Canada	212,813	17,409,577
Eldorado Gold Corp	110,100	158,171	Saputo Inc	21,153	762,585
Element Fleet ManAGe	65,693	498,091	Seven Generations	43,095	610,508
Emera Inc	7,325	274,479	Shaw Communications	66,240	1,516,232
Empire Co Ltd	25,566	496,853	Shopify Inc	11,558	1,171,528
Enbridge Inc	246,252	9,661,795	Smartcentres real	13,248	325,662
Encana Corp	159,421	2,132,484	Snc-lavalin Group Inc	25,305	1,151,797
Fairfax Financial Hldgs	3,697	1,973,238	Sun Life Financial Inc	79,274	3,281,808
Finning International	28,197	710,917	Suncor Energy Inc	250,533	9,225,899
First Capital Realty	24,382	401,258	Surge Energy Inc	195,100	323,882
First Quantum Mineral	104,990	1,474,778	Tahoe Resources Inc	106,600	513,028
Fortis Inc	59,700	2,196,552	Teck Resources Ltd	153,392	4,022,874
Franco-Nevada Corp	28,965	2,321,916	Telus Corporation	33,349	1,266,407
Genworth MI Canada	28,500	984,688	Thomson Reuters Corp	45,040	1,966,669
George Weston Ltd	8,509	741,121	Toronto-Dominion Bank	272,491	16,017,366
Gildan Activewear Inc	35,570	1,152,593	Tourmaline Oil Corp	53,853	979,106
GoldCorp Inc	185,573	2,372,704	Transcanada Corp	130,400	6,364,148
Great-west Lifeco Inc	48,177	1,345,011	Transcontinental Inc	38,100	750,171
H&R Real Estate Inv	27,208	463,184	Turquoise Hill Resources	153,137	521,884
Husky Energy Inc	128,515	1,819,590	Valeant Pharmaceutical	77,895	1,625,105
Hydro One Ltd	38,538	688,667	Vermilion Energy Inc	18,680	678,947
Igm Financial Inc	14,005	491,145	West Fraser Timber Corp	15,758	972,558
Imperial Oil Ltd	81,014	2,535,910	Wheaton Precious	71,688	1,589,443
Industrial Alliance	16,434	783,302	Yamana Gold Inc	193,500	602,298
Intact Financial cor	20,806	1,736,947			<b>240,059,409</b>
Inter Pipeline Ltd	53,579	1,112,674	<b>Denmark</b>		
Iron Bridge Resource	131,400	74,459	AP Moller - Maersk A/S	1,534	2,629,227
Jean Coutu Group Inc	10,811	210,102	Carlsberg A/S	16,898	2,035,805
Keyera Corp	29,898	842,093	Chr Hansen Holding A/S	17,414	1,637,372
Kinross Gold Corp	174,644	754,079	Coloplast A/S	18,734	1,494,393
Linamar Corp	21,573	1,257,069	Danske Bank A/S	103,936	4,044,861
Loblaw Cos Ltd	35,354	1,924,655	Dsv A/S	28,952	2,280,990
Lundin Mining Corp	131,915	878,065	Genmab A/S	8,790	1,463,015
Magna International	77,281	4,394,028	H lundbeck A/S	8,830	446,456
Manulife Financial c	297,262	6,220,686	Iss A/S	24,649	957,671
Meg Energy Corp	73,500	299,174	Novo Nordisk A/S	359,605	19,388,418
Methanex Corp	15,612	946,601	Novozymes A/S	36,202	2,073,890
Metro Inc	37,342	1,197,793	Orsted A/S	25,950	1,416,276
National Bank of Canada	54,245	2,713,657	Pandora A/S	29,965	3,252,442

**Petroleum Fund of Timor-Leste**  
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**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Scandinavian Tobacco	28,077	541,579	Bollore SA	151,784	820,363
Tdc A/S	119,804	737,906	Bolsas y Mercados Es	28,578	911,103
Tryg A/S	19,345	486,402	Boskalis Westminster	15,477	582,633
Vestas Wind Systems	49,761	3,442,115	Bouygues SA	33,413	1,734,891
William Demant Holding	23,380	652,712	Brenntag AG	26,325	1,669,697
		<b>48,981,534</b>	Bureau Veritas SA	38,436	1,051,388
<b>Europe</b>			Caixabank SA	564,462	2,635,311
A2A SPA	441,178	815,311	Capgemini SE	24,808	2,943,497
Abertis Infrastructure	108,893	2,425,576	Carrefour SA	79,088	1,709,441
ABN Amro Group NV-CV	56,351	1,815,826	Casino Guichard perr	10,451	634,506
Accor SA	28,188	1,455,810	Cia de Distribucion	60,833	1,399,240
ACS Actividades Cons	33,510	1,312,188	Cie de Saint-Gobain	67,208	3,709,129
Adidas AG	28,706	5,761,692	Cie Generale Des Eta	34,951	5,011,121
Aegon NV	347,655	2,205,464	Cie Plastic Omnium S	9,683	439,863
Aena SA	9,125	1,851,237	CNH Industrial NV	154,753	2,073,835
Aeroports de Paris	4,377	829,645	CNP Assurances	25,963	598,431
Ageas	38,528	1,877,874	Coca-Cola European P	30,767	1,200,898
Agfa-gevaert NV	72,001	333,818	Colruyt SA	11,326	589,708
Aib Group Plc	102,114	664,715	Commerzbank AG	204,830	3,067,122
Air Liquide SA	64,552	8,142,855	Continental AG	16,227	4,392,008
Airbus SE	88,484	8,817,825	Corp Financiera Alba	4,462	255,093
Akzo Nobel	37,925	3,320,348	Covestro AG	36,845	3,807,596
Allianz SE-Reg	70,519	16,233,016	Credit Agricole SA	179,863	2,976,199
Alstom	25,011	1,033,594	CRH Plc	126,478	4,563,840
Altice NV	67,113	704,754	Cts Eventim AG & Co	14,202	660,578
Amadeus It Group SA	64,266	4,638,729	Daimler AG	144,293	12,253,453
Amundi SA	4,563	383,548	Danone SA	89,157	7,486,692
Andritz AG	10,770	611,067	Dassault Aviation SA	288	446,018
Anheuser-busch Inbev	113,009	12,613,436	Dassault Systemes SE	25,672	2,722,020
Aperam SA	5,397	277,505	Davide Campari-Milan	43,836	339,254
Arcelormittal	117,369	3,809,521	Deutsche Bank AG	407,949	7,761,919
Arkema SA	11,620	1,414,167	Deutsche Boerse AG	39,320	4,576,125
Asml Holding NV	60,052	10,416,360	Deutsche Euroshop AG	11,145	453,079
Assicurazioni General	185,146	3,377,093	Deutsche Lufthansa AG	57,139	2,110,522
ASTM SPA	16,930	489,129	Deutsche Post AG	148,900	7,115,316
Atlantia SPA	67,047	2,119,026	Deutsche Telekom AG	490,223	8,691,567
Atos SE	13,959	2,034,066	Deutsche Wohnen SE	55,474	2,421,391
Axa SA	382,541	11,362,159	Dialog Semiconductor	27,605	856,547
Axel Springer SE	6,251	490,606	Distribuidora Intern	98,950	510,447
Banco Bilbao Vizcaya	996,620	8,510,033	Drillisch AG	9,437	776,126
Banco Comercial Port	644,211	208,709	E.On SE	345,211	3,761,857
Banco de Sabadell SA	840,748	1,669,830	Edenred	78,458	2,275,701
Banco Espirito Santo	247,871	35,717	EDP - Energias de Portugal	510,879	1,758,801
Banco Santander SA	2,417,906	15,904,954	Eiffage SA	9,339	1,023,079
Bank of Ireland Group	243,798	2,088,122	Electricite de Franc	85,216	1,063,182
Bankia SA	174,382	834,870	Elisa OYJ	25,259	992,735
Bankinter SA	106,416	1,008,986	Enagas SA	24,128	691,584
Basf SE	166,309	18,322,840	Endesa SA	46,746	1,002,248
Bayer AG	128,600	16,021,384	ENEL SPA	1,212,642	7,470,006
Bayerische Motoren w	58,208	5,972,816	Engie SA	329,967	5,673,937
Be Semiconductor ind	12,031	1,008,967	ENI SPA	483,334	8,009,352
Beiersdorf AG	16,496	1,941,422	Erste Group Bank AG	48,423	2,104,317
Biomerieux	3,127	278,426	Essilor International	31,129	4,296,800
BNP Paribas SA	217,697	16,241,449	Eurazeo SA	7,337	678,127

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Eurofins Scientific	1,862	1,134,938	Koninklijke Philips	141,794	5,370,201
Eutelsat Communicati	27,016	625,135	Koninklijke Vopak NV	13,033	572,244
Evonik Industries AG	24,125	908,478	Lagardere Sca	19,615	628,648
Exor NV	17,335	1,063,692	Lanxess AG	15,202	1,205,715
Faurecia	18,828	1,468,886	Legrand SA	43,910	3,377,175
Ferrari NV	18,586	1,951,716	Leonardo SPA	61,384	730,834
Ferrovial SA	77,398	1,757,952	Linde AG	28,003	6,540,262
Fiat Chrysler Automo	161,598	2,893,241	L'oreal SA	38,056	8,451,785
Fonciere des Regions	5,946	674,584	Luxottica Group SPA	25,565	1,570,227
Fortum OYJ	74,591	1,470,722	LVMH Moet Hennessy Ltd	41,772	12,309,227
Fraport AG Frankfurt	5,921	653,261	MAN SE	5,048	577,493
Fresenius Medical Ca	32,587	3,434,484	Mapfre SA	205,218	659,189
Fresenius SE & Co Kg	58,084	4,514,046	MEDIOBANCA SPA	263,517	2,991,859
Fuchs Petrolub SE	12,302	655,371	Melexis NV	6,138	616,175
Galp Energia Sgps SA	65,895	1,211,035	Merck Kgaa	18,588	2,002,371
Gas Natural Sdg SA	60,760	1,404,493	Metro AG	26,740	527,237
GEA Group AG	31,229	1,496,430	Metropole Television	30,148	777,613
Gecina SA	7,223	1,332,665	Metso OYJ	20,809	711,143
Gemalto NV	13,728	813,680	MONCLER SPA	39,444	1,234,790
Getlink SE	79,923	1,026,416	Mtu Aero Engines AG	7,132	1,277,765
Grifols SA	39,324	1,153,356	Muenchener Rueckvers	23,822	5,170,440
Groupe Bruxelles lam	13,485	1,455,571	Natixis SA	156,114	1,233,499
Hannover Rueck SE	9,701	1,222,559	Neopost SA	16,196	464,811
Heidelbergcement AG	22,987	2,493,086	Neste OYJ	20,836	1,332,309
Heineken Holding NV	16,582	1,638,731	NN Group NV	73,042	3,164,537
Heineken NV	36,167	3,768,366	Nokia OYJ	878,876	4,103,220
Henkel AG & Co Kgaa	42,944	5,507,129	Nokian Renkaat OYJ	28,898	1,307,871
Hermes International	5,411	2,899,524	Omv AG	36,533	2,329,436
Hochtief AG	3,742	663,675	Orange SA	298,256	5,184,164
Hugo Boss AG	10,394	885,536	Orion OYJ	15,704	583,636
Iberdrola SA	851,633	6,606,265	Osram Licht AG	13,734	1,235,236
Icade	2,869	281,017	Paddy Power Betfair	7,070	839,882
Iliad SA	4,287	1,028,280	Pernod Ricard SA	30,686	4,851,009
Imerys SA	5,527	520,659	Peugeot SA	115,268	2,341,963
Industria de Diseno	166,604	5,807,690	Porsche Automobil Ho	18,632	1,565,014
Infineon Technologie	171,872	4,717,939	POSTE ITALIANE SPA	87,351	658,192
Ing Groep NV	581,207	10,695,529	Postnl NV	197,293	965,643
Ingenico Group SA	9,414	997,608	Prosiebensat.1 Media	74,137	2,550,086
Innogy SE	22,284	875,677	Proximus SAdp	56,857	1,866,609
International consol	102,116	887,285	PRYSMIAN SPA	32,481	1,060,497
Intesa Sanpaolo SPA	2,135,901	7,079,856	Publicis Groupe SA	87,850	5,962,315
Ipsen SA	8,215	981,920	Qiagen NV	28,733	900,001
Jcdecoux SA	11,442	461,237	Raiffeisen Bank inte	21,577	780,270
Jeronimo Martins Sgp	44,493	860,980	Randstad Holding NV	18,253	1,118,925
K+S AG	47,949	1,196,454	RECORDATI SPA	30,792	1,370,296
KBC Group NV	36,410	3,103,765	Red Electrica Corp	148,205	3,326,160
Kering	11,173	5,257,945	Relx NV	143,262	3,289,197
Kerry Group Plc	25,545	2,864,687	Remy Cointreau SA	3,487	482,365
Kion Group AG	9,306	805,692	Renault SA	25,974	2,610,569
Klepierre	35,583	1,562,566	Repsol SA	519,119	6,043,311
Kone OYJ	91,351	4,897,853	Rexel SA	46,772	849,197
Koninklijke Ahold De	189,249	4,158,681	Rtl group SA	12,433	996,249
Koninklijke Dsm NV	29,229	2,796,274	Rwe AG	83,695	1,708,015
Koninklijke Kpn NV	459,480	1,601,713	Ryanair Holdings Plc	13,329	241,523

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Safran SA	48,250	4,977,508	Wolters Kluwer NV	43,803	2,286,202
Sampo OYJ	87,165	4,783,319	Zalando SE	14,732	782,261
Sanofi	212,395	18,324,917	Zardoya Otis SA	80,791	880,886
Sap SE	173,349	19,419,024	Zodiac Aerospace	31,723	949,659
Schaeffler AG	22,959	406,508			<b>812,991,745</b>
Schneider Electric	84,452	7,180,844	<b>Hong Kong</b>		
Scor SE	25,703	1,031,481	Aia Group Ltd	1,800,000	15,335,216
Seb SA	2,888	533,192	ASM Pacific Technology	39,800	553,930
SES SA	54,107	843,983	Bank of East Asia Ltd	198,954	860,226
Siemens AG	114,131	15,904,489	BOC Hong Kong Holdings	586,000	2,968,493
Siemens Gamesa Renew	33,941	465,845	CK Asset Holdings Ltd	344,848	3,012,948
SNAM SPA	330,277	1,618,115	CK Hutchison Holding	394,740	4,951,102
Societe Bic SA	10,957	1,205,987	CK Infrastructure Holding	105,000	901,942
Societe Generale SA	163,956	8,461,838	CLP Holdings Ltd	245,000	2,505,692
Sodexo SA	14,584	1,960,522	First Pacific Co Ltd	428,000	289,629
Solvay SA	12,149	1,687,893	Galaxy Entertainment	331,000	2,654,842
Stmicroelectronics	104,350	2,277,392	Hang Lung Group Ltd	116,000	426,618
Stora Enso OYJ	93,241	1,474,564	Hang Lung Properties	344,000	837,854
Suez	61,168	1,073,848	Hang Seng Bank Ltd	108,200	2,685,172
Symrise AG	19,176	1,644,787	Henderson Land devel	325,216	2,136,267
Technipfmc Plc	18,446	572,245	HK Electric Investment	471,154	430,333
TELECOM ITALIA SPA	1,040,170	744,426	HKT Trust & HKT Ltd	528,040	671,423
TELECOM ITALIA SPA/M	1,723,967	1,491,537	Hong Kong & China Gas	1,290,419	2,525,605
Telefonica Deutschland	103,654	520,524	Hong Kong Exchanges	170,357	5,225,794
Telefonica SA	693,983	6,770,016	Hopewell Holdings Ltd	35,000	128,721
Telenet Group Holdings	7,858	548,131	Hysan Development Co	137,000	723,792
Teleperformance	8,097	1,153,620	Kerry Properties Ltd	207,000	930,762
Tenaris SA	74,732	1,180,058	Kingston Financial	466,000	446,489
TERNA RETE ELETTRICA	145,948	848,933	Li & Fung Ltd	972,000	533,417
Thales SA	15,718	1,693,203	Link REIT	308,000	2,852,545
Thyssenkrupp AG	64,134	1,864,464	MGM China Holdings Ltd	164,400	496,315
Total SA	419,359	23,186,725	Minth Group Ltd	56,000	336,331
Ubisoft Entertainment	11,221	862,617	MTR Corp Ltd	244,397	1,430,310
UCB SA	19,600	1,551,944	New World Development	918,992	1,377,788
Umicore SA	31,984	1,511,868	NWS Holdings Ltd	248,251	447,768
Unibail-Rodamco	14,784	3,728,054	PCCW Ltd	838,000	486,679
UNICREDIT SPA	366,393	6,854,655	Power Assets Holding	190,500	1,607,137
Unilever NV	350,018	19,714,260	Sands China Ltd	393,200	2,027,037
Uniper SE	34,416	1,067,677	Shangri-la Asia Ltd	216,000	488,516
UNIPOLSAI ASSICURAZI	152,370	356,235	Sino Land Co Ltd	490,293	866,776
United Internet AG	20,377	1,404,749	SJM Holdings Ltd	374,000	334,898
Upm-Kymmene OYJ	135,118	4,202,270	Sun Hung Kai Properties	322,000	5,358,908
Valeo SA	38,720	2,889,665	Swire Pacific Ltd	118,500	1,095,973
Veolia Environnement	74,627	1,902,914	Swire Properties Ltd	321,123	1,033,124
Vinci SA	76,046	7,774,652	Techtronic Industries	225,500	1,462,506
Vivendi SA	150,659	4,052,416	WH Group Ltd	1,269,408	1,430,607
Voestalpine AG	19,223	1,153,226	Wharf Holdings Ltd	336,000	1,160,503
Volkswagen AG	32,966	6,615,824	Wharf Real Estate Inc	336,000	2,235,043
Vonovia SE	62,858	3,117,699	Wheelock & Co Ltd	221,000	1,577,501
Wartsila OYJ abp	21,210	1,335,848	Wynn Macau Ltd	266,800	844,703
Wendel SA	4,237	733,151	Yue Yuen industrial	115,500	453,590
Wirecard AG	18,993	2,122,174			<b>81,140,827</b>



