

ANNUAL REPORT 2018



TIMOR-LESTE PETROLEUM FUND

August 2019



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





Democratic Republic of Timor-Leste
Ministry of Finance



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Note: Special acknowledgment to the Ministry of Finance's Communications and Information Office team for authorising the use of the photograph for the front cover of this report.

Message from Sara Lobo Brites

Interim Minister and Vice Minister of Finance



The Petroleum Fund's investments have returned \$4,389 million since the Fund's inception in 2005 until 2018. The investment strategy is designed to add value over the long-term and returns will necessarily fluctuate from year to year. At times performance will be weak and 2018 was a year when equity markets fell. The decline in stocks was partly offset by gains in the sovereign bond portfolio and the Fund recorded an annual return of -2.6%.

The Fund's balance ended the year at \$15,804 million, which is in line with the ending balance in 2016. The reduction in value reflected the investment return of negative \$460 million, withdrawals by the government of \$982.5 million, a refund of tax overpayment to Kitan's operators of \$63.3 million and inflows from oil and gas revenue of \$510.1 million.

The merit of a long-term approach to investments was confirmed by a rebound in equity markets in the first quarter of 2019. The gains recorded in the March quarter more than offset the loss in 2018 and by the end of March the Petroleum Fund's balance had returned to \$16,980 million. Nevertheless, market volatility has increased, and we must be prepared for significant fluctuations in the Fund's value.

Last year was a momentous year for Timor-Leste and the future of the Petroleum Fund. In March 2018, Timor-Leste and Australia signed a treaty to establish for the first time permanent maritime boundaries. The boundaries are based on current international law and will come into effect when the treaty is ratified by both Australia and Timor-Leste. The agreement will allow the development of the Greater Sunrise fields, which represent a source of substantial inflows to the Petroleum Fund.

Another significant development was the Government's decision to acquire an ownership interest in the Greater Sunrise project. The acquisitions were originally included as government expenditure in the 2019 State Budget but were subsequently structured as an investment by the Petroleum Fund. The investment was facilitated by amendments to the Petroleum Activities Law that work in combination with the Petroleum Fund Law. The transaction was executed in April 2019 as an investment in debt issued by Timor Gap E.P. The Petroleum Fund's equity allocation was reduced to account for the new investment.

The Petroleum Fund has served Timor-Leste well by financing the government's expenditure needs and saving for the future. The Ministry of Finance is reviewing the Petroleum Fund's structure and investment strategy to ensure it continues to best serve our country's long-term interests. The Ministry of Finance will seek advice from the Petroleum Fund's Investment Advisory Board and continue to work closely with the BCTL, the operational manager. The Petroleum Fund and fiscal policy framework faces a delicate balancing act between promoting economic development and maintaining savings for future generations.

We trust that this report provides a clear picture of the Petroleum Fund and its investment performance in 2018.



Sara Lobo Brites

Interim Minister and Vice Minister of Finance

THE PETROLEUM FUND AT A GLANCE

The Fund's Market Value

\$15.804 billion
as at 31 Dec 2018

\$16.799 billion
as at 31 Dec 2017

Receipts from Oil and Gas

\$446.746 million *
(in 2018)
* Net of tax refund

\$22.030 billion*
since Inception

Transfer to State Budget

\$982.500 million
(in 2018)

\$10.616 billion
since Inception

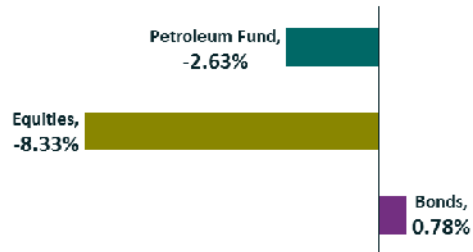
Total Return on Investment

-\$459.921 million
(in 2018)

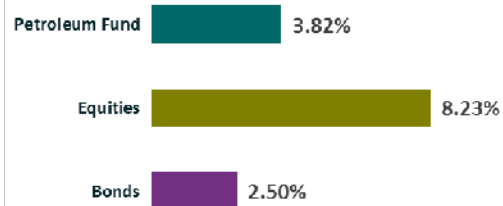
\$4.389 billion
since Inception

THE FUND'S INVESTMENTS

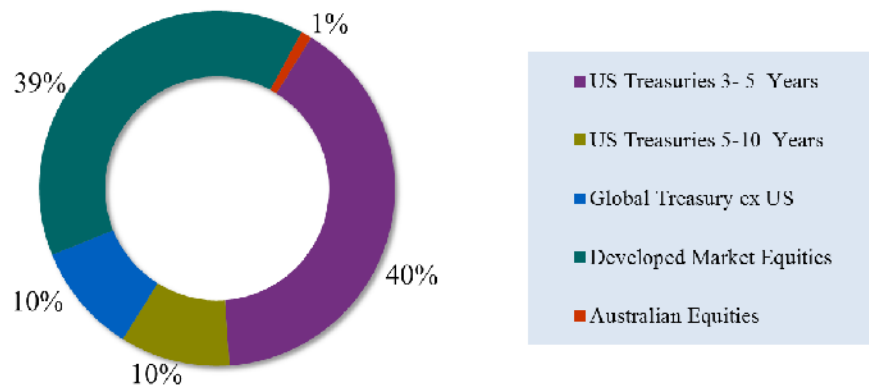
Return on Investment in 2018



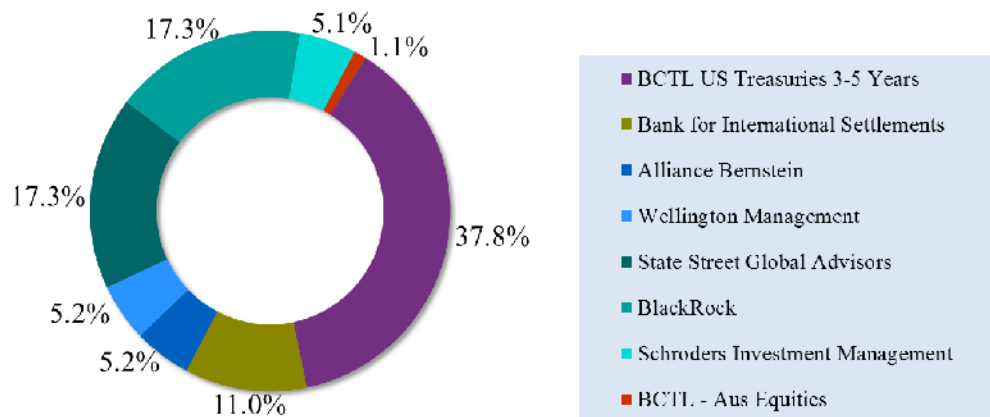
Return on Investment since Inception



PF Target Asset Allocation



PF Managers' Actual Allocations as at December 2018



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).

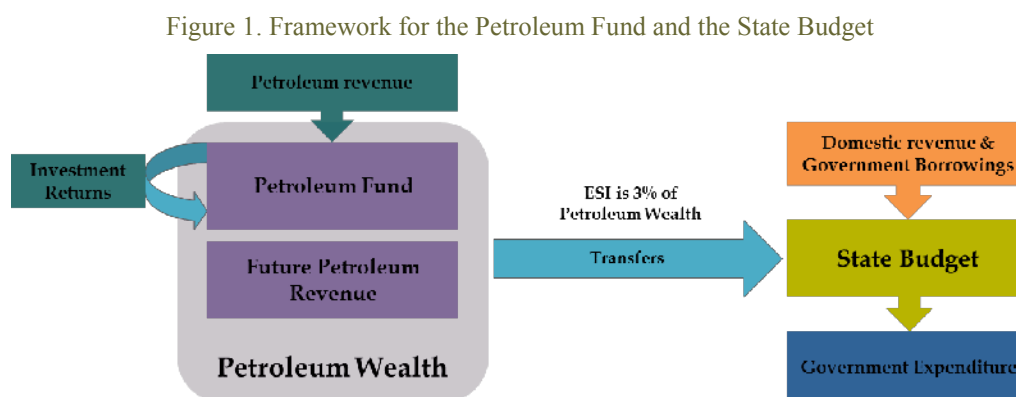
The preamble of the Petroleum Fund Law provides that the Petroleum Fund shall contribute to the wise management of Timor-Leste's petroleum resources for the benefit of both current and future generations. The Fund is a tool that contributes to sound fiscal policy, where appropriate consideration and 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 structure is illustrated in Figure 1. 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 in the long-term interests of the country.

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 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 Fund's Investments" section.



Institutions and Governance

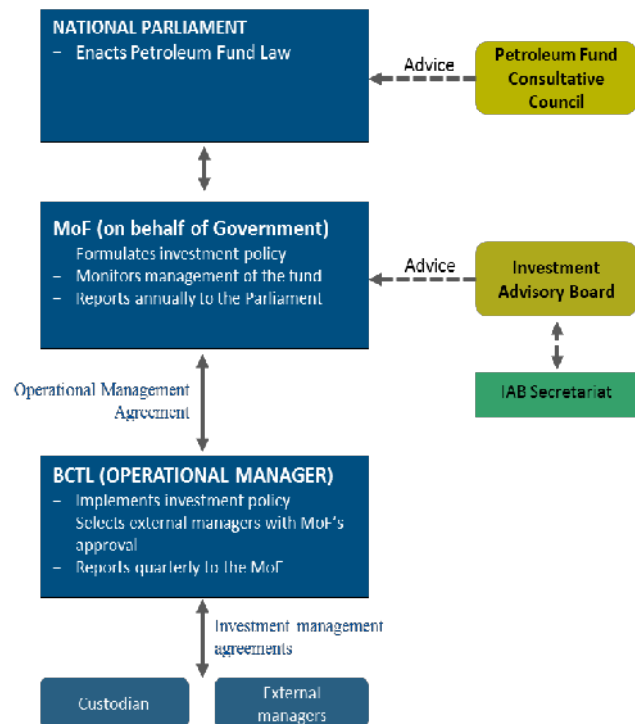
The Petroleum Fund model is designed to provide a high standard of governance through accountability and transparency. This reduces the risk of mismanagement and builds public confidence that petroleum revenues are being wisely managed. The entities involved in the management of the Petroleum Fund are 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 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, including the ESI calculations. The BCTL provides quarterly reports to the Minister on the Fund's performance. In addition, an international accredited external auditor is required to issue and publish an annual audit report on the Fund's financial statements.

These reports are shared with key stakeholders and are publicly available on both Ministry of Finance (www.mof.gov.tl) and Central Bank (www.bancocentral.tl) websites. The Petroleum Fund,

Figure 2. Petroleum Fund's Governance and Structure



as an active member of the International Forum for Sovereign Wealth Funds (IFSWF), conducted its eighth 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 funds governance. The self-assessment report is attached as Annex XIII to this report.

There is considerable public interest in the Petroleum Fund given its national importance. The Ministry of Finance and the BCTL seek to increase our stakeholders' understanding of the Petroleum Fund's investment strategy and management. The quarterly performance reports are presented at a press release attended by staff from the two institutions. Our staff also regularly present to stakeholders throughout Timor-Leste as part of workshops coordinated by the Petroleum Fund Consultative Council.

Petroleum Fund Balance and Flows

The Fund's balance decreased by \$996 million in 2018 to end the year at \$15,804 million (Figure 3). The balance of the Fund is determined by inflows from petroleum revenues, investment returns and outflows from government withdrawals. As Figure 4 illustrates, petroleum revenues contributed \$447 million to the Fund net of a tax refund of \$63 million, while the investment return was negative \$460 million over the year. A total of \$983 million was withdrawn to finance the Government's budget. The following sections provide more details on these flows.

Figure 3. Market Value of the Petroleum Fund

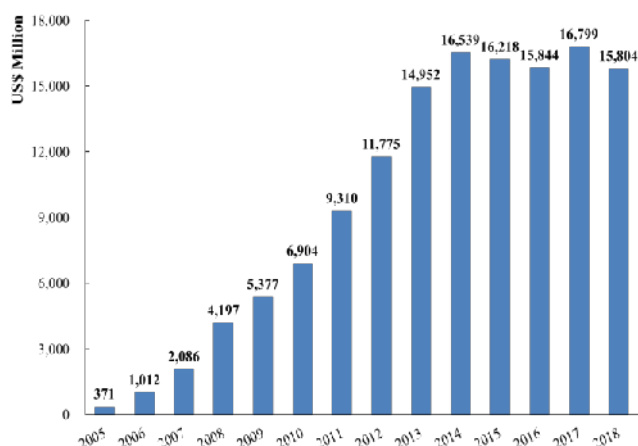
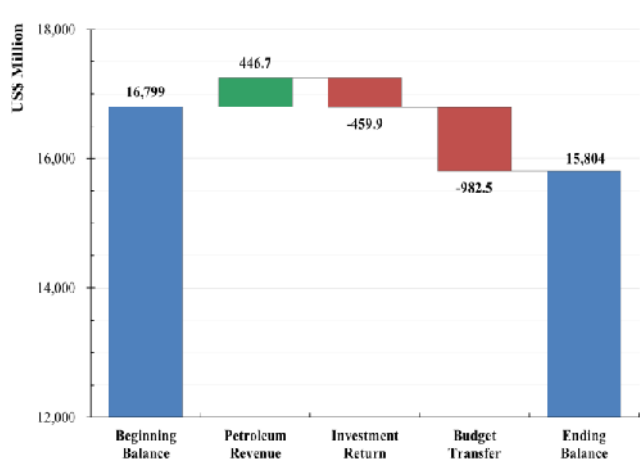


Figure 4. Movement in Net Assets during 2018



Petroleum Revenues

Oil revenues received in 2018 followed the structure of previous years. A treaty for permanent maritime boundaries was signed by Timor-Leste and Australia in March 2018 and will take effect when ratified by the respective Parliaments. The treaty is outlined in the box on page 16.

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 the 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 Activities Law (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 a participating interest.

Petroleum revenues are comprised of:

- Royalties which represents the government's share of production before the oil companies' cost recovery. For projects based on Annex F, "First Tranche Petroleum"

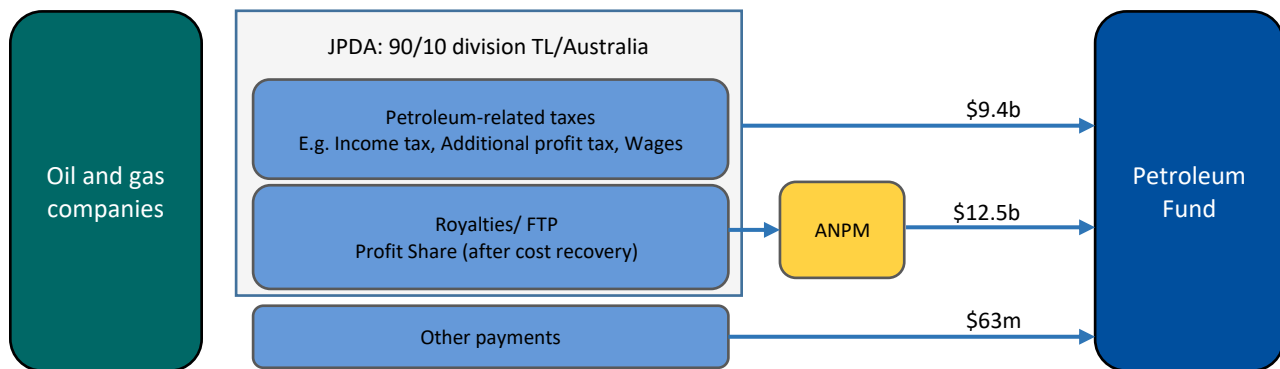
(FTP) is 10% of production, which is equally shared between the government and contractors. Both Non Annex F (the new regime) and the TLEA apply royalties of 5% of production, which is the government's share. Note that royalties and the government's share of the FTP for the JPDA jurisdiction are apportioned between Timor-Leste and Australia according to the 90%-10% split in the TST.

- Timor-Leste's 40% share of "profit oil" (or 50% for condensate under JPDA Annex F), 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.

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 receipts has totalled \$22,030 million including the initial transfer. Petroleum-related tax receipts comprised \$9,370 million and royalties and profit share amounted to \$12,455 million (Figure 5).

Figure 5. Components of Petroleum Revenue from the JPDA



Timor-Leste's petroleum revenues depend 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 ANP. Since inception numbers are shown. There was an additional \$205 million of petroleum revenue transferred into the Fund upon inception.

The total petroleum revenues collected during 2018 was \$510 million or \$447 million net of a tax refund. The revenues were comprised of \$260 million in petroleum taxes, \$244 million in royalties and profit from oil and gas, and \$6 million in other petroleum revenues (Figure 6. See 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 41 million barrels of oil equivalents (BOE) in 2017 to 38 million BOE in 2018, with a total since inception of 765 million BOE.¹ The average oil price in 2018 was higher than last year's average, although there was a fall in the fourth quarter (Figure 7).

Figure 6. Annual Petroleum Revenues

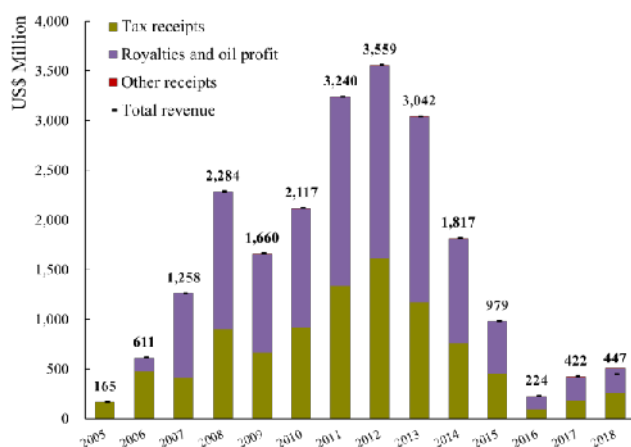
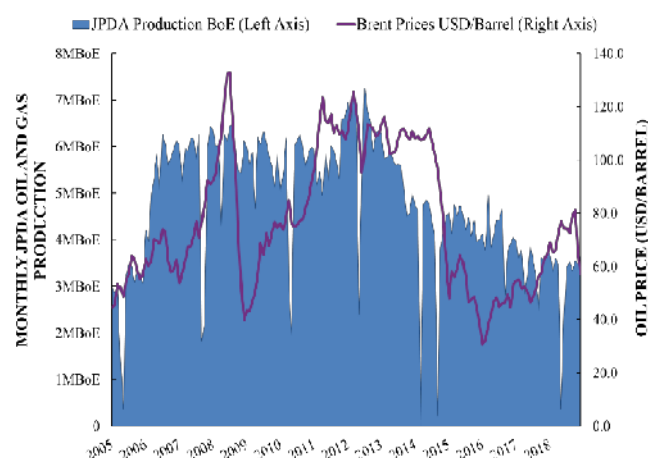


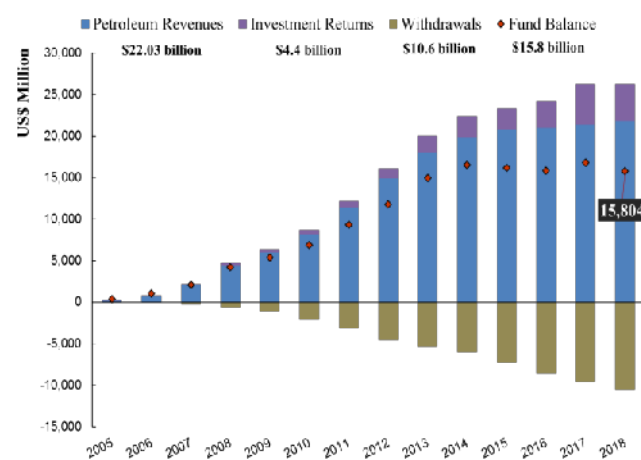
Figure 7. JPDA Production and Oil Prices



Annual petroleum revenue has declined significantly since the peak of 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 has risen somewhat from the sharp fall in the second half of 2014. Production has declined 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 lower 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). The Designated Authority believes that production may extend beyond 2022.

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 \$1.1 billion, compared to the \$22.03 billion of petroleum revenue received since the Fund's inception in 2005 (Figure 8). Investment income and government withdrawals will be the main drivers of the Petroleum Fund's balance until new projects come online.

Figure 8. Cumulative Flows for the Fund



¹<http://web01.anpm.tl/webs/anptlweb.nsf/pgLafaekDataGasListHTML>

Withdrawals and tax refund

The Government's General State Budget is largely financed by withdrawals from the Petroleum Fund. The Government withdrew \$982.5 million from the Fund during 2018. The withdrawal was \$432 million more than the annual ESI of \$550 million (Figure 9), although lower than the transfers in the previous three years.

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. In addition to the transfers to the Estate Budget, \$63.3 million was withdrawn as a tax refund to oil and gas producer companies, following Article 10 of Petroleum Fund Law. This is described below.

The Government has withdrawn \$10,616 million from the Fund since its inception until the end of 2018. This exceeds the cumulative ESI over that period by \$4,032 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 excess withdrawals have contributed to a decline in Timor-Leste's Petroleum Wealth (Figure 10). Note that the fall in 2014 from 2013's estimate of \$26.2 billion largely resulted from lower expected oil prices and oil revenues.

Article 10 of the Petroleum Fund Law allows for transfers from the Fund to implement a tax refund. Following a lengthy verification process, the Government of Timor-Leste approved the claims of the Kitan Operators for overpayment of Corporate Income Tax (CIT) and Supplemental Petroleum Tax (SPT) for the fiscal periods of 2011, 2012, and 2013. Table 1 shows the refunds to the respective companies.

Figure 9. Transfers to the State Budget

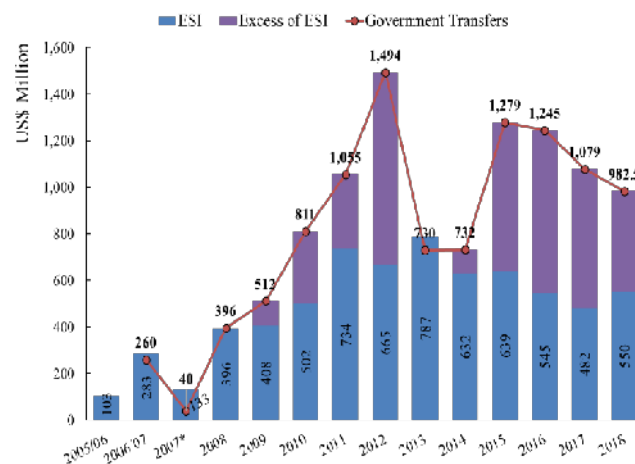


Figure 10. Petroleum Wealth and the ESI

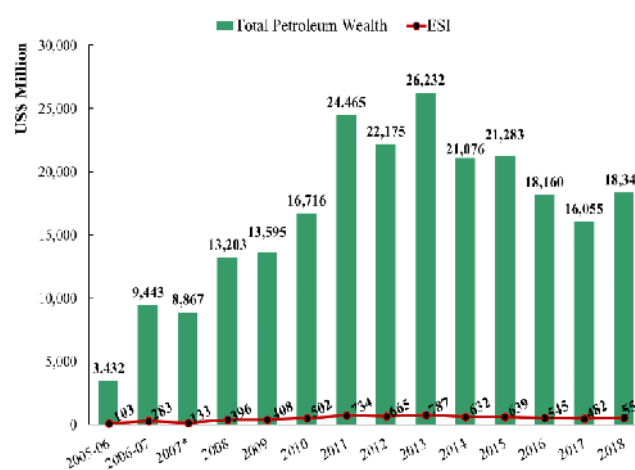


Table 1. Tax Refund to Kitan Operations in 2018 US\$ million

	Corporate Income Tax	Supplemental Petroleum Tax	Total
ENI	9.605	3.883	13.488
INPEX	19.933	0.000	19.933
TALISMAN /REPSOL	25.030	4.884	29.914
Total tax refunded in December 2018			63.335

Source: Tax Authority, Ministry of Finance, 2018

* The ESI in 2007 (in figure 9 and 10) is presented only for second half of 2007 (July – December 2007).

Investment Income and Expense

The Petroleum Fund made a return of negative \$460 million in 2018 after deducting expenses. This follows 2017 when income was \$1,612 million. Details on the Fund's investment performance are provided in the following section.

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.²

Table 2 shows that expenses incurred in managing the Petroleum Fund in 2018 totalled \$15.5 million. This

Table 2. Management Expenses in 2018

Category	\$US m
External manager & custody fees	9.329
BCTL operational management costs	5.073
IAB expenses	0.253
Other expenses	0.839
Total	15.494

includes custody and external manager fees of \$9.3 million; the BCTL's operating expenses of \$5.1 million; and Investment Advisory Board (IAB) expenses of \$253 thousand. Relative to the size of the Fund, the management expenses for 2018 were 10 basis points (0.1 per cent).

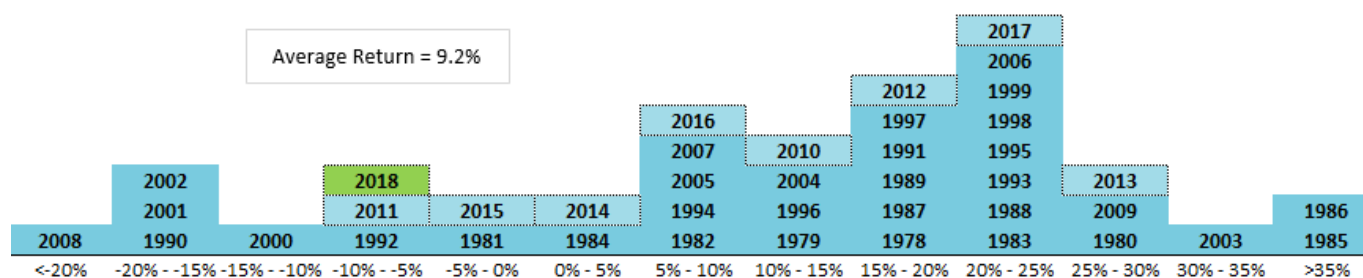
The Fund's Investment Strategy and Holdings

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

The Petroleum Fund Law requires the Fund's investment policy to "apply the principles of

diversification with the objective of maximising the risk-adjusted financial returns" after taking into account the Fund's purposes, the operational constraints and Timor-Leste's ability to bear risk.

Figure 11. Annual Returns for Developed Market Equities (1978-2018)



² <https://www.bancocentral.tl/en/go/other-regulatory-instruments>

The Petroleum Fund Law allows up to half of the Fund to be invested in equities. An allocation of 40% equities and 60% bonds was chosen in 2012 based on the projections that it could attain a 3% real return with a reasonable probability (Figure 12). The targeted investment return was designed to offset the ESI withdrawals of 3% and thereby maintain the real value of the Petroleum Fund. The 40% equity allocation was deemed to involve an acceptable level of risk given that the Petroleum Fund has the benefit of a long-term horizon. 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 12 means that with a 40% equity allocation the expected loss is 7.3% in the worst five years out 100.

The volatility in equity returns is illustrated by the history of the benchmark's returns in Figure 11. The weak performance in 2018 followed a period of strong performance in 2017.

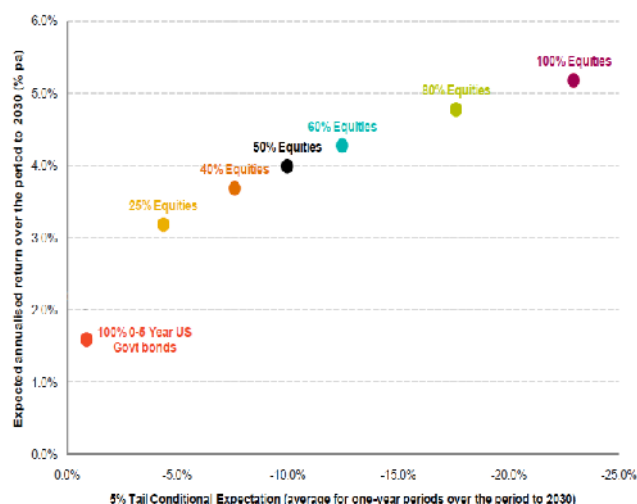
Expected investment returns have been revised down in recent years. This is primarily the result of lower

bond yields, which indicate lower future returns (Figure 13). The expected return from the Petroleum Fund over the next 10 years is likely to be closer to 2 per cent after adjusting for US inflation, rather than 3 per cent. Increasing the equity allocation to target a higher return was considered but it was decided to maintain the 40 per cent allocation and revise performance expectations.³

The Fund's investment strategy is intentionally simple but robust. It follows the underlying investment beliefs, which are documented in the Investment Advisory Board's "Statement of Investment Beliefs and Principles", published on the Ministry of Finance's website.

