

# Petroleum Fund of Timor-Leste

## Quarterly Report

30 June 2022

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## INTRODUCTION

This report is produced in accordance with Article 13 of the Petroleum Fund Law which requires the Central Bank to report on the performance and activities of the Petroleum Fund of Timor-Leste, referred to in this report as the Fund unless the context suggests otherwise.

All monetary references in this report are to United States dollars as the official currency of Timor-Leste.

While every effort has been made to ensure accuracy, the information is based on management and custodial reports and has not been independently audited and is subject to change, in which case the changes will be incorporated into subsequent reports.

## EXECUTIVE SUMMARY

The Petroleum Fund was formed by the enactment of the Petroleum Fund Law Promulgated on 3 August 2005 as amended on 28 September 2011. The law gives the Central Bank of Timor-Leste the responsibility for the operational management of the Fund.

This report covers the period from 01 April to 30 June 2022.

Key statistics for the quarter include:

- The capital of the Fund at the end of the Current quarter was \$17,845 billion while the previous quarter was \$19,124 billion.
- Gross cash inflows to the fund from royalties and taxes were 49.06 million.
- Outflow for the quarter were \$303.52 million, being transfers to the state budget of \$300 million while \$3.52 million was for management costs.
- The profit and loss for the quarter was -\$1,028 billion, representing a gross of fees return of -5.33%. The return on financial market investments was -5.59% compared with the benchmark return of -5.88%.

The Fund performance for the quarter, including the performance of the relative asset classes, was as follows:

Table 1

%	QTR	FYTD	1 Year	3 Years	5 years	Since Inc
<b>Total Fund</b>	-5.33	-9.08	-7.36	3.30	4.10	4.14
Benchmark	-5.61	-9.41	-7.62	2.99	3.86	4.04
<i>Excess</i>	<i>0.28</i>	<i>0.34</i>	<i>0.26</i>	<i>0.31</i>	<i>0.25</i>	<i>0.10</i>
<b>Financial Market Investments</b>	-5.59	-9.50	-7.79	3.41	4.18	4.16
Benchmark	-5.88	-9.85	-8.08	2.84	3.79	4.02
<i>Excess</i>	<i>0.29</i>	<i>0.35</i>	<i>0.29</i>	<i>0.57</i>	<i>0.39</i>	<i>0.14</i>
<b>Investment in Petroleum Operations</b>	1.10	2.21	4.50	0.06	n.a	0.36
Benchmark	1.10	2.21	4.50	4.50	n.a	4.50
<i>Excess</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>-4.44</i>	<i>n.a</i>	<i>-4.14</i>

Table 2

%	QTR	FYTD	1 Year	3 Years	5 years	Since Inc
<b>Total Financial Market Investments</b>	-5.59	-9.50	-7.79	3.41	4.18	4.16
Benchmark	-5.88	-9.85	-8.08	2.84	3.79	4.02
<i>Excess</i>	<i>0.29</i>	<i>0.35</i>	<i>0.29</i>	<i>0.57</i>	<i>0.39</i>	<i>0.14</i>
<b>Liquidity Portfolios</b>	-0.26	-1.13	-1.39	n.a	n.a	-1.39
Benchmark	-0.12	-0.88	-1.21	n.a	n.a	-1.21
<i>Excess</i>	<i>-0.14</i>	<i>-0.25</i>	<i>-0.19</i>	<i>n.a</i>	<i>n.a</i>	<i>-0.19</i>
<b>Growth Portfolios</b>	-6.69	-11.16	-9.13	n.a	n.a	-9.13
Benchmark	-7.13	-11.55	-9.61	n.a	n.a	-9.61
<i>Excess</i>	<i>0.44</i>	<i>0.39</i>	<i>0.47</i>	<i>n.a</i>	<i>n.a</i>	<i>0.47</i>

## 1. INVESTMENT MANDATE

A revised Management Agreement between Ministry of Finance and the Central Bank was signed on 25 June 2009. The Annexes of the Management Agreement has subsequently amended to reflect the actual investments.

From 1 November 2020, the Private Debt Instrument is separated from the financial market investments portfolio. From 1 July 2021, the Financial Market Investment portfolio is segmented into the Liquidity Portfolio and the Growth Portfolio. The benchmarks of the Financial Market Investment as of June 2022 were as follows:

Table 3

Mandates	Apr-22	May-22	Jun-22
<b>Total Fund</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Investment in Petroleum Operations	3.32%	3.36%	3.45%
Financial Market Investment	96.68%	96.64%	96.55%
<b>Total Financial Market Investment</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Liquidity Portfolio	18.17%	16.79%	17.26%
Growth Portfolio	81.83%	83.21%	82.74%
<b>Total Liquidity Portfolio</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
USD Cash	65.92%	62.67%	62.89%
US Government Short-term Treasury Notes	34.08%	37.33%	37.11%
<b>Total Growth Portfolio</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
US Government Treasury Notes 3-5 Years	46.28%	46.46%	47.75%
US Government Treasury Notes 5-10 Years	10.14%	10.16%	10.42%
Global Developed Market Sovereign Bond, Hedged	10.18%	10.04%	10.25%
Developed Market Equities	33.40%	33.34%	31.59%

## 2. MARKET TRENDS DURING THE QUARTER

### *Global Macroeconomic Trend*

The global economy is facing challenges from multiple fronts including the geopolitical crisis, rising inflation, rising interest rates and the lingering Covid-19 lockdowns. It is widely reported that the probability of the global economy to experience recession in the next 12 months has increased although the magnitude of the recession is still unclear.