**Petroleum Fund of Timor-Leste**  
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**For the year ended 31 December 2017**

**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
<b>Israel</b>			Daifuku Co Ltd	14,700	799,920
Azraeli Group Ltd	6,612	370,058	Daiichi Sankyo Co Ltd	52,000	1,355,046
Bank Hapoalim Bm	308,475	2,272,034	Daikin Industries Ltd	34,900	4,129,755
Bank Leumi Le-Israel	412,718	2,491,775	Daito Trust Constructions	11,300	2,304,136
Bezeq The Israeli Te	329,096	498,434	Daiwa House Industry	63,400	2,434,695
Elbit Systems Ltd	2,986	399,693	Daiwa House Reit Inv	275	651,798
First International	8,287	172,249	Daiwa Securities Group	469,000	2,943,063
Frutarom Industries	5,166	485,552	Dena Co Ltd	18,400	379,270
Israel Chemicals Ltd	74,523	302,458	Denso Corp	71,100	4,267,893
Israel Discount Bank	91,807	266,828	Dentsu Inc	35,800	1,515,899
Mizrahi Tefahot Bank	20,357	374,109	Dic Corp	12,000	453,262
Nice Ltd	11,063	1,001,570	Disco Corp	4,100	911,354
Teva Pharmaceutical	69,653	1,317,361	Don Quijote Holdings	19,200	1,003,888
		<b>9,952,121</b>	East Japan Railway Corp	47,400	4,622,183
<b>Japan</b>			Eisai Co Ltd	36,800	2,095,297
ABC-Mart Inc	11,900	682,414	Electric Power Development	19,000	511,052
Acom Co Ltd	67,600	285,042	Familymart Uny Holdings	13,300	931,531
Aeon Co Ltd	44,100	744,591	Fanuc Corp	29,100	6,988,907
Aeon Financial Service	19,900	463,008	Fast Retailing Co Ltd	7,500	2,986,018
Aeon Mall Co Ltd	19,690	385,061	Fuji Electric Co Ltd	80,000	602,219
Aichi Bank Ltd	1,900	90,067	Fujiibo Holdings Inc	5,500	181,624
Air Water Inc	25,000	527,075	Fujifilm Holdings Co	60,800	2,484,893
Aisin Seiki Co Ltd	19,800	1,110,839	Fujitsu Ltd	309,000	2,201,813
Ajinomoto Co Inc	75,200	1,415,215	Fukuoka Financial Group	123,000	690,067
Alfresa Holdings Corp	27,800	652,492	Fuso Chemical Co Ltd	14,300	387,173
Alps Electric Co Ltd	29,300	836,214	Foldcrest Co Ltd	10,900	219,935
Amada Holdings Co Ltd	51,600	702,200	Fungho Online Entert	340,400	936,742
Ana Holdings Inc	18,800	784,710	Fachijuni Bank Ltd	164,000	940,470
Aozora Bank Ltd	24,200	940,932	Fakuhodo dy Holdings	39,700	515,237
Asahi Glass Co Ltd	31,300	1,354,527	Famamatsu Photonics	22,000	739,192
Asahi Group Holdings	62,500	3,100,310	Fankyu Hanshin Holdings	38,800	1,558,544
Asahi Kasei Corp	184,000	2,374,114	Faseko Corp	23,600	366,413
Asics Corp	26,600	423,853	Fikari Tsushin Inc	2,600	373,671
Astellas Pharma Inc	541,800	6,901,757	Fino Motors Ltd	43,700	565,986
Awa Bank Ltd	49,000	312,747	Firose Electric Co Ltd	5,040	736,426
Bandai Namco Holdings	28,200	921,225	Fisamitsu Pharmaceutical	10,400	629,632
Bank of kyoto Ltd	18,600	969,214	Fitachi Chemical Co	14,000	359,538
Benesse Holdings Inc	9,700	341,846	Fitachi Construction	17,800	645,477
BridgestOne Corp	130,300	6,057,532	Fitachi High-Technology	9,100	383,307
Brother Industries Ltd	35,100	865,582	Fitachi Ltd	721,000	5,608,631
Calbee Inc	12,600	409,933	Fitachi Metals Ltd	36,000	516,751
Canon Inc	157,400	5,868,441	Fonda Motor Co Ltd	253,100	8,668,084
Casio Computer Co Ltd	35,200	506,205	Foshizaki Corp	7,700	682,849
Central Japan Railways	44,200	7,915,978	Foya Corp	73,100	3,647,537
Chiba Bank Ltd	174,000	1,447,297	Fulic Co Ltd	40,500	455,153
Chubu Electric Power	109,000	1,354,638	Fyakugo Bank Ltd	51,000	242,663
Chugai Pharmaceutical	34,800	1,779,387	Fdemitsu kosan Co Ltd	17,000	682,867
Chugoku Electric Power	48,300	519,230	Fhi Corp	23,900	795,606
Coca-Cola Bottlers	13,100	478,531	Fida Group Holdings	25,300	477,253
Concordia Financial	200,000	1,205,504	Fnaba Denki Sangyo Co	3,700	172,437
Credit Saison Co Ltd	26,800	487,229	Fnpex Corp	371,700	4,645,837
Cyberdyne Inc	18,800	323,931	Fsetan Mitsukoshi Holdings	49,900	618,379
Dai Nippon Printing	26,000	579,547	Fsuzu Motors Ltd	92,200	1,544,033
Daicel Corp	143,800	1,635,222	Ftochu Corp	284,300	5,306,176

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Fyo Bank Ltd	63,800	510,853	Line Corp	7,700	313,742
J Front Retailing Co	40,500	762,903	Lion Corp	36,800	697,452
Japan Airlines Co Ltd	20,400	798,072	Lixil Group Corp	44,200	1,196,715
Japan Airport Terminals	7,600	281,669	M3 Inc	31,200	1,098,162
Japan Exchange Group	86,500	1,505,015	Mabuchi Motor Co Ltd	9,400	509,845
Japan Petroleum Explore	24,300	644,117	Maeda Road Constructions	33,000	756,964
Japan Post Bank Co Ltd	137,800	1,793,296	Makita Corp	36,000	1,511,584
Japan Post Holdings	231,800	2,654,434	Marubeni Corp	337,500	2,444,740
Japan Prime Realty	147	466,511	Marui Group Co Ltd	27,400	501,300
Japan Real Estate	209	990,732	Maruichi Steel Tube	6,700	195,974
Japan Retail Fund	402	735,840	Mazda Motor Corp	109,100	1,462,414
Japan Tobacco Inc	164,700	5,302,857	McDonald's Holdings	11,200	492,641
Jfe Holdings Inc	84,600	2,030,700	Mebuki Financial Group	149,760	632,807
JGC Corp	36,000	696,351	Medipal Holdings Corp	27,500	538,282
JSR Corp	28,500	561,145	Meiji Holdings Co Ltd	18,100	1,540,870
Jtekt Corp	69,200	1,187,426	Minebea Mitsumi Inc	59,300	1,242,326
Jxtg holdings Inc	513,200	3,310,629	Misumi Group Inc	41,200	1,199,609
Kajima Corp	212,000	2,038,136	Mitsubishi Chemical	300,600	3,298,194
Kakaku.com Inc	48,100	812,982	Mitsubishi Corp	262,700	7,257,189
Kaken Pharmaceutical	15,700	811,132	Mitsubishi Electric	285,000	4,732,290
Kamigumi Co Ltd	19,500	431,371	Mitsubishi Estate Co	178,900	3,112,685
Kanamoto Co Ltd	6,900	213,768	Mitsubishi Gas Chemical	27,200	781,110
Kaneka Corp	41,000	374,150	Mitsubishi Heavy Industries	49,200	1,838,285
Kanematsu Electronic	12,500	373,391	Mitsubishi Materials	19,200	682,610
Kansai Electric Power	114,500	1,402,155	Mitsubishi Motors Co	105,700	763,780
Kansai Paint Co Ltd	34,300	890,308	Mitsubishi Tanabe Ph	54,300	1,123,598
Kao Corp	74,600	5,042,867	Mitsubishi UFJ Finance	1,926,200	14,120,335
Kawasaki Heavy Industries	22,800	799,467	Mitsubishi UFJ Lease	79,200	471,052
Kddi Corp	409,100	10,183,012	Mitsui & Co Ltd	302,400	4,915,174
Keihan Holdings Co Ltd	16,200	476,724	Mitsui Chemicals Inc	29,400	946,072
Keihin Corp	11,100	226,040	Mitsui Fudosan Co Ltd	128,000	2,866,791
Keikyu Corp	42,500	816,045	Mitsui Osk Lines Ltd	18,000	600,000
Keio Corp	18,800	826,933	Mitsui Sugar Co Ltd	10,300	434,767
Keisei Electric rail	21,500	689,947	Mixi Inc	20,700	927,963
Keyence Corp	13,880	7,774,771	Mizuho Financial Group	3,646,100	6,618,974
Kikkoman Corp	26,000	1,051,309	MS & AD Insurance Group	68,700	2,325,371
Kintetsu Group Holdings	28,500	1,091,678	Murata Manufacturing	28,400	3,811,877
Kirin Holdings Co Ltd	138,900	3,498,701	Nabtesco Corp	16,600	636,591
Kobe Steel Ltd	53,800	499,077	Nagoya Railroad Co Ltd	29,200	735,119
Koito Manufacturing	15,200	1,065,956	Nec Corp	51,100	1,378,997
Komatsu Ltd	135,900	4,913,632	Nexon Co Ltd	124,900	3,636,680
Konami Holdings Corp	15,000	825,566	NGK Insulators Ltd	39,800	751,483
Konica Minolta Inc	73,000	701,811	NGK Spark Plug Co Ltd	31,000	753,466
Kose Corp	5,300	827,110	NH Foods Ltd	23,000	561,065
Kubota Corp	136,200	2,670,801	NHK Spring Co Ltd	32,000	351,957
Kuraray Co Ltd	81,500	1,536,671	Nidec Corp	32,000	4,489,658
Kurita Water Industries	18,300	594,567	Nikon Corp	56,500	1,138,025
Kyocera Corp	43,500	2,845,938	Nintendo Co Ltd	17,100	6,252,543
Kyokuto Kaihatsu Kog	8,400	148,016	Nippo Corp	15,000	350,999
Kyowa Hakko Kirin Co	39,300	759,835	Nippon Building Fund	214	1,042,929
Kyushu Electric Power	67,300	704,962	Nippon Electric Glas	13,600	519,130
Kyushu Financial Group	72,400	437,678	Nippon Express Co Ltd	12,600	836,644
Kyushu Railway Co	20,600	638,207	Nippon Paint Holding	26,000	821,660
Lawson Inc	6,300	418,322	Nippon Prologis Reit	243	513,611

**Petroleum Fund of Timor-Leste**  
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**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Nippon Steel & Sumitomo	141,624	3,633,947	Seven Bank Ltd	514,300	1,762,271
Nippon Telegraph & Teleph	185,000	8,703,949	Sharp Corp	24,000	824,501
Nippon Yusen Kk	26,200	639,359	Shimadzu Corp	43,000	977,568
Nissan Chemical Ind	18,300	729,401	Shimamura Co Ltd	9,000	989,880
Nissan Motor Co Ltd	346,600	3,455,231	Shimano Inc	10,300	1,447,394
Nisshin Seifun Group	27,695	559,309	Shimizu Corp	101,000	1,042,725
Nissin Foods Holdings	9,500	693,209	Shin-etsu Chemical Corp	58,500	5,943,475
Nitori Holdings Co Ltd	13,100	1,864,700	Shinmaywa Industries	46,000	438,154
Nitto Denko Corp	26,600	2,361,296	Shinsei Bank Ltd	63,700	1,102,098
Nof Corp	13,300	356,556	Shionogi & Co Ltd	44,000	2,379,085
NOK Corp	19,000	443,586	Shiseido Co Ltd	58,500	2,827,630
Nomura Holdings Inc	836,800	4,939,088	Shizuoka Bank Ltd	160,000	1,651,842
Nomura Real Estate H	21,300	477,241	Showa Shell Sekiyu	32,900	446,552
Nomura Real Estate M	689	852,611	Smc Corp	10,800	4,445,592
Nomura Research Inst	20,207	938,150	SoftBank Group Corp	120,500	9,539,449
Nsk Ltd	32,800	516,240	Sohgo Security Services	12,300	668,229
Ntt Data Corp	105,000	1,247,137	Sompo Holdings Inc	44,800	1,735,130
Ntt Docomo Inc	398,700	9,418,026	Sony Corp	221,900	10,012,584
Obayashi Corp	110,000	1,330,936	Sony Financial Holdings	28,300	500,683
Obic Co Ltd	11,600	850,564	Stanley Electric Co	23,000	933,067
Odakyu Electric Rail	49,500	1,058,548	Start Today Co Ltd	32,100	975,965
OJI Holdings Corp	194,000	1,289,889	Subaru Corp	132,800	4,221,542
Olympus Corp	43,400	1,664,341	Sumco Corp	33,900	867,888
Omron Corp	31,800	1,894,168	Sumitomo Chemical Co	414,000	2,976,831
Ono Pharmaceutical	65,800	1,533,581	Sumitomo Corp	218,600	3,712,222
Oracle Corp Japan	13,200	1,094,434	Sumitomo Dainippon	22,700	337,125
Oriental Land Co Ltd	32,700	2,979,720	Sumitomo Electric Inc	77,800	1,315,314
Orix Corp	192,000	3,245,166	Sumitomo Heavy Industries	17,600	744,465
Osaka Gas Co Ltd	58,800	1,132,154	Sumitomo Metal Mining	41,000	1,882,761
Otsuka Corp	7,800	598,242	Sumitomo Mitsui Financial	248,600	10,734,046
Otsuka Holdings co Ltd	58,500	2,566,937	Sumitomo Mitsui Trust	52,800	2,095,595
Panasonic Corp	325,700	4,766,235	Sumitomo Realty & De	58,000	1,906,045
Park24 Co Ltd	20,700	495,220	Sumitomo Rubber Industries	27,500	511,673
Persol Holdings Co	13,400	335,565	Sumitomo Seika Chemical	3,700	205,282
Piolax Inc	6,100	181,132	Sundrug Co Ltd	14,000	649,978
Pola Orbis Holdings	16,400	575,055	Suntory Beverage	24,300	1,080,719
Rakuten Inc	147,300	1,347,471	Suruga Bank Ltd	27,100	581,213
Recruit Holdings Co	170,500	4,237,148	Suzuken Co Ltd	11,000	452,108
Renesas Electronics	68,000	792,579	Suzuki Motor Corp	81,200	4,706,212
Resona Holdings Inc	359,100	2,145,355	Systemex Corp	25,700	2,021,322
Ricoh Co Ltd	111,400	1,034,393	T&d Holdings Inc	85,500	1,460,672
Rinnai Corp	6,200	560,284	Taiheiyu Cement Corp	19,700	850,781
Rohm Co Ltd	14,500	1,605,104	Taisei Corp	44,300	2,206,152
Ryohin keikaku Co Ltd	3,600	1,121,704	Taisho Pharmaceutical	5,800	463,382
Sankyo Co Ltd	9,500	298,957	Taiyo Nippon Sanso	30,000	419,707
Santen pharmaceutical	62,000	974,168	Takashimaya Co Ltd	39,000	410,599
SBI Holdings Inc	31,480	658,104	Takeda Pharmaceutical	104,000	5,906,719
Secom Co Ltd	28,000	2,113,981	Takeuchi Manufacturing	16,100	382,455
Sega Sammy Holdings	60,900	755,236	TDK Corp	20,100	1,602,290
Seibu Holdings Inc	23,200	438,668	Teijin Ltd	30,200	672,630
Seiko Epson Corp	41,400	976,474	Terumo Corp	44,100	2,086,578
Sekisui Chemical Co	71,000	1,425,042	THK Co Ltd	19,900	747,244
Sekisui House Ltd	93,800	1,694,478	Toagosei Co Ltd	47,600	605,511
Seven & I Holdings Co	110,700	4,600,953	Tobu Railway Co Ltd	29,700	959,680