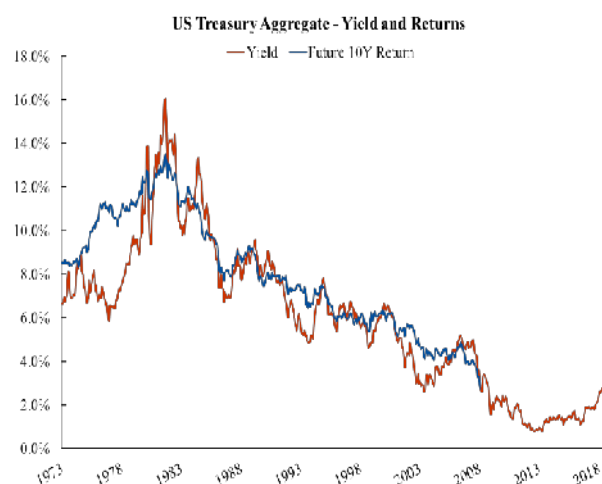
The portfolio is sought to be constructed efficiently while avoiding unnecessary complexity. Investments are in bonds and listed equities. Diversification is used to remove unrewarded risk. Equities are highly diversified across a large number of companies, sectors and countries. The sovereign bond portfolio helps to mitigate the risk from equities.

Figure 12. Returns and Risks for Alternative Investment Strategies



Source: Willis Towers Watson, 2011

Figure 13. Bond Yields and Future Returns



³ Refer to the section on the "IAB's Advice and the Fund Going Forward" on page 15.

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.

The Petroleum Fund's allocations are maintained close to those in the SAA, with periodic rebalancing undertaken by the BCTL. It is believed that 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.

Table 3 shows that the Fund's actual holdings at the end of December 2018 correspond with the SAA weights. The 0.86% overweight to total equities and the corresponding underweight to bonds are within the mandated parameters. Note that an allocation to cash is set aside to fund future withdrawals. The balance of \$725 million at the end of the year is excluded from the SAA weights.

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 1,773

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.

Table 4 shows that more than 60% 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, which continue to manage the other global markets. The 2.9% 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 Table 3. More than 80% 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% and the Eurozone at 30%. The enhanced passive bond mandates allow the managers moderate discretion to depart from the benchmark's holdings. The allocations shown in Table 4 are similar to those in the benchmark,

Table 3. Petroleum Fund's Investment Mandate

	Manager	Style	Allocation	
			Benchmark	Year-end
US Treasuries 3- 5 Years	BCTL	Passive	40%	37.84%
US Treasuries 5-10 Years	BIS	Enhanced Passive	10%	10.95%
Global Treasury ex US	Alliance Bernstein	Enhanced Passive	5%	5.16%
	Wellington	Enhanced Passive	5%	5.19%
Developed Market Equities	SSGA	Passive	34%	34.64%
	BlackRock	Passive		
	Schroders	Enhanced Passive	5%	5.13%
Australian Equities	BCTL	Passive	1%	1.10%

with the Eurozone accounting for 4.5% of the total bond portfolio and Australia, Canada, Japan and the UK being the other more significant holdings.

Table 4 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.

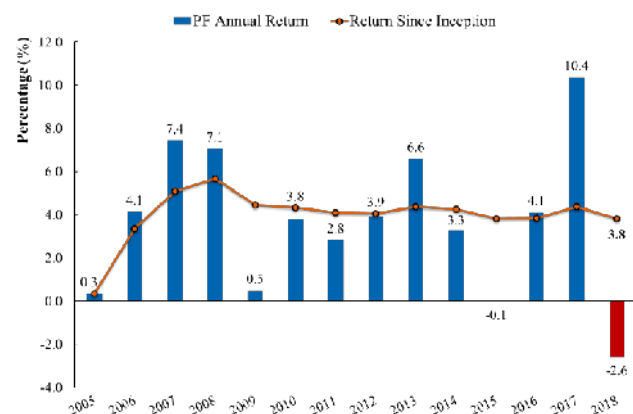
Table 4. Petroleum Fund Allocations by Country

Country	Bonds	Equities	Portfolio
Australia	1.9%	2.9%	2.3%
Canada	1.9%	3.2%	2.4%
Denmark	1.3%	0.6%	1.0%
Eurozone	4.5%	11.7%	7.4%
Hong-Kong	0.1%	1.2%	0.5%
Israel	0.0%	0.2%	0.1%
Japan	1.9%	8.4%	4.5%
New Zealand	0.5%	0.1%	0.3%
Norway	0.5%	0.3%	0.4%
Singapore	1.1%	0.5%	0.9%
Sweden	0.9%	1.0%	0.9%
Switzerland	1.0%	3.1%	1.9%
UK	1.9%	5.4%	3.3%
USA	82.6%	61.3%	74.0%
Total	100.0%	100.0%	100.0%

Investment Performance in 2018

The Petroleum Fund's investment return in 2018 was negative 2.6 per cent. This was the second annual loss for the Fund, following the small loss in 2015 (Figure 14). The Fund's return since inception was 3.8 per cent on an annualized basis, or 1.9 per cent in real terms after accounting for US inflation. Equities have met their long-term growth objective, returning 8.2 per cent per annum since the first investment in stocks in 2010 (Figure 15). This compares to the bond portfolio's average annual return of 1.2 per cent over the corresponding period.

Figure 14. Investment Returns since Inception



The Fund primarily adopts a passive approach to implementation, which means that its actual returns closely correspond to the benchmarks' returns. The bond portfolio's return in 2018 was slightly higher than its benchmark's, with all three mandates slightly outperforming over the year. Equities also did fractionally better than the benchmark. At the aggregate level, the Petroleum Fund's return exceeded the benchmark by 0.35 per cent in 2018 (Table 5).

Figure 16. Equity Benchmark Returns

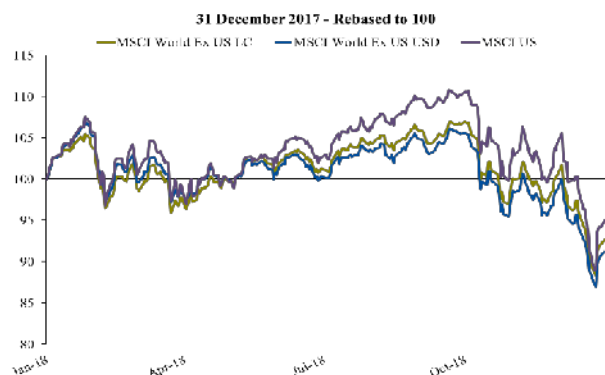


Figure 15. Bond and Equity Returns

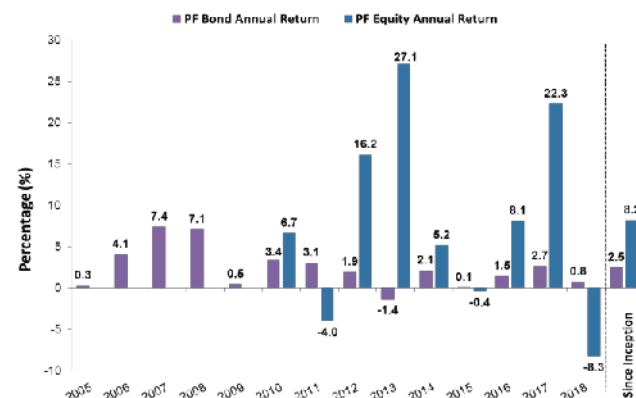


Table 5. Investment Returns in 2018

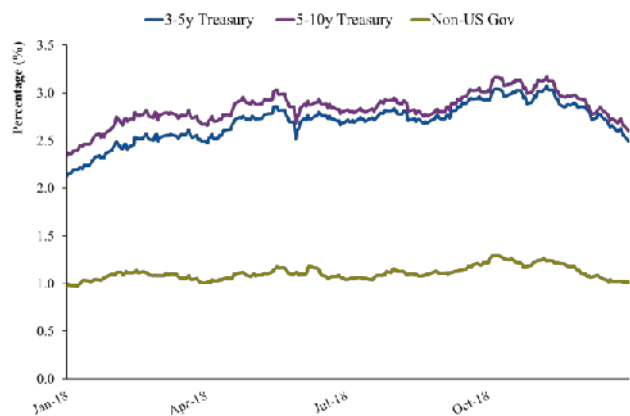
	Q1	Q2	Q3	Q4	2018	Inc.
Total Fund	-0.47	0.26	1.73	-4.08	-2.63	3.82
<i>Excess to Benchmark</i>	0.20	-0.01	-0.01	0.17	0.35	0.06
Bonds	-0.32	-0.65	-0.33	2.10	0.78	2.50
<i>Excess to Benchmark</i>	0.06	0.09	0.08	-0.12	0.11	0.02
Equities	-1.28	1.77	5.09	-13.17	-8.33	8.23
<i>Excess to Benchmark</i>	0.00	0.03	0.11	0.24	0.38	0.57
	Q1	Q2	Q3	Q4	2018	Inc.
3-5 year US Treasuries	-0.68	0.01	-0.16	2.38	1.53	1.18
<i>Excess to Benchmark</i>	0.04	0.02	0.00	0.00	0.06	0.04
5-10 year US Treasuries	-1.46	-0.03	-0.55	3.35	1.26	1.66
<i>Excess to Benchmark</i>	0.02	0.06	-0.02	-0.02	0.04	0.01
Non-US Sovereigns	2.08	-4.31	-1.21	0.53	-3.00	-0.74
<i>Excess to Benchmark</i>	-0.02	-0.03	0.09	0.07	0.11	0.02

Equities' return was negative 8.3 per cent in 2018 (Table 5). US equities outperformed other developed market over the first 3 quarters. Economic growth was strong in the US but more subdued in other markets, with signs of slowing growth in Europe and China. All

markets experienced a sharp sell-off in the fourth quarter (Figure 16). A number of factors raised uncertainty about the outlook for economic growth, including the pace of monetary policy tightening in the US, a trade dispute between the US and China and uncertainty regarding the UK's exit from the EU. Over the year, the non-US equity indexes underperformed the US index both in local currency terms and in US dollars.

The Bond portfolio returned 0.78 per cent in 2018. The US Treasury allocation performed consistently with its defensive objective, helping to mitigate the weakness in equities. The 3 to 5 year US Treasuries mandate returned 1.5 per cent in 2018 and the 5 to 10 year US Treasuries mandate returned 1.3 per cent (Table 5). US Treasury yields rose over the first three quarters as the Fed raised rates and the market priced in higher interest rate expectations. In the fourth quarter, US Treasuries benefited from a flight to safe assets and a downward revision in expectations for policy rates. The Federal Reserve in its December meeting signalled gradual rate increases in 2019, having increased the policy rate four times in 2018 to end the year at 2.25-2.50 per cent. The yields on the Fund's US Treasury mandates ended at similar levels to those at the beginning of the year.

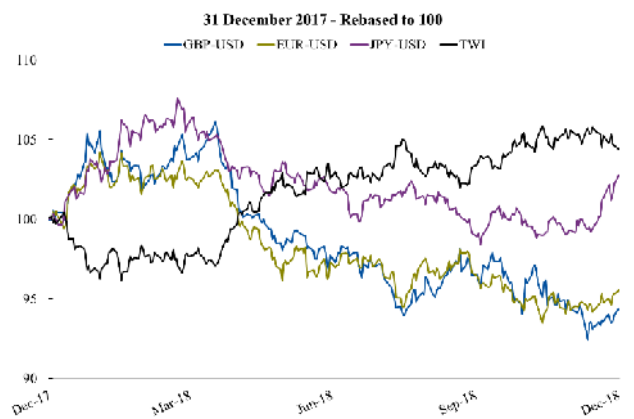
Figure 17. Government Bond Yields



Yields on the non-US sovereign bond mandate followed a similar pattern to the US Treasury mandates, rising over the first three quarters before falling somewhat in quarter 4 (Figure 17). The ECB kept its policy rate on hold while tapering its bond purchasing program, which ended in December. It has committed to keep the benchmark rate on hold until at least the middle of 2019. The Bank of England

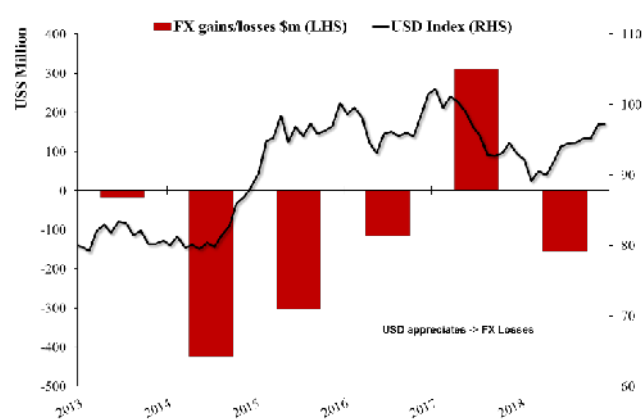
tightened monetary policy, raising its benchmark to 0.75 per cent in August. The Bank of Japan kept monetary policy on hold in 2018 at -0.1 per cent and assets purchases continue to target the 10 year bond yield at around zero.

Figure 18. USD Relative to Foreign Currency



Foreign currency depreciation was the main driver of the negative 3.1 per cent annual return on the unhedged non-US sovereign bond portfolio. Favourable growth and interest rate differentials contributed to strength in the US dollar in 2018. The USD appreciated against the major currencies other than the Japanese Yen and the Swiss Franc (Figure 18). The USD trade-weighted index increased 4.4 per cent in 2018, with similar performance against the Euro and the Pound. Currency movements detracted \$157 million from the Petroleum Fund in 2018 (Figure 19).

Figure 19. Currency Gains and Losses



IAB Advice and the Fund Going Forward

The IAB advises the Minister of Finance on matters relating to the investment strategy and management of the Fund according to Article 16 of the Petroleum Fund Law. The IAB held six meetings and two workshops in 2018. The relevant correspondence during the year is attached in Appendix XII and summarized below.

In its advice on 11 May 2018, the Board noted that lower returns are expected for the Petroleum Fund, primarily because low yields mean that the expected returns from bonds are lower. The Board explained that it is unlikely that the Fund's current asset allocation will provide a real return of 3 per cent and is instead likely to return closer to 2 per cent over the long term. The ESI framework is challenged by the low return environment and withdrawals to the State Budget in excess of the ESI.

The IAB advised that the 40 per cent equity allocation remains appropriate based on the information available. Regular asset allocation reviews are necessary to account for any new information relevant to projections of government withdrawals and future inflows from oil revenues. The IAB recommends taking a national wealth perspective when determining the Petroleum Fund's investment policy to account for potential new revenues and public liabilities.

The Board also recommended in May 2018 that the parameters for the Cash mandate be modified to account for operational matters. The IAB recommended introducing a 5 per cent allocation to Cash as part of the Fund's strategic asset allocation. This will be funded from the US Treasury 3-5 year mandate, which will reduce in weight to 35 per cent. This replaces the previous parameters where the cash balance was outside the Fund's strategic asset allocation and represented the estimates of withdrawals over the next 4 quarters. The new parameters benchmark Cash to 3 month US Treasury bills and allows for instruments of up to one year in maturity. The mandate continues to be internally managed by the BCTL. These changes were implemented in 2019.

The Board advised on 14 August 2018 on the implementation of the equity factor mandate. Equity factors are expected to improve the risk-adjusted return of the equity portfolio relative to the current investments, which are mostly in market-capitalization indices. The BCTL's analysis supported a combination of two managers to provide exposure to Value, Quality and

Low Volatility, and, to a lesser extent, Size. The Board's advice amended the mandate parameters to refer to these factors, rather than the 5 factors originally listed. The Board recommended allocating 10 per cent of the Fund to factors initially, with the weight to be reviewed once the Petroleum Fund has more experience in managing factors. The new mandate is expected to be implemented in 2019.

The Board held a workshop with the Interim Minister of Finance in November to review the Petroleum Fund's governance framework. It was acknowledged that there was scope to improve the process for researching and implementing changes to the Petroleum Fund's investments. The workshop also discussed resourcing of the IAB, which was raised in earlier correspondence. It was agreed that clear roles and responsibilities for the Petroleum Fund's institutions were needed and that this review will be directed by the Minister of Finance in 2019.

In 2018, the Parliament proposed legal amendments to allow the Petroleum Fund to invest in Petroleum Operations. The Petroleum Activities Law was amended to enable the 5 per cent allocation under Article 15.4 of the Petroleum Fund Law to be applied to petroleum investments. The change related to the Government's acquisition of ConocoPhillips' and Shell's interests in the Greater Sunrise oil and gas development project. The acquisition was included in the original 2019 State Budget passed by Parliament but was withdrawn in the promulgated Budget Law after the changes to the Petroleum Activities Law were promulgated. The Petroleum Fund invested in Timor Gap in April to finance the acquisition. Further details of the investment will be included in the next Annual Report.

In terms of future work, the Investment Advisory Board met with stakeholders in May 2019 to discuss expected withdrawals, national wealth and the government's objectives for the Fund. The focus is on ensuring that the investment policy is aligned with the Government's objectives for the Petroleum Fund, including accounting for expected withdrawals. The Petroleum Fund's institutions expect to implement foreign currency hedging on the non-US bond allocation in 2019. Research continues on potential ways to incrementally improve the Fund's expected risk-adjusted returns, after accounting for its objectives and constraints.

Maritime boundaries and development of Greater Sunrise

On 6 March 2018, Timor-Leste and Australia signed a treaty that will establish for the first time permanent maritime boundaries between the two countries. The agreement was the outcome of the compulsory conciliation process initiated by Timor-Leste under the United Nations Convention on the Law of the Sea. The treaty will become legally effective when it is ratified by the parliaments of Australia and Timor-Leste.

The new boundaries are shown in Figure 20. Nearly all of the Joint Petroleum Development Area (JPDA) belongs to Timor-Leste. The oil and gas fields currently in the JPDA will transition to Timor-Leste's exclusive jurisdiction. For example, Bayu-Undan and Kitan are exclusively in Timor-Leste's jurisdiction, which entitles Timor-Leste to all future royalties and petroleum-related taxes rather than the 90% of revenues specified in the Timor Sea Treaty 2002. This also applies to the Buffalo field in the west.

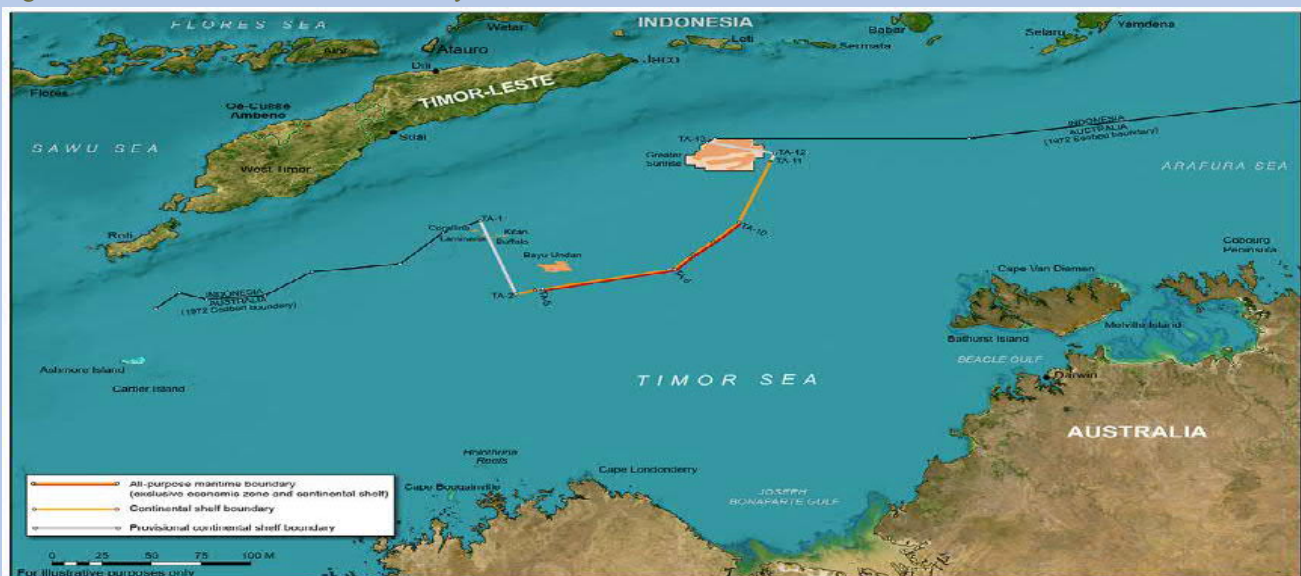
The new Treaty establishes the Greater Sunrise Special Regime and provides that the majority of revenue will flow to Timor-Leste. Timor-Leste will receive 70% of upstream revenue if the pipeline is to an LNG processing plant in Timor-Leste or 80% if the pipeline goes to Australia. This compares to Timor-Leste's 50% share specified under the Certain Maritime Arrangements in the Timor Sea (CMATS) 2006. The new treaty includes provisional boundaries in the west and east that will be automatically adjusted once a maritime boundary between Timor-Leste and Indonesia is agreed and the existing fields are decommissioned.

The next step is for both countries to agree on the development plan for Greater Sunrise. Timor-Leste is committed to developing Greater Sunrise through a pipeline to the South Coast, where the petroleum will be processed for export. Basing the processing facilities in Timor-Leste will enable development of the national economy. The government purchased Shell and Conoco's interests in the Greater Sunrise joint venture to facilitate onshore processing. The strategic issues relating to the development will need to be agreed to by Timor-Leste and Australia and the oil companies in the Joint Venture. The Production Sharing Contracts between the governments and the Joint Venture will need to be amended accordingly.

Timor Gap E.P., the national oil company, estimates that production in Greater Sunrise will commence in 2025. The Timor-Leste's government's share of petroleum-related royalties and taxes will then start flowing into the Petroleum Fund. In addition, the Fund will receive the dividends paid by Timor Gap as participant in the Joint Venture. Timor Gap's acquisition of a 56.56 per cent participating interest in the Greater Sunrise joint venture was funded by a debt instrument sold to the Petroleum Fund.

Official estimates of the value of the cash flows from Sunrise are not published at this stage. Projections for Sunrise will need to be included in the estimate of the present value of petroleum revenue when the field development proposal is approved by the Designated Authority, the ANPM.

Figure 20. Timor-Leste Maritime Boundary



Source: Timor-Leste Maritime Boundary Office

Annex I

Statement by Director General of Treasury

Petroleum Fund of Timor-Leste
General Information
31 December 2018

Minister of Finance in Office	Her Excellency Sara Lobo Brites
Director General of Treasury	Rui Ferreira Magno
Members of Investment Advisory Board	Olgario de Castro Gualdino da Silva Torres Trovik Prof. Michael Drew
Ex Officio (non-voting)	Venancio Alves Maria Rui Ferreira Magno (alternate, Ernesto da Conceição Silva)
Governor of Central Bank of Timor-Leste	Abraão de Vasconcelos
Executive Director of the Petroleum Fund	Venancio Alves Maria
Operational Manager	Banco Central de Timor-Leste Avenida Xavier do Amaral, no. 9 Dili Timor-Leste
Investment Managers	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
Members of Petroleum Fund Consultative Council	Pe. Julio Crispim Ximenes Belo Izilda Imanuela da Luz P. Soares Julio Fernandes Juvinal Dias Zelia Fernandes
Custodian	JP Morgan Chase Bank N.A.
Independent Auditor	Deloitte Touche Tohmatsu

Petroleum Fund of Timor-Leste
Statement by the Director General of Treasury
31 December 2018

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 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 2018.

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\$16.8bn on 1 January 2018 (2017: US\$15.8bn). During the period, taxes and other petroleum revenue under Article 6 of the Petroleum Fund were US\$0.5bn (2017: US\$0.4bn). The Petroleum Fund recorded a loss of US\$460m (2017: US\$1,612m gain) during the period. A summary of transactions for the income is given in the "Statement of profit or loss and other comprehensive income".

US\$0.98bn was transferred from the Petroleum Fund to the Consolidated Fund during the year. The capital of Petroleum Fund as at 31 December 2018 was US\$15.8bn (2017: US\$16.8bn). A summary of the transactions is given in the "Statement of changes in capital".

BENCHMARKS AND PERFORMANCE

During 2018, 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 2018	As at 31 December 2017
Fixed interest		
BOA Merrill Lynch US Government 0-5 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%
<i>Total fixed interest</i>	<i>60.0%</i>	<i>60.0%</i>
Global equities		
MSCI World	40.0%	40.0%
<i>Total global equities</i>	<i>40.0%</i>	<i>40.0%</i>
Total benchmark	100%	100%

Petroleum Fund of Timor-Leste
Statement by the Director General of Treasury
31 December 2018

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 2018 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 losses on financial assets at fair value through the profit or loss has been significant at US\$64.3m in 2018 reflecting the performance of global equities during the year. The net foreign exchange loss reflects the strengthening of the US dollar during 2018 into which foreign investments are translated.

During the period, the Ministry of 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 2018 have been approved on behalf of the Ministry of Finance by:



Rui Ferreira Magno
Director General of Treasury
Ministry of Finance Government of Timor-Leste
30 April 2019

Annex II

Audited Financial Statements

Independent Auditor's Report to The Ministry of Finance, Democratic Republic of Timor-Leste, in respect of the Petroleum Fund Annual Financial Report for the year ended 31 December 2018

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 2018, and the statement of profit or loss and other comprehensive income, statement of changes in capital 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 2018, 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:

- The Petroleum Fund at a Glance
- Annex I Statement by Director General of Treasury
- Annex III Statement on Accounting Policies of the Petroleum Fund for the Fiscal Year 2018
- 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 Finance

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.

Deloitte Touche Tohmatsu

A handwritten signature in blue ink, appearing to read 'Clive Garland', is written over a faint, light blue circular stamp.

Clive Garland
Principal
Chartered Accountants
Darwin, 30 April 2019

Petroleum Fund of Timor-Leste
Statement of profit or loss and other comprehensive income
for the year ended 31 December 2018

	<i>Note</i>	<i>Year ended 31/12/2018 USD</i>	<i>Year ended 31/12/2017 USD</i>
Income			
Interest income	4	201,533,512	169,503,377
Dividend income	5	156,845,144	162,786,768
Trust income	5	6,695,664	7,591,401
Other investment income		44,100	733,310
Net (losses)/gains on financial assets and liabilities at fair value through profit or loss	6	(642,694,324)	982,967,577
Net foreign exchange (losses)/gains	7	<u>(157,388,052)</u>	<u>312,405,389</u>
Total (loss)/income		<u>(434,963,956)</u>	<u>1,635,987,822</u>
Expenses	8		
External management and custody fees	19	(9,326,043)	(6,630,389)
Investment Advisory Board expenses	19	(256,871)	(246,766)
BCTL operational management fees	19	(5,073,803)	(6,550,326)
Other expenses	19	<u>(844,652)</u>	<u>(716,306)</u>
Total expenses		<u>(15,501,369)</u>	<u>(14,143,787)</u>
(Loss)/profit before tax		<u>(450,465,325)</u>	<u>1,621,844,035</u>
Withholding taxes	9	<u>(9,455,396)</u>	<u>(9,756,441)</u>
(Loss)/profit for the year		<u>(459,920,721)</u>	<u>1,612,087,594</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive (loss)/income for the year		<u>(459,920,721)</u>	<u>1,612,087,594</u>

The financial statements should be read in conjunction with the policies and notes on pages 30 - 97.

Petroleum Fund of Timor-Leste
Statement of financial position
as at 31 December 2018

	<i>Note</i>	<i>As at 31/12/2018 USD</i>	<i>As at 31/12/2017 USD</i>
Assets			
Cash and cash equivalents	11	725,098,971	318,007,230
Other receivables	12	25,799,760	31,422,089
Financial assets at fair value through profit or loss	13,14	<u>15,072,095,909</u>	<u>16,462,177,711</u>
Total assets		<u>15,822,994,640</u>	<u>16,811,607,030</u>
Liabilities			
Payables for securities purchased		16,645,556	10,169,424
Accounts payable		<u>2,710,962</u>	<u>2,124,915</u>
Total liabilities		<u>19,356,518</u>	<u>12,294,339</u>
Net assets		<u>15,803,638,122</u>	<u>16,799,312,691</u>
Capital			
Capital		<u>15,803,638,122</u>	<u>16,799,312,691</u>

The financial statements should be read in conjunction with the policies and notes on pages 30 - 97.