The United States' economy showed signs of slowing in areas such as retail sales and manufacturing activities but the labour market continues to be strong. Retail sales for the month of May declined 0.3% and are expected to fall further in June, which might be an indication that the price spike is starting to deter consumer's spending. In addition, the S&P Global U.S. Composite Purchasing Manager's index for June was at 52.3 in June, down from 53.6 in May. The decline in the index stemmed from both service and manufacturing sectors as the activity in both sectors was weak toward the end of the quarter. The report also demonstrated weaknesses on the output expansion in both sectors dragged down by new orders for domestic and export. On the other hand, the employment data in the U.S. showed the U.S. economy continued to create jobs at a healthy pace evidenced by the stronger than expected non-farm payrolls in May and June. The risk of the U.S. economy experiencing recession has increased. BCA Research assigned a 40% probability that the U.S. economy will experience recession in the next 12-months, an increase from 20% from March's estimates. This concurred with the U.S. consumers' sentiment index published by the Conference Board, where the index declined to 98.7 in June, from 103.2 in May. Most importantly, the sentiment was dumped by the expectation component, which surveys the consumers' short-term outlook for income, business, and labour market conditions.

Economies in major countries across the European region faced the same obstacles during the quarter. The shortages in energy supply sent the price high and hampered industrial production. Russia has reduced the energy supply to the region in retaliation of the sanctions imposed by the U.S. and its allies in relation to its action in Ukraine. According to BCA Research, the future natural gas price for the Euro area for December 2022 has increased 53%. In addition, the flash Purchasing Manager's Index from the Euro area for June came in below expectations as the new order component of the manufacturing sector fell to contraction territory.

The economic situation across the Asia Pacific and emerging markets were mixed. The Japanese economy was boosted by the relaxation of Covid-19 restrictions and the policy support to address supply bottlenecks and the households and businesses affected by the rising prices. The BCA Research reported that the Chinese economy encounters three major issues, namely, the renowned Covid-19 lockdowns in its major cities, subsided demands on manufacturing goods as expenditure is shifting from goods to services and the persistent property market crisis. The Chinese government continues to

enforce its Zero-Covid policy amidst the ineffectiveness voiced by the likes of World Health Organization. It is believed that the lockdown also raised global inflation to some extent given the role of the major cities in the global supply chain.