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Toho Co Ltd	18,300	633,555	Meridian Energy Ltd	251,250	519,985
Toho Gas Co Ltd	13,400	366,968	Ryman Healthcare Ltd	66,192	494,295
Tohoku Electric Power	70,700	903,127	Sky Network Television	83,889	167,650
Token Corp	3,400	401,722	Spark New Zealand Ltd	282,013	726,055
Tokio Marine Holdings	101,900	4,647,689			<b>3,866,524</b>
Tokyo Electric Power	243,700	962,685	<b>Norway</b>		
Tokyo Electron Ltd	23,600	4,272,720	DNB ASA	155,180	2,885,667
Tokyo Gas Co Ltd	53,000	1,212,437	Gjensidige Forsikrin	29,686	562,192
Tokyo Tatemono Co Ltd	34,500	465,819	Leroy Seafood Group	112,484	604,821
Tokyu Corp	86,000	1,371,877	Marine Harvest ASA	55,918	949,588
Tokyu Fudosan Holdings	86,200	622,874	Norsk Hydro ASA	233,286	1,778,305
Toppan Forms Co Ltd	2,200	24,900	Orkla ASA	135,824	1,445,528
Toppan Printing Co Ltd	94,000	849,463	SAlmar ASA	24,093	725,793
Toray Industries Inc	234,000	2,206,018	Schibsted ASA	15,531	412,990
Toshiba Corp	795,000	2,215,978	SpareBank 1 sr-Bank	17,742	188,714
Tosoh Corp	93,000	2,107,670	StatOil ASA	165,599	3,547,096
Toto Ltd	24,000	1,414,647	Subsea 7 SA	38,030	571,890
Toyo Ink SC Holdings	32,000	189,188	Telenor ASA	109,712	2,359,398
Toyo Seikan Group Holdings	25,400	407,888	Yara International ASA	26,508	1,220,502
Toyo Suisan Kaisha Ltd	14,800	631,940			<b>17,252,483</b>
Toyoda Gosei Co Ltd	8,600	218,874	<b>Sweden</b>		
Toyota Boshoku Corp	36,500	763,697	Alfa Laval AB	52,440	1,240,626
Toyota Industries Co	26,700	1,716,005	Assa Abloy AB	147,566	3,069,372
Toyota Motor Corp	383,620	24,556,445	Atlas Copco AB	229,110	9,600,685
Toyota Tsusho Corp	36,300	1,459,734	Boliden AB	43,009	1,469,791
Trend Micro Inc	28,400	1,605,930	Electrolux AB	36,608	1,178,163
TS Tech Co Ltd	8,700	357,577	Essity AB	88,276	2,504,612
Tsuruha Holdings Inc	6,600	896,991	Getinge AB	40,061	581,771
Ulvac Inc	9,600	605,060	Hennes & Mauritz AB	144,786	2,997,401
Unicharm Corp	62,700	1,629,421	Hexagon AB	35,581	1,776,551
Unipres Corp	7,700	207,111	Husqvarna AB	74,043	704,934
USS Co Ltd	52,200	1,104,703	Ica gruppen AB	10,948	398,474
UTD Urban Invest crp	506	726,322	Industrivarden AB	20,024	493,783
Wakita & Co Ltd	29,600	362,873	Investor AB	96,085	4,379,715
West Japan Railway	27,100	1,977,951	Jm AB	29,342	667,654
Yahoo Japan Corp	218,900	1,002,684	Kinnevik AB	39,920	1,347,650
Yakult Honsha Co Ltd	14,200	1,070,200	L e Lundbergforetage	4,935	368,580
Yamada Denki Co Ltd	102,400	564,495	Lundin Petroleum AB	28,500	649,539
Yamaguchi Financial	28,000	332,570	Millicom Intl Cellul	11,019	744,918
Yamaha Corp	25,200	929,481	Netent AB	74,758	514,518
Yamaha Motor Co Ltd	55,800	1,827,803	Nordea Bank AB	465,170	5,627,491
Yamanashi Chuo Bank	22,000	95,890	SAndvik AB	177,055	3,101,030
Yamato Holdings Co Ltd	52,800	1,062,562	Securitas AB	46,921	820,079
Yamato Kogyo Co Ltd	10,900	316,889	Skandinaviska Enskil	231,286	2,706,222
Yamazaki Baking Co Ltd	23,000	448,566	Skanska AB	54,944	1,141,493
Yaskawa Electric Corp	36,700	1,615,908	Skf AB	65,411	1,451,625
Yokogawa Electric Corp	35,800	685,491	Svenska HandelsBanke	221,799	3,023,238
Yokohama Rubber Co Ltd	20,500	502,628	SwedBank AB	133,449	3,212,555
		<b>619,540,864</b>	Swedish Match AB	91,934	3,621,217
<b>New Zealand</b>			Tele2 AB	57,799	710,883
Auckland International	123,802	569,670	Telefonaktiebolaget	467,998	3,066,637
Fisher & Paykel Heal	43,066	430,637	Telia Co AB	415,629	1,855,926
Fletcher Building Ltd	112,481	603,973	Tethys Oil AB	17,760	141,538
Mercury NZ Ltd	147,808	354,258			

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
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**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Volvo AB	237,759	4,419,776	Schindler Holding AG	9,277	2,126,387
		<b>69,588,448</b>	SGS SA	1,316	3,424,707
<b>Singapore</b>			Sika AG	342	2,716,347
Ascendas	371,362	753,061	Sonova Holding AG	12,815	2,001,481
Capitaland Commercial	353,881	511,067	Straumann Holding AG	1,101	777,874
Capitaland Ltd	797,700	2,101,096	Swatch Group AG	8,936	2,356,136
Capitaland Mall Trust	376,200	596,786	Swiss Life Holding	5,164	1,828,200
City Developments Ltd	75,000	700,389	Swiss Prime Site AG	10,606	978,974
Comfortdelgro Corp Ltd	761,300	1,122,240	Swiss Re AG	87,539	8,192,467
DBS Group Holdings Ltd	251,900	4,684,014	Swisscom AG	10,805	5,748,993
Genting Singapore Plc	982,000	962,601	Ubs Group AG	717,856	13,207,964
Global Logistic Prop	466,300	1,172,380	Vifor pharma AG	6,590	844,629
Golden Agri-Resource	1,342,000	371,551	Zurich Insurance Group	22,893	6,965,394
Jardine Cycle & Carr	27,788	845,451			<b>214,266,258</b>
Keppel Corp Ltd	237,300	1,305,115	<b>United Kingdom</b>		
Mapletree Greater Ch	268,300	246,939	3I Group PLC	157,804	1,946,839
Oversea-Chinese Bank	457,867	4,244,967	Abcam Plc	16,277	232,297
SATS Ltd	88,100	342,142	Acacia Mining Plc	208,135	558,886
SembCorp Industries	180,000	408,111	Admiral Group Plc	47,203	1,277,076
Singapore Airlines	99,000	788,948	Anglo American Plc	201,408	4,216,233
Singapore Exchange	143,000	795,039	Antofagasta Plc	70,777	959,350
Singapore Press Holding	247,911	491,593	Ashmore Group Plc	155,869	854,160
Singapore Technologi	244,200	593,872	Ashtead Group Plc	83,186	2,232,591
Singapore Telecommun	2,251,500	6,014,559	Associated British	46,130	1,759,745
Starhub Ltd	99,100	211,340	Astrazeneca Plc	188,373	13,041,759
Suntec REIT	360,200	576,795	Auto Trader Group Plc	283,546	1,353,223
United Overseas Bank	194,863	3,849,435	Aviva Plc	599,513	4,095,503
UOL Group Ltd	94,384	625,036	Babcock International	162,335	1,549,267
Wilmar International	248,600	574,809	BAE Systems Plc	463,248	3,587,619
Yangzijiang Shipbuilding	897,100	980,071	Barclays Plc	3,813,426	10,477,133
Yanlord Land Group	251,900	303,471	Barratt Developments	156,096	1,367,253
		<b>36,172,877</b>	Beazley Plc	79,433	573,799
<b>Switzerland</b>			Berkeley Group Holdings	23,362	1,326,375
ABB Ltd	282,216	7,564,375	Bhp Billiton Plc	309,497	6,372,184
Adecco Group AG	23,597	1,803,978	BP Plc	2,893,148	20,433,444
Baloise Holding AG	8,622	1,341,299	British American Tobacco	366,348	24,818,491
Barry Callebaut AG	389	810,733	British Land	153,320	1,434,195
Chocoladefabriken Li	177	2,129,528	BT Group Plc	1,910,113	7,012,714
CIE Financiere Riche	79,154	7,172,191	Bunzl Plc	42,529	1,188,016
Clariant AG	17,537	490,388	Burberry Group Plc	120,561	2,922,551
Credit Suisse Group	341,422	6,092,694	Cairn Energy Plc	63,446	183,497
Dufry AG	5,923	880,701	Capita Plc	114,500	620,953
Ems-Chemie Holding AG	1,325	884,467	Carnival Plc	30,909	2,045,449
Geberit AG	5,396	2,375,459	Centrica Plc	1,590,561	2,954,188
Givaudan SA	1,360	3,140,073	Close Brothers Group	29,148	570,945
Julius Baer Group Ltd	36,361	2,221,958	Cobham Plc	392,680	669,840
Kuehne & Nagel Inter	8,420	1,489,593	Coca-Cola HBC AG	31,703	1,037,846
Lafargeholcim Ltd	66,500	3,746,384	Compass Group Plc	234,928	5,084,778
Lonza Group AG	10,217	2,759,482	Convatec Group Plc	135,395	376,018
Nestle SA	538,205	46,254,160	Croda international	21,473	1,284,774
Novartis AG	413,062	34,905,760	DCC Plc	13,930	1,406,689
Pargesa Holding SA	4,337	375,399	Diageo Plc	473,890	17,439,880
Partners Group Holdings	2,800	1,919,344	Direct Line Insurance	206,145	1,064,139
Roche Holding AG	137,390	34,738,742	Dunelm Group Plc	32,167	301,334

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
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**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Easyjet Plc	26,983	534,013	RSA Insurance Group	173,665	1,483,552
Experian Plc	134,760	2,980,547	Sage Group Plc	170,092	1,828,079
Ferguson Plc	39,717	2,863,656	Schroders Plc	20,578	978,744
Fresnillo Plc	37,869	729,476	Segro Plc	150,874	1,198,036
G4s Plc	252,011	907,496	Severn Trent Plc	40,495	1,183,239
GKN Plc	676,873	2,917,227	Shire Plc	137,052	7,212,869
Glaxosmithkline Plc	951,960	16,972,715	Sky Plc	158,973	2,176,312
Glencore Plc	1,847,488	9,718,091	Smith & Nephew Plc	126,625	2,201,100
Halfords Group Plc	32,206	152,396	Smiths Group Plc	161,491	3,255,006
Hammerson Plc	126,953	937,676	Spirax-Sarco Engineer	6,487	493,171
Hargreaves Lansdown	38,802	945,858	SSE Plc	131,157	2,338,429
HSBC Holdings Plc	3,326,026	34,468,971	St James's Place Plc	138,035	2,287,402
IG Group Holdings Plc	73,512	713,506	Standard Chartered Plc	761,231	8,032,085
IMI Plc	101,003	1,821,301	Standard Life Aberdeen	423,138	2,497,951
Imperial Brands Plc	174,010	7,452,506	Tate & Lyle Plc	-	-
Inchcape Plc	72,011	760,794	Taylor Wimpey Plc	507,299	1,416,416
Indivior Plc	200,330	1,104,310	Tesco Plc	1,246,753	3,529,093
Intercontinental Hot	29,258	1,867,324	Travis Perkins Plc	39,067	828,126
Intertek Group Plc	41,138	2,888,203	Tui AG	56,565	1,178,381
Investec Plc	262,423	1,899,210	Ultra Electronics Holding	24,565	447,612
ITV Plc	1,045,827	2,338,568	Unilever Plc	252,052	14,061,318
J Sainsbury Plc	302,717	988,533	United Utilities Group	102,454	1,148,949
John Wood Group Plc	90,104	791,663	Victrex Plc	23,503	838,717
Johnson Matthey Plc	30,886	1,283,512	Vodafone Group Plc	3,885,178	12,342,943
Jupiter Fund Management	45,425	386,205	Weir Group Plc	35,529	1,020,352
Kingfisher Plc	360,351	1,646,167	Whitbread Plc	29,460	1,593,282
Land Securities Group	121,700	1,659,466	WM Morrison Supermar	358,360	1,066,012
Legal & General Group	1,949,785	7,208,478	Worldpay Group Plc	327,187	1,885,484
Lloyds Banking Group	10,896,692	9,995,526	WPP Plc	432,590	7,847,340
London Stock Exchanges	50,456	2,584,108			<b>479,839,946</b>
Marks & Spencer Group	445,325	1,895,191	<b>United States</b>		
Mediclinic International	61,735	539,070	3M CO	106,574	25,128,018
Meggitt Plc	396,272	2,584,865	Abbott Laboratories	258,076	14,741,301
Merlin Entertainment	109,165	535,314	Abbvie Inc	272,903	26,433,385
Micro Focus International	45,872	1,561,882	Accenture Plc	92,868	14,219,948
Mondi Plc	108,504	2,834,296	Activision Blizzard	106,915	6,769,858
National Grid Plc	521,548	6,169,803	Acuity Brands Inc	6,652	1,170,819
Next Plc	50,297	3,075,373	Adobe Systems Inc	74,244	13,014,231
Old Mutual Plc	797,388	2,496,033	Advance Auto Parts Inc	11,347	1,131,182
Ophir Energy Plc	156,296	141,658	Advanced Micro Devic	122,106	1,255,250
Paddy Power Betfair	7,131	850,335	Aercap Holdings NV	23,668	1,245,173
Pearson Plc	134,721	1,341,314	AES Corp	111,652	1,209,191
Persimmon Plc	51,254	1,896,279	Aetna Inc	52,318	9,449,677
Playtech Plc	39,030	454,325	Affiliated Managers	22,202	4,558,515
Prudential Plc	393,806	10,137,674	Aflac Inc	104,947	9,216,446
Qinetiq Group Plc	189,834	593,460	Agco Corp	10,931	780,911
Randgold Resources I	14,615	1,464,000	Agilent Technologies	46,065	3,083,591
Reckitt Benckiser Group	134,321	12,570,186	Agnc Investment Corp	47,656	961,222
Relx Plc	152,784	3,592,071	Air Products & Chemical	31,298	5,136,941
Rio Tinto Plc	232,196	12,375,654	Akamai Technologies	28,622	1,861,861
Rolls-Royce Holdings	12,154,247	2,979,086	Alaska Air Group Inc	8,300	610,133
Royal Bank of Scotla	1,219,938	4,584,450	Albemarle Corp	16,753	2,142,709
Royal Dutch Shell Plc	1,333,331	44,896,012	Alcoa Corp	16,300	878,081
Royal Mail Plc	286,396	1,753,084	Alexandria Real Estate	12,041	1,572,434