Petroleum Fund of Timor-Leste
Statement of changes in capital
for the year ended 31 December 2018

	<i>Note</i>	<i>Year ended 31/12/2018 USD</i>	<i>Year ended 31/12/2017 USD</i>
Capital at the beginning of the year	15	16,799,312,691	15,844,327,287
Petroleum Fund gross receipts <i>(pursuant to Article 6 of the Petroleum Fund Law)</i>	15	<u>510,080,813</u>	<u>421,697,810</u>
		<u>17,309,393,504</u>	<u>16,266,025,097</u>
Transfers to the Consolidated Fund of Timor-Leste <i>(pursuant to Article 7 of the Petroleum Fund Law)</i>	15	(982,500,000)	(1,078,800,000)
Transfers for refunds of taxation <i>(pursuant to Article 10 of the Petroleum Fund Law)</i>	15	(63,334,661)	-
Total comprehensive (loss)/income for the year		<u>(459,920,721)</u>	<u>1,612,087,594</u>
Capital at the end of the year		<u>15,803,638,122</u>	<u>16,799,312,691</u>

The financial statements should be read in conjunction with the policies and notes on pages 30 - 97.

Petroleum Fund of Timor-Leste
Statement of cash flows
for the year ended 31 December 2018

	<i>Note</i>	<i>Year ended 31/12/2018 USD</i>	<i>Year ended 31/12/2017 USD</i>
Cash flows from operating activities			
Proceeds from sale of financial assets at fair value through profit or loss	13	11,126,986,929	10,970,436,785
Purchases of financial assets at fair value through profit or loss	13	(10,522,485,921)	(10,424,618,656)
Interest received		200,785,774	168,909,243
Dividends received		149,341,720	151,934,989
Trust distributions received		7,118,526	7,435,669
External management and custody fees paid		(14,070,670)	(16,255,572)
Other operating receipts		44,084	733,310
Other operating payments		<u>(844,652)</u>	<u>(716,306)</u>
Net cash utilized in operating activities	16	<u>946,875,790</u>	<u>857,859,462</u>
Cash flows from financing activities			
Petroleum Fund gross receipts	15	510,080,813	421,697,810
Transfer payments to the Consolidated Fund of Timor-Leste	15	(982,500,000)	(1,078,800,000)
Refunds of tax receipts	15	<u>(63,334,661)</u>	<u>-</u>
Net cash flows provided by financing activities		<u>(535,753,848)</u>	<u>(657,102,190)</u>
Net increase in cash and cash equivalents		411,121,942	200,757,272
Cash and cash equivalents at the beginning of the year		318,007,230	108,985,160
Effects of foreign currency exchange rate changes on cash and cash equivalents		<u>(4,030,201)</u>	<u>8,264,798</u>
Cash and cash equivalents at 31 December	11	<u>725,098,971</u>	<u>318,007,230</u>

The financial statements should be read in conjunction with the policies and notes on pages 30 - 97.

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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 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 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 30 April 2019.

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 31/12/2018 USD</i>	<i>Year ended 31/12/2017 USD</i>
Interest from debt securities at fair value through profit or loss	186,942,102	166,772,887
Interest from cash and cash equivalents	<u>14,591,410</u>	<u>2,730,490</u>
	<u>201,533,512</u>	<u>169,503,377</u>

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 31/12/2018 USD</i>	<i>Year ended 31/12/2017 USD</i>
Dividend income	156,845,144	162,786,768
Trust income	<u>6,695,664</u>	<u>7,591,401</u>
	<u>163,540,808</u>	<u>170,378,169</u>

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 31/12/2018 USD</i>	<i>Year ended 31/12/2017 USD</i>
Net (losses)/gains on financial assets and liabilities at fair value through profit or loss	<u>(642,694,324)</u>	<u>982,967,577</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 31/12/2018 USD</i>	<i>Year ended 31/12/2017 USD</i>
Net foreign exchange (losses)/gains	<u>(157,388,052)</u>	<u>312,405,389</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 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 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\$19.4m (2017: US \$12.3m) 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> 31/12/2018 USD	<i>As at</i> 31/12/2017 USD
Cash at bank	99,098,971	124,907,230
Overnight reverse repurchase agreements	<u>626,000,000</u>	<u>193,100,000</u>
	<u>725,098,971</u>	<u>318,007,230</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> 31/12/2018 USD	<i>As at</i> 31/12/2017 USD
Dividends receivables	6,893,741	6,697,458
Withholding tax receivables	14,638,778	16,486,564
Trust distributions receivables	941,910	982,547
Due from brokers receivables	2,935,125	7,027,527
Interest receivables	390,197	227,993
Other receivables	9	-
	<u>25,799,760</u>	<u>31,422,089</u>

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 31/12/2018</i>		<i>As at 31/12/2017</i>	
	<i>USD</i>		<i>USD</i>	
Designated as at fair value through profit or loss	Fair value	% of net assets	Fair value	% of net assets
Fixed interest securities				
United States treasury notes	7,399,772,981	49	7,881,288,280	48
Australian government bonds	170,978,233	1	195,429,108	1
Japanese government bonds	167,139,449	1	172,052,719	1
United Kingdom government bonds	167,476,329	1	144,968,761	1
European government bonds	404,094,036	3	410,612,531	3
Other government bonds	644,546,398	4	674,182,722	4
Total fixed interest securities	8,954,007,426	59	9,478,534,121	58
Equity securities				
United States equities	3,771,002,613	25	4,142,894,998	25
Australian equities	178,197,094	1	206,942,195	1
Japanese equities	514,885,550	4	619,540,864	4
United Kingdom equities	373,888,257	3	479,839,946	3
European equities	655,669,691	4	812,991,745	5
Equities from other countries	625,006,050	4	721,280,481	4
Total equity securities	6,118,649,255	41	6,983,490,229	42

Held for trading**Derivatives**

United States equity futures	(1,352,983)	-	198,271	-
Foreign currency forward contracts	<u>792,211</u>	<u>-</u>	<u>(44,910)</u>	<u>-</u>
Total derivatives	<u>(560,772)</u>	<u>-</u>	<u>153,361</u>	<u>-</u>
Total securities	<u>15,072,095,909</u>		<u>16,462,177,711</u>	

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> 31/12/2018 <i>USD</i>	<i>As at</i> 31/12/2017 <i>USD</i>
Financial assets at fair value through profit or loss		
Opening fair value	16,462,177,711	15,715,654,040
Purchases at cost	10,522,485,921	10,424,618,656
Proceeds from sales	(11,126,986,929)	(10,970,436,785)
Net (losses)/gains on financial assets at fair value through profit or loss	(642,694,324)	982,967,577
Net foreign exchange (losses)/gains	(157,388,052)	312,405,389
	14,501,582	(3,031,166)
Net gains/(losses) through interest income	<u> </u>	<u> </u>
Closing fair value	15,072,095,909	16,462,177,711

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 31/12/2018</i> <i>USD</i>			
	Valuation technique: market Quoted market price (Level 1)	Valuation technique: non-market observable inputs (Level 2)	Valuation technique: non-market observable inputs (Level 3)	Total
Financial assets				
Financial instruments designated at fair value through profit or loss				
Derivatives	-	792,211	-	792,211
Equity securities	6,118,649,255	-	-	6,118,649,255
Fixed interest securities	8,954,007,426	-	-	8,954,007,426
Total	<u>15,072,656,681</u>	<u>792,211</u>	<u>-</u>	<u>15,073,448,892</u>

Financial liabilities

Financial instruments designated at fair value through profit or loss	(1,352,983)	-	-	(1,352,983)
Derivatives				
	<u>(1,352,983)</u>	<u>-</u>	<u>-</u>	<u>(1,352,983)</u>
Total				

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

<i>As at 31/12/2017</i>				
<i>USD</i>				
	Valuation technique: market Quoted market price (Level 1)	Valuation technique: non-market observable inputs (Level 2)	Valuation technique: non-market observable inputs (Level 3)	Total
Financial assets				
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
Total	16,462,222,621	-	-	16,462,222,621
Financial liabilities				
Financial instruments designated at fair value through profit or loss				
Derivatives	-	(44,910)	-	(44,910)
Total	-	(44,910)	-	(44,910)

There were no transfers between levels for the year ended 31 December 2018 (2017: nil).

There were no movements in all levels of instruments for the year ended 31 December 2018 (2017: 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.

Derivative financial instruments	<i>As at 31/12/2018</i>		<i>As at 31/12/2017</i>	
	<i>Fair value</i>	<i>Notional value</i>	<i>Fair value</i>	<i>Notional value</i>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Equity futures	(1,352,983)	44,815,625	198,271	29,936,713
Foreign currency forward contracts	792,211	(9,854,558)	(44,910)	(26,411,050)
Total	(560,772)	34,961,067	153,361	3,525,663

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.

Petroleum Fund of Timor-Leste
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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 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).

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.

		Price risk	
		Impact on profit/(loss) for the year / Net assets	
		(-10.00%)	(+10.00%)
31 December 2018		(611,808,848)	611,808,848
31 December 2017		(698,364,359)	698,364,359

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.

Petroleum Fund of Timor-Leste
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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:

<i>As at 31/12/2018</i>								
<i>USD</i>								
FINANCIAL ASSETS	Statement of	Non-interest	6 months or					
	financial position	sensitive	less	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years
Cash and cash equivalents								
Other receivables	725,098,971	-	725,098,971	-	-	-	-	-
Financial assets at fair value through profit or loss	25,799,760	25,799,760	-	-	-	-	-	-
	15,072,095,909	6,118,088,483	9,765,370	29,671,804	112,816,589	6,324,493,260	2,047,959,819	429,300,584
Total assets	15,822,994,640	6,143,888,243	734,864,341	29,671,804	112,816,589	6,324,493,260	2,047,959,819	429,300,584
Weighted average interest rate			2.63%	0.57%	2.05%	2.22%	2.35%	3.39%

<i>As at 31/12/2017</i>								
<i>USD</i>								
FINANCIAL ASSETS	Statement of	Non-interest	6 months or					
	financial position	sensitive	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
	16,811,607,030	7,015,065,679	338,469,059	11,105,915	159,689,071	6,925,999,557	1,929,749,389	431,528,360
Total assets			3.04%	2.85%	2.71%	1.88%	2.14%	3.62%
Weighted average interest rate								

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.

Interest rate risk

	Impact on profit/(loss) for the year / Net assets	
	(-1.00%)	(+1.00%)
31 December 2018	446,123,463	(446,123,463)
31 December 2017	446,195,306	(446,195,306)

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 75% (2017: 73%) in US dollars, therefore exposure to currency movements are limited.

Petroleum Fund of Timor-Leste
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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 31/12/2018</i>							
<i>USD</i>							
	USD	EUR	AUD	GBP	JPY	Other Currencies	Total
Cash and cash equivalents	702,152,050	14,848,909	2,417,722	1,196,173	887,904	3,596,213	725,098,971
Equity securities	3,771,002,613	655,669,691	178,197,094	373,888,257	514,885,550	625,006,050	6,118,649,255
Interest bearing securities	7,399,772,982	404,094,036	170,978,234	167,476,329	167,139,449	644,546,396	8,954,007,426
Receivables	6,832,368	5,625,071	628,822	1,060,279	852,001	10,801,219	25,799,760
Payables	(9,437,890)	(1,280,672)	(987,088)	-	-	(7,650,868)	(19,356,518)
Total physical exposure	11,870,322,123	1,078,957,035	351,234,784	543,621,038	683,764,904	1,276,299,010	15,804,198,894
Futures	(1,352,983)	-	-	-	-	-	(1,352,983)
Forward exchange contracts							
- buy foreign currency	98,604,534	91,994,957	9,149,068	16,027,682	22,040,340	60,549,331	298,365,912
- sell foreign currency	(108,459,091)	(49,949,823)	(26,031,909)	(30,285,273)	(6,624,820)	(76,222,785)	(297,573,701)
Total derivative exposure	(11,207,540)	42,045,134	(16,882,841)	(14,257,591)	15,415,520	(15,673,454)	(560,772)
Total net exposure	11,859,114,583	1,121,002,169	334,351,943	529,363,447	699,180,424	1,260,625,556	15,803,638,122
Exposure (% of net assets)	75.04%	7.09%	2.12%	3.35%	4.42%	7.98%	100.00%

<i>As at 31/12/2017</i>							
<i>USD</i>							
	USD	EUR	AUD	GBP	JPY	Other Currencies	Total
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	(3,928,384)	-	-	-	(6,839,321)	(1,526,634)	(12,294,339)
Total physical exposure	12,302,417,311	1,234,153,716	421,301,970	636,734,222	791,145,372	1,413,406,739	16,799,159,330
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	(104,731,474)	(40,714,844)	(50,383,550)	(7,274,410)	(17,664,485)	(69,739,805)	(290,508,568)

<i>Total derivative exposure</i>	<u>(26,212,779)</u>	<u>78,746,695</u>	<u>(46,946,959)</u>	<u>7,551,210</u>	<u>(8,519,482)</u>	<u>(4,465,324)</u>	<u>153,361</u>
Total net exposure	<u>12,276,204,532</u>	<u>1,312,900,411</u>	<u>374,355,011</u>	<u>644,285,432</u>	<u>782,625,890</u>	<u>1,408,941,415</u>	<u>16,799,312,691</u>
Exposure (% of net assets)	73.07%	7.82%	2.23%	3.84%	4.66%	8.38%	100%

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>	<i>As at</i>
	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>USD</i>	<i>USD</i>
EUR impact	(112,100,217)	(131,290,041)
AUD impact	(33,435,194)	(37,435,501)
GBP impact	(52,936,345)	(64,428,543)
JPY impact	(69,918,042)	(78,262,589)
Other currencies impact	(126,062,556)	(140,894,142)
Total currencies impact	<u>(394,452,354)</u>	<u>(452,310,816)</u>

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 2017 and has been maintained during the 2018 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 49% (2017: 48%) 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>As at</i>
	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>USD</i>	<i>USD</i>
Fixed interest securities and money market securities		
Sovereign issuers:		
United States Government	7,399,772,981	7,881,288,280
Australia Government	170,978,233	195,429,108
Japan Government	167,139,449	172,052,719
United Kingdom Government	167,476,329	144,968,761
European Governments	404,094,036	410,612,531
Governments of other countries	<u>644,546,398</u>	<u>674,182,722</u>
	<u>8,954,007,426</u>	<u>9,478,534,121</u>

Petroleum Fund of Timor-Leste
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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>	<i>As at</i>
	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>USD</i>	<i>USD</i>
International fixed interest securities and money market securities		
AAA	8,290,913,936	8,750,364,585
AA	323,843,850	371,433,601
A	174,641,011	179,537,600
BBB	<u>164,608,629</u>	<u>177,198,335</u>
Total	<u>8,954,007,426</u>	<u>9,478,534,121</u>

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

No more than 1% (2017: 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% (2017: 47%) 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 financial instruments liabilities designated at fair value through profit or loss as at 31 December 2018 of \$1,352,983 (2017: \$44,910).

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.

14. Financial liabilities (continued)

Risks

There were no transfers between levels for the year ended 31 December 2018 (2017: nil).

There were no movements in all levels of instruments for the year ended 31 December 2018 (2017: 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 31/12/2018</i>					Refunds of	Total
	Article 6.1(a)	Article 6.1(b)	Article 6.1(e)	To Consolidated	Fund		
	receipts	receipts	other receipts			Taxation	
January	25,432,090	14,003,488	-	-	-	-	39,435,578
February	15,987,848	26,713,435	-	-	-	-	42,701,283
March	23,016,785	33,494,979	-	-	-	-	56,511,764
April	18,676,633	24,071,380	-	-	-	-	42,748,013
May	15,585,368	33,716,370	-	(70,000,000)	-	-	(20,698,262)

June	6,329,905	14,877,797	-	-	-	21,207,702
July	17,753,934	-	120,198	-	-	17,874,132
August	15,038,385	3,554,951	5,944,000	(140,000,000)	-	(115,462,664)
September	31,352,917	5,660,018	-	-	-	37,012,935
October	21,247,539	25,926,688	-	(220,000,000)	-	(172,825,773)
November	25,703,069	39,229,877	-	(220,000,000)	-	(155,067,054)
December	<u>43,908,938</u>	<u>22,734,221</u>	<u>-</u>	<u>(332,500,000)</u>	<u>(63,334,661)</u>	<u>(329,191,502)</u>
Totals	<u>260,033,411</u>	<u>243,983,204</u>	<u>6,064,198</u>	<u>(982,500,000)</u>	<u>(63,334,661)</u>	<u>(535,753,848)</u>
Total Article 6.1			<u>510,080,813</u>			

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

15. Capital receipts and payments (continued)

Year ended 31/12/2017

USD

	Article 6.1(a)	Article 6.1(b)	Article 6.1(e)	To Consolidated	
Month	receipts	receipts	other receipts	Fund	Total
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	<u>9,737,284</u>	<u>22,680,799</u>	<u>6,410,400</u>	<u>(223,800,000)</u>	<u>(184,971,517)</u>
Totals	<u>181,030,721</u>	<u>233,992,344</u>	<u>6,674,745</u>	<u>(1,078,800,000)</u>	<u>(657,102,190)</u>
Total Article 6.1			<u>421,697,810</u>		

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 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
Notes to the financial statements
for the year ended 31 December 2018

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>31/12/2018</i>	<i>Year ended</i> <i>31/12/2017</i>
	<i>USD</i>	<i>USD</i>
(Loss)/profit for the year	(459,920,721)	1,612,087,594
Decrease/(increase) in financial assets at fair value through profit or loss	1,390,081,802	(746,523,671)
Decrease/(increase) in receivables	9,652,530	(11,833,877)
Increase/(decrease) in accounts payable	586,047	(2,828,092)
Increase in payables for securities purchased	<u>6,476,132</u>	<u>6,957,508</u>
Net cash utilized in operating activities	<u>946,875,790</u>	<u>857,859,462</u>

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 (2017: nil).

18. Contingent assets, contingent liabilities and commitments

There were no contingent assets, contingent liabilities or commitments as at 31 December 2018 (2017: nil).

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

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 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>Year ended</i>
	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>USD</i>	<i>USD</i>
Custody and external management services	9,326,043	6,630,389
IAB expenses	256,871	246,766
BCTL operating expenses	5,073,803	6,550,326
Total management fees	14,656,717	13,427,481
Other expenses	844,652	716,306
Total	15,501,369	14,143,787

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 0.09% (2017: 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\$14,656,717 (2017: US\$13,427,481).

The management fees payable as at 31 December 2018 is US\$2,710,962 (31 December 2017: US\$2,124,915).

National Petroleum and Minerals Authority

The National Petroleum and Minerals Authority 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 2018 financial year and as at the financial position date, there were no encumbrances or burdens on the assets of the Petroleum Fund.

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

Impact of adoption of IFRS 9 - Financial Instruments

In the current year the Petroleum Fund has applied IFRS9 Financial Instruments (as revised in July 2014) and the related consequential amendments from other IFRS standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. As the Petroleum Fund has been invested exclusively in public market equities and bonds throughout the reporting period under similar management arrangements to previous years, the classification and measurement of the Fund's financial assets has not materially changed.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

The Petroleum Fund classifies its investments based on the Petroleum Fund's business model for managing financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

The classification and measurement of the Petroleum Fund's financial assets at fair value through profit or loss is consistent with the previous treatment of the same classes of assets and therefore there has been no need to restate comparative figures or the accounting policies as the result of the adoption of IFRS9.

Impact of adoption of IFRS 15 - Revenue from Contracts with Customers

In the current year the Petroleum Fund has applied IFRS15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that commences on 1 January 2018.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what more might commonly be known as 'accrued revenue and deferred revenue'. The Petroleum Fund does not engage in activities that fall within the ambit of IFRS15 and according there has been no change in the measurement or reporting of these classes of revenue.

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:

Standard/interpretation	Effective date (periods beginning on or after)	Expected to be initially applied in the financial year beginning
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.

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

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 1.75% 21Nov20	17,055,000	11,996,634	Canada 3.50% 01Jun20	2,380,000	1,788,016
Australia 5.75% 15May21	4,000,000	3,090,476	Canada 0.75% 01Mar21	39,815,000	28,537,130
Australia 5.75% 15Jul22	16,596,000	13,556,930	Canada 0.75% 01Sep21	15,385,000	10,966,716
Australia 2.25% 21Nov22	3,745,000	2,680,588	Canada 1.50% 01Jun23	16,555,000	11,938,408
Australia 2.75% 21Apr24	28,435,000	20,855,803	Canada 2.50% 01Jun24	13,000,000	9,828,614
Australia 3.25% 21Apr25	11,940,000	9,016,607	Canada 2.25% 01Jun25	25,120,000	18,795,977
Australia 4.25% 21Apr26	22,324,000	18,010,960	Canada 1.50% 01Jun26	15,195,000	10,804,578
Australia 4.75% 21Apr27	18,116,000	15,270,727	Canada 2.00% 01Jun28	35,000,000	25,746,026
Australia 2.75% 21Nov27	35,523,000	25,994,765	Canada 5.75% 01Jun33	16,142,000	17,259,782
Australia 2.75% 21Nov28	18,000,000	13,186,610	Canada 5.00% 01Jun37	3,600,000	3,785,452
Australia 3.25% 21Apr29	10,776,000	8,274,685	Canada 4.00% 01Jun41	7,611,000	7,368,799
Australia 4.50% 21Apr33	12,640,000	11,152,209	Canada 3.50% 01Dec45	7,920,000	7,346,969
Australia 3.75% 21Apr37	10,035,000	8,261,673	Canada 2.75% 01Dec48	1,750,000	1,443,183
Australia 3.00% 21Mar47	13,101,000	9,629,566	Canada 2.75% 01Dec64	1,575,000	1,355,543
		170,978,233			168,694,412
Austria 2.10% 20Sep17	124,000	164,876	Denmark 4.00% 15Nov19	20,596,000	3,298,197
Austria 1.95% 18Jun19	202,000	236,011	Denmark 3.00% 15Nov21	124,217,000	21,021,564
Austria 3.90% 15Jul20	673,000	836,080	Denmark 1.50% 15Nov23	127,580,200	21,242,460
Austria 3.50% 15Sep21	1,878,000	2,404,456	Denmark 7.00% 10Nov24	12,882,000	2,826,857
Austria 3.40% 22Nov22	383,000	503,389	Denmark 1.75% 15Nov25	137,193,000	23,611,749
Austria 3.65% 20Apr22	672,000	890,648	Denmark 0.50% 15Nov27	28,890,000	4,537,313
Austria 0.00% 15Jul23	885,000	1,020,131	Denmark 4.50% 15Nov39	138,517,200	37,026,839
Austria 1.75% 20Oct23	274,000	343,609			113,564,979
Austria 0.75% 20Oct26	1,680,000	1,988,920	Finland 3.37% 15Apr20	287,000	352,842
Austria 4.85% 15Mar26	848,000	1,330,065	Finland 0.00% 15Apr22	1,635,000	1,891,448
Austria 6.25% 15Jul27	195,000	339,867	Finland 1.50% 15Apr23	2,275,000	2,821,921
Austria 4.15% 15Mar37	1,642,000	2,910,634	Finland 2.00% 15Apr24	540,000	693,872
Austria 3.15% 20Jun44	1,035,000	1,699,702	Finland 2.62% 04Jul42	250,000	385,421
Austria 3.80% 26Jan62	153,000	311,955			6,145,505
		14,980,342			
Belgium 3.00% 28Sep19	288,000	340,664	France 0.00% 25Feb21	9,050,000	10,450,759
Belgium 3.75% 28Sep20	591,000	733,101	France 0.00% 25May21	11,000,000	12,710,527
Belgium 4.25% 28Sep21	504,000	656,664	France 3.25% 25Oct21	6,160,000	7,814,613
Belgium 4.00% 28Mar22	476,000	638,128	France 0.00% 25Mar24	11,650,000	13,291,683
Belgium 4.25% 28Sep22	1,220,000	1,647,806	France 1.75% 25Nov24	4,374,500	5,490,545
Belgium 0.20% 22Oct23	3,470,000	4,012,464	France 0.50% 25May25	2,702,000	3,153,513
Belgium 2.60% 22Jun24	3,981,343	5,235,146	France 0.75% 25May28	9,130,000	10,578,320
Belgium 0.80% 22Jun25	958,000	1,135,779	France 2.50% 25May30	4,130,000	5,641,305
Belgium 4.50% 28Mar26	1,034,000	1,566,483	France 1.50% 25May31	571,000	701,006
Belgium 0.80% 22Jun27	3,852,497	4,480,547	France 5.75% 25Oct32	1,126,000	2,095,116
Belgium 5.50% 28Mar28	559,000	938,804	France 4.75% 25Apr35	2,364,632	4,259,840
Belgium 3.00% 22Jun34	1,245,000	1,785,745	France 1.25% 25May36	2,412,000	2,775,800
Belgium 5.00% 28Mar35	1,923,800	3,462,355	France 4.00% 25Oct38	798,124	1,353,977
Belgium 4.25% 28Mar41	2,247,400	3,931,008	France 1.75% 25Jun39	3,430,000	4,235,441
Belgium 3.75% 22Jun45	892,000	1,486,548	France 3.25% 25May45	3,642,000	5,800,752
		32,051,243	France 2.00% 25May48	2,615,000	3,279,399
			France 4.00% 25Apr55	900,000	1,684,126
Canada 1.50% 01Mar20	16,000,000	11,729,219			95,316,721

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

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

Security	Nominal	Fair Value	Security	Nominal	Fair Value
Germany 0.00% 17Apr20	11,075,000	12,760,682	Japan 1.00% 20Sep21	60,450,000	569,538
Germany 0.00% 14Apr23	11,180,000	12,990,465	Japan 1.10% 20Dec21	1,039,450,000	9,825,609
Germany 0.50% 15Feb28	3,265,000	3,859,186	Japan 1.10% 20Mar21	446,350,000	4,192,107
Germany 4.75% 04Jul34	306,100	578,424	Japan 1.10% 20Sep21	34,800,000	328,864
Germany 2.50% 04Jul44	7,833,039	12,519,138	Japan 1.30% 20Mar21	1,053,400,000	9,941,500
Germany 2.50% 15Aug46	3,400,000	5,502,223	Japan 0.80% 20Sep22	543,500,000	5,137,808
		48,210,117	Japan 0.80% 20Sep23	226,550,000	2,161,322
			Japan 0.30% 20Dec24	1,357,250,000	12,695,405
Hong Kong 1.06% 05Feb20	6,050,000	769,898	Japan 0.40% 20Jun25	643,700,000	6,072,436
Hong Kong 2.93% 13Jan20	15,100,000	1,977,141	Japan 0.10% 10Mar25	776,000,000	7,379,355
Hong Kong 2.46% 04Aug21	10,750,000	1,408,237	Japan 0.10% 10Mar26	1,455,000,000	13,890,041
Hong Kong 2.49% 22Aug28	10,350,000	1,390,874	Japan 0.10% 20Jun27	255,450,000	2,364,681
		5,546,150	Japan 2.10% 20Dec27	915,500,000	9,964,007
			Japan 2.10% 20Mar27	333,600,000	3,607,300
Ireland 5.40% 13Mar25	1,033,000	1,593,632	Japan 0.10% 10Mar28	902,400,000	8,550,180
Ireland 0.90% 15May28	565,000	649,150	Japan 1.60% 20Mar33	240,000,000	2,612,083
Ireland 1.70% 15May37	610,000	717,990	Japan 1.70% 20Jun33	714,500,000	7,849,629
Ireland 2.00% 18Feb45	235,000	287,706	Japan 0.20% 20Jun36	453,350,000	3,985,242
		3,248,477	Japan 2.30% 20Mar39	333,050,000	4,088,501
			Japan 2.00% 20Sep40	43,550,000	515,047
Italia 0.70% 01May20	5,515,000	6,340,126	Japan 2.30% 20Mar40	38,750,000	478,628
Italia 0.05% 15Apr21	12,725,000	14,333,813	Japan 2.20% 20Mar41	540,650,000	6,619,126
Italia 4.75% 01Sep21	838,000	1,066,939	Japan 1.90% 20Sep42	164,350,000	1,930,821
Italia 1.20% 01Apr22	1,700,000	1,948,370	Japan 0.30% 20Jun46	596,200,000	4,905,990
Italia 1.35% 15Apr22	12,130,000	13,954,574	Japan 0.80% 20Sep47	68,750,000	642,601
Italia 0.95% 01Mar23	4,190,000	4,688,514	Japan 2.20% 20Mar51	31,050,000	400,790
Italia 1.45% 15Nov24	3,126,000	3,461,974	Japan 2.00% 20Mar52	91,750,000	1,140,163
Italia 1.85% 15May24	1,700,000	1,940,061	Japan 0.40% 20Mar56	35,650,000	281,287
Italia 2.50% 01Dec24	2,250,000	2,644,727			167,139,449
Italia 3.75% 01Sep24	2,795,000	3,525,530	Netherlands 3.50% 15Jul20	646,000	798,378
Italia 1.50% 01Jun25	1,575,000	1,732,431	Netherlands 3.25% 15Jul21	1,986,000	2,528,154
Italia 2.00% 01Dec25	5,008,000	5,650,935	Netherlands 2.25% 15Jul22	849,000	1,073,810
Italia 2.50% 15Nov25	1,635,000	1,899,357	Netherlands 1.75% 15Jul23	1,868,700	2,352,481
Italia 7.25% 01Nov26	821,000	1,271,935	Netherlands 0.00% 15Jan24	5,995,000	6,910,582
Italia 2.05% 01Aug27	15,398,000	17,104,607	Netherlands 0.75% 15Jul28	695,000	824,259
Italia 2.20% 01Jun27	9,130,000	10,215,345	Netherlands 5.50% 15Jan28	2,444,000	4,249,159
Italia 6.50% 01Nov27	872,000	1,315,549	Netherlands 2.50% 15Jan33	542,000	788,685
Italia 4.75% 01Sep28	840,000	1,150,367	Netherlands 4.00% 15Jan37	461,641	837,954
Italia 6.00% 01May31	1,557,000	2,353,329	Netherlands 3.75% 15Jan42	1,370,000	2,586,538
Italia 4.00% 01Feb37	767,000	987,555			22,950,000
Italia 2.95% 01Sep38	1,985,000	2,182,589	New Zealand 3.00% 15Apr20	5,320,000	3,646,084
Italia 5.00% 01Sep40	1,610,000	2,288,184	New Zealand 6.00% 15May21	9,245,000	6,857,915
Italia 4.75% 01Sep44	4,237,000	5,926,605	New Zealand 5.50% 15Apr23	4,165,000	3,237,245
Italia 3.45% 01Mar48	965,000	1,106,136	New Zealand 2.00% 20Sep25	2,655,000	2,017,835
		109,089,553	New Zealand 4.50% 15Apr27	19,914,000	15,747,500
Japan 0.10% 20Dec19	2,849,300,000	26,032,944	New Zealand 3.00% 20Apr29	10,000,000	7,129,853
Japan 0.10% 20Sep20	299,200,000	2,739,262	New Zealand 3.50% 14Apr33	3,944,000	2,955,522
Japan 1.00% 20Sep20	55,300,000	515,286	New Zealand 2.75% 15Apr37	2,228,000	1,504,894
Japan 1.10% 20Jun20	55,450,000	514,767			43,096,847
Japan 1.30% 20Jun20	31,450,000	292,823			
Japan 1.30% 20Mar20	31,750,000	295,524			
Japan 1.40% 20Mar20	495,500,000	4,618,782			