**Petroleum Fund of Timor-Leste**  
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**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Alexion Pharmaceutical	34,800	4,162,776	Assured Guaranty Ltd	34,400	1,165,128
Align Technology Inc	10,798	2,399,640	AT&T Inc	1,118,512	43,510,117
Alkermes Plc	24,136	1,320,481	Athene Holding Ltd	59,465	3,074,341
Alleghany Corp	2,451	1,461,139	Atmos Energy Corp	14,320	1,229,372
Allegion Plc	16,794	1,336,299	Autodesk Inc	28,979	3,037,579
Allergan Plc	49,798	8,149,443	Autoliv Inc	13,626	1,731,592
Alliance Data Systems	7,587	1,923,305	Automatic Data Process	85,236	9,988,807
Alliant Energy Corp	39,177	1,669,332	Autonation Inc	10,581	543,017
Allstate Corp	54,393	5,694,947	Autozone Inc	4,049	2,880,297
Ally Financial Inc	81,453	2,375,169	Avalonbay Communities	20,424	3,644,050
Alnylam pharmaceutical	12,579	1,598,036	Avery Dennison Corp	15,079	1,732,125
Alphabet Inc	106,368	111,668,266	Avnet Inc	20,088	795,686
Altria Group Inc	340,038	24,292,315	Axalta Coating System	29,975	970,890
Amazon.com Inc	66,734	78,043,411	Axis Capital Holding	15,323	770,134
AMC Networks Inc	28,900	1,562,623	Baker Hughes Inc	62,107	1,965,687
Amdocs Ltd	8,665	567,384	Ball Corp	52,028	1,969,260
Amerco	1,387	523,537	Bank of America Corp	1,759,331	51,953,044
Ameren Corporation	37,454	2,209,411	Bank of New York Mellon	152,295	8,204,132
American Airlines Group	21,125	1,099,134	Baxter International	74,896	4,841,277
American Electric Power	74,089	5,450,728	BB&T Corp	123,022	6,117,884
American Equity Invt	21,800	669,478	Becton Dickinson	39,160	8,382,981
American Express Co	159,891	15,880,374	Bed Bath & Beyond	49,600	1,089,216
American Financial Group	24,444	2,653,152	Berkshire Hathaway Inc	196,284	38,995,742
American International	140,252	8,357,617	Best Buy Co Inc	54,615	3,738,943
American National	2,058	262,910	Big Lots Inc	11,200	628,880
American Tower-reits	65,525	9,350,418	Bill Barrett Corp	52,900	271,377
American Water Works	28,128	2,573,149	Biogen Inc	48,158	15,341,694
Ameriprise Financial	23,324	3,952,952	Biomarin Pharmaceutical	27,091	2,415,434
Amerisourcebergen Co	35,380	3,248,592	Bio-Techne Corp	2,100	272,118
Ametek Inc	33,007	2,392,677	Blackrock Inc	18,529	9,526,685
Amgen Inc	149,183	25,942,924	Boardwalk Pipeline P	81,500	1,052,165
Amphenol Corp	52,605	4,619,245	Boeing Co	91,782	27,075,690
Amtrust Financial Se	16,000	160,960	Borgwarner Inc	31,256	1,596,556
Anadarko Petroleum Co	76,732	4,115,904	Boston Properties	24,576	3,195,617
Analog Devices Inc	54,920	4,891,175	Boston Scientific Co	208,705	5,173,797
Andeavor	21,962	2,513,331	Brighthouse Financial	12,955	759,681
Annaly Mortgage Mgmt	161,399	1,919,034	Brinker international	28,000	1,087,240
Ansys Inc	16,115	2,378,413	Bristol-Myers Squibb	248,277	15,221,863
Antero Resources Corp	51,092	970,237	British American Tobacco	34,498	2,311,711
Anthem Inc	40,444	9,102,327	Brixmor Property Group	50,284	938,299
AO Smith Corp	23,620	1,447,670	Broadcom Ltd	60,083	15,459,957
AON Plc	40,468	5,423,117	Broadridge Financial	19,784	1,793,024
Apache Corp	52,172	2,203,224	Brown-Forman Corp	29,912	2,054,356
Apple Inc	905,647	153,316,981	Buckle Inc	29,990	712,263
Applied Materials Inc	204,423	10,452,148	Bunge Ltd	21,547	1,446,019
Aptiv Plc	40,576	3,442,062	CA Inc	71,970	2,395,162
Aramark	33,451	1,429,361	Cabot Oil & Gas Corp	70,632	2,020,075
Arch Capital Group	19,990	1,814,892	Cadence Design System	43,164	1,805,118
Archer-Daniels-Midland	150,716	6,040,697	Callon Petroleum Co	44,400	539,016
Arconic Inc	63,837	1,739,558	Camden Property TST	11,809	1,087,018
Arista Networks Inc	6,923	1,631,543	Campbell Soup Co	108,361	5,213,248
Arrow Electronics in	14,963	1,203,324	Capital One Financial	100,904	10,048,020
Arthur J Gallagher	28,481	1,802,278	Carbo Ceramics Inc	26,400	268,752
Assurant Inc	8,073	814,081	Cardinal Health Inc	47,793	2,928,277

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Carlisle Cos Inc	13,800	1,568,370	Conagra Brands Inc	62,766	2,364,395
Carmax Inc	29,728	1,906,754	Concho Resources Inc	22,898	3,440,653
Carnival Corp	53,964	3,581,591	Conocophillips	188,587	10,353,426
Carter's Inc	8,100	951,669	Consolidated Edison	47,035	3,996,564
Caterpillar Inc	88,942	14,019,038	Constellation Brands	26,180	5,984,486
Cato Corp	10,600	168,752	Contango Oil & Gas C	120	562
CBL & Associates Prp	96,567	545,604	Continental Resource	15,246	807,581
CBOE Global Markets	12,911	1,608,711	Cooper Cos Inc	7,692	1,676,010
CBRE Group Inc	48,503	2,101,150	Cooper-Standard Holding	3,200	392,192
CBS Corp	52,481	3,096,379	Copart Inc	3,300	142,494
CDK Global Inc	19,232	1,370,857	Corning Inc	141,767	4,535,126
CDW Corp	23,013	1,599,634	Costar Group Inc	4,390	1,303,611
Celanese Corp	20,680	2,214,414	Costco Wholesale Corp	65,734	12,239,671
Celgene Corp	125,410	13,089,042	Coty Inc	66,106	1,314,187
Centene Corp	26,758	2,700,685	Cracker Barrel Old C	3,600	572,004
Centerpoint Energy	64,819	1,838,915	Credit Acceptance Co	4,400	1,423,268
Centurylink Inc	152,051	2,536,211	Crown Castle International	58,863	6,537,913
Cerner Corp	61,535	4,147,459	Crown Holdings Inc	21,419	1,204,819
CF Industries Holding	37,101	1,577,906	CSX Corp	138,175	7,602,389
CH Robinson Worldwid	19,151	1,706,354	Cummins Inc	35,011	6,184,693
Charles Schwab Corp	182,115	9,355,248	Curtiss-Wright Corp	4,100	499,626
Charter Communication	28,793	9,678,767	CVS Health Corp	213,351	15,478,615
Chase Corp	547	65,941	Danaher Corp	93,374	8,667,908
Check Point Software	41,335	4,283,133	Darden Restaurants	16,205	1,556,490
Chemours Co	25,848	1,293,692	Davita Inc	23,051	1,665,665
Cheniere Energy Inc	33,328	1,792,380	DCP Midstream	10,900	396,106
Chevron Corp	306,839	38,474,542	Deere & Co	40,743	6,378,317
Chico's FAS Inc	76,900	677,489	Dell Technologies-CL	34,016	2,764,140
Chipotle Mexican Gri	4,133	1,194,561	Delta Air Lines Inc	30,272	1,695,232
Chubb Ltd	71,467	10,450,619	Deluxe Corp	27,600	2,119,956
Church & Dwight Co	55,893	2,804,711	Dentsply Sirona Inc	36,058	2,373,698
Cigna Corp	38,851	7,893,746	Devon Energy Corp	72,348	2,995,207
Cimarex Energy Co	14,935	1,822,518	Diamond Offshore Drilling	37,200	691,176
Cincinnati Financial	26,033	1,951,694	Diamondback Energy	13,034	1,645,543
Cintas Corp	14,521	2,262,807	Dick's Sporting Good	35,800	1,028,892
Cirrus Logic Inc	18,652	967,293	Digital Realty Trust	27,879	3,175,697
Cisco Systems Inc	859,815	32,948,111	Discover Financial	103,019	7,924,221
CIT Group Inc	16,913	832,627	Discovery Communication	82,694	1,817,576
Citigroup Inc	517,189	38,489,205	Dish Network Corp	35,525	1,695,964
Citizens Financial Group	78,688	3,303,322	Dollar General Corp	39,924	3,714,130
Citrix Systems Inc	53,280	4,688,640	Dollar Tree Inc	31,228	3,351,389
Clorox Co	30,764	4,575,837	Dominion Energy Inc	90,784	7,358,951
CME Group Inc	51,968	7,591,485	Domino's Pizza Inc	7,668	1,448,409
CMS Energy Corp	42,975	2,032,718	Dover Corp	24,872	2,512,321
CAN Financial Corp	6,300	334,404	Dowdupont Inc	341,479	24,354,282
Coca-Cola Co	684,543	31,447,905	Dr Horton Inc	52,241	2,667,948
Cognex Corp	23,868	1,459,528	Dr Pepper Snapple Group	61,737	5,992,811
Cognizant Technology	131,247	9,322,474	DRIL-Quip Inc	10,200	486,540
Colgate-Palmolive Co	156,210	11,793,855	DSW Inc	25,600	547,840
Colony Northstar	73,673	840,609	DTE Energy Co	29,124	3,188,496
Comcast Corp	737,867	29,566,331	Duke Energy Corp	106,488	8,956,706
Comerica Inc	25,254	2,192,552	Duke Realty Corp	55,301	1,504,187
Comm Net Lease RTY	22,096	953,000	Dun & Bradstreet Corp	11,900	1,410,269
Commscope Holding Co	28,582	1,081,257	DXC Technology Co	43,512	4,129,724



**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
E*Trade Financial Co	45,831	2,271,843	Fluor Corp	22,916	1,183,611
Eagle Materials Inc	4,600	521,134	Fmc Corp	22,111	2,093,027
East West Bancorp Inc	18,516	1,126,328	FNF Group	40,571	1,592,006
Eastman Chemical Co	19,911	1,844,555	Foot Locker Inc	14,300	670,241
Eaton Corp Plc	68,000	5,373,360	Ford Motor Co	643,189	8,033,431
Eaton Vance Corp	15,010	846,264	Fortinet Inc	24,929	1,089,148
Ebay Inc	196,826	7,428,213	Fortive Corp	66,677	4,826,748
Ecolab Inc	39,925	5,357,935	Fortune Brands Home	24,197	1,656,043
Edgewell Personal Ca	32,000	1,900,800	Franklin Resources	78,120	3,384,940
Edison International	48,301	3,054,555	Freeport-Memoran Inc	215,559	4,089,154
Edwards Lifesciences	40,358	4,549,154	Gamestop Corp	40,100	719,394
Electronic Arts Inc	47,561	4,998,185	Gannett Co Inc	31,643	366,742
Eli Lilly & Co	194,877	16,469,055	Gap Inc	72,055	2,454,193
Emerson Electric Co	137,672	9,597,115	Garmin Ltd	43,709	2,603,745
Energizer Holdings	12,700	609,219	Gartner Inc	14,027	1,727,706
Enso Plc	116,900	690,879	Gener8 Maritime Inc	29,500	195,290
Energizer Corp	29,255	2,381,357	General Dynamics Corp	45,012	9,163,543
Envision Healthcare	15,532	536,631	General Electric Corp	1,301,636	22,739,581
EOG Resources Inc	88,113	9,511,798	General Mills Inc	153,153	9,080,441
EQT Corp	32,121	1,828,327	General Motors Co	196,262	8,046,742
EQT Midstream Partner	8,500	621,180	Gentex Corp	81,228	1,701,727
Equifax Inc	25,476	3,004,130	Genuine Parts Co	21,710	2,062,450
Equinix Inc	11,577	5,249,012	GGP Inc Com	98,243	2,296,921
Equity Residential	54,846	3,498,078	Gilead Sciences Inc	263,142	18,854,124
Essent Group Ltd	21,275	923,761	Global Payments Inc	23,834	2,390,550
Essex Pty Trust Inc	10,477	2,530,510	Goldman Sachs Group	70,989	18,100,775
Estee Lauder Cos Inc	32,580	4,145,805	Goodyear Tire & Rubb	37,750	1,219,703
Everest re Group Ltd	17,168	3,798,935	GOOGLE LLC	-	-
Eversource Energy	51,312	3,242,405	Graco Inc	15,900	718,998
Exelon Corp	143,294	5,650,082	Gran Tierra Energy	121,600	328,320
Expedia Inc	18,621	2,230,051	Gray Television Inc	23,300	390,275
Expeditors International	26,478	1,712,862	Greenbrier Companies	14,600	778,910
Express Scripts Holding	154,355	11,524,144	H&R Block Inc	125,885	3,300,705
Extra Space storage	18,790	1,643,186	Halliburton Co	128,537	6,281,603
Exxon Mobil Corp	771,818	64,670,630	Hanesbrands Inc	60,162	1,257,987
F5 Networks Inc	16,908	2,218,837	Harley-Davidson Inc	28,801	1,465,395
Facebook Inc	401,365	70,848,950	Harris Corp	19,439	2,753,923
Factset Research sys	3,500	674,660	Hartford Financial	53,864	3,032,005
Fastenal Co	44,821	2,451,260	Hasbro Inc	47,717	4,336,998
FBL Financial Group	1,058	73,690	HCA Healthcare Inc	67,718	5,949,703
Federal Realty Invs	10,508	1,395,462	HCI Group Inc	125	3,736
Federated Investors	24,600	887,568	HD Supply Holdings	25,535	1,022,166
Fedex Corp	38,606	9,633,741	Health Care Pptys	75,870	1,978,690
Fidelity National Inc	49,843	4,691,722	Helmerich & Payne	19,049	1,231,518
Fifth Third Bancorp	111,105	3,370,926	Henry Schein Inc	24,468	1,710,069
First American Financial	7,524	421,570	Hershey Co	37,615	4,270,807
First Data Corp	44,219	738,457	Hess Corp	60,820	2,886,517
First Republic Bank	25,777	2,232,804	Hewlett Packard	372,138	5,343,902
FirstEnergy Corp	69,470	2,127,171	Hilton Worldwide Holdings	29,454	2,351,902
Fiserv Inc	31,688	4,155,881	Hollyfrontier Corp	29,437	1,507,763
Fleetcor Technologies	14,449	2,780,999	Hologic Inc	42,758	1,827,905
Flex Ltd	79,303	1,426,661	Home Depot Inc	184,526	35,008,273
Flir Systems Inc	20,362	949,276	Honeywell International	108,614	16,690,713
Flowserve Corp	23,631	995,574	Hongkong Land Holdings	283,800	1,997,952

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
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**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Hormel Foods Corp	40,455	1,472,157	L Brands Inc	35,530	2,139,261
Host Hotels & Resort	210,985	4,188,052	L3 Technologies Inc	11,681	2,311,086
HP Inc	474,356	9,966,220	Laboratory Corp of America	15,867	2,531,104
Hubbell Inc	14,200	1,921,828	LAM Research Corp	35,729	6,578,066
Humana Inc	24,755	6,142,953	Landstar System Inc	2,900	301,890
Huntington Bancshare	168,429	2,452,326	Lannett Co Inc	10,300	238,445
Huntington Ingalls	6,672	1,572,324	Las Vegas Sands Corp	57,572	4,000,103
Hutchison Port Holdings	960,000	398,400	Lasalle Hotel Property	16,900	474,552
IAC/InteractiveCorp	9,583	1,171,330	Lazard Ltd	22,200	1,165,278
Idex Corp	16,377	2,161,273	Lear Corp	17,824	3,148,788
Idexx Laboratories Inc	14,046	2,196,513	Leggett & Platt Inc	23,076	1,101,417
Ihs Markit Ltd	58,008	2,619,641	Leidos Holdings Inc	17,822	1,150,588
Illinois Tool Works	52,828	8,816,465	Lennar Corp	28,212	1,784,127
Illumina Inc	22,212	4,853,544	Lennox International	5,036	1,048,747
Incyte Corp	26,317	2,492,483	Leucadia National Co	50,360	1,334,036
Ingersoll-Rand Plc	38,146	3,402,623	Liberty Broadband Co	15,912	1,354,589
Ingredion Inc	10,877	1,520,822	Liberty Global Plc	123,569	4,251,821
Intel Corp	901,619	41,636,765	Liberty Interactive	69,581	1,699,168
Intercontinental Exc	90,781	6,406,415	Liberty Media Corp	60,863	2,286,518
Intl Business Machines	167,544	25,719,679	Liberty Pty TST	21,335	917,832
Intl Flavor & Fragrances	13,080	1,996,139	Lincoln National Corp	30,191	2,320,782
International Paper	58,935	3,417,051	Live Nation Entertainment	10,891	463,630
International Seaway	17,400	321,204	LKQ Corp	47,793	1,943,741
Interpublic Group	53,744	1,083,479	Lockheed Martin Corp	39,157	12,576,445
Intuit Inc	44,633	7,044,873	Loews Corp	44,333	2,217,980
Intuitive Surgical Inc	16,842	6,146,488	Lowe's Cos Inc	125,319	11,647,148
Invesco Ltd	58,032	2,120,489	Lululemon Athletical	16,369	1,286,440
Invitation Homes Inc	23,499	554,106	Lyondellbasell Industries	66,215	7,304,839
IPG Photonics Corp	4,944	1,058,263	M&T Bank Corp	20,710	3,541,410
Iqvia Holdings Inc	22,495	2,202,485	Macerich Co	16,289	1,069,862
Iron Mtn Inc	36,635	1,382,239	Macquarie Infrastructure	11,684	749,879
Jabil Inc	24,000	630,000	Macy's Inc	72,081	1,815,720
Jack Henry & Association	11,193	1,309,021	MallInckrodt Plc	31,100	701,305
Jacobs Engineering Group	19,997	1,318,802	Manpowergroup Inc	11,366	1,433,366
Jardine Matheson Hlds	34,800	2,114,100	Marathon Oil Corp	193,838	3,281,677
Jardine Strategic Holding	30,100	1,190,154	Marathon Petroleum Corp	78,939	5,208,395
Jazz Pharmaceuticals	14,535	1,955,830	Markel Corp	1,877	2,135,275
JB Hunt Transport Se	14,001	1,609,835	Marriott International	49,676	6,742,523
JM Smucker Co	18,426	2,289,431	Marsh & McLennan Cos	78,022	6,350,991
Johnson & Johnson	488,844	68,359,945	Martin Marietta Mate	9,441	2,086,839
Johnson Controls Int	142,681	5,439,000	Marvell Technology G	68,676	1,474,474
Jones Lang Lasalle Inc	8,187	1,219,208	Masco Corp	46,818	2,057,183
JPMorgan Chase & Co	631,475	67,687,805	Mastercard Inc	165,068	25,060,624
Juniper Networks Inc	97,897	2,790,065	Mattel Inc	56,854	874,983
Kansas City Southern	16,826	1,770,600	Maxim Integrated Pro	78,682	4,112,708
Kellogg Co	63,881	4,343,269	Mccormick & Co Inc	18,603	1,895,832
KeyCorp	165,111	3,330,289	Mcdonald's Corp	146,800	25,286,300
Kimberly-Clark Corp	90,536	10,925,884	Mckesson Corp	53,921	8,410,058
Kimco Realty Corp	69,668	1,265,171	Medtronic Plc	205,401	16,592,293
Kinder Morgan Inc	302,074	5,458,477	Melco Resorts & Ent.	34,219	993,378
Kla-Tencor Corp	44,474	4,672,883	Mercadolibre Inc	6,039	1,900,232
Kohl's Corp	55,767	3,023,129	Merck & Co Inc	545,439	30,724,579
Kraft Heinz Co	91,871	7,145,726	Meredith Corp	3,700	244,385
Kroger Co	137,311	3,770,560	Metlife Inc	140,461	7,101,708