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	Nominal	Fair Value	Security	Nominal	Fair Value
Norway 4.50% 22May19	5,725,000	688,467	Switzerland 2.25% 06Jul20	2,843,000	3,048,338
Norway 3.75% 25May21	83,735,000	10,481,574	Switzerland 2.00% 28Apr21	3,411,000	3,732,986
Norway 2.00% 24May23	153,510,000	18,412,099	Switzerland 2.00% 25May22	11,005,000	12,334,083
Norway 3.00% 14Mar24	17,005,000	2,161,509	Switzerland 4.00% 11Feb23	3,259,000	4,063,888
Norway 1.75% 13Mar25	51,060,000	6,045,221	Switzerland 1.25% 11Jun24	3,481,000	3,903,252
Norway 1.75% 17Feb27	55,290,000	6,506,401	Switzerland 1.50% 24Jul25	6,082,000	7,009,808
		44,295,272	Switzerland 1.25% 28May26	370,000	423,721
			Switzerland 3.25% 27Jun27	3,585,000	4,806,918
Portugal 2.20% 17Oct22	2,765,000	3,422,442	Switzerland 4.00% 08Apr28	7,023,000	10,148,611
Portugal 4.12% 14Apr27	2,228,000	3,132,861	Switzerland 2.25% 22Jun31	4,148,000	5,443,463
		6,555,303	Switzerland 3.50% 08Apr33	3,647,000	5,573,965
			Switzerland 2.50% 08Mar36	3,543,000	5,049,681
Singapore 2.50% 01Jun19	11,997,000	8,840,892	Switzerland 1.25% 27Jun37	5,394,000	6,486,391
Singapore 3.25% 01Sep20	6,950,000	5,267,636	Switzerland 1.50% 30Apr42	4,318,000	5,588,442
Singapore 2.25% 01Jun21	15,843,000	11,757,002	Switzerland 4.00% 06Jan49	5,919,000	12,447,169
Singapore 3.12% 01Sep22	7,946,000	6,154,223	Switzerland 2.00% 25Jun64	922,000	1,536,096
Singapore 2.75% 01Jul23	6,972,000	5,299,487			91,596,812
Singapore 3.00% 01Sep24	8,227,000	6,448,295			
Singapore 2.12% 01Jun26	6,000,000	4,461,830	UK 2.00% 22Jul20	8,450,000	11,066,572
Singapore 3.50% 01Mar27	30,511,000	25,265,639	UK 3.75% 07Sep20	5,930,000	8,020,067
Singapore 2.87% 01Sep30	11,143,000	8,894,797	UK 1.50% 22Jan21	2,565,000	3,339,057
Singapore 3.37% 01Sep33	3,020,000	2,538,804	UK 3.75% 07Sep21	10,176,000	14,147,643
Singapore 2.75% 01Apr42	7,924,000	6,220,611	UK 8.00% 07Jun21	5,843,000	8,790,325
Singapore 2.75% 01Mar46	12,660,000	9,924,566	UK 4.00% 07Mar22	1,550,000	2,197,955
		101,073,783	UK 0.75% 22Jul23	6,595,000	8,369,840
			UK 1.00% 22Apr24	21,495,000	27,477,603
Slovenia 3.12% 07Aug45	245,000	349,833	UK 4.25% 07Dec27	1,050,000	1,691,617
		349,833	UK 1.62% 22Oct28	6,680,000	8,805,069
			UK 6.00% 07Dec28	1,977,000	3,641,801
Spain 1.40% 31Jan20	2,005,000	2,365,829	UK 4.75% 07Dec30	1,316,000	2,299,152
Spain 0.05% 31Oct21	3,005,000	3,444,254	UK 4.50% 07Sep34	832,000	1,496,331
Spain 0.35% 30Jul23	4,735,000	5,423,973	UK 4.25% 07Mar36	5,176,400	9,206,116
Spain 4.40% 31Oct23	10,380,000	14,211,596	UK 4.75% 07Dec38	1,729,800	3,328,760
Spain 4.80% 31Jan24	1,275,000	1,836,446	UK 4.25% 07Sep39	806,000	1,480,776
Spain 1.95% 30Apr26	8,500,000	10,492,868	UK 4.25% 07Dec40	2,083,300	3,847,586
Spain 1.40% 30Apr28	4,615,000	5,347,085	UK 4.50% 07Dec42	1,087,000	2,112,586
Spain 2.35% 30Jul33	7,734,000	9,363,638	UK 3.25% 22Jan44	5,760,000	9,507,336
Spain 4.20% 31Jan37	1,043,000	1,612,088	UK 3.50% 22Jan45	8,155,000	14,097,224
Spain 4.90% 30Jul40	860,000	1,437,250	UK 4.25% 07Dec46	707,000	1,377,592
Spain 4.70% 30Jul41	3,564,000	5,830,444	UK 1.50% 22Jul47	4,111,000	4,894,626
Spain 2.90% 31Oct46	715,000	878,842	UK 3.75% 22Jul52	3,327,500	6,437,840
Spain 2.70% 31Oct48	2,250,000	2,629,133	UK 4.25% 07Dec55	1,479,000	3,171,544
Spain 3.45% 30Jul66	245,000	323,497	UK 2.50% 22Jul65	2,302,000	3,701,939
		65,196,943	UK 3.50% 22Jul68	1,453,900	2,969,369
					167,476,329
Sweden 5.00% 01Dec20	83,815,000	10,473,856	USA 1.37% 30Apr20	10,000,000	9,869,644
Sweden 3.50% 01Jun22	182,915,000	23,670,359	USA 1.75% 31May22	1,399,700,000	1,368,610,510
Sweden 1.50% 13Nov23	146,405,000	17,772,316	USA 1.87% 31Oct22	1,887,700,000	1,851,583,723
Sweden 1.00% 12Nov26	96,825,000	11,524,647	USA 1.37% 30Jun23	34,000,000	32,372,989
Sweden 0.75% 12May28	22,645,000	2,632,855	USA 1.37% 30Sep23	4,000,000	3,811,708
Sweden 2.25% 01Jun32	19,175,000	2,569,042	USA 1.37% 31Aug23	20,000,000	19,105,158
Sweden 3.50% 30Mar39	49,310,000	8,035,067	USA 1.62% 31Oct23	5,000,000	4,812,939
		76,678,142	USA 2.12% 30Nov23	51,000,000	50,174,884

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

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

Security	Nominal	Fair Value
USA 2.25% 31Dec23	53,000,000	52,332,459
USA 2.75% 30Apr23	2,304,900,000	2,339,435,204
USA 2.75% 31Aug23	25,000,000	25,513,872
USA 2.75% 31Jul23	10,000,000	10,221,722
USA 2.75% 31May23	12,300,000	12,463,787
USA 2.87% 30Nov23	166,600,000	169,923,562
USA 1.87% 31Aug24	30,000,000	29,142,297
USA 2.00% 30Apr24	70,000,000	68,391,342
USA 2.00% 31May24	40,000,000	38,989,080
USA 2.12% 29Feb24	35,000,000	34,581,421
USA 2.12% 30Nov24	100,000,000	97,792,282
USA 2.12% 31Jul24	10,000,000	9,871,349
USA 2.12% 31Mar24	59,000,000	58,156,459
USA 2.25% 15Nov24	20,000,000	19,713,894
USA 2.25% 31Dec24	35,000,000	34,389,640
USA 2.25% 31Oct24	70,000,000	69,102,173
USA 2.00% 15Feb25	12,000,000	11,698,308
USA 2.25% 15Nov25	75,000,000	73,563,822
USA 2.50% 31Jan25	10,000,000	10,065,557
USA 2.62% 31Mar25	20,000,000	20,193,510
USA 2.75% 28Feb25	24,000,000	24,467,067
USA 2.75% 30Jun25	5,000,000	5,050,764
USA 2.75% 31Aug25	25,000,000	25,477,739
USA 2.87% 30Apr25	22,000,000	22,489,891
USA 2.87% 31Jul25	80,000,000	82,362,500
USA 2.87% 31May25	70,000,000	71,382,785
USA 1.50% 15Aug26	40,000,000	37,126,110
USA 1.62% 15Feb26	70,000,000	65,956,216
USA 1.62% 15May26	55,000,000	51,476,586
USA 2.00% 15Nov26	60,000,000	57,430,020
USA 6.50% 15Nov26	10,000,000	12,826,580
USA 2.25% 15Aug27	40,000,000	39,050,883
USA 2.25% 15Feb27	37,000,000	36,242,028
USA 2.25% 15Nov27	40,000,000	38,755,913
USA 2.37% 15May27	40,000,000	39,285,843
USA 6.12% 15Nov27	10,000,000	12,784,602
USA 2.75% 15Feb28	48,000,000	48,746,087
USA 2.87% 15Aug28	60,000,000	61,579,688
USA 2.87% 15May28	88,000,000	89,679,418
USA 3.12% 15Nov28	40,000,000	41,652,918
USA 3.00% 15Aug48	10,000,000	10,066,050
		7,399,772,981
Total fixed interest securities		8,954,007,426

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

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

(b) Equity Securities

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Australia			Iress Ltd	18,197	131,053
AGL Energy Ltd	182,582	2,635,023	James Hardie Industr	87,090	922,736
Alumina Ltd	458,549	742,483	Lendlease Group	108,697	889,959
Amtcor Ltd/Australia	222,796	2,067,262	Macquarie Group Ltd	77,833	5,950,675
Amp Ltd	514,475	887,366	Medibank Pvt Ltd	554,006	1,002,352
Apa Group	226,830	1,338,188	Mirvac Group	666,233	1,050,623
Aristocrat Leisure L	107,912	1,649,310	National Australia B	524,271	8,858,083
Asx Ltd	74,482	3,107,842	Newcrest Mining Ltd	142,802	2,176,531
Aurizon Holdings Ltd	362,982	1,065,599	Oil Search Ltd	245,980	1,236,433
Ausnet Services	271,901	296,698	Orica Ltd	64,047	755,693
Australia & New Zeal	556,714	9,543,414	Origin Energy Ltd	328,740	1,492,743
Bank Of Queensland L	68,109	463,185	Perseus Mining Ltd	288,707	85,365
Bendigo & Adelaide B	91,551	693,502	Qbe Insurance Group	263,740	1,858,586
Bhp Group Ltd	720,137	17,287,897	Ramsay Health Care L	24,991	998,089
Bluescope Steel Ltd	102,683	791,563	Rea Group Ltd	10,578	543,625
Boral Ltd	207,141	718,928	Rio Tinto Ltd	106,363	5,833,117
Brambles Ltd	296,703	2,095,055	Santos Ltd	322,384	1,241,462
Caltex Australia Ltd	46,491	828,715	Scentre Group	1,035,235	2,827,765
Carsales.Com Ltd	72,133	556,059	Seek Ltd	60,148	716,464
Challenger Ltd/Austr	102,380	678,951	Sonic Healthcare Ltd	75,415	1,168,028
Charter Hall Group	52,698	274,906	South32 Ltd	950,611	2,241,921
Cimic Group Ltd	15,809	476,901	Stockland	431,312	1,068,826
Coca-Cola Amatil Ltd	140,900	811,404	Suncorp Group Ltd	248,080	2,193,583
Cochlear Ltd	13,127	1,598,764	Sydney Airport	224,151	1,060,431
Coles Group Ltd	218,032	1,802,026	Tabcorp Holdings Ltd	357,137	1,073,582
Commonwealth Bank Of	337,800	17,146,188	Telstra Corp Ltd	1,227,855	2,463,568
Computershare Ltd	174,784	2,079,510	Tpg Telecom Ltd	59,081	266,195
Crown Resorts Ltd	65,005	540,010	Transurban Group	504,593	4,134,918
Csl Ltd	86,905	11,318,507	Treasury Wine Estate	132,132	1,358,106
Dexus	201,985	1,507,293	Vicinity Centers	622,929	1,131,438
Domino'S Pizza Enter	10,616	302,683	Washington H Soul Pa	20,433	353,867
Duluxgroup Ltd	112,228	514,345	Wesfarmers Ltd	218,032	4,942,524
Flight Centre Travel	8,547	257,531	Westpac Banking Corp	658,740	11,603,099
Fortescue Metals Gro	296,592	870,699	Woodside Petroleum L	235,985	5,201,638
Goodman Group	307,754	2,300,917	Woolworths Group Ltd	249,019	5,134,812
Gpt Group	325,373	1,214,032	Worleyparsons Ltd	62,478	501,863
Harvey Norman Holdin	108,266	240,853			178,197,094
Incitec Pivot Ltd	289,386	668,227	Canada		
Insurance Australia	449,809	2,213,492	Agnico Eagle Mines L	30,720	1,235,503
Iph Ltd	38,793	142,013	Alacer Gold Corp	147,100	270,333

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

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

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Alimentation Couche-	68,102	3,375,183	Franco-Nevada Corp	25,765	1,801,551
Altagas Ltd	25,246	255,085	Genworth Mi Canada I	21,677	635,804
Arc Resources Ltd	52,722	312,673	George Weston Ltd	10,565	695,103
Argonaut Gold Inc	124,100	139,928	Gildan Activewear In	27,970	845,571
Atco Ltd/Canada	7,284	205,486	Goldcorp Inc	156,731	1,527,376
Aurora Cannabis Inc	80,941	401,209	Great Canadian Gamin	6,100	213,085
Bank Of Montreal	92,651	6,044,227	Great-West Lifeco In	48,177	991,195
Bank Of Nova Scotia/	188,228	9,363,167	H&R Real Estate Inve	27,208	410,172
Barrick Gold Corp	174,495	2,350,790	Husky Energy Inc	82,215	846,349
Bausch Health Cos In	50,783	934,381	Hydro One Ltd	38,538	570,819
Bee Inc	40,290	1,589,712	Igm Financial Inc	33,705	763,286
Birchcliff Energy Lt	78,100	173,263	Imperial Oil Ltd	99,017	2,501,887
Blackberry Ltd	79,051	560,847	Industrial Alliance	16,434	522,813
Bombardier Inc	238,069	352,101	Intact Financial Cor	22,614	1,636,858
Bonavista Energy Cor	184,400	159,315	Inter Pipeline Ltd	53,579	755,551
Brookfield Asset Man	129,483	4,948,758	Keyera Corp	29,898	562,804
Cae Inc	39,659	723,607	Kinross Gold Corp	174,644	561,347
Cameco Corp	65,626	743,326	Linamar Corp	12,800	424,074
Canadian Imperial Ba	70,505	5,238,577	Lgermanyaw Cos Ltd	27,307	1,220,398
Canadian National Ra	134,791	9,946,982	Lundin Mining Corp	133,815	548,663
Canadian Natural Res	238,828	5,742,505	Magna International	68,274	3,086,777
Canadian Pacific Rai	20,611	3,647,143	Manulife Financial C	350,374	4,969,063
Canadian Tire Corp L	8,274	862,779	Medical Facilities C	11,700	128,582
Canadian Utilities L	12,897	294,805	Methanex Corp	18,507	889,442
Canopy Growth Corp	16,400	439,239	Metro Inc	35,688	1,233,847
Ccl Industries Inc	20,032	732,610	National Bank Of Can	49,344	2,023,184
Cenovus Energy Inc	203,690	1,430,215	Norbord Inc	12,900	341,060
Centerra Gold Inc	56,100	238,234	Nutrien Ltd	90,312	4,219,366
Cgi Group Inc	56,069	3,426,212	Obsidian Energy Ltd	229,300	85,622
Ci Financial Corp	143,006	1,808,255	Onex Corp	13,387	727,768
Constellation Softwa	3,196	2,035,093	Open Text Corp	41,434	1,345,134
Dollarama Inc	41,289	978,868	Pembina Pipeline Cor	71,666	2,125,634
Eldorado Gold Corp	22,020	62,555	Power Corp Of Canada	60,493	1,085,579
Emera Inc	7,325	234,102	Power Financial Corp	39,579	748,518
Empire Co Ltd	25,566	537,414	Prairiesky Royalty L	34,681	445,637
Enbridge Inc	297,980	9,239,607	Restaurant Brands In	40,142	2,096,155
Encana Corp	131,612	758,374	Riocan Real Estate	26,325	457,960
Fairfax Financial Ho	3,993	1,754,137	Rogers Communication	51,380	2,629,191
Finning Internationa	23,098	400,300	Royal Bank Of Canada	216,878	14,810,525
First Capital Realty	24,382	335,079	Saputo Inc	39,546	1,133,567
First Quantum Minera	93,952	751,176	Seven Generations En	43,095	350,238
Fortis Inc/Canada	59,700	1,985,338	Shaw Communications	69,855	1,259,723

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
Shopify Inc	12,454	1,719,013	A2A Spa	163,134	293,250
Smartcentres Real	13,248	297,978	Abn Amro Group Nv	57,801	1,351,239
Snc-Lavalin Group In	25,305	847,823	Accor Sa	28,188	1,188,711
Sun Life Financial I	102,292	3,381,523	Acs Actividades De C	34,826	1,343,235
Suncor Energy Inc	281,620	7,849,814	Adidas Ag	28,749	5,997,758
Teck Resources Ltd	98,713	2,121,268	Aegon Nv	327,181	1,521,876
Telus Corp	33,349	1,104,146	Aena Sme Sa	9,315	1,445,526
The Stars Group In C	31,633	517,180	Aeroports De Paris	4,377	828,091
Thomson Reuters Corp	33,323	1,603,691	Ageas	36,219	1,621,371
Toronto-Dominion Ban	274,654	13,634,167	Aib Group Plc	102,114	426,537
Tourmaline Oil Corp	38,228	474,701	Air Liquide Sa	66,224	8,176,031
Transalta Renewables	40,600	307,666	Airbus Se	89,012	8,542,257
Transcanada Corp	141,225	5,031,491	Akzo Nobel Nv	35,279	2,821,431
Transcontinental Inc	38,100	536,156	Allianz Se	63,675	12,787,765
Turquoise Hill Resou	153,137	246,670	Alstom Sa	25,011	1,003,842
Vermilion Energy Inc	26,723	560,757	Amadeus It Group Sa	64,863	4,511,174
West Fraser Timber C	20,358	1,000,759	Amundi Sa	12,320	649,114
Westshore Terminals	17,100	256,538	Andritz Ag	10,770	491,484
Wheaton Precious Met	60,288	1,171,948	Anheuser-Busch Inbev	117,203	7,714,606
Wsp Global Inc	12,872	550,486	Aperam Sa	5,397	141,900
Yamana Gold Inc	97,000	226,556	Arcelormittal	96,355	1,996,988
		194,686,093	Arkema Sa	9,625	822,351
Denmark			Aroundtown Sa	109,936	906,733
Ap Moller - Maersk A	1,568	1,917,251	Asml Holding Nv	62,809	9,843,798
Carlsberg A/S	14,886	1,578,458	Asr Nederland Nv	16,226	641,416
Chr Hansen Holding A	12,758	1,123,761	Assicurazioni Genera	177,768	2,966,947
Coloplast A/S	15,759	1,457,140	Astm Spa	22,309	445,784
Danske Bank A/S	100,501	1,979,861	Atlantia Spa	73,807	1,524,611
Dsv A/S	28,973	1,896,930	Atos Se	13,959	1,140,623
Genmab A/S	8,361	1,360,210	Axa Sa	362,857	7,810,686
H Lundbeck A/S	8,830	384,963	Axel Springer Se	6,251	353,290
Iss A/S	24,649	685,707	Banco Bilbao Vizcaya	963,364	5,104,937
Novo Nordisk A/S	353,606	16,106,861	Banco De Sabadell Sa	731,760	836,512
Novozymes A/S	46,453	2,066,492	Banco Espirito Santo	247,871	34,002
Orsted A/S	27,977	1,865,148	Banco Santander Sa	2,522,465	11,449,162
Pandora A/S	29,024	1,178,665	Bank Of Ireland Grou	124,418	692,937
Tryg A/S	19,345	483,925	Bankia Sa	127,371	372,747
Vestas Wind Systems	31,404	2,370,713	Bankinter Sa	100,081	801,082
William Demant Holdi	33,445	947,309	Basf Se	173,552	11,997,008
		37,403,394	Bayer Ag	140,853	9,765,630
Europe			Bayerische Motoren W	56,040	4,455,890
l&l Drillisch Ag	6,424	325,028	Beiersdorf Ag	13,166	1,374,432

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
Biomerieux	5,492	357,229	Enagas Sa	24,128	651,209
Bnp Paribas Sa	204,378	9,221,565	Endesa Sa	46,746	1,075,701
Bollore Sa	155,362	616,990	Enel Spa	1,481,682	8,540,066
Bolsas Y Mercados Es	18,127	503,542	Engie Sa	263,522	3,753,516
Bouygues Sa	34,039	1,218,325	Eni Spa	442,887	6,953,338
Brenntag Ag	20,309	875,020	Erste Group Bank Ag	40,280	1,330,732
Bureau Veritas Sa	77,729	1,573,194	Essilorluxottica Sa	41,538	5,188,005
Caixabank Sa	516,017	1,863,447	Eurazeo Se	7,703	544,191
Capgemini Se	22,893	2,264,764	Eurofins Scientific	1,639	609,677
Carrefour Sa	79,558	1,353,742	Eutelsat Communicati	27,016	531,348
Casino Guichard Perr	10,451	434,156	Evonik Industries Ag	24,125	602,866
Cerved Group Spa	29,643	242,118	Exor Nv	14,001	756,088
Cie De Saint-Gobain	83,903	2,795,886	Faurecia Sa	10,804	407,199
Cie Generale Des Eta	30,151	2,975,202	Ferrari Nv	18,672	1,850,603
Cnh Industrial Nv	157,921	1,416,418	Ferrovial Sa	69,791	1,411,736
Cnp Assurances	25,963	549,073	Fiat Chrysler Automo	160,678	2,329,051
Coca-Cola European P	30,767	1,408,963	Fortum Oyj	62,175	1,352,209
Colruyt Sa	11,166	790,373	Fraport Ag Frankfurt	5,921	422,360
Commerzbank Ag	180,747	1,192,616	Fresenius Medical Ca	32,487	2,098,270
Continental Ag	20,949	2,882,125	Fresenius Se & Co Kg	59,166	2,861,664
Convivio Sa	5,946	572,322	Fuchs Petrolub Se	12,302	504,582
Covestro Ag	54,812	2,706,214	Galp Energia Sgps Sa	189,416	2,983,797
Credit Agricole Sa	168,522	1,812,991	Gaztransport Et Tech	6,346	487,135
Crh Plc	123,999	3,241,811	Gea Group Ag	23,239	597,728
Daimler Ag	135,192	7,093,606	Gecina Sa	7,223	933,038
Danone Sa	94,053	6,580,023	Getlink Se	69,271	928,865
Dassault Aviation Sa	288	395,731	Grifols Sa	39,524	1,031,954
Dassault Systemes Se	26,782	3,173,333	Groupe Bruxelles Lam	11,680	1,011,814
Davide Campari-Milan	81,719	689,885	Hannover Rueck Se	8,644	1,158,099
Delivery Hero Se	14,207	523,601	Heidelbergcement Ag	20,410	1,249,646
Deutsche Bank Ag	398,009	3,171,239	Heineken Holding Nv	18,162	1,519,771
Deutsche Boerse Ag	29,202	3,490,117	Heineken Nv	43,159	3,801,927
Deutsche Lufthansa A	36,570	822,723	Henkel Ag & Co Kgaa	40,786	4,303,445
Deutsche Post Ag	156,588	4,279,977	Hermes International	4,516	2,492,439
Deutsche Telekom Ag	498,015	8,439,962	Hochtief Ag	3,716	497,435
Deutsche Wohnen Se	49,859	2,281,563	Hugo Boss Ag	10,394	638,534
E.On Se	313,669	3,094,825	Iberdrola Sa	961,913	7,710,474
Edenred	36,284	1,331,861	Icade	6,498	492,860
Edp - Energias De Po	389,291	1,350,630	Iliad Sa	4,287	597,394
Eiffage Sa	10,884	904,786	Imerys Sa	5,527	264,606
Electricite De Franc	80,573	1,271,077	Industria De Diseno	156,983	4,010,823
Elisa Oyj	19,009	782,503	Infineon Technologie	162,332	3,236,339

Petroleum Fund of Timor-Leste
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for the year ended 31 December 2018

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

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Ing Groep Nv	595,407	6,404,820	Nn Group Nv	68,251	2,702,653
Ingenico Group Sa	8,164	461,408	Nokia Oyj	810,544	4,651,400
Innogy Se	22,284	945,084	Nokian Renkaat Oyj	63,221	1,936,143
International Consol	102,116	805,464	Omv Ag	49,103	2,142,001
Interpump Group Spa	12,980	384,307	Orange Sa	284,167	4,598,190
Intertrust Nv	12,022	201,472	Orion Oyj	15,704	543,229
Intesa Sanpaolo Spa	2,305,081	5,107,262	Osram Licht Ag	13,734	598,799
Ipsen Sa	5,379	692,993	Paddy Power Betfair	7,190	584,800
Jcdecaux Sa	11,442	320,720	Pernod Ricard Sa	30,865	5,027,875
Jeronimo Martins Sgp	37,866	446,284	Peugeot Sa	116,867	2,486,232
Kbc Group Nv	36,410	2,358,308	Pirelli & C Spa	82,883	531,535
Kering Sa	11,601	5,455,858	Porsche Automobil Ho	26,967	1,593,773
Kerry Group Plc	23,247	2,270,818	Poste Italiane Spa	85,009	677,137
Kingspan Group Plc	27,235	1,146,343	Prosiebensat.1 Media	77,404	1,374,605
Kion Group Ag	9,306	469,781	Proximus Sadp	23,608	634,206
Klepierre	29,853	920,050	Prysmian Spa	36,809	708,387
Kone Oyj	49,598	2,352,966	Publicis Groupe Sa	79,462	4,520,050
Koninklijke Ahold De	189,525	4,782,672	Puma Se	1,126	545,767
Koninklijke Dsm Nv	26,926	2,188,491	Qiagen Nv	32,577	1,101,944
Koninklijke Kpn Nv	418,778	1,223,624	Raiffeisen Bank Inte	35,670	902,377
Koninklijke Philips	147,876	5,223,475	Randstad Nv	17,639	802,528
Koninklijke Vopak Nv	13,033	590,882	Recordati Spa	65,862	2,280,539
Lanxess Ag	13,231	611,807	Red Electrica Corp S	194,992	4,344,422
Legrand Sa	39,517	2,227,072	Relx Plc	155,402	3,192,332
Leonardo Spa	61,384	538,213	Remy Cointreau Sa	3,487	393,634
Linde Plc	21,670	3,437,124	Renault Sa	26,291	1,639,477
L'Oreal Sa	37,992	8,725,201	Repsol Sa	519,219	5,184,609
Lvmh Moet Hennessy L	50,095	14,786,111	Rexel Sa	46,772	495,857
Mapfre Sa	272,301	720,927	Royal Dutch Shell Pl	58,636	1,719,649
Mediaset Espana Comu	79,798	498,615	Rtl Group Sa	14,642	778,652
Mediobanca Banca Di	184,767	1,556,665	Rwe Ag	82,548	1,796,705
Merck Kgaa	18,575	1,905,965	Ryanair Holdings Plc	13,329	163,036
Metro Ag	26,740	408,386	Safran Sa	50,968	6,111,903
Metropole Television	30,148	483,870	Sampo Oyj	62,380	2,727,597
Metso Oyj	16,933	442,887	Sanofi	187,990	16,222,864
Moncler Spa	40,037	1,322,704	Sap Se	188,573	18,799,624
Mtu Aero Engines Ag	7,132	1,293,873	Sartorius Ag	5,015	628,326
Muenchener Rueckvers	22,126	4,815,853	Sartorius Stedim Bio	4,753	472,434
Natixis Sa	166,188	780,049	Schaeffler Ag	76,248	653,199
Naturgy Energy Group	44,889	1,142,269	Schneider Electric S	133,495	9,113,562
Neopost Sa	11,217	304,924	Scor Se	25,703	1,150,321
Neste Oyj	17,209	1,321,990	Seb Sa	2,186	280,380

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
Ses Sa	54,107	1,031,389	Volkswagen Ag	33,734	5,357,518
Siemens Ag	115,796	12,946,005	Vonovia Se	77,487	3,526,342
Siemens Gamesa Renew	33,941	412,828	Wartsila Oyj Abp	63,630	1,008,521
Siemens Healthineers	20,836	872,478	Wendel Sa	4,237	503,727
Siltronic Ag	1,959	162,180	Wirecard Ag	16,883	2,563,979
Smurfit Kappa Group	28,078	740,165	Wolters Kluwer Nv	40,913	2,400,222
Snam Spa	325,579	1,418,772	Zalando Se	14,732	379,762
Societe Bic Sa	13,770	1,400,965	Zardoya Otis Sa	109,038	762,839
Societe Generale Sa	146,824	4,666,844			655,669,691
Sodexo Sa	12,958	1,320,426	Hong Kong		
Software Ag	24,382	879,650	Aia Group Ltd	1,848,800	15,348,915
Solvay Sa	11,170	1,113,711	Asm Pacific Technolo	39,800	382,274
Stmicroelectronics N	92,957	1,326,173	Bank Of East Asia Lt	198,954	631,471
Stora Enso Oyj	85,080	976,483	Boc Hong Kong Holdin	540,000	2,007,064
Suez	61,431	807,235	Ck Asset Holdings Lt	653,348	4,769,087
Symrise Ag	19,176	1,415,223	Ck Hutchison Holding	395,240	3,796,235
Technipfmc Plc	18,446	371,229	Ck Infrastructure Ho	105,000	795,277
Telecom Italia Spa/M	2,447,038	1,274,281	Clp Holdings Ltd	332,500	3,758,455
Telefonica Deutschla	103,654	405,717	Galaxy Entertainment	335,000	2,122,271
Telefonica Sa	741,901	6,224,238	Hang Lung Group Ltd	130,000	331,088
Telenet Group Holdin	6,585	303,665	Hang Lung Properties	472,000	899,467
Teleperformance	8,097	1,289,373	Hang Seng Bank Ltd	147,800	3,316,810
Tenaris Sa	78,240	843,778	Henderson Land Devel	177,735	885,344
Terna Rete Elettrica	360,519	2,039,207	Hk Electric Investme	471,154	475,406
Thales Sa	15,147	1,757,503	Hkt Trust & Hkt Ltd	528,040	759,416
Thyssenkrupp Ag	67,094	1,142,808	Hong Kong & China Ga	1,397,360	2,891,330
Total Sa	434,250	22,924,354	Hong Kong Exchanges	170,557	4,931,969
Ubisoft Entertainmen	12,265	988,182	Hysan Development Co	97,000	461,501
Ucb Sa	16,607	1,346,366	Kerry Properties Ltd	207,000	707,243
Umicore Sa	32,402	1,283,448	Lifestyle Internatio	380,000	575,629
Unibail-Rodamco-West	19,647	3,035,057	Link Reit	308,000	3,119,596
Unicredit Spa	365,069	4,129,051	Mgm China Holdings L	164,400	275,493
Unilever Nv	291,534	15,796,865	Minth Group Ltd	56,000	180,245
Uniper Se	26,329	676,603	Mtr Corp Ltd	219,397	1,153,121
United Internet Ag	18,342	802,013	New World Developmen	927,992	1,227,944
Upm-Kymmene Oyj	134,427	3,397,650	Nws Holdings Ltd	248,251	507,958
Valeo Sa	33,331	971,610	Pccw Ltd	838,000	482,720
Veolia Environnement	80,178	1,638,801	Power Assets Holding	173,500	1,203,299
Verbund Ag	11,717	495,589	Sands China Ltd	733,600	3,190,442
Vinci Sa	80,411	6,620,213	Shangri-La Asia Ltd	208,000	307,111
Vivendi Sa	153,810	3,731,069	Sino Land Co Ltd	498,523	854,500
Voestalpine Ag	17,060	509,396	Sjm Holdings Ltd	374,000	348,236

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
Sun Hung Kai Propert	324,500	4,625,443	Asahi Group Holdings	53,200	2,068,068
Swire Pacific Ltd	61,500	649,221	Asahi Intecc Co Ltd	13,900	587,217
Swire Properties Ltd	183,923	646,016	Asahi Kasei Corp	172,200	1,771,990
Techtronic Industrie	187,000	993,595	Asics Corp	26,600	339,910
Wh Group Ltd	1,269,408	977,671	Astellas Pharma Inc	554,500	7,078,134
Wharf Holdings Ltd/T	336,000	873,329	Awa Bank Ltd/The	9,800	256,712
Wharf Real Estate In	337,000	2,016,573	Bandai Namco Holding	28,200	1,264,586
Wheelock & Co Ltd	157,000	897,361	Bank Of Kyoto Ltd/Th	18,600	768,819
Wynn Macau Ltd	257,200	559,120	Benesse Holdings Inc	9,700	247,108
Xinyi Glass Holdings	492,000	544,199	Bridgestone Corp	89,100	3,436,826
Yue Yuen Industrial	115,500	368,805	Brother Industries L	51,800	769,576
		75,848,247	Calbee Inc	12,600	395,060
Israel			Canon Inc	144,700	3,955,957
Azrieli Group Ltd	6,612	315,847	Casio Computer Co Lt	35,200	417,402
Bank Hapoalim Bm	239,808	1,516,469	Central Japan Railwa	41,300	8,708,707
Bank Leumi Le-Israel	227,217	1,374,217	Chiba Bank Ltd/The	158,000	881,338
Bezeq The Israeli Te	329,096	321,104	Chubu Electric Power	75,000	1,066,400
Elbit Systems Ltd	3,111	356,911	Chugai Pharmaceutica	37,800	2,191,205
International Flavor	463	61,729	Chugoku Electric Pow	48,300	628,211
Israel Chemicals Ltd	96,369	544,933	Coca-Cola Bottlers J	13,100	391,036
Mizrahi Tefahot Bank	20,357	343,973	Concordia Financial	137,400	528,486
Nice Ltd	7,754	834,592	Credit Saison Co Ltd	26,800	314,375
Phoenix Holdings Ltd	44,880	228,198	Cyberagent Inc	10,700	413,020
Teva Pharmaceutical	69,653	1,093,236	Dai Nippon Printing	48,400	1,011,100
		6,991,209	Daicel Corp	132,700	1,366,732
Japan			Daifuku Co Ltd	14,700	671,258
ABC-Mart Inc	19,300	1,069,535	Dai-Ichi Life Holdin	163,500	2,554,246
Acom Co Ltd	67,600	220,579	Daiichi Sankyo Co Lt	86,400	2,755,445
Aeon Co Ltd	91,300	1,787,888	Daikin Industries Lt	39,900	4,245,843
Aeon Financial Servi	21,300	379,154	Daito Trust Construc	9,900	1,353,958
Aeon Mall Co Ltd	19,690	313,705	Daiwa House Industry	118,300	3,768,479
Agc Inc/Japan	31,300	978,527	Daiwa House Reit Inv	171	382,632
Aica Kogyo Co Ltd	17,200	576,129	Daiwa Securities Gro	378,900	1,919,452
Aichi Bank Ltd/The	1,900	65,547	Dena Co Ltd	18,400	306,904
Air Water Inc	25,000	379,164	Denso Corp	68,300	3,042,266
Aisin Seiki Co Ltd	29,300	1,017,482	Dentsu Inc	30,000	1,338,468
Ajinomoto Co Inc	66,600	1,187,649	Disco Corp	3,800	444,023
Alfresa Holdings Cor	27,800	709,221	Don Quijote Holdings	18,800	1,166,915
Alps Alpine Co Ltd	29,300	568,294	East Japan Railway C	45,500	4,026,844
Amada Holdings Co Lt	51,600	464,196	Eisai Co Ltd	36,100	2,789,554
Ana Holdings Inc	18,800	674,789	Electric Power Devel	19,000	450,604
Aozora Bank Ltd	24,200	721,269	Familymart Uny Holdi	9,000	1,136,126

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

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

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Fanuc Corp	34,600	5,241,327	Japan Real Estate	197	1,106,066
Fast Retailing Co Lt	8,900	4,541,869	Japan Retail Fund	402	804,257
Fuji Electric Co Ltd	20,500	605,387	Japan Tobacco Inc	156,300	3,727,467
Fujifilm Holdings Co	57,200	2,225,647	Jfe Holdings Inc	68,800	1,100,524
Fujitsu Ltd	27,500	1,714,192	Jgc Corp	36,000	507,278
Fukuoka Financial Gr	24,600	501,350	Jsr Corp	28,500	429,650
Goldcrest Co Ltd	10,900	156,871	Jtekt Corp	34,600	386,004
Hachijuni Bank Ltd/T	96,000	392,873	Jxtg Holdings Inc	584,200	3,069,693
Hakuhodo Dy Holdings	34,900	499,412	Kajima Corp	116,700	1,571,034
Hamamatsu Photonics	22,000	739,917	Kakaku.Com Inc	36,300	642,194
Hankyu Hanshin Holdi	33,300	1,106,308	Kamigumi Co Ltd	19,500	400,078
Hikari Tsushin Inc	2,600	406,654	Kanamoto Co Ltd	6,900	181,250
Hino Motors Ltd	43,700	413,839	Kaneka Corp	8,200	293,725
Hirose Electric Co L	5,291	518,901	Kansai Electric Powe	94,800	1,424,398
Hisamitsu Pharmaceut	10,400	574,434	Kansai Paint Co Ltd	34,300	660,896
Hitachi Chemical Co	14,000	211,694	Kao Corp	76,400	5,669,681
Hitachi Construction	14,200	331,849	Kawasaki Heavy Indus	22,800	488,772
Hitachi High-Technol	10,900	342,752	Kddi Corp	381,200	9,101,342
Hitachi Ltd	167,200	4,472,028	Keihan Holdings Co L	16,200	659,281
Hitachi Metals Ltd	36,000	377,341	Keikyu Corp	29,600	484,543
Honda Motor Co Ltd	238,200	6,280,935	Keio Corp	18,100	1,052,527
Horiba Ltd	10,600	432,348	Keisei Electric Rail	21,500	672,151
Hoshizaki Corp	7,700	466,709	Keyence Corp	15,480	7,854,640
Hoya Corp	84,500	5,093,954	Kikkoman Corp	24,100	1,293,798
Hulic Co Ltd	40,500	363,232	Kintetsu Group Holdi	28,500	1,236,477
Hyakugo Bank Ltd/The	22,900	81,193	Kirin Holdings Co Lt	124,000	2,596,638
Idemitsu Kosan Co Lt	26,700	877,305	Kobayashi Pharmaceut	10,100	685,823
Ihi Corp	23,900	660,047	Kobe Steel Ltd	53,800	374,146
Iida Group Holdings	25,300	437,674	Koito Manufacturing	15,900	821,702
Inaba Denki Sangyo C	3,700	138,267	Komatsu Ltd	131,700	2,837,706
Inpex Corp	130,100	1,163,388	Komeda Holdings Co L	12,500	245,864
Isetan Mitsukoshi Ho	49,900	552,145	Konami Holdings Corp	15,000	654,195
Isuzu Motors Ltd	79,800	1,126,285	Konica Minolta Inc	73,000	660,038
Itochu Corp	299,300	5,089,043	Kose Corp	5,200	817,573
Iyo Bank Ltd/The	39,900	210,565	Kubota Corp	160,700	2,284,207
J Front Retailing Co	33,000	378,681	Kuraray Co Ltd	42,100	593,617
Japan Airlines Co Lt	16,700	592,107	Kurita Water Industr	14,100	341,978
Japan Airport Termin	7,600	263,574	Kyocera Corp	44,500	2,227,941
Japan Exchange Group	114,300	1,848,136	Kyowa Hakko Kirin Co	39,300	741,476
Japan Post Bank Co L	67,700	746,018	Kyushu Electric Powe	67,300	802,337
Japan Post Holdings	234,000	2,695,858	Kyushu Railway Co	20,600	697,526
Japan Prime Realty	147	558,711	Lawson Inc	6,300	398,505

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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
Line Corp	7,700	264,937	Nh Foods Ltd	11,500	431,846
Lion Corp	36,800	761,056	Nhk Spring Co Ltd	32,000	281,165
Lixil Group Corp	39,000	484,145	Nidec Corp	36,300	4,120,828
M3 Inc	62,400	837,764	Nikon Corp	83,700	1,245,030
Makita Corp	33,700	1,196,386	Nintendo Co Ltd	16,300	4,347,064
Marubeni Corp	298,000	2,097,395	Nippo Corp	15,000	288,201
Marui Group Co Ltd	33,900	658,751	Nippon Building Fund	187	1,176,047
Maruichi Steel Tube	6,700	210,988	Nippon Electric Glas	13,600	333,570
Mazda Motor Corp	89,200	921,553	Nippon Express Co Lt	12,600	700,543
Mcdonald'S Holdings	11,200	475,195	Nippon Paint Holding	27,000	924,076
Mebuki Financial Gro	149,760	397,213	Nippon Prologis Reit	243	513,398
Medipal Holdings Cor	26,600	570,719	Nippon Steel & Sumit	112,124	1,931,499
Meiji Holdings Co Lt	18,100	1,476,508	Nippon Telegraph & T	171,700	7,011,040
Minebea Mitsumi Inc	62,100	898,827	Nippon Yusen Kk	26,200	403,812
Misumi Group Inc	41,200	870,827	Nissan Chemical Corp	16,500	863,237
Mitsubishi Chemical	292,600	2,220,203	Nissan Motor Co Ltd	324,800	2,605,743
Mitsubishi Corp	259,700	7,148,469	Nisshin Seifun Group	34,195	706,559
Mitsubishi Electric	264,900	2,934,750	Nissin Foods Holding	9,500	596,591
Mitsubishi Estate Co	171,400	2,699,533	Nitori Holdings Co L	11,500	1,438,614
Mitsubishi Gas Chemi	47,400	715,007	Nitto Denko Corp	25,000	1,260,083
Mitsubishi Heavy Ind	42,800	1,542,852	Noevir Holdings Co L	4,600	199,991
Mitsubishi Materials	19,400	511,899	Nomura Holdings Inc	721,900	2,767,454
Mitsubishi Motors Co	101,600	557,474	Nomura Real Estate H	24,800	454,793
Mitsubishi Tanabe Ph	35,900	515,358	Nomura Real Estate M	495	651,488
Mitsubishi Ufj Finan	1,893,100	9,277,858	Nomura Research Inst	45,207	1,674,944
Mitsubishi Ufj Lease	79,200	380,426	Nsk Ltd	32,800	283,411
Mitsui & Co Ltd	301,600	4,641,587	Ntt Data Corp	105,300	1,152,671
Mitsui Chemicals Inc	30,900	699,309	Ntt Docomo Inc	363,200	8,176,679
Mitsui Fudosan Co Lt	128,200	2,856,355	Obayashi Corp	132,100	1,195,601
Mitsui Osk Lines Ltd	18,000	393,255	Obic Co Ltd	15,500	1,196,601
Mitsui Sugar Co Ltd	10,300	261,173	Odakyu Electric Rail	43,100	947,521
Mixi Inc	14,000	293,488	Oji Holdings Corp	136,000	699,121
Mizuho Financial Gro	4,293,300	6,656,251	Olympus Corp	43,400	1,329,117
Monotaro Co Ltd	18,600	459,766	Omron Corp	25,800	939,443
Ms&Ad Insurance Grou	68,700	1,959,906	Ono Pharmaceutical C	55,600	1,135,920
Murata Manufacturing	26,000	3,542,817	Oracle Corp Japan	17,800	1,134,048
Nabtesco Corp	16,600	362,366	Oriental Land Co Ltd	28,600	2,880,464
Nagoya Railroad Co L	29,200	770,487	Orix Corp	195,600	2,860,505
Nec Corp	42,000	1,247,961	Osaka Gas Co Ltd	46,600	852,447
Nexon Co Ltd	67,300	865,518	Otsuka Corp	15,600	429,404
Ngk Insulators Ltd	39,800	540,510	Otsuka Holdings Co L	58,100	2,378,757
Ngk Spark Plug Co Lt	25,400	507,005	Panasonic Corp	328,600	2,966,880

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
Park24 Co Ltd	20,700	454,885	Sony Corp	205,700	9,972,371
Persol Holdings Co L	40,400	600,946	Sony Financial Holdi	28,300	529,811
Pigeon Corp	18,900	808,782	Stanley Electric Co	60,500	1,698,401
Pola Orbis Holdings	16,400	443,651	Subaru Corp	85,800	1,844,800
Rakuten Inc	119,700	801,892	Sumco Corp	33,900	378,195
Recruit Holdings Co	159,000	3,854,898	Sumitomo Chemical Co	327,000	1,585,600
Renesas Electronics	90,200	411,065	Sumitomo Corp	234,300	3,334,636
Resona Holdings Inc	299,000	1,440,291	Sumitomo Dainippon P	22,700	722,080
Ricoh Co Ltd	111,400	1,092,526	Sumitomo Electric In	130,700	1,737,465
Rinnai Corp	6,200	408,568	Sumitomo Heavy Indus	27,900	830,274
Rohm Co Ltd	12,300	789,245	Sumitomo Metal Minin	32,800	881,025
Ryohin Keikaku Co Lt	3,600	870,838	Sumitomo Mitsui Fina	242,700	8,063,089
Sakai Moving Service	4,000	216,561	Sumitomo Mitsui Trus	47,100	1,724,904
Sankyo Co Ltd	9,500	361,505	Sumitomo Realty & De	50,700	1,859,979
Santen Pharmaceutica	58,400	843,145	Sumitomo Rubber Indu	27,500	325,594
Sbi Holdings Inc/Jap	31,480	619,185	Sumitomo Seika Chemi	3,700	142,146
Secom Co Ltd	33,800	2,802,522	Sundrug Co Ltd	14,000	417,263
Sega Sammy Holdings	29,500	412,997	Suntory Beverage & F	18,400	829,313
Seibu Holdings Inc	30,700	535,008	Suzuken Co Ltd/Aichi	11,000	559,450
Seiko Epson Corp	41,400	582,992	Suzuki Motor Corp	74,000	3,749,406
Sekisui Chemical Co	51,800	769,576	Sysmex Corp	23,700	1,138,179
Sekisui House Ltd	95,000	1,401,427	T&D Holdings Inc	81,700	951,671
Seven & I Holdings C	110,900	4,833,651	Taiheiyo Cement Corp	19,700	608,695
Seven Bank Ltd	286,100	818,807	Taisei Corp	28,500	1,220,891
Sg Holdings Co Ltd	6,700	174,225	Taisho Pharmaceutica	5,800	582,035
Sharp Corp/Japan	28,500	285,740	Taiyo Nippon Sanso C	29,500	482,637
Shimadzu Corp	37,300	738,759	Takashimaya Co Ltd	19,500	248,827
Shimamura Co Ltd	3,700	282,268	Takeda Pharmaceutica	104,100	3,514,438
Shimano Inc	10,300	1,455,134	Tdk Corp	20,100	1,408,823
Shimizu Corp	63,900	520,682	Teijin Ltd	30,200	483,354
Shin-Etsu Chemical C	78,700	6,111,509	Terumo Corp	44,100	2,482,849
Shinsei Bank Ltd	53,700	639,711	Thk Co Ltd	16,300	305,602
Shionogi & Co Ltd	41,400	2,364,421	Tobu Railway Co Ltd	29,700	801,818
Shiseido Co Ltd	55,400	3,476,545	Tocalo Co Ltd	35,600	274,832
Shizuoka Bank Ltd/Th	124,000	971,973	Toho Co Ltd/Tokyo	18,300	663,847
Showa Denko Kk	16,200	481,356	Toho Gas Co Ltd	13,400	565,483
Showa Shell Sekiyu K	32,900	460,597	Tohoku Electric Powe	52,000	686,761
Smc Corp/Japan	12,700	3,846,522	Tokai Carbon Co Ltd	26,000	295,748
Softbank Corp	69,600	860,207	Tokio Marine Holding	96,100	4,582,740
Softbank Group Corp	124,400	8,278,218	Tokyo Century Corp	3,000	131,659
Sohgo Security Servi	12,300	573,996	Tokyo Electric Power	227,700	1,353,146
Sompo Holdings Inc	53,400	1,815,936	Tokyo Electron Ltd	23,400	2,661,734

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

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

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Tokyo Gas Co Ltd	53,000	1,345,108	New Zealand		
Tokyu Corp	71,000	1,159,659	A2 Milk Co Ltd	101,681	750,004
Tokyu Fudosan Holdin	86,200	424,263	Auckland Internation	151,214	726,000
Toppan Printing Co L	26,500	390,079	Fisher & Paykel Heal	74,849	647,451
Toray Industries Inc	207,700	1,460,138	Fletcher Building Lt	137,701	450,597
Toshiba Corp	97,600	2,753,243	Meridian Energy Ltd	230,595	525,727
Tosoh Corp	76,800	1,000,994	Ryman Healthcare Ltd	66,006	475,356
Toto Ltd	17,400	603,445	Spark New Zealand Lt	282,013	783,836
Toyo Ink Sc Holdings	6,400	142,507			4,358,971
Toyo Seikan Group Ho	25,400	582,014	Norway		
Toyo Suisan Kaisha L	15,300	534,102	Aker Bp Asa	16,306	410,515
Toyoda Gosei Co Ltd	8,600	170,487	Dnb Asa	133,275	2,125,530
Toyota Boshoku Corp	25,900	387,149	Equinor Asa	288,064	6,109,487
Toyota Industries Co	20,900	965,803	Gjensidige Forsikrin	33,677	525,040
Toyota Motor Corp	344,420	20,106,739	Mowi Asa	62,709	1,322,016
Toyota Tsusho Corp	31,400	925,845	Norsk Hydro Asa	183,384	830,180
Trend Micro Inc/Japa	31,300	1,697,444	Orkla Asa	111,676	877,246
Tsuruha Holdings Inc	5,500	471,722	Salmar Asa	12,630	623,978
Ube Industries Ltd	17,700	359,598	Schibsted Asa	15,531	469,922
Ulvac Inc	6,400	185,791	Telenor Asa	243,221	4,701,986
Unicharm Corp	102,400	3,319,846	Tgs Nopec Geophysica	25,119	604,540
Uss Co Ltd	59,100	995,459	Yara International A	29,936	1,151,578
Utd Urban Invest Crp	412	639,133			19,752,017
Wakita & Co Ltd	29,600	301,625	Singapore		
Welcia Holdings Co L	3,300	148,735	Ascendas	444,162	834,229
West Japan Railway C	23,800	1,681,608	Capitaland Commercia	436,081	559,899
Yahoo Japan Corp	407,800	1,014,715	Capitaland Ltd	430,600	979,354
Yakult Honsha Co Ltd	16,000	1,124,368	Capitaland Mall Trus	376,200	623,780
Yamada Denki Co Ltd	102,400	490,930	City Developments Lt	75,000	446,809
Yamaguchi Financial	28,000	268,988	Comfortdelgro Corp L	778,300	1,227,693
Yamaha Corp	25,700	1,095,088	Dbx Group Holdings L	289,700	5,035,211
Yamaha Motor Co Ltd	40,100	787,271	Genting Singapore Lt	982,000	702,458
Yamanashi Chuo Bank	4,400	56,506	Golden Agri-Resource	1,342,000	241,225
Yamato Holdings Co L	50,400	1,386,845	Jardine Cycle & Carr	8,988	233,108
Yamazaki Baking Co L	23,000	483,207	Keppel Corp Ltd	195,900	849,427
Yaskawa Electric Cor	33,500	822,272	Oversea-Chinese Bank	446,667	3,683,446
Yokogawa Electric Co	36,300	627,305	Sats Ltd	88,100	301,208
Yokohama Rubber Co L	20,500	384,906	Sembcorp Industries	180,000	335,437
Zeon Corp	43,000	393,884	Singapore Airlines L	52,100	360,075
Zozo Inc	28,900	528,400	Singapore Exchange L	398,200	2,088,870
		514,885,550	Singapore Press Hold	247,911	427,433
			Singapore Technologi	244,200	625,281

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

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

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Singapore Telecommun	2,786,900	5,970,468	Volvo Ab	221,215	2,888,121
Suntec Reit	360,200	467,758			61,299,241
United Overseas Bank	189,663	3,418,943			
Uol Group Ltd	161,484	728,633	Switzerland		
Venture Corp Ltd	36,500	373,569	Abb Ltd	299,615	5,680,469
Wilmar International	248,600	569,062	Adecco Group Ag	21,555	1,004,282
Yangzijiang Shipbuil	1,305,300	1,187,507	Baloise Holding Ag	7,081	971,860
Yanlord Land Group L	126,000	112,781	Barry Callebaut Ag	320	496,977
		32,383,663	Chocoladefabriken Li	177	2,181,878
Sweden			Cie Financiere Riche	82,992	5,302,128
Alfa Laval Ab	53,377	1,141,791	Clariant Ag	48,381	887,820
Assa Abloy Ab	246,566	4,384,368	Credit Suisse Group	413,616	4,529,302
Atlas Copco Ab	297,532	6,939,196	Dormakaba Holding Ag	1,426	857,799
Boliden Ab	36,272	783,139	Dufry Ag	6,355	600,302
Electrolux Ab	36,608	770,904	Ems-Chemie Holding A	1,391	658,672
Epiroc Ab	190,454	1,755,969	Flughafen Zurich Ag	9,136	1,505,059
Essity Ab	88,276	2,159,643	Geberit Ag	5,403	2,094,773
Hennes & Mauritz Ab	135,625	1,932,682	Givaudan Sa	1,335	3,080,874
Hexagon Ab	35,581	1,636,209	Julius Baer Group Lt	33,919	1,204,266
Husqvarna Ab	74,043	548,359	Kuehne + Nagel Inter	14,761	1,891,169
Ica Gruppen Ab	10,948	391,942	Lafargeholcim Ltd	69,997	2,874,294
Industrivarden Ab	20,024	404,168	Lonza Group Ag	11,589	2,991,886
Investor Ab	75,081	3,170,631	Nestle Sa	537,494	43,498,969
Kinnevik Ab	41,522	997,557	Novartis Ag	405,880	34,593,272
L E Lundbergforetage	9,870	289,670	Pargesa Holding Sa	4,337	310,383
Lundin Petroleum Ab	27,923	696,355	Partners Group Holdi	2,456	1,482,370
Millicom Internation	9,059	571,689	Roche Holding Ag	133,359	32,920,392
Nordea Bank Abp	433,916	3,652,083	Schindler Holding Ag	8,602	1,687,111
Oriflame Holding Ag	8,709	193,613	Sgs Sa	1,705	3,820,599
Sandvik Ab	219,495	3,125,617	Sika Ag	18,780	2,371,790
Securitas Ab	46,921	750,453	Sonova Holding Ag	12,167	1,981,550
Skandinaviska Enskil	231,236	2,241,458	Straumann Holding Ag	1,867	1,170,426
Skanska Ab	43,392	687,647	Swatch Group Ag/The	8,790	1,648,812
Skf Ab	218,265	3,302,589	Swiss Life Holding A	4,841	1,858,713
Svenska Handelsbanke	231,837	2,557,416	Swiss Prime Site Ag	11,268	908,710
Swedbank Ab	139,187	3,099,029	Swiss Re Ag	44,310	4,048,042
Swedish Match Ab	53,670	2,107,247	Swisscom Ag	3,668	1,746,933
Tele2 Ab	68,174	867,761	Temenos Ag	8,331	995,529
Telefonaktiebolaget	456,095	3,998,231	Ubs Group Ag	721,539	8,951,536
Telia Co Ab	527,169	2,489,617	Vifor Pharma Ag	6,590	714,285
Thule Group Ab	41,946	764,087	Zurich Insurance Gro	29,473	8,759,983
Volvo Ab	221,215	2,888,121			192,283,215