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
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**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Mettler-Toledo International	4,125	2,555,561	Oneok Inc	51,613	2,758,715
MGM Resorts International	70,320	2,347,985	Oracle Corp	594,328	28,105,771
Michael Kors Holding	40,943	2,577,362	O'reilly Automotive	13,643	3,281,278
Michaels Cos Inc	32,700	791,013	Overseas Shipholding	48,200	131,586
Micro Focus Intl-SPN	17,582	590,755	Owens Corning	8,392	771,309
Microchip technology	32,498	2,855,924	Paccar Inc	52,090	3,702,557
Micron technology Inc	212,371	8,732,696	Packaging Corp of AM	24,612	2,967,223
Microsoft Corp	1,268,233	108,548,062	Palo Alto Networks Inc	14,585	2,113,512
Mid-America Apartmnt	15,261	1,534,799	Park Hotels & Resort	50,000	1,438,000
Middleby Corp	8,183	1,104,378	Parker-Hannifin Corp	19,331	3,858,274
Moelis & Co	8,000	388,000	Parsley Energy Inc	31,388	923,749
Mohawk Industries Inc	9,534	2,630,526	Paychex Inc	67,361	4,585,937
Molson Coors Brewing	30,384	2,493,615	Paypal Holdings Inc	172,950	12,732,579
Mondelez International	227,554	9,739,311	Pentair Plc	21,598	1,525,251
Monsanto Co	59,371	6,937,501	People's United Financial	49,639	928,249
Monster beverage Corp	58,698	3,715,583	Pepsico Inc	225,623	27,058,966
Moody's Corp	36,916	5,450,647	Perrigo Co Plc	20,902	1,822,027
Morgan Stanley	204,799	10,745,804	Pfizer Inc	1,142,841	41,427,986
Mosaic Co	76,474	1,963,088	PG&E Corp	76,230	3,416,629
Motorola Solutions Inc	25,302	2,286,036	Philip Morris International	285,151	30,126,203
MSCI Inc	18,928	2,394,960	Phillips 66	67,551	6,837,512
Murphy Oil Corp	22,900	710,816	Pilgrim's Pride Corp	13,500	419,310
Mylan NV	122,508	5,185,764	Pinnacle West Capital	15,190	1,294,036
Nasdaq Inc	18,630	1,431,529	PiOneer Natural Resources	25,444	4,396,723
National Oilwell Var	59,782	2,153,348	Pitney Bowes Inc	121,243	1,355,497
National Western Life	1,200	396,636	Plains GP Holdings Inc	20,578	451,481
Ncr Corp	16,300	554,037	Pnc Financial Services	70,513	10,179,962
Netapp Inc	55,990	3,097,367	Polaris Industries Inc	10,086	1,250,462
Netflix Inc	64,368	12,358,012	PPG Industries Inc	39,682	4,635,651
New York Community	82,284	1,070,515	PPL Corp	101,306	3,135,421
Newell Brands Inc	71,098	2,196,928	Praxair Inc	43,348	6,713,305
Newfield Exploration	28,708	905,163	Priceline Group Inc	7,309	12,701,142
Newmont Mining Corp	80,493	3,020,097	Primerica Inc	8,200	832,710
News Corp	57,949	940,512	Prncipal Financial	51,309	3,620,363
Nextera Energy Inc	68,472	10,696,011	Procter & Gamble Co	463,612	42,661,576
Nielsen Holdings Plc	56,349	2,051,104	Progressive Corp	87,197	4,910,935
Nike Inc	197,368	12,351,289	Prologis Inc	79,084	5,102,500
Nisource Inc	50,096	1,285,964	Prudential Financial	65,808	7,567,262
Noble Corp Plc	83,200	376,064	Public Service Enter	74,867	3,855,651
Noble Energy Inc	68,424	1,993,875	Public storage Inc	27,905	5,832,982
Nordstrom Inc	30,558	1,447,532	Pultegroup Inc	40,650	1,351,206
Norfolk Southern Corp	44,263	6,419,020	PVH Corp	12,944	1,775,917
Northern Trust Corp	32,371	3,233,539	QEP Resources Inc	30,700	293,492
Northrop Grumman Corp	24,412	7,497,169	Qorvo Inc	21,236	1,414,318
Norwegian Cruise Lines	24,384	1,298,204	Qualcomm Inc	235,614	15,093,433
Nu Skin Enterprises	6,224	424,726	Quality Care Properties	15,860	218,868
Nucor Corp	45,365	2,884,307	Quest diagnostics Inc	21,475	2,115,073
Nvidia Corp	93,955	18,182,172	Ralph Lauren Corp	10,367	1,074,851
NVR Inc	478	1,676,929	Range Resources Corp	33,115	564,942
NXP Semiconductors	51,109	5,981,286	Raymond James Financial	21,774	1,944,418
Occidental Petroleum	116,142	8,559,665	Rayonier Advanced Ma	13,300	271,985
Oge Energy Corp	34,422	1,132,828	Raytheon Co	45,093	8,472,073
Old Dominion Freight	4,664	613,549	Realty Income Corp	41,572	2,370,851
Omnicom Group Inc	63,713	4,641,492	Red Hat Inc	26,147	3,140,255

**Petroleum Fund of Timor-Leste**  
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**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Regency Centres Corp	19,849	1,373,154	Starbucks Corp	226,567	13,011,743
Regeneron Pharmaceuticals	11,732	4,411,819	State Street Corp	57,691	5,631,795
Regions Financial Co	177,978	3,075,460	Steel Dynamics Inc	35,426	1,528,278
Reinsurance Group	8,834	1,377,751	Stericycle Inc	13,614	925,616
Renaissancere Holdings	7,323	919,622	Steven Madden Ltd	11,568	539,647
Renewable Energy Group	22,900	270,220	Stryker Corp	50,715	7,857,275
Republic Services Inc	36,920	2,496,161	Suntrust Banks Inc	72,983	4,713,972
Resmed Inc	30,038	2,543,918	Svb Financial Group	7,510	1,755,613
Robert Half International	22,218	1,233,988	Swift Transportation	10,052	439,574
Rockwell Automation	19,755	3,881,067	Symantec Corp	91,392	2,564,460
Rockwell Collins Inc	23,730	3,220,398	Synaptics Inc	13,700	547,315
Rollins Inc	7,701	358,328	Synchrony Financial	172,100	6,644,781
Roper Technologies Inc	14,308	3,707,632	Synopsis Inc	25,218	2,149,582
Ross Stores Inc	57,642	4,626,347	Sysco Corp	77,929	4,732,628
Rowan Cos Plc	49,200	770,964	T Rowe Price Group	35,787	3,755,130
Royal Caribbean Cruises	25,350	3,024,002	Take-Two Interactive	15,191	1,667,516
S&P Global Inc	39,540	6,700,844	Tapestry Inc	38,232	1,691,001
Sabre Corp	36,281	743,761	Targa Resources Corp	32,105	1,554,524
Safeway Inc	40,800	155,040	Target Corp	104,738	6,834,155
Salesforce.com Inc	101,332	10,362,210	Taro Pharmaceutical	4,723	495,159
Sally Beauty Holding	54,640	1,025,046	TD Ameritrade Holdings	42,777	2,187,616
Sanderson Farms Inc	6,600	915,948	TE Connectivity Ltd	53,370	5,072,819
Sanmina Corp	15,000	495,000	Technipfmc Plc	36,182	1,132,858
SBA Communications	18,373	3,001,781	Teekay Tankers Ltd	107,000	148,730
Scana Corp	19,317	768,430	Tegna Inc	84,000	1,183,560
Schlumberger Ltd	209,301	14,123,631	Teleflex Inc	6,255	1,556,619
Scorpio Tankers Inc	59,800	182,390	Terra Nitrogen Co	5,000	399,050
Scripps Networks Int	12,722	1,086,332	Tesaro Inc	5,656	468,713
Seagate Technology	84,994	3,556,149	Tesla Inc	19,608	6,104,951
SealedAir Corp	30,493	1,503,305	Teva Pharmaceutical	172,442	3,267,776
Seattle Genetics Inc	14,583	780,336	Texas Instruments Inc	148,517	15,514,086
SEI Investments Co	34,414	2,472,990	Textron Inc	42,450	2,402,246
Sempra Energy	36,238	3,875,654	Thermo Fisher Scient	58,699	11,152,223
Sensata Technologies	24,002	1,226,742	Third Point Reinsurance	48,800	712,480
Servicenow Inc	26,419	3,445,302	Tiffany & Co	19,612	2,039,452
Sherwin-Williams Co	12,316	5,049,560	Time Warner Inc	115,881	10,612,382
Signature Bank	8,154	1,119,218	TJX Cos Inc	107,042	8,183,361
Signet Jewelers Ltd	18,600	1,051,644	T-Mobile US Inc	45,684	2,901,391
Simon Property Group	47,645	8,187,793	Toll Brothers Inc	22,825	1,096,057
SInclair Broadcast	13,000	491,400	Torchmark Corp	18,917	1,715,961
Sirius XM Holdings	238,567	1,276,333	Toro Co	13,513	881,318
Skyworks Solutions	45,268	4,299,102	Total System Service	25,951	2,052,465
SI Green Realty Corp	16,340	1,649,360	Tractor Supply Co	20,769	1,552,483
Snap-on Inc	17,853	3,112,135	Transdigm Group Inc	7,466	2,051,731
Southern co	150,234	7,226,255	Transocean Ltd	91,500	977,220
Southwest Airlines	21,973	1,438,353	Transunion	19,070	1,047,515
Spectra Energy Partners	22,300	881,742	Travelers Cos Inc	42,298	5,738,147
Spectrum Brands Holdings	3,607	405,283	Trimble Inc	41,398	1,682,415
Spirit Aerosystems	13,930	1,215,393	Tripadvisor Inc	19,180	660,751
Splunk Inc	20,838	1,725,803	Triple-S Management	8,000	198,560
Sprint Corp	121,688	716,742	Triumph Group Inc	13,600	369,920
Square Inc	36,310	1,258,505	Tupperware Brands Co	15,638	980,503
SS&C Technologies	22,005	890,762	Twenty-First Century	227,559	7,828,511
Stanley Black & Deck	22,868	3,881,386	Twitter Inc	98,680	2,369,307

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Tyson Foods Inc	44,526	3,610,168	Westar Energy Inc	20,655	1,090,584
Ubiquiti Networks Inc	4,100	291,100	Western Digital Corp	74,158	5,897,786
UDR Inc	44,080	1,697,962	Western Union Co	110,506	2,100,719
UGI Corp	25,304	1,188,276	Westrock Co	39,231	2,480,184
Ultra beauty Inc	9,060	2,026,360	Weyerhaeuser Co	110,875	3,909,453
Under armour Inc	60,477	838,998	Whirlpool Corp	11,407	1,924,361
Union Pacific Corp	148,855	19,980,807	Whiting Petroleum Co	19,400	513,518
Unit Corp	8,300	182,683	Williams Cos Inc	129,253	3,942,217
United Continental Hotels	12,258	826,189	Williams-Sonoma Inc	11,600	599,720
United Parcel Service	102,553	12,221,241	Willis Towers Watson	19,853	2,991,649
United Rentals Inc	14,215	2,443,559	Workday Inc	17,849	1,815,600
United Technologies	143,408	18,310,333	WR Berkley Corp	16,033	1,148,925
United Therapeutics	21,450	3,173,742	WR Grace & Co	11,213	786,256
United Health Group	170,001	37,529,421	WW Grainger Inc	8,250	1,949,063
Universal Corp	6,700	351,750	Wyndham Worldwide Co	17,090	1,981,927
Universal Health Services	14,402	1,632,467	Wynn Resorts Ltd	12,943	2,182,060
Universal Insurance	25,115	686,895	Xcel Energy Inc	75,005	3,607,741
Unum Group	32,737	1,796,934	Xerox Corp	66,772	1,946,404
Urstadt Biddle cl a	6,900	149,937	Xilinx Inc	57,227	3,858,244
Us Bancorp	252,685	13,546,443	XL Group Ltd	36,157	1,271,280
Usana Health Science	7,300	540,565	Xylem Inc	23,089	1,574,670
Vail Resorts Inc	4,339	921,300	Yum! Brands Inc	49,821	4,065,892
Valero Energy Corp	80,934	7,439,453	Zayo Group Holdings	23,211	854,165
Validus Holdings Ltd	12,100	567,732	Zillow Group Inc	15,786	646,279
Vantiv Inc	22,451	1,650,822	Zimmer Biomet Holdings	30,861	3,724,305
Varian Medical System	17,881	1,988,010	Zions Bancorporation	23,289	1,183,780
Veeva Systems Inc	15,769	871,553	Zoetis Inc	73,125	5,271,581
Ventas Inc	44,484	2,669,485			<b>4,142,894,998</b>
Vereit Inc	145,901	1,136,569			
Verisign Inc	12,369	1,415,756			
Verisk Analytics Inc	25,514	2,449,599			
Verizon Communications	676,868	35,887,541			
Vertex Pharmaceuticals	36,479	5,467,108			
VF Corp	49,335	3,650,297			
Viacom Inc	106,621	3,284,993			
Visa Inc	324,608	37,089,710			
Vishay Intertechnolo	19,200	398,400			
Vistra Energy Corp	19,363	354,730			
Vmware Inc	17,051	2,136,490			
Vornado Realty Trst	27,620	2,159,608			
Voya Financial Inc	32,283	1,597,040			
Vulcan Materials co	21,123	2,711,560			
Wabco Holdings Inc	7,236	1,037,859			
Wabtec Corp	14,189	1,155,410			
Waddell & Reed Financial	31,900	712,646			
Walgreens Boots Alliance	178,611	12,968,945			
Wal-Mart Stores Inc	228,701	22,611,668			
Walt Disney Co	274,720	29,612,069			
Waste Connections Inc	42,189	2,992,888			
Waste Management Inc	68,940	5,949,522			
Waters Corp	18,322	3,540,543			
Wec Energy Group Inc	48,715	3,236,137			
Wells Fargo & Co	812,899	49,375,485			
Welltower Inc	54,897	3,500,782			
			<b>Total equity securities</b>		<b>6,983,490,229</b>

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**23. Schedule of financial assets valued through profit or loss (continued)**