Petroleum Fund of Timor-Leste
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for the year ended 31 December 2018

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

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
United Kingdom			Gvc Holdings Plc	77,262	663,222
3I Group Plc	141,779	1,396,526	Halma Plc	32,024	552,239
Acacia Mining Plc	96,619	225,558	Hammerson Plc	126,953	532,598
Admiral Group Plc	26,395	684,771	Hargreaves Lansdown	44,603	1,046,373
Anglo American Plc	225,255	5,011,875	Hsbc Holdings Plc	3,053,004	25,149,554
Antofagasta Plc	43,321	432,120	Ig Group Holdings Pl	49,022	355,876
Ashtead Group Plc	75,108	1,565,914	Imi Plc	54,422	654,304
Associated British F	59,212	1,540,675	Imperial Brands Plc	169,650	5,135,893
Astrazeneca Plc	190,848	14,253,269	Informa Plc	156,370	1,254,662
Auto Trader Group Pl	98,175	567,787	Intercontinental Hot	25,469	1,372,747
Aviva Plc	572,479	2,737,804	Intertek Group Plc	36,710	2,244,184
Babcock Internationa	36,290	226,149	Investec Plc	97,515	546,210
Bae Systems Plc	469,635	2,746,599	Itv Plc	486,769	774,006
Barclays Plc	3,504,359	6,717,041	J Sainsbury Plc	245,270	827,796
Barratt Developments	236,763	1,394,327	John Wood Group Plc	90,104	580,897
Berkeley Group Holdi	29,721	1,316,894	Johnson Matthey Plc	30,886	1,098,666
Bhp Group Plc	416,118	8,743,407	Kingfisher Plc	278,676	736,107
Bp Plc	3,025,964	19,113,251	Land Securities Grou	105,606	1,081,916
British American Tob	383,830	12,221,143	Legal & General Grou	1,798,165	5,290,228
British Land Co	153,320	1,041,171	Lloyds Banking Group	10,829,762	7,140,522
Bt Group Plc	1,212,629	3,676,453	London Stock Exchang	45,070	2,330,486
Bunzl Plc	42,529	1,279,375	Marks & Spencer Grou	244,534	769,564
Burberry Group Plc	97,117	2,139,805	Meggitt Plc	131,216	785,950
Carnival Plc	25,270	1,210,113	Melrose Industries P	654,884	1,366,607
Centamin Plc	127,615	176,833	Merlin Entertainment	109,165	441,428
Centrica Plc	807,572	1,387,478	Micro Focus Internat	48,515	853,920
Close Brothers Group	30,201	553,881	Mondi Plc	47,982	998,229
Coca-Cola Hbc Ag	24,156	752,206	National Grid Plc	491,604	4,784,707
Compass Group Plc	242,519	5,080,946	Next Plc	36,795	1,870,266
Convatec Group Plc	135,395	239,432	Nmc Health Plc	14,123	492,126
Croda International	21,416	1,277,853	Paddy Power Betfair	4,996	407,226
Dcc Plc	13,417	1,020,147	Pearson Plc	107,287	1,281,416
Diageo Plc	462,979	16,480,714	Persimmon Plc	68,166	1,675,552
Direct Line Insuranc	206,145	836,210	Playtech Plc	50,017	245,124
Easyjet Plc	26,983	379,739	Prudential Plc	400,106	7,144,239
Experian Plc	132,679	3,218,223	Randgold Resources L	12,134	1,011,300
Ferguson Plc	34,967	2,231,151	Reckitt Benckiser Gr	102,031	7,811,092
Fresnillo Plc	30,666	335,883	Relx Plc	221,667	4,563,622
G4S Plc	252,011	632,133	Rightmove Plc	57,920	318,857
Glaxosmithkline Plc	1,016,180	19,299,206	Rio Tinto Plc	233,194	11,076,458
Glencore Plc	1,703,429	6,317,545	Rolls-Royce Holdings	10,613,800	2,537,034
Greggs Plc	30,319	488,470	Royal Bank Of Scotla	1,331,387	3,666,004

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

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

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Royal Dutch Shell Pl	1,444,311	42,685,130	Advanced Micro Devic	135,224	2,494,883
Royal Mail Plc	139,265	482,618	Aercap Holdings Nv	21,141	836,972
Rsa Insurance Group	128,272	835,786	Aes Corp/Va	123,575	1,786,895
Rws Holdings Plc	27,344	166,813	Affiliated Managers	25,502	2,483,640
Sage Group Plc/The	403,571	3,088,039	Aflac Inc	186,586	8,500,858
Schroders Plc	20,578	640,265	Agilent Technologies	46,065	3,107,084
Segro Plc	150,874	1,131,013	Agnc Investment Corp	85,023	1,490,453
Severn Trent Plc	40,843	943,600	Air Products & Chemi	41,597	6,658,016
Shire Plc	139,617	8,001,727	Akamai Technologies	24,702	1,509,045
Smith & Nephew Plc	181,163	3,377,874	Albemarle Corp	15,689	1,209,151
Smiths Group Plc	190,148	3,298,388	Alexandria Real Est	17,396	2,004,715
Spectris Plc	48,266	1,400,937	Alexion Pharmaceutic	31,965	3,113,711
Sse Plc	157,459	2,166,832	Align Technology Inc	11,447	2,397,918
St James'S Place Plc	83,917	1,007,633	Alkermes Plc	21,717	640,652
Standard Chartered P	586,442	4,550,815	Alleghany Corp	2,451	1,524,571
Standard Life Aberde	313,729	1,025,084	Allegion Plc	35,763	2,849,953
Synthomer Plc	110,936	504,681	Allergan Plc	51,393	6,867,647
Taylor Wimpey Plc	415,752	721,446	Alliance Data System	6,949	1,042,836
Tesco Plc	1,516,699	3,672,099	Alliant Energy Corp	38,561	1,628,431
Tui Ag	49,871	713,599	Allison Transmission	47,378	2,079,894
Tullow Oil Plc	94,725	216,069	Allstate Corp/The	51,072	4,221,101
Unilever Plc	232,292	12,154,874	Ally Financial Inc	66,402	1,504,005
United Utilities Gro	102,454	959,589	Alnylam Pharmaceutic	12,579	917,009
Victrex Plc	33,063	956,717	Alphabet Inc	105,802	110,163,069
Vodafone Group Plc	4,041,262	7,869,686	Altria Group Inc	356,305	17,594,341
Weir Group Plc/The	35,529	587,341	Amazon.Com Inc	68,202	102,528,749
Whitbread Plc	23,650	1,379,224	Amc Networks Inc	14,800	812,076
Wm Morrison Supermar	358,360	973,288	Amdocs Ltd	47,665	2,791,262
Worldpay Inc	11,003	847,812	Amerco	1,164	379,988
WPP Plc	288,435	3,109,991	Ameren Corp	36,849	2,402,923
		373,888,257	American Airlines Gr	16,825	540,251
			American Electric Po	74,332	5,554,830
United States			American Equity Inve	5,188	144,901
3M Co	107,867	20,546,506	American Express Co	108,911	10,379,218
Abbott Laboratories	262,612	18,992,100	American Financial G	25,143	2,274,436
Abbvie Inc	298,502	27,515,914	American Internation	135,304	5,330,978
Abiomed Inc	6,045	1,965,713	American National In	2,058	261,860
Accenture Plc	101,415	14,299,515	American Tower-Reits	65,465	10,357,218
Activision Blizzard	110,442	5,146,597	American Water Works	25,706	2,333,334
Acuity Brands Inc	6,652	764,448	Ameriprise Financial	20,958	2,187,596
Adobe Inc	84,990	19,239,186	Amerisourcebergen Co	25,364	1,887,082
Advance Auto Parts I	11,347	1,786,358	Ametek Inc	55,069	3,728,171

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
Amgen Inc	129,046	25,130,418	Becton Dickinson And	40,731	9,174,658
Amphenol Corp	54,931	4,448,312	Bed Bath & Beyond In	24,800	280,488
Anadarko Petroleum C	74,705	3,275,067	Beigene Ltd	5,176	726,038
Analog Devices Inc	59,104	5,075,852	Berkshire Hathaway I	203,980	41,687,393
Annaly Mortgage Mgmt	174,805	1,714,837	Best Buy Co Inc	37,676	1,994,944
Ansys Inc	19,515	2,789,474	Biogen Inc	39,764	11,961,011
Antero Resources Cor	36,147	339,059	Biomarin Pharmaceuti	26,989	2,300,003
Anthem Inc	38,939	10,226,160	Blackrock Inc	18,150	7,133,132
Ao Smith Corp	23,620	1,010,227	Boeing Co/The	82,513	26,599,716
Aon Plc	36,446	5,298,155	Bok Financial Corp	3,300	241,956
Apache Corp	65,146	1,709,431	Booking Holdings Inc	7,150	12,318,378
Apple Hospitality Re	18,900	269,325	Borgwarner Inc	51,892	1,802,209
Apple Inc	818,278	129,230,645	Boston Properties	22,172	2,495,015
Applied Materials In	177,773	5,823,843	Boston Scientific Co	210,353	7,429,668
Aptiv Plc	38,381	2,361,583	Brighthouse Financia	12,955	394,739
Aramark	33,451	968,406	Bristol-Myers Squibb	344,934	17,922,771
Arch Capital Group L	61,270	1,637,134	British American Tob	34,498	1,098,761
Archer-Daniels-Midla	80,157	3,283,231	Broadcom Inc	64,712	16,454,320
Arconic Inc	55,128	928,907	Broadridge Financial	25,857	2,489,512
Arista Networks Inc	7,362	1,550,879	Brookfield Property	30,575	492,258
Arrow Electronics In	11,963	824,729	Brown-Forman Corp	37,246	1,771,792
Arthur J Gallagher &	26,258	1,934,952	Buckle Inc/The	16,790	324,719
Assurant Inc	8,073	721,807	Bunge Ltd	21,805	1,165,041
Assured Guaranty Ltd	8,800	336,864	Burlington Stores In	10,412	1,692,783
At&T Inc	1,143,604	32,627,022	Cabot Oil & Gas Corp	70,632	1,578,625
Athene Holding Ltd	57,305	2,281,885	Cadence Design Syste	43,211	1,878,814
Atmos Energy Corp	15,701	1,455,797	Camden Property Tst	11,809	1,039,546
Autodesk Inc	33,648	4,331,844	Campbell Soup Co	24,253	799,621
Autoliv Inc	11,826	830,658	Capital One Financia	92,576	6,995,043
Automatic Data Proce	86,232	11,311,051	Capri Holdings Ltd	33,043	1,252,991
Autozone Inc	5,425	4,548,537	Carbo Ceramics Inc	26,400	91,608
Avalonbay Communitie	20,636	3,591,077	Cardinal Health Inc	44,838	1,999,326
Avery Dennison Corp	11,789	1,058,770	Carmax Inc	24,265	1,522,143
Axa Equitable Holdin	45,169	750,257	Carnival Corp	67,017	3,304,608
Axalta Coating Syste	29,975	702,015	Carter'S Inc	4,400	359,172
Baker Hughes A Ge Co	65,634	1,410,475	Caterpillar Inc	94,043	11,947,223
Ball Corp	45,428	2,088,325	Cbl & Associates Prp	46,800	89,388
Bank Of America Corp	1,671,355	41,215,614	Cboe Global Markets	17,113	1,673,480
Bank Of Hawaii Corp	4,000	269,240	Cbre Group Inc	48,503	1,941,575
Bank Of New York Mel	151,410	7,128,383	Cbs Corp	48,446	2,117,575
Baxter International	77,704	5,115,254	Cdk Global Inc	63,258	3,029,426
Bb&T Corp	128,431	5,563,631	Cdw Corp/De	21,065	1,707,318

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
Celanese Corp	33,999	3,057,530	Conocophillips	170,863	10,653,308
Celgene Corp	125,721	8,066,259	Consolidated Edison	45,590	3,484,444
Centene Corp	31,648	3,649,964	Constellation Brands	24,703	3,972,489
Centerpoint Energy I	85,277	2,407,370	Continental Resource	15,246	612,584
Centurylink Inc	151,260	2,291,589	Cooper Cos Inc/The	7,639	1,944,049
Cerner Corp	71,526	3,750,108	Copart Inc	38,068	1,817,366
Cf Industries Holdin	31,401	1,365,944	Corning Inc	120,776	3,647,435
Ch Robinson Worldwid	19,151	1,610,408	Costar Group Inc	5,852	1,972,124
Charles Schwab Corp/	185,208	7,693,540	Costco Wholesale Cor	65,394	13,322,720
Charter Communicatio	23,832	6,792,597	Coty Inc	66,106	432,994
Check Point Software	33,156	3,403,463	Crown Castle Interna	62,021	6,737,961
Chemed Corp	1,600	452,944	Crown Holdings Inc	21,419	890,174
Chemours Co/The	36,948	1,042,303	Csx Corp	124,199	7,715,242
Cheniere Energy Inc	28,209	1,668,562	Cummins Inc	32,125	4,293,828
Chevron Corp	318,321	34,636,508	Curtiss-Wright Corp	4,200	428,904
Chico'S Fas Inc	25,500	143,055	Cvs Health Corp	212,289	13,909,175
Chipotle Mexican Gri	3,991	1,723,274	Dairy Farm Internati	67,300	607,719
Chubb Ltd	68,959	8,909,503	Danaher Corp	94,900	9,783,241
Church & Dwight Co I	37,838	2,488,605	Darden Restaurants I	19,105	1,907,252
Cigna Corp	72,934	13,857,460	Davita Inc	21,256	1,093,621
Cimarex Energy Co	12,935	797,313	Deere & Co	46,652	6,957,213
Cincinnati Financial	22,417	1,735,524	Dell Technologies In	18,652	904,062
Cintas Corp	12,832	2,155,904	Delphi Technologies	10,500	150,255
Cirrus Logic Inc	8,752	290,391	Delta Air Lines Inc	26,132	1,303,987
Cisco Systems Inc	891,726	38,700,908	Deluxe Corp	22,500	864,900
Cit Group Inc	14,244	544,833	Dentsply Sirona Inc	33,753	1,255,612
Citigroup Inc	434,442	22,608,362	Devon Energy Corp	72,385	1,631,558
Citizens Financial G	69,585	2,067,370	Dexcom Inc	12,664	1,517,147
Citrix Systems Inc	20,866	2,137,722	Diamond Offshore Dri	37,200	350,796
Clorox Co/The	29,196	4,499,688	Diamondback Energy I	25,117	2,329,602
Cme Group Inc	53,230	10,013,095	Digital Realty Trust	31,312	3,336,294
Cms Energy Corp	45,552	2,260,746	Discover Financial S	69,712	4,111,614
Cna Financial Corp	12,100	534,215	Discovery Inc	71,658	1,704,321
Coca-Cola Co/The	642,695	30,418,754	Dish Network Corp	32,655	815,069
Cognex Corp	23,868	922,737	Dollar General Corp	39,705	4,292,111
Cognizant Technology	136,989	8,697,432	Dollar Tree Inc	36,957	3,337,587
Colgate-Palmolive Co	172,286	10,254,463	Dominion Energy Inc	99,690	7,125,841
Comcast Corp	760,919	25,909,292	Domino'S Pizza Inc	7,028	1,741,398
Comerica Inc	39,771	2,731,075	Dover Corp	35,608	2,526,388
Commscope Holding Co	28,582	468,173	Dowdupont Inc	348,087	18,612,212
Conagra Brands Inc	69,992	1,494,329	Dr Horton Inc	55,982	1,939,776
Concho Resources Inc	31,301	3,217,117	Dte Energy Co	26,193	2,889,088

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

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

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Duke Energy Corp	106,599	9,197,362	Fidelity National In	49,889	5,113,124
Duke Realty Corp	55,301	1,431,743	Fifth Third Bancorp	181,891	4,279,895
Dxc Technology Co	41,579	2,210,755	First Data Corp	79,139	1,336,658
E*Trade Financial Co	37,999	1,667,776	First Republic Bank/	22,963	1,996,403
East West Bancorp In	19,239	836,897	Firstenergy Corp	76,032	2,853,481
Eastman Chemical Co	19,911	1,455,892	Fiserv Inc	90,401	6,647,186
Eaton Corp Plc	82,937	5,694,454	Fleetcor Technologie	22,147	4,112,476
Eaton Vance Corp	15,010	527,902	Flex Ltd	71,885	546,326
Ebay Inc	282,709	7,938,469	Flir Systems Inc	23,510	1,023,390
Ecolab Inc	37,844	5,576,313	Flowserve Corp	17,709	673,296
Edgewell Personal Ca	11,600	433,144	Fluor Corp	18,516	596,030
Edison International	48,674	2,761,763	Fmc Corp	17,965	1,328,332
Edwards Lifesciences	31,858	4,880,008	Foot Locker Inc	12,000	638,400
Electronic Arts Inc	44,279	3,493,613	Ford Motor Co	635,570	4,855,755
Eli Lilly & Co	181,650	21,020,538	Fortinet Inc	23,675	1,667,194
Emerson Electric Co	162,960	9,740,119	Fortive Corp	60,732	4,109,127
Entergy Corp	25,782	2,218,541	Fortune Brands Home	24,197	919,244
Eog Resources Inc	88,412	7,710,411	Franklin Resources I	116,831	3,465,207
Equifax Inc	23,693	2,206,529	Freeport-Mcmoran Inc	202,504	2,085,791
Equinix Inc	12,121	4,274,228	Gap Inc/The	54,455	1,402,216
Equity Residential	53,940	3,559,501	Garmin Ltd	73,009	4,622,930
Essent Group Ltd	9,300	317,781	Gartner Inc	12,127	1,549,831
Essex Pty Trust Inc	9,269	2,272,944	Generac Holdings Inc	16,100	800,170
Estee Lauder Cos Inc	33,261	4,326,258	General Dynamics Cor	46,832	7,361,522
Everest Re Group Ltd	8,968	1,952,513	General Electric Co	1,309,701	9,901,340
Evergy Inc	43,192	2,452,010	General Mills Inc	84,436	3,287,938
Eversource Energy	46,157	3,001,590	General Motors Co	185,832	6,214,222
Exelon Corp	145,061	6,540,800	Gentex Corp	56,328	1,138,389
Expedia Group Inc	18,685	2,106,547	Genuine Parts Co	21,706	2,083,125
Expeditors Internati	24,350	1,658,479	Gilead Sciences Inc	245,083	15,339,745
Extra Space Storage	18,790	1,699,743	Global Payments Inc	23,829	2,457,485
Exxon Mobil Corp	734,522	50,101,746	Godaddy Inc	27,519	1,804,421
F5 Networks Inc	8,508	1,378,551	Goldman Sachs Group	75,071	12,542,112
Facebook Inc	397,344	52,171,267	Goodyear Tire & Rubb	33,563	685,021
Factset Research Sys	4,300	860,516	Graco Inc	15,900	665,097
Fair Isaac Corp	3,800	710,372	Grubhub Inc	13,511	1,036,699
Fastenal Co	40,321	2,107,982	H&R Block Inc	87,085	2,209,346
Federal Realty Invs	10,508	1,240,364	Halliburton Co	129,298	3,434,155
Federated Investors	42,200	1,120,410	Hanesbrands Inc	48,962	613,004
Fedex Corp	38,393	6,190,871	Harley-Davidson Inc	21,591	736,469
Fgl Holdings	29,800	198,468	Harris Corp	17,653	2,376,800
Fidelity National Fi	41,286	1,297,206	Hartford Financial S	54,573	2,424,678

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

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

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Hasbro Inc	43,017	3,495,131	Invitation Homes Inc	49,699	997,459
Hca Healthcare Inc	40,567	5,048,157	Ipg Photonics Corp	4,944	559,859
Hd Supply Holdings I	21,923	822,332	Iqvia Holdings Inc	25,075	2,913,214
Health Care Pptys	62,022	1,731,654	Iron Mtn Inc	36,635	1,186,974
Heico Corp	4,700	364,109	Ituran Location And	7,300	232,286
Helmerich & Payne In	13,428	643,604	Jack Henry & Associa	12,062	1,526,567
Henry Schein Inc	22,571	1,773,403	Jacobs Engineering G	16,397	958,569
Hershey Co/The	38,689	4,147,461	Jardine Matheson Hol	28,500	1,927,455
Hess Corp	42,060	1,702,589	Jardine Strategic Ho	30,200	1,108,642
Hewlett Packard Ente	278,789	3,680,015	Jazz Pharmaceuticals	9,456	1,171,220
Hilton Worldwide Hol	46,286	3,323,798	Jb Hunt Transport Se	11,901	1,107,269
Hollyfrontier Corp	28,637	1,463,637	Jm Smucker Co/The	15,275	1,427,907
Hologic Inc	42,758	1,756,499	Johnson & Johnson	479,282	61,856,135
Home Depot Inc/The	184,812	31,767,335	Johnson Controls Int	133,754	3,965,806
Honeywell Internatio	129,096	17,052,291	Jones Lang Lasalle I	5,664	716,836
Hongkong Land Holdin	147,900	931,770	Jpmorgan Chase & Co	607,504	59,365,291
Hormel Foods Corp	45,523	1,942,922	Juniper Networks Inc	56,197	1,512,261
Host Hotels & Resort	110,186	1,836,801	Kansas City Southern	14,526	1,386,652
Hp Inc	234,164	4,790,995	Kellogg Co	68,743	3,922,476
Hubbell Inc	19,000	1,887,080	Keycorp	253,236	3,740,296
Humana Inc	20,429	5,854,339	Keysight Technologie	24,996	1,551,252
Huntington Bancshare	169,636	2,020,365	Kimberly-Clark Corp	85,298	9,721,413
Huntington Ingalls I	6,672	1,270,015	Kimco Realty Corpora	69,668	1,020,636
Iac/Interactivecorp	11,883	2,175,302	Kinder Morgan Inc/De	285,795	4,392,669
Idex Corp	21,960	2,769,815	Kla-Tencor Corp	34,330	3,075,625
Idexx Laboratories I	14,547	2,705,306	Kohl'S Corp	30,167	2,000,977
Ihs Markit Ltd	60,689	2,913,072	Kraft Heinz Co/The	92,851	3,994,450
Illinois Tool Works	74,770	9,470,368	Kroger Co/The	127,935	3,516,933
Illumina Inc	22,193	6,657,900	L Brands Inc	32,671	838,011
Incyte Corp	26,922	1,711,701	L3 Technologies Inc	11,766	2,043,284
Ingersoll-Rand Plc	37,916	3,457,560	Laboratory Corp Of A	14,493	1,831,480
Ingredion Inc	17,577	1,606,538	Lam Research Corp	30,664	4,175,517
Intel Corp	861,167	40,431,791	Lamb Weston Holdings	31,417	2,311,035
Intercontinental Exc	83,681	6,302,016	Las Vegas Sands Corp	65,531	3,410,889
International Busine	158,878	18,050,130	Lear Corp	21,024	2,582,798
International Flavor	31,479	4,225,741	Leggett & Platt Inc	48,966	1,754,941
International Paper	59,145	2,386,501	Leidos Holdings Inc	24,321	1,281,960
International Seaway	17,400	293,190	Lennar Corp	50,765	1,987,450
Interpublic Group Of	53,744	1,108,739	Lennox International	5,009	1,095,568
Intuit Inc	44,328	8,724,194	Leucadia National Co	50,360	873,746
Intuitive Surgical I	17,306	8,289,401	Liberty Broadband Co	15,912	1,145,982
Invesco Ltd	146,582	2,453,783	Liberty Global Plc	107,400	2,233,285

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

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

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Liberty Media Corp-L	74,428	2,518,918	Microsoft Corp	1,241,922	126,253,791
Liberty Pty Tst	24,283	1,016,972	Mid-America Apartmnt	15,261	1,460,020
Lincoln National Cor	76,302	3,913,530	Middleby Corp/The	8,183	840,558
Linde Plc	61,283	9,565,663	Mks Instruments Inc	6,300	407,232
Live Nation Entertai	25,491	1,255,177	Mohawk Industries In	8,634	1,009,315
Lkq Corp	47,793	1,133,650	Molson Coors Brewing	25,548	1,434,776
Lockheed Martin Corp	41,213	10,791,212	Mondelez Internation	219,562	8,786,871
Loews Corp	41,564	1,891,162	Monster Beverage Cor	59,768	2,940,586
Louisiana-Pacific Co	26,600	590,786	Moody'S Corp	25,815	3,615,133
Lowe'S Cos Inc	145,292	13,416,263	Morgan Stanley	250,956	9,952,915
Lululemon Athletica	16,265	1,979,125	Mosaic Co/The	51,185	1,494,602
Lyondellbasell Indus	62,757	5,219,500	Motorola Solutions I	22,644	2,604,060
M&T Bank Corp	19,415	2,778,869	Msc Industrial Direc	20,200	1,553,582
Macerich Co	14,034	607,392	Msci Inc	12,894	1,900,962
Macy'S Inc	58,305	1,735,740	Mylan Nv	125,336	3,435,460
Manpowergroup Inc	8,371	542,441	Nasdaq Inc	15,530	1,266,316
Marathon Oil Corp	119,592	1,713,753	National Oilwell Var	53,382	1,370,850
Marathon Petroleum C	131,092	7,734,428	National Retail Prop	21,226	1,029,673
Markel Corp	2,141	2,215,935	National Western Lif	600	179,754
Marriott Internation	44,555	4,836,445	Nektar Therapeutics	21,851	718,024
Marsh & McLennan Cos	76,553	6,102,805	Netapp Inc	40,047	2,390,806
Martin Marietta Mate	9,577	1,645,999	Netflix Inc	65,563	17,545,970
Marvell Technology G	111,974	1,811,739	Newell Brands Inc	71,098	1,321,001
Masco Corp	43,715	1,278,227	Newmont Mining Corp	79,798	2,764,203
Mastercard Inc	156,588	29,538,760	News Corp	57,949	657,142
Mattel Inc	56,854	567,403	Nextera Energy Inc	70,166	12,196,956
Maxim Integrated Pro	90,182	4,585,755	Nielsen Holdings Plc	51,020	1,190,297
Mccormick & Co Inc/M	18,103	2,520,662	Nike Inc	227,254	16,844,066
Mcdonald'S Corp	125,379	22,262,295	Nisource Inc	50,096	1,270,435
Mckesson Corp	38,424	4,244,699	Ngermany Corp Plc	83,200	217,152
Mednax Inc	9,000	296,910	Ngermany Energy Inc	68,424	1,283,634
Medtronic Plc	235,766	21,447,633	Nordstrom Inc	21,058	981,092
Melco Resorts & Ente	34,219	603,281	Norfolk Southern Cor	56,740	8,484,332
Mercadolibre Inc	6,433	1,883,582	Northern Trust Corp	32,581	2,723,120
Merck & Co Inc	472,568	36,132,549	Northrop Grumman Cor	24,270	5,942,995
Metlife Inc	125,808	5,165,676	Norwegian Cruise Lin	30,719	1,301,564
Mettler-Toledo Inter	3,737	2,112,040	Nrg Energy Inc	43,467	1,720,859
Mgm Resorts Internat	85,168	2,065,324	Nucor Corp	45,680	2,366,224
Michaels Cos Inc/The	16,900	228,657	Nvidia Corp	91,292	12,186,569
Micro Focus Internat	17,582	302,586	Nvr Inc	438	1,066,442
Microchip Technology	32,688	2,352,882	Nxp Semiconductors N	53,751	3,938,336
Micron Technology In	221,430	7,023,760	Occidental Petroleum	117,173	7,192,079