**(c) Derivatives**

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
S&P500 Emini futures equity	175	198,271	Buy USD:Sell JPY 05/01/18	34,964	34,964
Buy AUD:Sell EUR 31/01/18	2,918,641	2,282,875	Buy USD:Sell JPY 07/02/18	6,783,627	6,783,627
Buy AUD:Sell USD 09/01/18	1,475,000	1,153,715	Buy USD:Sell JPY 09/01/18	2,512,787	2,512,787
Buy CAD:Sell USD 09/01/18	16,351,000	13,051,562	Buy USD:Sell NOK 09/01/18	862,391	862,391
Buy CHF:Sell EUR 31/01/18	1,194,750	1,228,706	Buy USD:Sell NZD 07/02/18	1,192,709	1,192,709
Buy CHF:Sell USD 03/01/18	272,501	279,652	Buy USD:Sell NZD 09/01/18	5,082,254	5,082,254
Buy CHF:Sell USD 09/01/18	1,190,000	1,221,766	Buy USD:Sell SEK 09/01/18	1,125,250	1,125,250
Buy DKK:Sell USD 07/02/18	12,606,000	2,037,893	Buy USD:Sell SGD 09/01/18	4,048,508	4,048,508
Buy DKK:Sell USD 09/01/18	25,176,000	4,062,165	Sell AUD:Buy EUR 31/01/18	-37,582,717	-29,396,097
Buy EUR:Sell AUD 31/01/18	24,424,280	29,382,717	Sell AUD:Buy USD 09/01/18	-26,832,000	-20,987,453
Buy EUR:Sell CAD 31/01/18	10,912,226	13,127,546	Sell CAD:Buy EUR 31/01/18	-16,452,090	-13,136,667
Buy EUR:Sell DKK 31/01/18	2,962,224	3,563,593	Sell CAD:Buy USD 07/02/18	-1,440,000	-1,149,899
Buy EUR:Sell HKD 31/01/18	1,723,427	2,073,304	Sell CAD:Buy USD 09/01/18	-8,537,000	-6,814,335
Buy EUR:Sell JPY 31/01/18	6,947,677	8,358,143	Sell CHF:Buy USD 07/02/18	-273,000	-280,891
Buy EUR:Sell NZD 31/01/18	13,446,300	16,176,068	Sell CHF:Buy USD 09/01/18	-2,202,000	-2,260,781
Buy EUR:Sell SGD 31/01/18	2,654,053	3,192,860	Sell DKK:Buy EUR 31/01/18	-22,056,455	-3,564,182
Buy EUR:Sell USD 07/02/18	1,350,000	1,624,701	Sell DKK:Buy USD 03/01/18	-12,606,008	-2,033,223
Buy EUR:Sell USD 09/01/18	34,931,000	41,962,607	Sell DKK:Buy USD 07/02/18	-16,550,000	-2,675,482
Buy GBP:Sell EUR 31/01/18	5,760,836	7,800,975	Sell DKK:Buy USD 09/01/18	-23,648,000	-3,815,621
Buy GBP:Sell USD 07/02/18	706,000	956,220	Sell EUR:Buy AUD 31/01/18	-1,896,937	-2,282,040
Buy GBP:Sell USD 09/01/18	4,485,000	6,068,426	Sell EUR:Buy CHF 31/01/18	-1,017,203	-1,223,708
Buy HKD:Sell EUR 31/01/18	68,367,567	8,751,515	Sell EUR:Buy GBP 31/01/18	-6,488,780	-7,806,085
Buy HKD:Sell USD 09/01/18	20,105,000	2,572,254	Sell EUR:Buy HKD 31/01/18	-7,343,394	-8,834,195
Buy JPY:Sell EUR 31/01/18	105,727,690	939,922	Sell EUR:Buy JPY 31/01/18	-781,372	-940,000
Buy JPY:Sell USD 04/01/18	7,269,927	64,542	Sell EUR:Buy NOK 31/01/18	-4,375,899	-5,264,262
Buy JPY:Sell USD 07/02/18	153,300,000	1,363,281	Sell EUR:Buy SEK 31/01/18	-2,986,390	-3,592,665
Buy JPY:Sell USD 09/01/18	763,179,690	6,777,258	Sell EUR:Buy SGD 31/01/18	-376,325	-452,724
Buy NOK:Sell EUR 31/01/18	43,231,049	5,290,193	Sell EUR:Buy USD 09/01/18	-8,590,000	-10,319,166
Buy NOK:Sell USD 09/01/18	25,268,000	3,089,953	Sell GBP:Buy USD 03/01/18	-706,443	-955,671
Buy NZD:Sell USD 04/01/18	1,675,478	1,191,571	Sell GBP:Buy USD 09/01/18	-4,670,000	-6,318,740
Buy NZD:Sell USD 09/01/18	6,592,000	4,687,834	Sell HKD:Buy EUR 31/01/18	-16,048,954	-2,054,376
Buy SEK:Sell EUR 31/01/18	29,539,139	3,614,660	Sell HKD:Buy USD 02/01/18	-166,544	-21,305
Buy SEK:Sell USD 07/02/18	5,720,000	700,227	Sell HKD:Buy USD 03/01/18	-165,408	-21,159
Buy SEK:Sell USD 09/01/18	99,815,000	12,196,283	Sell JPY:Buy EUR 31/01/18	-934,523,662	-8,307,939
Buy SGD:Sell EUR 31/01/18	604,555	452,583	Sell JPY:Buy USD 04/01/18	-3,986,721	-35,394
Buy SGD:Sell USD 09/01/18	1,130,000	845,663	Sell JPY:Buy USD 05/01/18	-3,941,795	-34,997
Buy USD:Sell AUD 09/01/18	20,305,881	20,305,881	Sell JPY:Buy USD 07/02/18	-763,180,000	-6,786,879
Buy USD:Sell CAD 07/02/18	1,149,829	1,149,829	Sell JPY:Buy USD 09/01/18	-281,440,737	-2,499,276
Buy USD:Sell CAD 09/01/18	6,620,627	6,620,627	Sell NOK:Buy USD 09/01/18	-7,132,000	-872,152
Buy USD:Sell CHF 07/02/18	280,363	280,363	Sell NZD:Buy EUR 31/01/18	-22,744,134	-16,169,254
Buy USD:Sell CHF 09/01/18	2,244,408	2,244,408	Sell NZD:Buy USD 07/02/18	-1,675,000	-1,190,687
Buy USD:Sell DKK 03/01/18	2,030,803	2,030,803	Sell NZD:Buy USD 09/01/18	-7,435,000	-5,287,324
Buy USD:Sell DKK 07/02/18	2,674,780	2,674,780	Sell SEK:Buy USD 09/01/18	-9,349,000	-1,142,344
Buy USD:Sell DKK 09/01/18	3,798,094	3,798,094	Sell SGD:Buy EUR 31/01/18	-4,241,432	-3,175,224
Buy USD:Sell EUR 09/01/18	10,224,236	10,224,236	Sell SGD:Buy USD 09/01/18	-5,445,000	-4,074,898
Buy USD:Sell GBP 03/01/18	954,546	954,546	Sell USD:Buy AUD 09/01/18	-1,118,357	-1,118,357
Buy USD:Sell GBP 09/01/18	6,316,565	6,316,565	Sell USD:Buy CAD 09/01/18	-12,778,968	-12,778,968
Buy USD:Sell HKD 02/01/18	21,310	21,310	Sell USD:Buy CHF 03/01/18	-279,176	-279,176
Buy USD:Sell HKD 03/01/18	21,169	21,169	Sell USD:Buy CHF 09/01/18	-1,215,895	-1,215,895
Buy USD:Sell JPY 04/01/18	35,323	35,323	Sell USD:Buy DKK 07/02/18	-2,035,064	-2,035,064

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

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**23. Schedule of financial assets valued through profit or loss (continued)**

Security	Unit holding	Fair Value
Sell USD:Buy DKK 09/01/18	-4,013,039	-4,013,039
Sell USD:Buy EUR 07/02/18	-1,624,441	-1,624,441
Sell USD:Buy EUR 09/01/18	-41,531,691	-41,531,691
Sell USD:Buy GBP 07/02/18	-955,005	-955,005
Sell USD:Buy GBP 09/01/18	-6,064,639	-6,064,639
Sell USD:Buy HKD 09/01/18	-2,575,676	-2,575,676
Sell USD:Buy JPY 04/01/18	-64,413	-64,413
Sell USD:Buy JPY 07/02/18	-1,363,125	-1,363,125
Sell USD:Buy JPY 09/01/18	-6,774,546	-6,774,546
Sell USD:Buy NOK 09/01/18	-3,061,783	-3,061,783
Sell USD:Buy NZD 04/01/18	-1,193,577	-1,193,577
Sell USD:Buy NZD 09/01/18	-4,566,825	-4,566,825
Sell USD:Buy SEK 07/02/18	-700,115	-700,115
Sell USD:Buy SEK 09/01/18	-11,975,956	-11,975,956
Sell USD:Buy SGD 09/01/18	-839,183	-839,183
<b>Total derivatives</b>		<b>153,361</b>





## **Annex III**

### **Statement on Accounting Policies of the Petroleum Fund for the Fiscal Year 2017**



REPUBLICA DEMOCRÁTICA DE TIMOR LESTE  
MINISTERIO do PLANO e FINANÇAS  
DIRECÇÃO GERAL DO TESOIRO



*“Seja um bom cidadão, seja um novo héroi para a nossa Nação”*

REF NO: /DGT/3/2018

28<sup>th</sup> March 2018

**Treasury Statement on Accounting Policies of the Petroleum Fund for Fiscal Year 2017**

This statement on the Accounting Policies of the Petroleum Fund is made in accordance with the provisions of Article 24.1 (d) of the Petroleum Fund Law, No. 12/2011. It may be retained for Petroleum Fund records.

In accordance with Article 21 of the Petroleum Fund Law, the Financial Statements of the Petroleum Fund for the Fiscal Year ended 31<sup>st</sup> December 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee (IASC) that remained in effect at the balance sheet date of the Petroleum Fund. No new or revised IFRSs were adopted for the Financial Statements of the Petroleum Fund for the year ended 31<sup>st</sup> December 2017. Previously adopted accounting standards have continued to be applied.

Rui Ferreira Magno

Director General of Treasury

## **Annex IV**

### **Comparison of Income Derived from the Investment of the Petroleum Fund Assets with the Previous Three Fiscal Years**

## **Comparison of Income Derived from the Investment of the Petroleum Fund Assets with the Previous Three Fiscal Years**

(As per Article 24.1 (e) of the Petroleum Fund Law No. 9/2005, of 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September)

Please refer to the Audited Financial Statements for details.

FY 2017	FY 2016	FY 2015	FY 2014
US\$1,612,087,594	US\$647,681,894	(US\$21,411,640)	US\$501,553,586

## **Annex V**

### **Comparison of Nominal Income on the Investment of the Petroleum Fund Assets with the Real returns After Adjusting for Inflation**

## **Comparison of Nominal Income on the Investment of the Petroleum Fund Assets with the Real returns After Adjusting for Inflation**

(As per Article 24.1 (f) of the Petroleum Fund Law No. 9/2005, of 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September)

Petroleum Fund's nominal and real return

Return	2017	2016
Nominal return	10.36%	4.13%
Inflation <sup>1</sup>	2.11%	2.07%
Real return	8.08%	2.02%

*The Petroleum Fund's nominal return for 2017 was 10.36%. The real return of the Fund for the year was 8.08%, after adjusting for the US inflation of 2.11%.*

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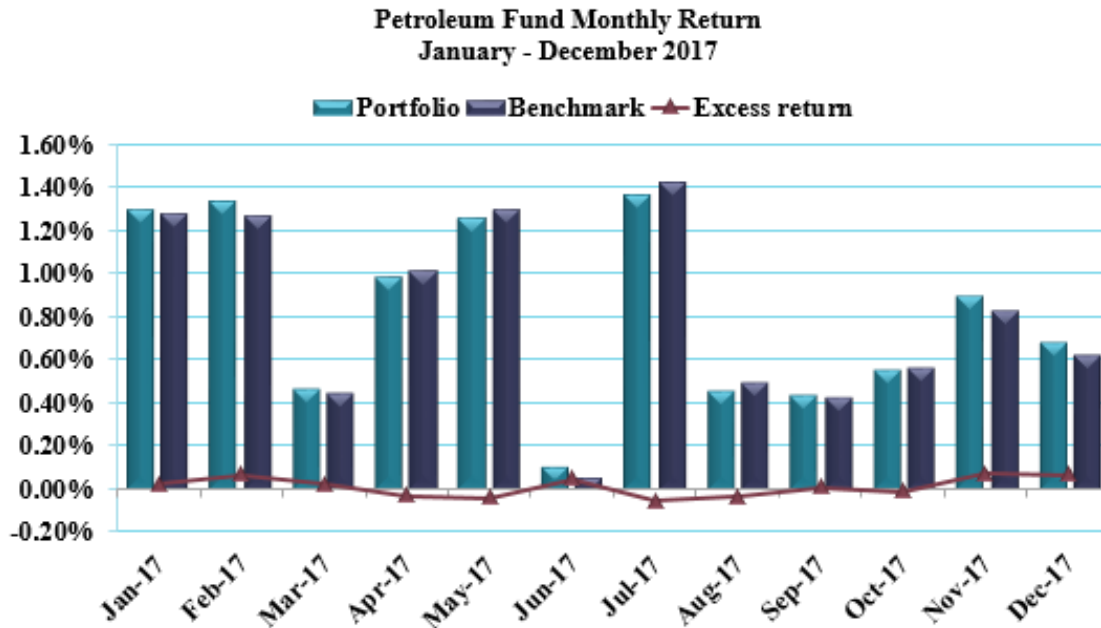
<sup>1</sup> US CPI was used in portfolio real return calculation. Source: US Department of Labor – Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov))

## **Annex VI**

### **Comparison of Nominal Income on the Investment of the Petroleum Fund Assets with the Benchmark Performance Index**

## Comparison of Nominal Income on the Investment of the Petroleum Fund Assets with the Benchmark Performance Index

(As per Article 24.1 (g) of the Petroleum Fund Law No. 9/2005, of 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September)



**Petroleum Fund Monthly Return  
January - December 2017**

Period	Portfolio	Benchmark	Excess return
January 17	1.30%	1.28%	0.02%
February 17	1.34%	1.27%	0.07%
March 17	0.48%	0.45%	0.02%
April 17	0.99%	1.02%	-0.03%
May 17	1.26%	1.31%	-0.04%
June 17	0.11%	0.06%	0.05%
July 17	1.37%	1.43%	-0.06%
August 17	0.46%	0.50%	-0.04%
September 17	0.44%	0.43%	0.01%
October 17	0.56%	0.57%	-0.01%
November 17	0.90%	0.83%	0.07%
December 17	0.69%	0.63%	0.06%



## **Annex VII**

### **Comparison of the Estimated Sustainable Income for the Fiscal Year 2017 with the Sum of Transfers from the Petroleum Fund for the Same Year**

## **Comparison of the Estimated Sustainable Income for the Fiscal Year 2017 with the Sum of Transfers from the Petroleum Fund for the Same Year**

(As per Article 24.1 (h) of the Petroleum Fund Law No. 9/2005, of 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September)

The total of withdrawals from the Petroleum Fund for the Financial Year 2017 was US\$1,078.8 million, which was US\$597.2 million more than the Estimated Sustainable Income amount of US\$481.6 million projected for the year.

Please refer to Statement of Changes in Capital and Notes to the Financial Statements for further details.

## **Annex VIII**

### **Statement on Borrowing**



REPUBLICA DEMOCRÁTICA DE TIMOR LESTE  
MINISTERIO do PLANO e FINANÇAS  
DIRECÇÃO GERAL DO TESOURO



*“Seja um bom cidadão, seja um novo héroi para a nossa Nação”*

REF NO: /DGT/3/2018

28<sup>th</sup> March 2018

**Treasury Statement on Borrowings by Government of Timor Leste for Fiscal Year 2017**

This statement is made in accordance with the requirement under Article 24.1 (i) of the Petroleum Fund Law No.12/2011 to declare if there have been any borrowings by the Government of Timor Leste in which the Petroleum Fund is being used as collateral as detailed in Article 20.2.

While sovereign loans negotiated and entered into from time to time by Timor Leste with international financial institutions such as World Bank , Asian Development Bank and Japan International Cooperation Agency, engage all of Timor Leste’s assets for payment of interest and repayment of principal, such sovereign loans do not have any specific collateral requirements that encumber the Petroleum Fund, under their terms and conditions.

One new loan was negotiated during the fiscal year ended 31<sup>st</sup> December, 2017. Value of loans negotiated up to 31<sup>st</sup> December 2017 at exchange rates ruling on that date amounted to US\$ 351 million. This also includes Special Drawing Rights (SDRs) and Yen denominated liabilities which can vary according to exchange rates.

Rui Ferreira Magno

Director General of Treasury

## **Annex IX**

### **A List of Persons Holding Positions Relevant for the Operations and Performance of the Petroleum Fund**

## **List of Persons Holding Relevant positions for the Operations and Performance of the Petroleum Fund**

(As per Article 24.1 (j) of the Petroleum Fund Law No. 9/2005, of 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September)

The list of persons holding relevant positions for the operation and performance of the Petroleum Fund is given below:

- (i) The Minister of Finance  
**Ms. Santana J.R.F. Viegas Cardoso** (to 14 September 2017)  
**Mr. Rui Augusto Gomes** (from 15 September 2017)
- (ii) The Director General of Treasury  
**Mr. Rui Ferreira Magno**
- (iii) The members of the Investment Advisory Board (IAB)

Name	Position
<b>Mr. Olgário de Castro</b>	Chairman of the IAB
<b>Mr. Kevin Bailey</b>	Member of the IAB (to 20 April 2017)
<b>Mr. Torres Trovik</b>	Member of the IAB
<b>Mr. Gualdino da Silva</b>	Member of the IAB
<b>Prof. Michael Drew</b>	Member of the IAB (from 3 April 2017)
<b>Mr. Abraão Fernandes de Vasconcelos</b> (Alternate <b>Mr. Venancio Alves Maria</b> )	Governor of the Central Bank of Timor-Leste
<b>Mr. Rui Ferreira Magno</b> (Alternate <b>Mr. Ernesto da Conceição Silva</b> )	Director General of Treasury

*\* See page 89 for the details*

- (iv) Operational Manager
  - Banco Central de Timor-Leste (BCTL) – from 12 October 2005.
- (v) The External Investment Managers
  - Bank for International Settlements (BIS) – from 3 June 2009.
  - Schroders Investment Management Limited – from 8 October 2010.
  - State Street Global Advisors (SSGA) – from 14 September 2011 (implementation commenced in January 2012).
  - BlackRock Investment Management Australia Limited – from April 2012 (implementation commenced in February 2013).
  - AllianceBernstein – from July 2014.
  - Wellington Management – from December 2014.

(vi) Custodian

- JP Morgan Chase Bank N.A.

(vii) Independent Auditor

- Deloitte Touche Tohmatsu

(viii) The Governor of the Central Bank

**Mr. Abraão Fernandes de Vasconcelos**

Governor of the Central Bank of Timor-Leste

(ix) The Petroleum Fund Consultative Council (PFCC) was formally constituted on 6 November 2006. For the Financial Year 2017 members of the PFCC were:

<b>Name</b>	<b>Representation</b>	<b>Position</b>
<b>Mr. Mericio Juvinal do Reis</b>	Civil Society	Coordinator
<b>Mr. Rui Meneses da Costa</b>	National Parliament	Vice Coordinator
<b>Ms. Zelia Fernandes</b>	Civil Society	Secretary
<b>Mr. Jose Augusto F. Teixeira</b>	National Parliament	Member
<b>Mr. Bonaventura A. Mangu Bali</b>	Ex-Prime Minister Representative	Member
<b>Mr. Julio Fernandes</b>	Private Sector	Member
<b>Pe. Julio Crispim X. Belo</b>	Religious Representative	Member

## Members of the Investment Advisory Board



**Olgario de Castro** is Chairman of the Investment Advisory Board. He has been with the Petroleum Fund for more than 10 years. He is a Timorese national and chartered accountant and partner in De Castro Sullivan Lai Practice in Darwin, Australia. His areas of expertise include tax, financial and management accounting and auditing.