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

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

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Oge Energy Corp	34,422	1,348,654	Pvh Corp	11,587	1,077,012
Old Dominion Freight	10,264	1,267,399	Qorvo Inc	17,969	1,091,078
Omnicom Group Inc	53,850	3,944,513	Qualcomm Inc	281,965	16,046,628
On Semiconductor Cor	77,320	1,276,553	Quest Diagnostics In	59,036	4,916,518
Oneok Inc	65,353	3,524,487	Qurate Retail Inc	60,281	1,176,082
Oracle Corp	562,013	25,374,887	Ralph Lauren Corp	6,737	697,010
O'Reilly Automotive	12,032	4,142,858	Raymond James Financ	19,517	1,452,260
Overseas Shipholding	48,200	80,012	Raytheon Co	56,732	8,697,583
Owens Corning	13,692	602,037	Reality Income Corp	43,641	2,751,565
Paccar Inc	51,262	2,929,623	Red Hat Inc	26,064	4,575,014
Packaging Corp Of Am	36,812	3,071,961	Regency Centres Corp	25,529	1,497,786
Palo Alto Networks I	12,985	2,445,595	Regeneron Pharmaceut	12,253	4,576,986
Park Hotels & Resort	12,300	319,185	Regions Financial Co	169,629	2,267,940
Parker-Hannifin Corp	19,598	2,922,258	Reinsurance Group Of	8,834	1,238,792
Parsley Energy Inc	51,188	816,960	Renaissancere Holdin	9,624	1,286,633
Paychex Inc	106,459	6,938,998	Renewable Energy Gro	22,900	588,530
Paypal Holdings Inc	168,799	14,204,436	Republic Services In	32,965	2,376,777
Pentair Plc	19,673	743,246	Resmed Inc	33,646	3,831,606
People'S United Fina	58,090	837,658	Robert Half Internat	17,818	1,019,368
Pepsico Inc	257,823	28,476,550	Rockwell Automation	25,167	3,787,130
Perrigo Co Plc	18,931	733,387	Rollins Inc	17,551	633,065
Pfizer Inc	1,074,826	46,905,407	Roper Technologies I	15,728	4,189,939
Pg&E Corp	84,779	2,012,653	Ross Stores Inc	67,192	5,590,374
Philip Morris Intern	281,367	18,784,061	Royal Caribbean Crui	23,887	2,335,432
Phillips 66	67,662	5,829,081	S&P Global Inc	36,807	6,254,982
Pinnacle West Capita	14,900	1,269,182	Sabre Corp	39,923	863,534
Pioneer Natural Reso	24,342	3,201,460	Salesforce.Com Inc	108,656	14,881,526
Pitney Bowes Inc	32,243	190,556	Sally Beauty Holding	26,190	446,278
Plains Gp Holdings L	20,578	413,618	Sba Communications C	17,414	2,819,675
Pnc Financial Servic	96,907	11,325,521	Scana Corp	19,317	922,966
Polaris Industries I	8,186	627,784	Schlumberger Ltd	215,939	7,806,195
Ppg Industries Inc	35,317	3,610,457	Scorpio Tankers Inc	59,800	104,650
Ppl Corp	105,550	2,989,176	Seagate Technology P	57,650	2,225,867
Principal Financial	99,542	4,399,756	Sealed Air Corp	25,393	884,692
Procter & Gamble Co/	447,301	41,124,854	Seattle Genetics Inc	14,583	825,835
Progressive Corp/The	88,104	5,315,314	Sei Investments Co	20,722	957,149
Prologis Inc	93,875	5,513,279	Sempra Energy	42,949	4,646,652
Prudential Financial	60,854	4,962,644	Sensata Technologies	24,002	1,076,010
Ptc Inc	18,109	1,501,236	Servicenow Inc	27,503	4,892,784
Public Service Enter	77,966	4,057,351	Sherwin-Williams Co/	12,385	4,872,135
Public Storage Inc	22,927	4,639,966	Signature Bank/New Y	7,194	739,543
Pultegroup Inc	49,032	1,273,851	Signet Jewelers Ltd	7,600	241,452
			Simon Property Group	46,022	7,731,696
			Sinclair Broadcast G	10,600	279,098
			Sirius Xm Holdings I	238,567	1,359,832
			Skyworks Solutions I	25,565	1,713,111

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

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

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
SI Green Realty Corp	14,852	1,174,645	Toll Brothers Inc	8,700	286,404
Snap-On Inc	16,279	2,364,362	Torchmark Corp	16,378	1,220,652
Sonoco Products Co	17,619	935,745	Toro Co/The	15,700	876,688
Southern Co/The	153,839	6,755,070	Total System Service	54,551	4,434,451
Southwest Airlines C	19,800	920,502	Tractor Supply Co	17,669	1,474,125
Spirit Aerosystems H	18,159	1,307,811	Transdigm Group Inc	6,980	2,372,572
Splunk Inc	20,593	2,162,265	Transocean Ltd	64,900	450,406
Sprint Corp	121,688	705,790	Transunion	33,224	1,887,123
Square Inc	44,885	2,515,804	Travelers Cos Inc/Th	39,366	4,713,291
Ss&C Technologies Ho	29,837	1,345,649	Trimble Inc	38,126	1,254,727
Stanley Black & Deck	22,992	2,753,292	Tripadvisor Inc	19,180	1,034,761
Starbucks Corp	200,513	12,917,047	Tupperware Brands Co	18,238	575,227
State Street Corp	79,550	5,017,219	Twenty-First Century	220,464	10,587,895
Steel Dynamics Inc	32,406	973,476	Twitter Inc	97,598	2,803,991
Stryker Corp	62,370	9,776,498	Tyson Foods Inc	44,209	2,361,203
Suntrust Banks Inc	66,442	3,351,999	Udr Inc	42,102	1,668,081
Svb Financial Group	7,612	1,444,529	Ugi Corp	25,304	1,349,462
Swift Transportation	23,452	587,707	Ultra Beauty Inc	8,461	2,071,591
Symantec Corp	91,392	1,726,395	Under Armour Inc	60,477	1,022,810
Synchrony Financial	142,469	3,340,898	Union Pacific Corp	110,745	15,303,852
Synopsys Inc	20,847	1,757,402	Unit Corp	8,300	118,441
Sysco Corp	71,336	4,470,627	United Continental H	12,258	1,025,995
T Rowe Price Group I	47,486	4,384,857	United Parcel Servic	103,912	10,133,498
Take-Two Interactive	15,191	1,564,673	United Rentals Inc	11,830	1,212,930
Tapestry Inc	38,232	1,289,565	United Technologies	123,567	13,153,707
Targa Resources Corp	32,407	1,167,300	United Therapeutics	11,950	1,301,355
Target Corp	73,457	4,854,773	Unitedhealth Group I	160,553	40,004,991
Td Ameritrade Holdin	42,889	2,099,417	Universal Health Ser	12,165	1,417,952
Te Connectivity Ltd	105,471	7,979,936	Universal Insurance	7,115	269,730
Technipfmc Plc	53,402	1,045,611	Unum Group	74,037	2,175,207
Teleflex Inc	6,255	1,615,416	Us Bancorp	252,708	11,551,283
Tenneco Inc	8,300	227,254	Usana Health Science	4,600	541,604
Tesla Inc	18,804	6,259,476	Vail Resorts Inc	7,011	1,478,059
Teva Pharmaceutical	74,241	1,144,796	Valero Energy Corp	78,806	5,908,874
Texas Instruments In	158,209	14,950,751	Varian Medical Syste	29,781	3,374,485
Textron Inc	37,650	1,731,147	Veeva Systems Inc	15,769	1,408,645
Thermo Fisher Scient	62,221	13,920,704	Ventas Inc	56,886	3,333,520
Third Point Reinsura	38,000	366,320	Vereit Inc	145,901	1,043,192
Thor Industries Inc	10,400	540,904	Verisign Inc	16,682	2,474,274
Tiffany & Co	25,550	2,056,520	Verisk Analytics Inc	31,291	3,411,658
Tjx Cos Inc/The	202,141	9,043,788	Verizon Communicatio	708,923	39,848,562
T-Mobile Us Inc	51,510	3,278,096	Vertex Pharmaceutica	37,111	6,149,664

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
Vf Corp	48,500	3,459,020	Xylem Inc/Ny	30,189	2,014,210
Viacom Inc	87,476	2,247,258	Yum! Brands Inc	46,234	4,250,292
Visa Inc	310,193	40,936,170	Zayo Group Holdings	23,211	529,675
Vistra Energy Corp	41,916	959,038	Zillow Group Inc	19,565	617,863
Vmware Inc	19,051	2,611,321	Zimmer Biomet Holdin	29,117	3,019,724
Vornado Realty Trst	24,077	1,493,496	Zions Bancorporation	33,424	1,361,360
Voya Financial Inc	24,813	995,994	Zoetis Inc	73,430	6,280,468
Vulcan Materials Co	19,383	1,914,071			3,771,002,613
Wabco Holdings Inc	7,236	776,495			
Wabtec Corp	11,289	792,714	Total equity securities		6,118,649,255
Walgreens Boots Alli	132,880	9,083,677			
Walmart Inc	219,802	20,472,358			
Walt Disney Co/The	266,740	29,250,708			
Waste Connections In	38,047	2,824,609			
Waste Management Inc	63,159	5,620,519			
Waters Corp	16,714	3,152,929			
Watsco Inc	2,600	361,660			
Wayfair Inc	9,154	824,501			
Wee Energy Group Inc	47,516	3,290,008			
Wellcare Health Plan	7,686	1,814,588			
Wells Fargo & Co	845,116	38,951,396			
Welltower Inc	55,020	3,817,838			
Western Digital Corp	77,690	2,872,976			
Western Union Co/The	66,106	1,127,768			
Westlake Chemical Co	8,494	561,963			
Westrock Co	35,631	1,345,070			
Weyerhaeuser Co	112,730	2,462,023			
Whirlpool Corp	10,541	1,126,200			
Whiting Petroleum Co	15,100	342,619			
Williams Cos Inc/The	188,331	4,150,815			
Willis Towers Watson	19,592	2,973,870			
Wix.Com Ltd	8,235	744,115			
Workday Inc	22,308	3,560,803			
Worldpay Us Inc	33,166	2,533,219			
Wp Carey Inc	27,638	1,805,314			
Wr Berkley Corp	12,433	918,053			
Ww Grainger Inc	7,577	2,139,442			
Wynn Resorts Ltd	13,340	1,319,459			
Xcel Energy Inc	75,942	3,740,903			
Xerox Corp	37,886	748,249			
Xilinx Inc	54,813	4,672,808			
Xpo Logistics Inc	17,464	996,147			

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2018

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

(c) Derivatives

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
United States equity futures					
MSCI Eafe Equity Ind	321 -	1,111,463	Sell DKK:Buy USD 11/01/19	- 73,809,000	- 11,315,690
S&P500 Emini Fut Equ	32 -	241,520	Sell EUR:Buy AUD 31/01/19	- 2,293,533	- 2,628,611
	-	1,352,983	Sell EUR:Buy CAD 31/01/19	- 1,177,540	- 1,349,574
Buy AUD:Sell EUR 31/01/19	3,730,735	2,628,133	Sell EUR:Buy CHF 31/01/19	- 1,148,158	- 1,315,900
Buy AUD:Sell USD 02/01/19	1,402,114	987,088	Sell EUR:Buy DKK 31/01/19	- 248,699	- 285,034
Buy AUD:Sell USD 11/01/19	7,859,000	5,533,847	Sell EUR:Buy GBP 31/01/19	- 12,515,516	- 14,343,990
Buy CAD:Sell EUR 31/01/19	1,841,344	1,349,249	Sell EUR:Buy JPY 31/01/19	- 2,064,569	- 2,366,196
Buy CAD:Sell USD 11/01/19	29,160,000	21,355,078	Sell EUR:Buy NOK 31/01/19	- 1,022,573	- 1,171,968
Buy CHF:Sell EUR 31/01/19	1,297,927	1,320,364	Sell EUR:Buy NZD 31/01/19	- 1,548,614	- 1,774,862
Buy CHF:Sell USD 11/01/19	860,000	873,144	Sell EUR:Buy USD 02/01/19	- 45,568	- 52,091
Buy DKK:Sell EUR 31/01/19	1,855,535	285,025	Sell EUR:Buy USD 11/01/19	- 21,557,000	- 24,661,598
Buy DKK:Sell USD 02/01/19	27,371,301	4,192,941	Sell GBP:Buy EUR 31/01/19	- 815,648	- 1,040,393
Buy DKK:Sell USD 11/01/19	75,619,000	11,593,182	Sell GBP:Buy USD 11/01/19	- 22,952,000	- 29,244,880
Buy EUR:Sell AUD 31/01/19	9,413,955	10,789,302	Sell HKD:Buy EUR 31/01/19	- 1,282,438	- 163,945
Buy EUR:Sell CAD 31/01/19	26,770,550	30,681,636	Sell JPY:Buy EUR 31/01/19	- 129,029,451	- 1,178,837
Buy EUR:Sell DKK 31/01/19	2,949,982	3,380,965	Sell JPY:Buy USD 11/01/19	- 597,027,000	- 5,445,983
Buy EUR:Sell GBP 31/01/19	907,887	1,040,526	Sell NOK:Buy USD 11/01/19	- 32,379,000	- 3,740,853
Buy EUR:Sell HKD 31/01/19	143,484	164,447	Sell NZD:Buy USD 11/01/19	- 3,754,000	- 2,517,715
Buy EUR:Sell JPY 31/01/19	1,028,317	1,178,551	Sell SEK:Buy EUR 31/01/19	- 6,387,899	- 722,304
Buy EUR:Sell SEK 31/01/19	626,634	718,183	Sell SEK:Buy USD 11/01/19	- 5,341,000	- 602,891
Buy EUR:Sell SGD 31/01/19	15,676,738	17,967,056	Sell SGD:Buy EUR 31/01/19	- 24,554,096	- 18,026,624
Buy EUR:Sell USD 02/01/19	457,201	522,649	Sell SGD:Buy USD 11/01/19	- 1,564,000	- 1,147,691
Buy EUR:Sell USD 11/01/19	22,335,000	25,551,644	Sell USD:Buy AUD 02/01/19	- 988,336	- 988,336
Buy GBP:Sell EUR 31/01/19	11,260,798	14,363,609	Sell USD:Buy AUD 11/01/19	- 5,632,709	- 5,632,709
Buy GBP:Sell USD 11/01/19	1,306,000	1,664,073	Sell USD:Buy CAD 11/01/19	- 21,873,700	- 21,873,700
Buy HKD:Sell USD 11/01/19	9,134,000	1,166,941	Sell USD:Buy CHF 11/01/19	- 864,339	- 864,339
Buy JPY:Sell EUR 31/01/19	260,952,878	2,384,114	Sell USD:Buy DKK 02/01/19	- 4,193,904	- 4,193,904
Buy JPY:Sell USD 11/01/19	2,154,854,000	19,656,226	Sell USD:Buy DKK 11/01/19	- 11,544,530	- 11,544,530
Buy NOK:Sell EUR 31/01/19	10,155,871	1,174,502	Sell USD:Buy EUR 02/01/19	- 523,087	- 523,087
Buy NOK:Sell USD 02/01/19	24,059,371	2,778,492	Sell USD:Buy EUR 11/01/19	- 25,479,952	- 25,479,952
Buy NOK:Sell USD 11/01/19	36,674,000	4,237,069	Sell USD:Buy GBP 11/01/19	- 1,659,588	- 1,659,588
Buy NZD:Sell EUR 31/01/19	2,624,170	1,760,629	Sell USD:Buy HKD 11/01/19	- 1,168,767	- 1,168,767
Buy NZD:Sell USD 03/01/19	1,013,250	679,435	Sell USD:Buy JPY 11/01/19	- 19,099,919	- 19,099,919
Buy NZD:Sell USD 11/01/19	1,220,000	818,224	Sell USD:Buy NOK 02/01/19	- 2,763,371	- 2,763,371
Buy SEK:Sell USD 11/01/19	29,953,000	3,381,090	Sell USD:Buy NOK 11/01/19	- 4,282,118	- 4,282,118
Buy SGD:Sell USD 11/01/19	4,884,000	3,583,965	Sell USD:Buy NZD 03/01/19	- 680,023	- 680,023
Buy USD:Sell AUD 02/01/19	72,486	72,486	Sell USD:Buy NZD 11/01/19	- 838,572	- 838,572
Buy USD:Sell AUD 03/01/19	55,268	55,268	Sell USD:Buy SEK 11/01/19	- 3,305,040	- 3,305,040
Buy USD:Sell AUD 11/01/19	15,549,248	15,549,248	Sell USD:Buy SGD 11/01/19	- 3,561,137	- 3,561,137
Buy USD:Sell CAD 02/01/19	22,225	22,225			- 297,573,701
Buy USD:Sell CAD 11/01/19	3,061,192	3,061,192	Total derivative		(560,772)
Buy USD:Sell CHF 11/01/19	1,193,807	1,193,807			
Buy USD:Sell DKK 11/01/19	11,273,066	11,273,066			
Buy USD:Sell EUR 02/01/19	52,181	52,181			
Buy USD:Sell EUR 11/01/19	24,606,258	24,606,258			
Buy USD:Sell GBP 11/01/19	29,285,789	29,285,789			
Buy USD:Sell JPY 11/01/19	5,388,666	5,388,666			
Buy USD:Sell NOK 11/01/19	3,749,941	3,749,941			
Buy USD:Sell NZD 11/01/19	2,564,495	2,564,495			
Buy USD:Sell SEK 11/01/19	588,530	588,530			
Buy USD:Sell SGD 11/01/19	1,141,381	1,141,381			
		298,365,912			
Sell AUD:Buy EUR 31/01/19	- 15,218,826	- 10,720,970			
Sell AUD:Buy USD 02/01/19	- 102,899	- 72,441			
Sell AUD:Buy USD 03/01/19	- 78,264	- 55,098			
Sell AUD:Buy USD 11/01/19	- 21,563,000	- 15,183,400			
Sell CAD:Buy EUR 31/01/19	- 41,480,753	- 30,395,110			
Sell CAD:Buy USD 02/01/19	- 30,359	- 22,228			
Sell CAD:Buy USD 11/01/19	- 4,068,000	- 2,979,165			
Sell CHF:Buy USD 11/01/19	- 1,187,000	- 1,205,142			
Sell DKK:Buy EUR 31/01/19	- 22,026,333	- 3,383,425			

Annex III

Statement on Accounting Policies of the Petroleum Fund for the Fiscal Year 2018



Republica Democrática de Timor-Leste
Ministério das Finanças



Direcção Geral do Tesouro

REF NO : 114 / DGT / 4 / 2019

30th April, 2019

Treasury Statement on Accounting Policies of the Petroleum Fund for Fiscal Year 2018

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 31st December, 2018 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 International Accounting Standards Committee (IASC) that remained in effect at the balance sheet date of the Petroleum Fund.

During the 2018 Fiscal Year, new and revised IFRS applied that had no material effect on the financial statements comprised :

IFRS 9 Financial Instruments which introduced new requirements for

- i) Classification and measurement of financial assets and financial liabilities
- ii) Impairment of financial assets
- iii) General Hedge Accounting

As the transition provisions of IFRS 9 allow an entity not to restate comparatives, no changes to comparative figures have been made.

IFRS 7 Financial Instruments Disclosures – The Petroleum Fund adopted consequential amendments to IFRS 7 that have been applied to disclosures for 2018 and the comparative period.

IFRS 15 – Revenue from Contracts with Customers – In 2018 the Petroleum Fund has applied IFRS 15 which is effective from 1st January, 2018. While IFRS 15 uses the terms contract asset and contract liability to describe accrued revenue and deferred revenue, as the Petroleum Fund



Republica Democrática de Timor-Leste
Ministério das Finanças



Direcção Geral do Tesouro

does not engage in activities that fall within the ambit of IFRS 15, there has been no change in the measurement or reporting of these classes of revenue

Further details of application of new IFRS on the accounting policies of the Petroleum Fund are detailed in Note 21 of the Notes to the Financial Statements

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 3rd of August as amended by the Law No. 12/2011, of 28th of September)

Please refer to the Audited Financial Statements for details.

Financial Year 2018	Financial Year 2017	Financial Year 2016	Financial Year 2015
US\$ (459,920,721)	US\$1,612,087,594	US\$647,681,894	US\$(21,411,640)

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 3rd of August as amended by the Law No. 12/2011, of 28th of September)

Petroleum Fund's nominal and real return:

Return	2018	2017
Nominal return	-2.63%	10.36%
Inflation ⁴	1.91%	2.11%
Real return	-4.45%	8.08%

The Petroleum Fund's nominal return for 2018 was -2.63%. The real return of the Fund for the year was -4.45%, after adjusting for the US inflation of 1.91%.

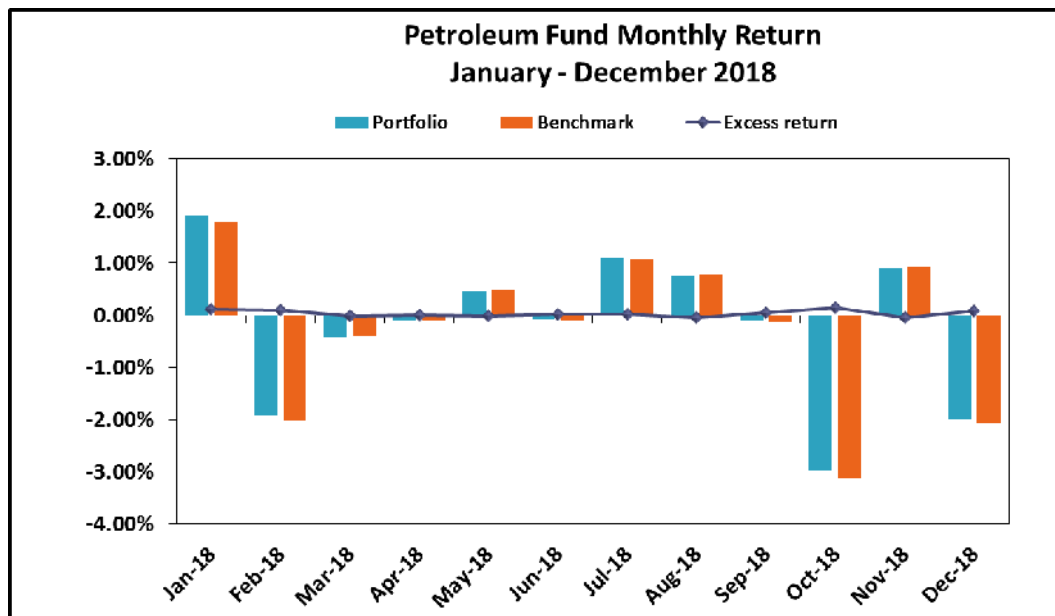
⁴ US CPI was used in portfolio real return calculation. Source: US Department of Labor – Bureau of Labor Statistics (www.bls.gov)

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 3rd of August as amended by the Law No. 12/2011, of 28th of September)



**Petroleum Fund Monthly Return
January - December 2018**

Period	Portfolio	Benchmark	Excess return
January 2018	1.91%	1.80%	0.11%
February 2018	-1.92%	-2.02%	0.10%
March 2018	-0.43%	-0.42%	-0.01%
April 2018	-0.11%	-0.11%	0.00%
May 2018	0.46%	0.47%	-0.01%
June 2018	-0.08%	-0.09%	0.01%
July 2018	1.09%	1.08%	0.01%
August 2018	0.74%	0.78%	-0.04%
September 2018	-0.11%	-0.15%	0.04%
October 2018	-2.98%	-3.12%	0.14%
November 2018	0.89%	0.93%	-0.04%
December 2018	-2.00%	-2.08%	0.08%

Annex VII

Comparison of the Estimated Sustainable Income for the Fiscal Year 2018 with the Sum of Transfers from the Petroleum Fund for the Same Year

Comparison of the Estimated Sustainable Income for the Fiscal Year 2018 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 3rd of August as amended by the Law No. 12/2011, of 28th of September)

The total withdrawals from the Petroleum Fund for the Financial Year 2018 was US\$982.5 million which was US\$432.1 million more than the Estimated Sustainable Income amount of US\$550.4 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 Borrowings



REF NO : ~~112~~ DGT / 4 / 2019

30th April , 2019

Treasury Statement on Borrowings by Government of Timor Leste for Fiscal Year 2018

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 Co-operation Agency, engage all of Timor Leste's assets for payment of interest and re-payment 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 with the Asian Development Bank during the fiscal year ended 31st December, 2018 for US\$25 million. Value of all loans negotiated up to 31st December 2018 at exchange rates ruling on that date amounted to US\$375 million. This also includes Special Drawing Rights (SDRs) and Yen denominated liabilities which can vary according to ruling 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 3rd of August as amended by the Law No. 12/2011, of 28th of September)

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

- (i) Vice- Minister and Acting Minister of Finance
Ms. Sara Lobo Brites
- (ii) The Director General of Treasury
Mr. Rui Ferreira Magno
- (iii) The members of the Investment Advisory Board (IAB)

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

** See page 114 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 2019 members of the PFCC were:

Name	Representation	Position
Pe. Julio Crispim X. Belo	Religious Representative	Coordinator (from 31 August 2017)
Ms. Izilda Imanuela da Luz P. Soares	National Parliament	Vice Coordinator (from 4 December 2017)
Ms. Zelia Fernandes	Civil Society	Secretary
Mr. Julio Fernandes	Private Sector	Member
Mr. Juvinal Dias	Civil Society	Member (from 4 December 2017)

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 (IFSFW).

Gualdino da Silva has been with the Petroleum Fund for 7 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 14 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 3rd of August as amended by the Law No. 12/2011, of 28th of September)

In accordance with Article 7 of Law No.9/2005, of the 3rd August as amended by the Law No.12/2011, of the 28th 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 29th December on the General State Budget for 2018, the transfer amount from the Petroleum Fund to the General State Budget for 2018 is not to exceed US\$982.5 million.

The total transfer amount from the Petroleum Fund to the Consolidated Fund of Timor-Leste for 2018 was US\$982.5 million.

The total transfer amount from the Petroleum Fund for 2018 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 Finance, Democratic Republic of Timor-Leste in respect of the Statement of Petroleum Fund Receipts for the year ended 31 December 2018

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 2018, 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 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



Clive Garland
Principal
Chartered Accountants
Darwin, 30 April 2019

PETROLEUM FUND OF TIMOR-LESTE
STATEMENT OF PETROLEUM FUND RECEIPTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Article 6.1(a) receipts:

PAYEE	\$
Amec Engineering PTy Ltd	154,954.32
Australia International Perto-Cons	8,623.85
Babcock Offshore Services	322,101.10
Brunel Energy PTy Ltd	91,741.14
Calidus Process Solutions PTy Ltd	382,317.63
Caltech Unipessoal Lda	644,045.15
Cameron Services Int Py Ltd	111,773.41
Cape Australia Onshore	329,779.57
CATERPILLAR OF AUSTRALIA PTY LTD	10,523.56
CHC Helicopter PTy Ltd	63,089.02
Clough Amec PTy Ltd	2,223,832.07
Compass Group (Australia) PTy Ltd	612,318.78
COMPETENTIA PTY LTD	39,629.00
Connoco Philips (03-02) PTy Ltd	154,262,758.92
DEKRA ORGANISATIONAL RELIABILITY LIMITED	1,731.31
DRW Safety Solution Limited	465.72
ENI AUSTRALIA LIMITED	32,588,331.86
FIRCROFT AUSTRALIA PTY LTD	40,694.57
Furmanite Australia PTy Ltd	2,440.23
GAP MHS AVIATION LDA	82,414.54
Haliburton Australia PTy Ltd	525,721.71
HERTEL MODERN PTY LTD	202,965.43
Inpex Timor Sea	13,283,078.68
Japan Energy EP JPDA	4,683.17
Kakivik Asset Mgt LLC	227,828.10
Konnekto Unipessoal Lda	33,963.39
K.T Maritime Services (Bayun Undan)	186,365.75
Llyod Helicopter PTy Ltd	32,556.08
MHS Aviation Lda	694.38

MMA OFFSHORE VESSEL OPERATIONS PTY	796,702.21
Neptune Marine Service Ltd	73,103.29
NOBLE INTERNATIONAL FINANCE COMPANY	1,183,078.36
Rigforce Pty Ltd	711,330.73
Santos Ltd	25,779,013.00
Seafox Asia Pacific Pty Ltd	449,047.26
SGS Australia Pty Ltd	124,084.35
SODEXO TIMOR UNIPESOAAL LDA	198,796.09
Solar Tubirnes International	23,176.00
Speirs Safeguard Ltd	840.59
Timor GAP EP	292,530.75
Timor Resort P/L Unipessoal	11,572.17
Timor Resources Pty Ltd	196,372.00
Tokyo Timor Sea Resources	23,534,091.00
Total Marine services	60,689.23
Weatherford Australia Pty Ltd	86,628.81
Wood Group Australia Pty Ltd	15,540.59
Woodside Energy Ltd	25,389.80

Total Article 6.1(a) receipts per the Petroleum Fund and National Directorate of Petroleum and Mineral Revenue (NDPMR) for the year	260,033,409
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PETROLEUM FUND OF TIMOR-LESTE
STATEMENT OF PETROLEUM FUND RECEIPTS continued
FOR THE YEAR ENDED 31 DECEMBER 2018

Article 6.1(b) receipts:

	US\$
Article 6.1(b) receipts per Autoridade Nacional do Petróleo e Minerais (ANPM)	233,992,343
Less:	
Amount paid to Petroleum Fund in January 2019	(1,944,903)
Add:	
Amount paid to Petroleum Fund in January 2018	11,935,763
Total Article 6.1(b) receipts per the Petroleum Fund for the year	243,983,203

Article 6.1(e) receipts:

The Government of Australia	5,944,000
Other	120,198
Total Article 6.1(e) receipts per the Petroleum Fund for the year	6,064,198

Summary of Receipts for the year ended 31 December 2018 per the Petroleum Fund:

Article 6.1(a) receipts	260,033,409
Article 6.1(b) receipts	243,983,203
Article 6.1(h) receipts	6,064,198
Total Article 6.1 receipts per the Petroleum Fund for the year	510,080,810

Annex XII

Advice Provided by the Investment Advisory Board

Strictly confidential

Investment Advisory Board

Date: 7 February 2018

To

H.E. Dr. Rui A Gomes

Minister of Finance

Democratic Republic of Timor-Leste

Subject: Resourcing and capacity of the Petroleum Fund's Investment Advisory Board

Dear Minister,

Thank you for taking the time to meet with Mr Torres Trovik and Professor Michael Drew on Friday 1 December. Unfortunately I was unable to travel to Dili because of illness.