**Dr. Torres Trovik** is a long-serving member of the IAB. He is one of the architects in setting up the Petroleum Fund in 2005. He is a Norwegian national and an investment professional with international experience in financial markets, sovereign wealth funds and pension funds. He is currently a Senior Advisor and Developer at KLP, Oslo and a member of the Advisory Committee for the International Forum of Sovereign Wealth Funds (IFSWF).

**Gualdino da Silva** has been with the Petroleum Fund for 6 years. He holds geological engineering qualification from RMIT and currently serves as the President of the National Authority for Petroleum and Minerals.

**Prof. Dr. Michael Drew** joined the Petroleum Fund in April 2017. He is a Professor of Finance at Griffith University and a consulting financial economist specializing in the areas of investment, governance, and pension plan design. He also serves as a specialist member of the QSuper Investment Committee.

**Venancio M. Alves** is Executive Manager of the Petroleum Fund at the Central Bank and was recently appointed as the Deputy Governor of the Central Bank. He is a Timorese national with more than 13 years' experience in managing the Petroleum Fund's investments. He is a non-voting member and the appointed alternate to the Governor of the Central Bank.

**Ernesto D.C. Silva** has recently joined the Petroleum Fund. He is a public servant and Director for Accounting and Financial Regulation at the Ministry of Finance. He is a non-voting member and the appointed alternate to the Director General of Treasury.



## **Annex X**

### **Statement on Total Withdrawals versus the Approved Appropriation Amount**

## **Statement Affirming that Total Withdrawals from the Fund did not exceed the Approved Appropriation Amount for the Fiscal Year**

(As per Article 7.2 of the Petroleum Fund Law No. 9/2005, of 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September)

In accordance with Article 7 of Law No.9/2005, of the 3<sup>rd</sup> August as amended by the Law No.12/2011, of the 28<sup>th</sup> September, Petroleum Fund Law, the total transfer amount for the Petroleum Fund for a Fiscal year shall not exceed the appropriation amount approved by the Parliament for the Fiscal year.

In accordance with Article 5 of Law No.13/2016, of the 29<sup>th</sup> December on the General State Budget for 2017, the transfer amount from the Petroleum Fund to the General State Budget for 2017 is not to exceed US\$1,078.8 million.

The total transfer amount from the Petroleum Fund to the Consolidated Fund of Timor-Leste for 2017 was US\$1,078.8 million.

The total transfer amount from the Petroleum Fund for 2017 was in compliance with Article 7.2 of the Petroleum Fund Law No.9/2005 as amended by Law No.12/2011.

## **Annex XI**

### **Article 35 Report on the Petroleum Fund Receipts from Deloitte Touche Tohmatsu**

## Compilation Report to the Ministry of Planning and Finance , Democratic Republic of Timor-Leste in respect of the Statement of Petroleum Fund Receipts for the year ended 31 December 2017

We have compiled the accompanying schedule of payment amounts made to the Petroleum Fund for each Payer (Petroleum Fund Receipts) for the year ended 31 December 2017, based on the information provided by the Petroleum Fund operational managers (“management”).

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), *Compilation Engagements*.

Our procedures use accounting expertise to collect, classify and summarise the financial information, which management provided, in compiling the statement of Petroleum Fund Receipts. Our procedures do not include verification or validation procedures. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

The National Petroleum Authority and the National Directorate of Petroleum Tax Revenue are responsible for monitoring that all payments that should have been made under the Petroleum Fund Law (Law No. 9/2005, amendment No. 12/2011) have been made for the year and it is management that are responsible for the information contained in the attached list.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information provided to us by management to compile the accompanying list of aggregate amounts of payments made as Petroleum Fund Receipts for each Payer. Accordingly, we have not audited or reviewed the attached list and accordingly express no assurance thereon.

The Statement of Petroleum Fund Receipts was compiled exclusively for the benefit of the Ministry of Planning and Finance as required by the Petroleum Fund Act. We do not accept responsibility to any other person for the contents of the Statement of Petroleum Fund Receipts.



DELOITTE TOUCHE TOHMATSU  
Chartered Accountants  
Dili,  
28 March 2018

**PETROLEUM FUND OF TIMOR-LESTE**  
**STATEMENT OF PETROLEUM FUND RECEIPTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**Article 6.1(a) receipts:**

<b>PAYEE</b>	<b>\$</b>
AMEC Engineering Pty Ltd	216,442
Brunel Energy	81,230
CALTECH UNIP	598,212
Cameron Services Int. Pty Ltd	115,701
CAPE AUSTRALIA ONSHORE	463,912
CHC Helicopter Australia Pty Ltd	299,544
Clough Amec Pty Ltd	2,112,439
Compass Group Australia	251,715
Competentia Pty Ltd	41,158
Conoco Phillips	123,588,337
Contract resources Pty Ltd	203,849
ENI	13,714,992
Fircoft Australia	45,077
Furmanite Aust. Pty Ltd	1,630
GAP MHS Aviation	90,467
Haliburton Aust Pty Ltd	341,104
INPEX	5,702
Japan energy	14,274
Kakivik Asset Management LLC	135,194
Konnekto Unip Lda	42,611
KT Maritime services	216,423
Lloyd Helicopters Pty Ltd	170,902
MILLENIUM OFFSHORE	1,250,925
MMA Offshore Vesel Operation Pty	224,686
National Australia BK	3,138
SANTOS	16,210,181
Schlumberger	6,049
SDV	1,947
Sea Fox	319,708
Sedco Forex International, inc	219,188
SGS	145,749
Solar Tubirnes International	17,370
Svitzer Asia Pte Ltd	9,582
Timor GAP	346,494
Tokyo Timoe Sea	19,073,084
Weathford Australia Pty Ltd	419,625
Wood Group Australia	5,243
Woodside	26,838
<b>Total Article 6.1(a) receipts per the Petroleum Fund and National Directorate of Petroleum and Mineral Revenue (NDPMR) for the year</b>	<b>181,030,721</b>

**PETROLEUM FUND OF TIMOR-LESTE**  
**STATEMENT OF PETROLEUM FUND RECEIPTS continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**Article 6.1(b) receipts:**

	US\$
Article 6.1(b) receipts per Autoridade Nacional do Petróleo e Minerais (ANPM)	242,098,381
Less:	
Amount paid to Petroleum Fund in January 2018	(11,935,763)
Add:	
Amount paid to Petroleum Fund in January 2017	3,829,725
<b>Total Article 6.1(b) receipts per the Petroleum Fund for the year</b>	<b>233,992,343</b>

**Article 6.1(e) receipts:**

The Government of Australia	6,410,400
Other	264,345
<b>Total Article 6.1(e) receipts per the Petroleum Fund for the year</b>	<b>6,674,745</b>

**Summary of Receipts for the year ended 31 December 2016 per the Petroleum Fund:**

Article 6.1(a) receipts	181,030,721
Article 6.1(b) receipts	233,992,343
Article 6.1(b) receipts	6,674,745
<b>Total Article 6.1 receipts per the Petroleum Fund for the year</b>	<b>421,697,809</b>

## **Annex XII**

### **Advice Provided by the Investment Advisory Board**

**Strictly confidential in accordance with Article 32.2 (d) of the Petroleum Fund Law until the date as the recommendations in this advice have been fully implemented.**

**Investment Advisory Board**

Date: 20 April 2017

To  
**H.E. Sra. Santana J.R.F. Viegas Cardoso**  
Minister of Finance  
Democratic Republic of Timor-Leste

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**Subject: Cash Management Mandate**

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Dear Minister,

In accordance with Article 16.1 of the Petroleum Fund Law, the Investment Advisory Board has considered the need to amend the Petroleum Fund's investments to better facilitate the projected draw-downs from the Fund that are expected over at least the Budget Book projection period.

As noted in our letter dated 23 September 2016, it is appropriate to reduce the risk of the portion of the Fund to be liquidated to meet upcoming withdrawals. The Board recommended a cash portfolio to match up to 12 months of expected withdrawals. We agreed to provide your Excellency with details once further information was received from the IAB Secretariat. This was discussed in the last Board meeting and the parameters for revising the existing cash management arrangements are provided in the attachment.

The proposed mandate will be managed internally by the BCTL. The dollar amount in Cash will reflect the expected net cash shortfall over the next 12 months, accounting for the projected withdrawals by the Government, net of expected cash inflows from petroleum revenue and investments, plus other cash that may be required for rebalancing, the payment of fees etc. To cover the net shortfall as at quarter two in 2017, equities and bonds will need to be sold to raise the Cash balance to approximately \$840 million. The Cash amount will then be managed to reflect the expected net shortfall over the following quarters through periodic top-ups as part of the BCTL's quarterly rebalancing of the total portfolio. The Cash holding will grow over the course of 2017 as it incorporates the expected shortfall in 2018 of over \$1.3 billion.

For completeness, we note that while the cash allocation reduces the investment risk it entails an opportunity cost. On average, cash will yield less than the return forgone from selling bonds and equities. The return differential will vary depending on the market's returns, which by their nature are volatile.

The Cash amount will continue to be reported separately, but given the amount involved we recommend benchmarking the activity. The remainder of the Petroleum Fund will continue to be managed according to the existing Strategic Asset Allocation of 60 per cent bonds and 40 per cent equities. As we noted in our previous advice, the Board does not find sufficient grounds for changing the long-term strategy for the bulk of the Fund at this time and intends to review this annually.





**Strictly confidential in accordance with Article 32.2 (d) of the Petroleum Fund Law until the date as the recommendations in this advice have been fully implemented.**

Please contact the Chairman of the Board should your Excellency require further information. If your Excellency agrees with the recommendation and the parameters, please instruct the BCTL accordingly. The Annex of the Management Agreement with the BCTL will need to be amended to include the new mandate.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Olgario de Castro', with a long horizontal flourish extending to the right.

Olgario de Castro  
Chairman

**Strictly confidential in accordance with Article 32.2 (d) of the Petroleum Fund Law until the date as the recommendations in this advice have been fully implemented.**

**Annex:**

### **Cash Management mandate**

**Allocation:** The Operational Manager's estimate of net withdrawals over the upcoming four quarters. Net withdrawals are projected withdrawals less expected petroleum revenue receipts and estimated cash flows from investments. Projected withdrawals and petroleum receipts will incorporate the annual projections in the latest Budget Book or, where applicable, the Rectification Budget.

The amount is calculated as a time-weighted average each quarter:

$$C_i = \left(1 - \frac{i-1}{4}\right) \cdot W_0 + \frac{i-1}{4} \cdot W_1$$

Where:

- $C_i$  is the cash allocation at the beginning of quarter  $i$
- $i$  is the number of the current quarter (e.g. 1 is the March quarter)
- $W_0$  is the projected net withdrawal for the current budget year
- $W_1$  is the projected net withdrawal for the following budget year

Beyond quarter one, the estimate of net withdrawals for the current budget year may adjust for the actual net cash flows and/or Treasury's updated cash flow projections. In that case, the direct estimate of net withdrawals for the remainder of the current budget year will replace the first component of the above equation.

The Operational Manager may also adjust the allocation to take account of other expected cash inflows and outflows over the course of the quarter (including but not limited to cash received pending investment or allocation to external managers, cash and securities in transition, etc). The security transactions to reach the cash allocation will be part of the BCTL's usual rebalancing process.

At the beginning of each quarter, the Operational Manager will provide the Cash allocation and an outline of the composition of projected net withdrawals to the Petroleum Fund Administration Unit (PFAU) at the Ministry of Finance.

The Cash Management mandate will be reported as a separate mandate. Amounts held in the cash mandate will be excluded from the value of the Fund when applying the percentage allocations for the other mandates.

**Eligible Instruments:** US Dollar denominated deposits or debt instruments with a maturity of less than one year and a minimum credit rating of investment grade. This includes US Government Treasury bills, US Government Treasury bonds, securities issued by supnationals, repurchase agreements and deposits with banks having an S&P short-term issuer rating of A-1 or higher.

**Benchmark:** 3 Month USD Libor (LIB3MOUS)

**Mandate objective:** The investment objective is to fund withdrawals as they are required. Liquidity is the primary consideration and returns are secondary.

**Approved manager:** Banco Central de Timor-Leste.



Strictly confidential in accordance with Article 32.2 (d) of the Petroleum Fund Law until the date as the recommendations in this advice have been fully implemented.

**Investment Advisory Board**

Date: 28 April 2017

To  
**H.E. Sra. Santana J.R.F. Viegas Cardoso**  
Minister of Finance  
Democratic Republic of Timor-Leste

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**Subject: Recommendations on the equity factor mandate**

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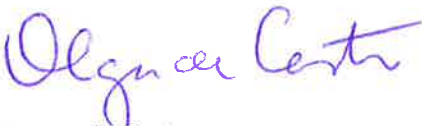
Dear Minister,

Thank you for your letter dated 3 April 2017 regarding the investment mandate for equity factors.

The Investment Advisory Board has reviewed the BCTL's recommendations and the underlying report. We note that Article 18 of the Petroleum Fund Law allows your Excellency to proceed with a decision in the absence of advice from the Investment Advisory Board within 15 days of your Excellency's request. The implementation of equity factors is more complex than the Fund's prior investments. In this case, further time and analysis is required to help ensure that the mandate's objectives will be achieved. Therefore, the Board requested the BCTL to undertake additional analysis to address questions raised by the Board in its meeting on 20 April 2017. The Board will brief you on the recommended managers once this information is provided. This is likely to be in June this year.

Please do not hesitate to contact me if you require further information.

Sincerely yours



Olgario de Castro  
Chairman



## **Annex XIII**

### **Implementation of the Santiago Principles**

**TIMOR-LESTE PETROLEUM FUND  
IMPLEMENTATION OF THE GENERALLY ACCEPTED PRINCIPLES AND  
PRACTICES  
“SANTIAGO PRINCIPLES”**

The Timor-Leste Petroleum Fund was established by the enactment of the Petroleum Fund Law no.9/2005, later amended by Law no.12/2011.

The preamble of the Petroleum Fund Law states that the objective of having the Petroleum Fund is to contribute to a wise management of petroleum revenues for the benefit of current and future generations. The Petroleum Fund is also a fiscal tool that contributes to sound fiscal policy, where appropriate consideration and weight is given to the long-term interest of Timor-Leste’s citizens.

The Petroleum Fund Law lays down key parameters for the operation and management of the Petroleum Fund. The Law governs the collection and management of receipts associated with the petroleum wealth, outlines the framework for regulating transfers to the State Budget, and provides for government accountability and oversight of these activities.

The Petroleum Fund is internationally recognized for its high standards of governance, accountability, transparency, and disclosure of information. This has helped build public support for the prudent management of petroleum revenues and has reduced the risk of bad governance.

The relevant entities involved in the management of the Petroleum Fund are independent, but accountable to one another in the decision making process. Parliament sets the objective of the fund, the broad asset allocation guidelines and risk limits. The Ministry of Finance is responsible for the overall management of the Petroleum Fund including setting investment policy, investment guidelines and exercising of oversight. The operational management is delegated to the Central Bank. The Law requires these entities to provide and publish reports on the operations and activities of the Petroleum Fund.

The Petroleum Fund, as an active member of the International Forum for Sovereign Wealth Fund (IFSWF), conducted its seventh annual self-assessment of the Petroleum Fund’s adherence with the Santiago Principles to ensure that Petroleum Fund continues to be an example of international best practice with regard to funds management.

The table below depicts how the Timor-Leste Petroleum Fund adheres to the Santiago Principles.

Principle	Implementation
<b>I. Legal framework, objectives, and coordination with macroeconomic policies</b>	
<p>1. The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).</p> <p>1.1. The legal framework for the SWF should ensure legal soundness of the SWF and its transactions.</p> <p>1.2. The key features of the SWF’s legal basis and structure, as well as the legal relationship between the SWF and other state bodies, should be publicly disclosed.</p>	<p>Timor-Leste Petroleum Fund was established to fulfill the requirement of the Constitution that mandates the establishment of mandatory financial reserves from the exploitation of the natural resources.</p> <p>The legal framework for the Petroleum Fund is detailed in the Petroleum Fund Law No. 9/2005, of 3rd of August as amended by the Law No. 12/2011, of 28th of September.</p> <p>The Fund is formed as an account of the Ministry of Finance held in the Central Bank of Timor-Leste (BCTL<sup>1</sup>), rather than as a separate legal entity.</p> <p>The Petroleum Fund Law specifically -</p> <ul style="list-style-type: none"> <li>• provides mechanisms that assist Timor-Leste to sustainably manage its petroleum revenue,</li> <li>• details the parameters for operating and managing the Petroleum Fund,</li> <li>• defines the asset allocation guidelines and risk limits,</li> <li>• governs the collection and management of the receipts,</li> <li>• regulates transfers to the State Budget,</li> <li>• defines clear roles and responsibilities of entities involved in the management of the Fund and,</li> <li>• provides for government accountability and oversight of these activities.</li> </ul> <p>The Operational Management Agreement signed between the Ministry of Finance and the Operational Manager (BCTL) on 12 October 2005 with later amendments goes further to account the key functions and competencies of the Ministry of Finance, with the responsibility of the overall management of the Fund, and the BCTL, which has the responsibility for the operational management of the Fund.</p> <p>The legal framework and other supporting</p>

<sup>1</sup> BCTL – Banco Central de Timor-Leste (Timor-Leste Central Bank)

Principle	Implementation
	<p>documentations on the Petroleum Fund are publicly available at the Ministry of Finance and BCTL websites.</p> <p><a href="https://www.mof.gov.tl/budget-spending/budget-treasury-documents/?lang=en">https://www.mof.gov.tl/budget-spending/budget-treasury-documents/?lang=en</a></p> <p><a href="https://www.bancocentral.tl/en/go/about-petroleum-fund">https://www.bancocentral.tl/en/go/about-petroleum-fund</a></p>
<p>2. The policy purpose of the SWF should be clearly defined and publicly disclosed.</p>	<p>The preamble of the Petroleum Fund Law states that the purpose of establishing the Petroleum Fund, which accumulates revenues from the exploitation of natural resources, is to contribute to a prudent management of the petroleum resources for the benefit of both current and future generations.</p> <p>The Fund is also a tool that contributes to sound fiscal policy, where appropriate consideration and weight is given the long-term interest of Timor-Leste's citizens.</p> <p>The Ministry of Finance, through the publication of the Petroleum Fund Annual Report and regular public consultation, continues to emphasize and remind the stakeholders of the objectives of establishing the Petroleum Fund.</p> <p>The Petroleum Fund Law further describes the manner in which the Petroleum Fund contributes to the achievement of these objectives.</p>
<p>3. Where the SWF's activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency with the overall macroeconomic policies.</p>	<p>The Petroleum Fund Law does not allow the Fund to invest domestically. The Petroleum Fund only has significant direct domestic macroeconomic implications arising from the transfers made to the State Budget to finance government's budget deficit.</p> <p>The Petroleum Fund, as a tool of fiscal management, is integrated into the State Budget.</p> <p>The amount transferred to the State Budget from the Fund is guided by the Estimated Sustainable Income (ESI). This is designed to be the amount that can be transferred from the Fund without depleting the long-term real value of petroleum wealth, ensuring the sustainability of the Fund.</p> <p>The Ministry of Finance coordinates the activities of line ministries, other entities and relevant</p>



Principle	Implementation
	<p>departments within the Ministry during the preparation, discussion and execution of the government's budget.</p> <p><a href="https://www.mof.gov.tl/budget-spending/budget-treasury-documents/?lang=en">https://www.mof.gov.tl/budget-spending/budget-treasury-documents/?lang=en</a></p>
<p>4. There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF's general approach to funding, withdrawal, and spending operations.</p> <p>4.1. The source of SWF funding should be publicly disclosed.</p> <p>4.2. The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.</p>	<p>The Petroleum Fund Law clearly defines what constitutes petroleum fund receipts and sets out the mechanisms for handling these receipts and requirements for withdrawals.</p> <p>Detailed information about receipts and transfers to government is publicly disclosed in the Petroleum Fund Annual Reports, and the General State Budget from the Ministry of Finance, as well as in the Petroleum Fund's quarterly and monthly reports from the BCTL. These reports were audited by an external reputable international accounting firm.</p> <p>A complete list of all entities making payments to the Petroleum Fund is published annually. Timor-Leste was accepted as an EITI (Extractive Industries Transparency Initiative) compliant country on 1 July 2010.</p> <p><a href="https://www.mof.gov.tl/budget-spending/budget-treasury-documents/?lang=en">https://www.mof.gov.tl/budget-spending/budget-treasury-documents/?lang=en</a></p> <p><a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p> <p><a href="http://www.eiti.tl/">http://www.eiti.tl/</a></p>
<p>5. The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.</p>	<p>Transparency is a fundamental principle of the Petroleum Fund Law. The Law sets out the requirements for all entities involved in the management of the Fund to provide and publish the reports pertaining to the activities of the Fund.</p> <p>The Ministry of Finance prepares the Petroleum Fund Annual Report, Petroleum Fund financial statements and general state budget statement for the National Parliament.</p> <p>The BCTL, on a quarterly basis, provides reports to the Minister on the Fund's performance over the quarter. BCTL also, on its own initiative, issues to the public a monthly performance report for the</p>

Principle	Implementation
	<p>Fund. The Law requires an international accredited auditor to issue and publish an annual audit report on the Fund’s financial statements.</p> <p>All this information is publicly available on both the MoF and BCTL websites.</p> <p><a href="https://www.mof.gov.il/budget-spending/petroleum-fund/?lang=en">https://www.mof.gov.il/budget-spending/petroleum-fund/?lang=en</a></p> <p><a href="https://www.mof.gov.il/budget-spending/budget-treasury-documents/?lang=en">https://www.mof.gov.il/budget-spending/budget-treasury-documents/?lang=en</a></p>
<p><b>II. Institutional Framework and Governance Structure</b></p>	
<p>6. The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives.</p>	<p>The Petroleum Fund Law clearly defines the roles and responsibilities of all entities involved in the management of the Fund. No single institution or individual is responsible for making and implementing the investment decisions, because each one of them is accountable to one another for their role in the decision making process.</p> <p>Parliament has established the Petroleum Fund Law. The Law limits the broad asset allocation and risk tolerance.</p> <p>The Ministry of Finance sets the investment policy and monitors the Fund’s performance. The Investment Advisory Board (IAB) provides advice for Minister on investment policy and sets the investment benchmarks for the Fund. BCTL, the Operational Manager, is responsible for the Fund’s operations including implementing the investment mandates set by the Minister of Finance. The BCTL appoints external managers and monitors their performance.</p>
<p>7. The owner should set the objectives of the SWF, appoint the members of its governing body (ies) in accordance with clearly defined procedures, and exercise oversight over the SWF’s operations.</p>	<p>Parliament, representing the people, sets the objectives of the Fund in the Petroleum Fund Law. The Petroleum Fund Consultative Council (PFCC) is a statutory body appointed to provide advice to Parliament on matters relating the Petroleum Fund.</p> <p>The Ministry of Finance, responsible for the overall management of the Fund, sets the investment policy, investment guidelines, including detailed risk limits and exercise of oversight. The Prime</p>

Principle	Implementation
	<p>Minister appoints members of the IAB on the advice of the MoF.</p> <p>The operational management is delegated to the Central Bank. The Operational Manager appoints the external managers, in accordance with international tendering procedures, to manage part of the Fund provided that the Minister is satisfied that the managers fulfill certain requirements in the Law.</p>
<p>8. The governing body (ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions.</p>	<p>Further to discussion in Principle 7, the Minister of Finance is accountable to the Parliament and is required to provide relevant reporting. In carrying out her functions, Minister of Finance is required to seek advice from the IAB. The Law determines at least three of the IAB members must have significant knowledge and experience in financial investment.</p> <p>The composition, role and authority of the PFCC aim to safeguard the proper management of the Petroleum Fund.</p>
<p>9. The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.</p>	<p>The Petroleum Fund Law clearly defines the roles and responsibilities of the Operational Manager. As an independent institution appointed by the Parliament, the BCTL has statutory legal, operational, administrative, and financial autonomy from any other person or entity, including the government, to be able to fulfill its operational management responsibilities in an independent manner.</p>
<p>10. The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.</p>	<p>Accountability arrangements are detailed in the Petroleum Fund Law and the Management Agreement. The Petroleum Fund law delegates the operational responsibility to the Operational Manager. The Operational Manager may delegate further certain operational mandates to external managers subject to Minister's consent.</p> <p>The Minister of Finance reports to the Parliament on the performance of the Fund on annual basis and is required to publish all advice received from the IAB unedited in the Annual Report.</p> <p>The Operational Manager reports to the Minister on the Fund's performance on quarterly basis. These</p>

Principle	Implementation
	reports are published and available on the Central Bank's website.
<p>11. An annual report and accompanying financial statements on the SWF's operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.</p>	<p>The Petroleum Fund Law requires the government to prepare and submit to the Parliament an annual report of the Fund's operation and performance for the fiscal year, including financial statements prepared to International Financial Reporting Standards and audited by an internationally recognized auditor, at the same time as the annual financial statements of that year.</p> <p>The Director of Treasury of the Ministry of Finance is responsible for maintaining the Petroleum Fund accounts and records, and preparing financial statements, in accordance with the International Financial Reporting Standards.</p>
<p>12. The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.</p>	<p>The Petroleum Fund Law requires the accounts, records and other documents relating to the Petroleum Fund to be audited every six month by the bodies responsible for internal audits of each entities involved.</p> <p>The Law further requires the annual financial statements to be audited by an internationally recognized accounting firm. The audited financial statements are submitted to the Parliament together with the Petroleum Fund Annual Report.</p>
<p>13. Professional and ethical standards should be clearly defined and made known to the members of the SWF's governing body (ies), management, and staff.</p>	<p>The professional and ethical standards for the Ministry of Finance's staff are defined by the Public Service Law no.8/2004, as amended by Law no.5/2009. All the staff of the Operational Manager is bound by the BCTL's Code of Ethics.</p> <p>The Petroleum Fund Law also requires members of the IAB, on the occasion of their appointment, and as appropriate, when providing advice to the Minister to signify in writing an affirmation that their appointment or advice does not represent a conflict of interest with any of their other interest. The Minister of Finance may request members of the IAB, as necessary, to submit a declaration concerning their assets to avoid any conflict of interest. The IAB has established its own Standard of Conduct.</p> <p><a href="http://cfp.gov.tl/pt/">http://cfp.gov.tl/pt/</a></p>

Principle	Implementation
	<p><a href="https://www.bancocentral.tl/en/go/investment-advisory-board3">https://www.bancocentral.tl/en/go/investment-advisory-board3</a></p> <p><a href="https://www.bancocentral.tl/en/go/rules">https://www.bancocentral.tl/en/go/rules</a></p> <p><a href="http://www.bancocentral.tl/en/cconduct.asp">http://www.bancocentral.tl/en/cconduct.asp</a></p>
<p>14. Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.</p>	<p>The Operational Manager is responsible for the selection and subject to Minister of Finance's consent, the appointment of the external manager. The law requires the Minister to be satisfied that each external manager has sufficient equity, guarantees and insurances, a sound record of operational and financial performance, and has business references and a reputation of the highest standard.</p> <p>The requirements are based on professional and commercial standards, while the responsibility of the external manager is to maximize return of the Petroleum Fund, taking into account the appropriate risk as set out in the Law and the investment mandate.</p> <p>The external managers and other service providers are required to be selected and contracted subject to rigorous, fair and transparent tendering procedures and in compliance with the substantive provisions of Timor-Leste's laws.</p>
<p>15. SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.</p>	<p>The Petroleum Fund Law requires the management of the Petroleum Fund to be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which the investment are made.</p>
<p>16. The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed.</p>	<p>The governance framework and objectives of the Ministry of Finance and Operational Manager, as well as the IAB and the PFCC, are set out in the Petroleum Fund Law and in the Petroleum Fund Annual Report. The framework clearly establishes the roles, independence and accountability arrangement between the entities.</p> <p><a href="http://www.mof.gov.tl/category/documents-and-forms/petroleum-fund-documents/petroleum-fund-legal-framework/?lang=en">http://www.mof.gov.tl/category/documents-and-forms/petroleum-fund-documents/petroleum-fund-legal-framework/?lang=en</a></p>

Principle	Implementation
	<a href="https://www.mof.gov.tl/budget-spending/petroleum-fund/?lang=en">https://www.mof.gov.tl/budget-spending/petroleum-fund/?lang=en</a>
<p>17. Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.</p>	<p>Petroleum Fund Annual Report and audited financial statements are prepared by the Ministry of Finance and submitted to the Parliament. The reports are also distributed to key stakeholders and publicly available in the Ministry of Finance website.</p> <p>In addition, the Operational Manager also issues quarterly and monthly updates on the investment performance for the Minister of Finance and this is made available to the general public in the BCTL’s website.</p> <p>The Ministry of Finance, on its own initiative and/or as requested, conducts public information sessions with the general public including public servants, NGOs and students to update on the Fund’s activities, operation and performance.</p> <p><a href="http://www.mof.gov.tl/category/documents-and-forms/petroleum-fund-documents/petroleum-fund-annual-reports/?lang=en">http://www.mof.gov.tl/category/documents-and-forms/petroleum-fund-documents/petroleum-fund-annual-reports/?lang=en</a></p> <p><a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p> <p><a href="http://www.mof.gov.tl/category/documents-and-forms/petroleum-fund-documents/petroleum-fund-seminars-presentations/?lang=en">http://www.mof.gov.tl/category/documents-and-forms/petroleum-fund-documents/petroleum-fund-seminars-presentations/?lang=en</a></p>
<h3>III. Investment and Risk Management Framework</h3>	
<p>18. The SWF’s investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles.</p> <p>18.1. The investment policy should guide the SWF’s financial risk exposures and the possible use of leverage.</p> <p>18.2. The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they are</p>	<p>The Ministry of Finance, on behalf of the government, sets out the investment policy, pursuant to the IAB’s advice, reflecting the risk preference of the Timor-Leste people. The investment policy is publicly disclosed. The Petroleum Fund Law defines the broad asset allocation guidelines as the risk profile, the investment universe, investment principles, and other issues related with the overall investment policy.</p> <p>The advice of the IAB is based on its publicly disclosed Investment Beliefs and Principles.</p>

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<p>selected and their performance monitored.</p> <p>18.3. A description of the investment policy of the SWF should be publicly disclosed.</p>	<p>The selection of external investment managers is based on professional and commercial criteria. The external managers are given and are measured by clearly defined mandates, where the goal is to achieve highest possible risk-adjusted return.</p> <p>The investment policy is summarized into the investment mandate, which is annexed to the Management Agreement and discussed at length in the Petroleum Fund Annual Report. These documents are publicly available.</p>
<p>19. The SWF's investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds.</p> <p>19.1. If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed.</p> <p>19.2. The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.</p>	<p>The government's obligation to seek to maximize risk-adjusted financial returns is established in the Petroleum Fund Law and subject to an over-riding requirement that the Fund be managed prudently.</p> <p>The road map toward this goal is further detailed in the operational management agreement and external investment mandate under the legislation. To date, all investment mandates have been developed on economic and financial grounds.</p>
<p>20. The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.</p>	<p>The Petroleum Fund Law does not permit the Fund to be invested domestically and the implementation of the investment mandate by the Operational Manager (BCTL) is independent from the setting of investment policy by the Minister of Finance. The Fund is not privy to any privileged information or inappropriate influence by broader government.</p>
<p>21. SWFs view shareholder ownership rights as a fundamental element of their equity investments' value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.</p>	<p>A separate policy on shareholder ownership rights has not been established yet.</p> <p>The current practice is that the Fund exercises its shareholder ownership rights based on the ISS voting guidelines when appropriate to protect the financial interest of the Fund's assets, this is done through external managers upon the instructions from the Operational Manager.</p>
<p>22. The SWF should have a framework that identifies, assesses, and manages the risks of its operations.</p> <p>22.1. The risk management framework should</p>	<p>The Petroleum Fund Law requires the Minister and the Operational Manager to develop and maintain policies, systems and procedures to ensure that the risks associated with the implementation of the investment strategy are identified, monitored and</p>

Principle	Implementation
<p>include reliable information and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function.</p> <p>22.2. The general approach to the SWF's risk management framework should be publicly disclosed.</p>	<p>managed.</p> <p>The Petroleum Fund Law sets the Fund's broad asset allocation guidelines which imply the risk preference, investment universe, and investment principles.</p> <p>In the Operational Management Agreement, the Minister of Finance, sets, under the Global Mandate, the overall investment strategy for the Fund in term of benchmark and eligible instruments, including applicable constraints and limitations. In the Sub-Mandate, Minister of Finance specifies the manner of which investment would be implemented, structure of investment portfolio including management style, risk tolerance, and benchmark.</p> <p>The Ministry of Finance monitors the Fund's performance including its risk exposure through a quarterly performance and risk review and audits done by an internationally recognized accounting firm.</p> <p>The Operational Manager reports to the Minister of Finance on a quarterly basis, while Minister of Finance reports to the Parliament on annual basis to ensure that the Fund operates within the given tolerable risk limits.</p>
<p>23. The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.</p>	<p>The Petroleum Fund Law requires the Operational Manager (BCTL) to report to the Minister of Finance, on a quarterly basis, the performance and activities of the Petroleum Fund relative to the benchmark. Performance reporting is prepared by a third party who asserts that the reports are GIPS compliant.</p> <p>This report is published within 40 days after the end of every quarter to the public.</p> <p><a href="https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report">https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</a></p>
<p>24. A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.</p>	<p>The Fund conducted its first review in 2010. The seventh review, based on the current document, will be published in the 2017 Petroleum Fund Annual Report. The Fund intends to review its implementation of the GAPP annually.</p>