As Torres and Michael explained during the meeting, the IAB are looking to formally structure our meetings and workshops in 2018 as well as add to the resources in the Board's Secretariat. Before proceeding, the IAB is seeking clarification on its legal capacity from the Ministry of Planning and Finance (MoPF).

To recap on the governing legislation, Article 16 of the Petroleum Fund Law creates the Investment Advisory Board and goes on to specify the Board's responsibilities. These include specific provisions, namely, preparing investment benchmarks, advising on the instructions to fund managers, recommending the approval or termination of managers, and advising on the need for changes in the investment policy or the management of the Petroleum Fund. In addition there is the overarching responsibility to advise the Minister on any matter relating to the investment strategy or the management of the Petroleum Fund (Article 11.2 and 16.2).


The IAB is provided with its own annual budget. This is included as part of the BCTL Governing Board's submission to the Prime Minister and MoPF, along with the BCTL's estimates of its operating costs for the year. The IAB budget for 2017 was \$750,000 of which \$285,899 was spent. The Petroleum Fund Law in Article 16.4 provides that the Investment Advisory Board shall approve its own operational regulations. Regulation 10.3 states the "Board shall have the power to propose, review and ratify expenditure within the budget allocated for the purpose relating to the conduct of its business".


Article 17.3 of the Law provides for the Operational Manager to provide "any support required by the board to carry out its functions." The current practice is for the BCTL to make payments as instructed by the Chairman of the Investment Advisory Board with the supporting invoices. This regularly includes payments for accommodation and travel required for Board meetings and workshops.

We have also discussed whether the Board has power to enter into its own contracts. Being able to procure its own services is important to the Board when providing independent advice to Your Excellency.

Therefore, we request from the MoPF clarification on the ability of the Investment Advisory Board to procure its own services and enter into contracts. In that case, the IAB would include procurement policies in its Operational Regulations and would then be able to procure services independently. This

Date: 12 / 2 / 18

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will include those occasions when external research is needed to help the Board formulate its investment advice. It is common practice among institutional investors, including much larger and advanced sovereign wealth funds, to supplement internal resources and seek opinions from outside experts. In our Fund's case, external research may be helpful when a new asset class is being assessed or we are seeking an independent opinion on the Fund's asset allocation or structure.

The Board is also seeking to formalize its secretarial support and is considering appointing staff to work full time for the IAB Secretariat, including a new position as Head of Secretariat. We understand that this is the approach adopted for the secretariat of the Petroleum Fund Consultative Council. The IAB see benefit in having some staff members working directly for the Board in administering meetings and coordinating investment policy research. Following the Petroleum Fund Law, the Ministry will continue to have at least one representative in the Secretariat. We suggest this also be applied to the BCTL, as operational manager, in addition to their non-voting representative on the Board.

The Board believes this is consistent with the Petroleum Fund Law. Article 17.3 provides that "the Operational Manager shall provide the secretariat for the Investment Advisory Board and any support required by the board to carry out its functions, with the Minister indicating the representative of the Ministry in that body". The IAB understands the wording in the article as an instruction to facilitate the clerical functions and to fund the IAB budget in same fashion as its management fee, that is, directly from the Petroleum Fund. The proposed change need not warrant a change in the current management agreement's article 4 - which provide a more detailed specification of Article 17.3 in the Law. Article 5 of the IAB's Operational Regulations, titled "Organization of the Secretariat", will be changed to reflect the revised mode of operation.

To be clear, the IAB are pleased with the support provided by the current Secretariat, which is jointly resourced from the BCTL and PFAU. As noted, we suggest continuing with the current presence of BCTL and Ministry staff in the Secretariat and its meetings. However, having some members of the Secretariat working full time as staff for the Board will be more efficient and improve the reporting lines. Similarly, being able to directly procure external research will be more effective. The Board will develop a procurement policy to ensure that appointments follow best practice.

Lastly, the Board is seeking clarity on its ability to facilitate capacity building. We would like to help co-ordinate the development of our Timorese national staff employed by the Petroleum Fund's institutions. The IAB are required to account for capacity in its advice under Article 16.3(b), which refers to accounting for the "constraints under which the Operational Manager and the other relevant agencies in Timor-Leste operate".

The Board sees benefits in adopting a Fund-wide approach to staff development. We envisage that this will include some Board members providing 1 or 2 days of training to coincide with their travel for meetings and workshops in Dili. They will be compensated at the Board member's daily rate, which is \$1,000, as specified in their appointment letter from the Prime Minister.

We also recommend that the Petroleum Fund's staff attain professional qualifications while they work in Dili. It would be efficient for this program to be run jointly with the BCTL and PFAU, with support provided by the advisors from each institution and Board members when available. Enrolment fees and the costs of undertaking exams could be covered by the IAB. In time, we would like to introduce a Masters in Finance program to reward our highest achievers. We believe that the Board's program can be run in conjunction with capacity development programs carried out by the BCTL and the Ministry.



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The capacity development will also extend to continuing education for members of the Board and its Secretariat, which international best practice requires.

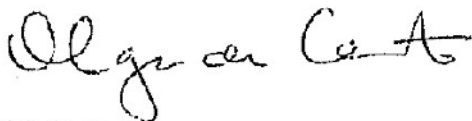
In summary, we look forward to the MoPF's guidance on these important matters:

- Whether the IAB has the power to directly enter into contracts. If the IAB does not have legal capacity, whether the BCTL or MoPF can execute contracts in accordance with the IAB's instructions.
- Whether the IAB is able to appoint full-time staff in the Secretariat to report to and be funded by the Board. This relates to the earlier point regarding contractual capacity and also whether it is in accordance with Article 17.3 of the Law. The IAB's Secretariat will then be comprised of these full-time staff, in addition to representatives from the BCTL and the Ministry of Planning and Finance. If this is approved, your Excellency may consider locating the full-time staff at the MoPF so as to provide the Executive with ready access to the Board's representatives.
- Whether the IAB is able to expend part of its budget on capacity development for Petroleum Fund staff and also for the continuing education of the Board and Secretariat. This includes compensating Board members for providing training.

Once our legal powers are clarified, the IAB can formally set out our plan and budget for 2018. We will also reflect the clarifications in our operational regulations. The Ministry may also revisit its Operational Management Agreement with the BCTL to ensure that it is up to date and clearly reflects these matters.

The IAB is also preparing its schedule of meetings and workshops for 2018, which we will share with you early in the New Year. In the meantime, we welcome any questions.

Yours sincerely,



Olgario de Castro
Chairman of the Investment Advisory Board

Investment Advisory Board

Date: 11 May 2018

To

H.E. Dr. Rui. A Gomes

Minister of Planning and Finance

Democratic Republic of Timor-Leste

Subject: Additional IAB Member

Dear Minister,

The Petroleum Fund Investment Advisory Board has been operating for some time with 4 voting members and 2 *ex-officio* members without voting rights. I am a voting member, along with Torres Trovik, Michael Drew and Gualdino da Silva. The non-voting members are Venancio Maria Alves, as the representative of the BCTL, and Ernesto da Conceição da Silva, as the representative from Treasury.

Article 17.1 of the Petroleum Fund Law (no. 9/2005 of 3 August, as amended by Law no. 12/2011 of 28 September) states that “the Investment Advisory Board shall consist of 5 or more members, appointed by the Prime Minister based on the advice of the Minister, with at least 3 of those members having significant experience in the area of investment management”. According to Article 17.2 of the Petroleum Fund Law, “the Director of Treasury and a representative from the Operational Manager shall be entitled to participate in meetings of the Investment Advisory Board, without the right to vote.”

The provisions in the Petroleum Fund Law are interpreted as requiring 5 voting members in addition to the 2 non-voting members. The IAB’s Operational Regulations specify that a vacancy in any of these positions does not invalidate the composition of the Board, although 3 voting members are required to form a quorum for a meeting according to Article 8 of the Regulations.

Therefore we recommend commencing the selection process for a new Board member. We note that the Board currently has 3 members with significant investment management experience.

The Petroleum Fund Law and IAB Operational Regulation do not specify the process for selecting new members. For the last appointment, the Board interviewed prospective candidates and then made its recommendation to the former Minister. The Minister agreed that the Board’s involvement was especially important when assessing members with investment expertise; this helps ensure a new member fits with the IAB’s investment beliefs and allows continuity in the Fund’s investment policy. The Board’s recommendation of Michael Drew was adopted by the former Minister and implemented by the Prime Minister. The previous 2 appointments were proposed by the Minister of Finance without the need to formally consult the IAB.

The appointment of an additional voting member to the Board is appreciated and required by Law, and the Board stands ready to provide any assistance if so wished by your Excellency.

Yours sincerely,



Olgario de Castro

Chairman of the Investment Advisory Board

Investment Advisory Board

Date: 11 May 2018

To

H.E. Dr. Rui. A Gomes

Minister of Planning and Finance
Democratic Republic of Timor-Leste

Subject: Amendment to the Cash Mandate

Dear Minister,

Our conclusions from the Investment Advisory Board's latest review of the Petroleum Fund's asset allocation are set out in the accompanying letter, "Review of Asset Allocation". That letter referred to amending the Petroleum Fund's Cash Mandate, which we address here.

The Cash Mandate was introduced in 2017 to better facilitate the drawdowns from the Fund expected over at least the Budget Book's projection period. The mandate finances the expected withdrawals, net of cash inflows, over the next 12 months. The parameters as set out in the IAB's advice to the former Minister dated 20 April 2017 required net withdrawals to be calculated on a rolling four quarter basis and topped up as part of the BCTL's quarterly rebalance of the Fund's investments. The Cash allocation is treated separately from the remainder of the Fund, to which the 40% and 60% weights for equities and bonds respectively are applied.

The Board sees benefit in continuing with the liquidity pool provided by the Cash mandate. The allocation also signals that the Fund's balance is expected to continue to deplete. However, operational issues with accounting for Cash in the Petroleum Fund's benchmark returns now lead us to recommend setting the Cash allocation at 5% of the SAA. This is in line with estimates of net withdrawals based on last year's projections. The allocation will be topped up as required as part of the BCTL's usual quarterly rebalancing. The Board recommends that the allocation be funded from the US Treasury Bond 3-5 Year mandate, which is currently 40% of the Petroleum Fund and will decline to 35%. We note that implementation will result in a slight increase in equities compared to the current portfolio, given the current SAA weights are applied to the Fund's balance excluding Cash.

New parameters are attached for your review. We also advise amending the benchmark for the Cash mandate to 3-month US Treasury Bills, which is more representative of the intended investments than US Dollar LIBOR. Given the size of the Cash allocation, we encourage the BCTL to assess the suitability of the various investment instruments allowed for in the mandate, while noting that liquidity is essential.



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If Your Excellency agrees with the recommendation to amend the parameters for the Cash mandate, please instruct the BCTL accordingly. Annex 1 of the Management Agreement between the MPF and the BCTL will also need to be amended to include the change to the Cash mandate.

Please contact the Board should Your Excellency require any further information.

Yours sincerely,



Olgario de Castro
Chairman of the Investment Advisory Board

Annex 1

Cash Management Mandate

Asset Class / Management Style	Cash Management
Allocation	(5 ± 2.5)% of the value of the Fund, measured at the end of each month.
Benchmark	3 Month US Treasury Bills
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 supranationals, repurchase agreements and deposits with banks having an S&P short-term issuer rating of A-1 or higher.
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

Investment Advisory Board

Date: 11 May 2018

To

H.E. Dr. Rui. A Gomes

Minister of Planning and Finance

Democratic Republic of Timor-Leste

Subject: Review of Asset Allocation

Dear Minister,

Thank you for taking the time to meet with the Investment Advisory Board on Friday 16 March to discuss the Board's workshop held on 14 to 16 March.

The Board now assesses the Fund's asset allocation each year. Periodic reviews of the investment policy are necessary to consider any new information relevant to projections of government spending and future oil revenues, which will determine the Fund's time horizon. As previously emphasized to the Ministry of Finance in our letter dated 23 September 2016, if the trend in government expenditure is extended, then the Petroleum Fund will deplete in 15 to 30 years if there are no new inflows from oil and gas revenues.

This year's review concluded that the long-term investment returns from the Fund are likely to be lower than previously projected. This presents challenges to the ESI framework, which will preserve the Fund's purchasing power if government withdrawals are limited to the expected investment return. The expected real return is now 2%, while actual withdrawals have been closer to 5% of the Fund. The Government, following Article 9 of the Petroleum Fund Law, has justified to Parliament that withdrawals in excess of the ESI are in Timor-Leste's interests by promoting economic development. If this is expected to continue, the Government and the Ministry of Planning and Finance (MPF) may choose to assess alternative frameworks to provide greater transparency on balancing the benefits to current and future generations from the use of petroleum resources. Clear projections on government expenditure and the withdrawals from the Petroleum Fund will also help in managing the Fund's investments.

Our review concluded that maintaining the equity allocation at 40% of the Fund remains appropriate based on the information available. The equity allocation has been the driver of the Fund's returns and low bond returns are expected going forward. In our next review, the Board will take a national wealth perspective, accounting for potential new petroleum and mineral revenues, Government liabilities and other saving vehicles. Further details are provided as follows.

Lower expected investment returns

The workshop in March reviewed research by the IAB's Secretariat that developed capital market assumptions to determine the Fund's expected return. It was shown that returns over the next 10 years are expected to be much lower than previous modelling that assumed "normal" market conditions. This is primarily because low yields act as a drag on the return forecasts for bonds. Equity returns may also be lower with economic growth expected to be below its long term average. The low rate environment was referred to in the IAB's SAA advice in September 2016.



The result is a lower expected return for the portfolio. With the current allocations of 40% to equities and 60% to bonds, the Petroleum Fund's expected return is about 2% per annum in real terms, compared to the 3% plus real return projected in previous modelling. Based on these return assumptions, it would take a significantly higher allocation to equities (say, to 70% or more) to target a real return of 3%.

Implications of low returns and withdrawals for the Petroleum Fund's sustainability

The ESI rule preserves the Fund's purchasing power by having government withdrawals equal the expected real investment return. Schedule 1 of the Petroleum Fund Law specifies 3% of Petroleum Wealth as the sustainable level of withdrawals, consistent with earlier investment return expectations. The fall in the Fund's long-term expected return means that the sustainable annual withdrawal has declined to 2% of Petroleum Wealth.

The other challenge to sustainability is that actual withdrawals have consistently exceeded the ESI, averaging about 5% of Petroleum Wealth each year since 2009. The spending rule has effectively been displaced by the Government's decision that it is in Timor-Leste's long-term interests to front-load capital expenditure to promote economic development. This has coincided with recurrent expenditure rising to high levels relative to the ESI.

While the appropriate balance between saving for future generations and withdrawals from the Fund to finance public spending is a matter for the government's fiscal policy and the parliamentary process, the Board is required by Article 16.3 of the Petroleum Fund Law to take into account the overall objective of the Petroleum Fund, which is to use petroleum revenues to benefit both current and future generations. The revised expected returns and current spending projections mean that the Fund is not sustainable for future generations based on our current assumptions. New inflows of petroleum revenues can extend the Fund's horizon but until then, the Fund's balance is expected to continue to decline unless there is a change in fiscal policy.

It may be appropriate for the Government and the Ministry of Planning and Finance to revisit the ESI framework in light of a fiscal policy framework that achieves the desired balance between government spending, investing for economic development and saving in the Petroleum Fund. A more realistic, tailor-made fiscal framework with a higher probability of being followed in practice could enhance transparency in terms of benefits to current and future generations. This could be facilitated in a number of different ways such as a new fiscal rule or restructuring the Fund to support saving for future generations. The appropriate balance needs to be determined by Timor-Leste's elected representatives. The IAB stands ready to assist on aspects relating to the Petroleum Fund. We note that clearer projections on government expenditure and withdrawals will greatly assist with managing the Fund's financial market investments.

Maintaining the 40% equity allocation

The current investment strategy, in particular the 40% equity allocation, was originally chosen to meet a 3% real return objective over the long-term and thereby offset withdrawals that follow the ESI. The Board believes that the current equity allocation of 40% remains appropriate, despite the change in expected returns and the likelihood of withdrawals in excess of the ESI. This annual review of that recommendation has been established as a measure to account for potential new developments in fiscal spending and national wealth. This year's review has established that a much higher equity allocation is required to achieve a 3% real return and the additional risk does not seem appropriate for Timor-Leste, at least at this stage based on the information available.

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The IAB encourages the MPF and the BCTL to continue to educate stakeholders that equities are required to earn a suitable return. This is a long-term strategy and it is essential that key stakeholders are committed to maintaining this allocation during times of market stress. The equity allocation has been the driver of the Fund's returns. Since being introduced in 2010, equities have returned 10.7% each year, compared to the corresponding 1.3% annual return from the Bond portfolio. The corresponding real return for equities is 8.9% per annum, while bonds have failed to offset inflation, providing an annual real return of -0.4%. The return expected from bonds is low over the longer term and the bond portfolio has recently been incurring mark to market losses as interest rates have risen.

The Board recommends one minor amendment to the Fund's asset allocation. An allocation to Cash is maintained as a liquidity pool to fund expected withdrawals. To address operational issues, the Board recommends incorporating a 5% weight to Cash in the Petroleum Fund's SAA, to be funded from the Bond portfolio. The details are provided in the accompanying letter.

Accounting for national wealth in the next review

A national wealth perspective is needed in setting the policy for the Petroleum Fund, including the level of risk in its investments. This will account for other sources of savings as well as Government liabilities, rather than viewing the Petroleum Fund's wealth in isolation. In reviewing the Fund's asset allocation this year, the Board will seek greater clarity on government withdrawals; expected inflows from new oil fields; revenue from the mining sector; the Pension Fund; as well as public liabilities such as Government loans and other significant commitments such as payments to veterans. The Board will need the assistance of the MPF as well as the other relevant Ministries in this critical work.

Please contact the Board should Your Excellency require any further information.

Yours sincerely,



Olgario de Castro
Chairman of the Investment Advisory Board

Investment Advisory Board

Date: 14 August 2018

To

H.E. Sara Lobo Brites

Vice Minister of Finance

Democratic Republic of Timor-Leste

Subject: Implementation of Equity Factor Mandate

Dear Minister,

The IAB has earlier advised the Minister of Finance to pursue a factor approach to the Fund's allocation to equities (IAB Letter, 27 January 2016). This will enhance performance in terms of risk-adjusted return after costs relative to only investing in a market-capitalisation weighted index.


The IAB had worked with its Secretariat to specify the parameters for the advised mandate. It was agreed to target five well-researched factors – Value, Size, Momentum, Quality and Low Risk – which the Board believes are systematically rewarded. The intention of the mandate is to achieve consistent exposure to the targeted factors in an efficient and effective manner.

The BCTL has since undertaken the manager selection exercise, sharing its analysis with the Board through the Secretariat. The manager selection and portfolio construction process has proved much more challenging than the selection of previous managers. Combining managers is complicated by the potential for their factor exposures to offset one another and there is also a need to control unrewarded residual risks such as industry and country exposures. The IAB has provided guidance to the BCTL through an extended iterative process to help ensure that the recommended combination of managers is consistent with the mandate's objectives.

This process has highlighted the need to take small steps in order to allow for policies, systems and procedures to be developed so that the risks associated with the implementation of the investment strategy are identified, monitored and managed. Thus the IAB will at this stage advise the Minister to introduce a 10% allocation to equity factors into the Fund, rather than the 16% percent envisioned earlier. As experience grows and monitoring is developed, the IAB recommends this allocation be revisited in a later SAA review. This follows our earlier advice recommending a staged implementation of equity factors.

Based on analysis from the BCTL, the IAB find that the existing mandate given to Schroders, which currently is 5% of the Fund, can be seen as sufficiently qualified to be included in the new equity factor mandate.

Of the factor managers recommended by the BCTL, the IAB agrees that SSGA's 3-factor strategy is the preferred choice when the total expected ex-ante portfolio properties, i.e., the aggregate factor exposure in the total portfolio, and costs are taken into account. The IAB agrees to a 5% allocation of the Fund to SSGA's strategy to complete the factor mandate at this stage. This confirms our conditional advice in July 2017. The new SSGA factor mandate should be funded from SSGA's passive market capitalisation mandate.

14/8/18




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The analysis provided by the BCTL is sufficient for the Board to confirm that the combination of Schroders and SSGA appear to be consistent with meeting the mandate's objectives. The BCTL has established an internal framework for assessing the factor mandate, which has shown that the aggregate factor exposure is desirable and that residual exposures are not dominating the differential returns.

The combination of Schroders and SSGA will provide exposure to a subset of factors – namely, Value, Quality, Low Volatility and, to a lesser extent, Size - which is operationally easier to implement than targeting all 5 factors. The attachment adjusts the parameters of the mandate to reflect this, and also amends the mandate's weight to 10% of the Fund.

As was the case for manager selection, equity factors requires a significant increase in reporting and monitoring responsibilities compared to the existing passive index managers. The BCTL is required to undertake periodical analysis of performance, to monitor that the operational management is in accordance with intended strategy. The quarterly reporting requirements, including factor exposures at the manager and aggregate level, are set out in the mandate parameters.

If the Minister agrees, the BCTL can be instructed to proceed with implementing SSGA's factor strategy. Once the new mandate has been contracted with SSGA, the Operational Management Agreement between the Ministry of Finance and the BCTL will need to be amended to reflect the allocation to the equity factor mandate and the passive market capitalisation allocation reduced accordingly.

The introduction of equity factors improves the Fund's investment portfolio and has also developed internal capacity. The need to build a common understanding of the complexity of factor investing has extended the duration of the project. This will continue to be a challenge as the level of complexity in our investments increases. The Board will subsequently aim to clarify the Petroleum Fund's governance structure and division of responsibilities between the institutions. This is needed to facilitate future enhancements to the Fund's investment strategy and efficient implementation. The Board looks forward to working with the Minister and the BCTL on developing appropriate policies and systems for implementing the investment strategy as required by Article 14.3 of the Petroleum Fund Law.

Please contact the Board should Your Excellency require any further information.

Yours sincerely,



Olgario de Castro
Chairman of 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

Annex 1

Final Equity Factor Mandate Parameters

The objective of the mandate is to obtain exposure to a combination of the following systematically rewarded equity factors: Value, Quality (which includes Profitability), Low Volatility and Size. The mandate's residual exposures to sectors and countries relative to the benchmark are to be constrained.

Investment Universe

Developed market listed equities.

Benchmark

MSCI World Index Net Dividends Reinvested. Ticker NDDUWI. This applies for each manager and also the mandate's aggregate benchmark.

Base Currency

United States Dollars unhedged.

Size of allocation

A total allocation equal to 10 per cent of the Fund (+/-2%).

Indicative Tracking error

Ex ante tracking error for the aggregate equity factor mandate is expected to be less than 300 basis points.

Reporting

The BCTL as operational manager shall provide the Ministry of Finance and the Investment Advisory Board quarterly reports showing the performance of the managers and the aggregate mandate relative to the benchmark. The quarterly reports shall include the factor exposures of each manager and the aggregate mandate using agreed style analysis tools. Residual, non-factor exposures such as relative exposures to sector and countries are also to be reported.

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 (IFS WF), 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
I. Legal framework, objectives, and coordination with macroeconomic policies	
<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 (BCTL⁵), rather than as a separate legal entity.</p> <p>The Petroleum Fund Law specifically -</p> <ul style="list-style-type: none"> • provides mechanisms that assist Timor-Leste to sustainably manage its petroleum revenue, • details the parameters for operating and managing the Petroleum Fund, • defines the asset allocation guidelines and risk limits, • governs the collection and management of the receipts, • regulates transfers to the State Budget, • defines clear roles and responsibilities of entities involved in the management of the Fund and, • provides for government accountability and oversight of these activities. <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 documentations on the Petroleum Fund are publicly available at the Ministry of Finance and BCTL websites.</p>

⁵ BCTL – Banco Central de Timor-Leste (Timor-Leste Central Bank)

Principle	Implementation
	https://www.mof.gov.tl/budget-spending/budget-treasury-documents/?lang=en https://www.bancocentral.tl/en/go/about-petroleum-fund
<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. 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 departments within the Ministry during the preparation, discussion and execution of the government's budget.</p>

Principle	Implementation
	https://www.mof.gov.tl/budget-spending/budget-treasury-documents/?lang=en
<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>https://www.mof.gov.tl/budget-spending/budget-treasury-documents/?lang=en</p> <p>https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</p> <p>http://www.eiti.tl/</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 Fund.</p> <p>The Law requires an international accredited auditor to issue and publish an annual audit report on the Fund's financial statements.</p>

Principle	Implementation
	<p>All this information is publicly available on both the MoF and BCTL websites.</p> <p>https://www.mof.gov.tl/budget-spending/petroleum-fund/?lang=en</p> <p>https://www.mof.gov.tl/budget-spending/budget-treasury-documents/?lang=en</p>
<p align="center">II. Institutional Framework and Governance Structure</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. Parliament has established the Petroleum Fund Law. The Law limits the broad asset allocation and risk tolerance. 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 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</p>

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	Minister is satisfied that the managers fulfill certain requirements in the Law.
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>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>
9. The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.	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.
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>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 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.	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

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	<p>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 months 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>http://cfp.gov.tl/pt/</p> <p>https://www.bancocentral.tl/en/go/investment-advisory-board3</p> <p>https://www.bancocentral.tl/en/go/rules</p> <p>http://www.bancocentral.tl/en/cconduct.asp</p>

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<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>http://www.mof.gov.tl/category/documents-and-forms/petroleum-fund-documents/petroleum-fund-legal-framework/?lang=en</p> <p>https://www.mof.gov.tl/budget-spending/petroleum-fund/?lang=en</p>
<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>

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	<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>http://www.mof.gov.tl/category/documents-and-forms/petroleum-fund-documents/petroleum-fund-annual-reports/?lang=en</p> <p>https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</p> <p>http://www.mof.gov.tl/category/documents-and-forms/petroleum-fund-documents/petroleum-fund-seminars-presentations/?lang=en</p>
III. Investment and Risk Management Framework	
<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 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 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> <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</p>

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	Fund Annual Report. These documents are publicly available.
<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>
20. The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.	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.
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>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 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>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 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</p>

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	<p>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>https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</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 eight review, based on the current document, will be published in the 2018 Petroleum Fund Annual Report. The Fund intends to review its implementation of the GAPP annually.</p>



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