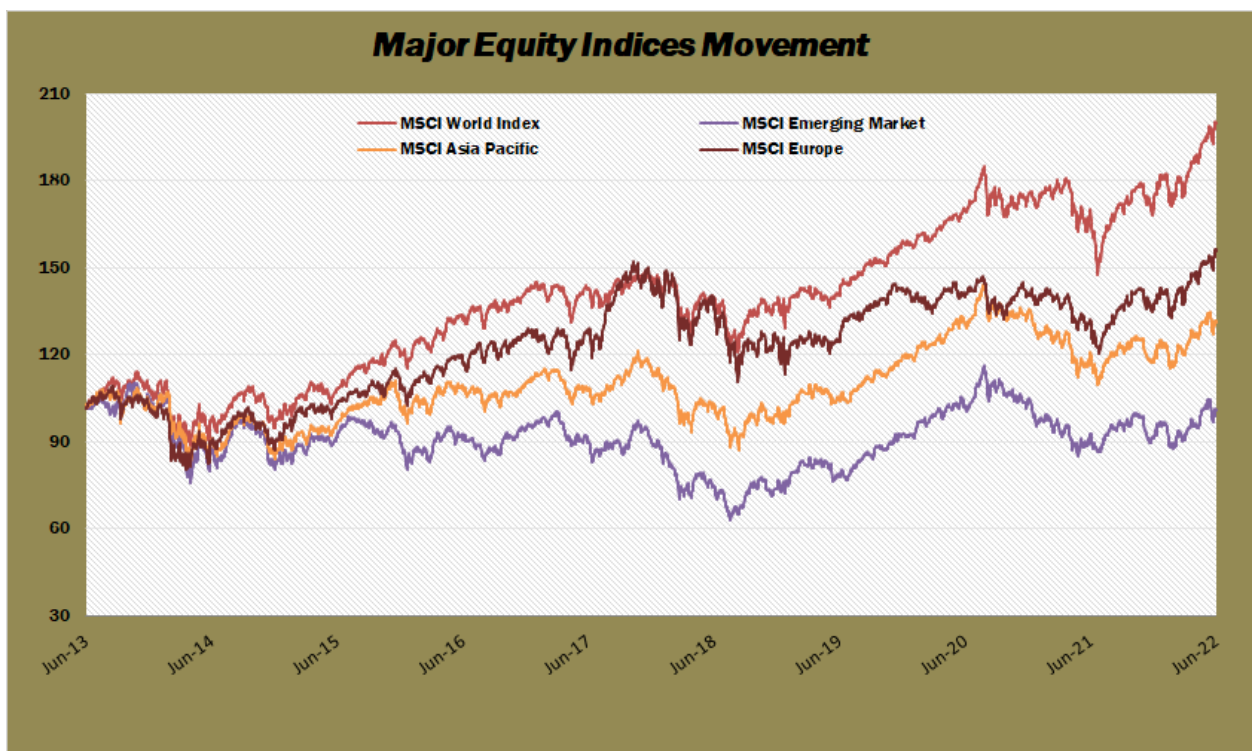
### *Global Equity Market Trends*

Major international equity indices continued to be under pressure throughout the first half of 2022 as share price again ended the period under review in negative territory. MSCI World Index, which measures the performance of global equity market, was down more than 16% in the June quarter.

U.S equity market indices were down during the quarter, particularly the technology sector companies were hit hard by the rising interest rates and grim economic outlook. U.S equity market performance for the rest of the year hinges on the prospect of economic growth. If the U.S central bank manages to bring down the inflation while avoiding the recession, the equity market is expected to recover. However, if inflation keeps rising in the U.S, the central bank will be forced to raise the interest rates more aggressively, which makes it hard to avoid recession. The equity market may fall further from current level if the economy enters recession in the next-12 months. The magnitude of the declines in equity market will then depend on the severity of the recession.

The equity markets in other part of the world also followed the downward trend for this quarter, dragged down by the global inflation trend, central banks raising interest rates and the challenging global economic outlook.

**Graph 01 Major Equity Indices Movement (USD)**



### *Global Treasury Bonds include U.S Treasuries*

The yield of the global treasury including the U.S government bonds increased significantly from the level seen in the previous quarter. The trends reflect the action of most major central banks around the world, which have shifted toward more restrictive monetary policy in order to confront the higher inflation.

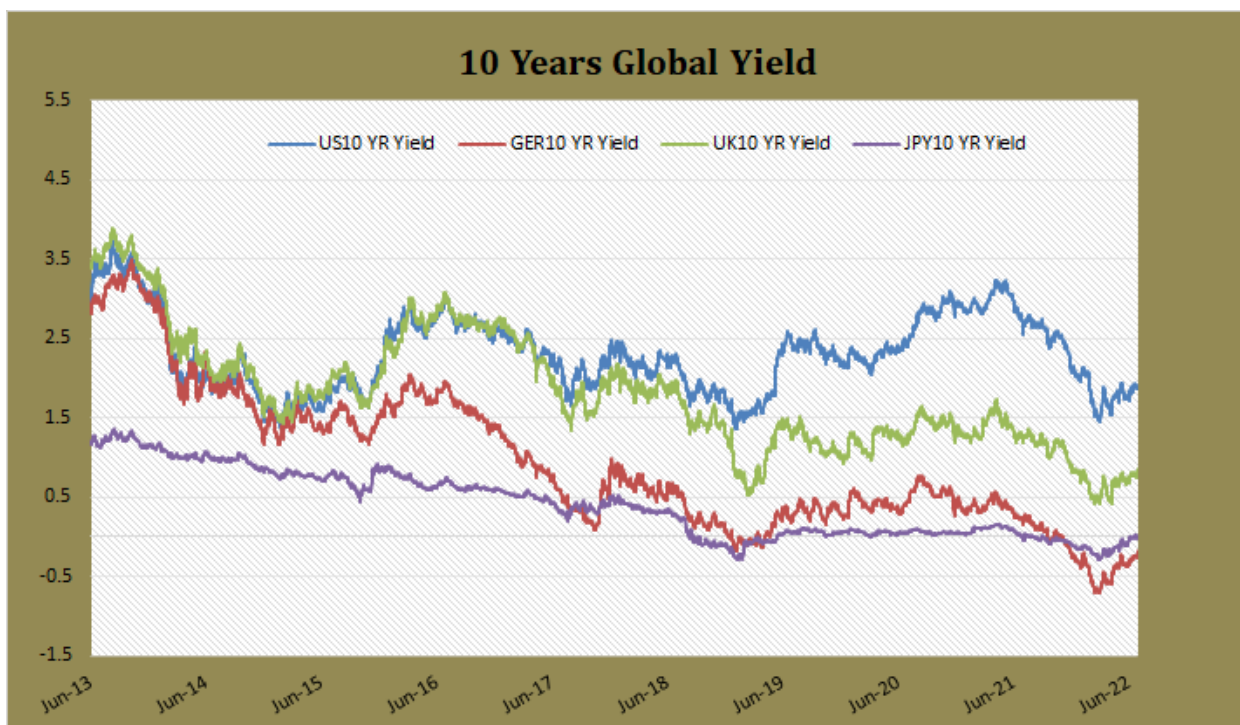
The U.S Federal Reserve (Fed) showed that it is now more determined than ever to bring the inflation down by raising the interest rates 0.75% in June, after a 0.50% hike in May. The Fed's chairman stated during his testimony to the U.S Congress in June that the Fed will do everything it can to bring back inflation to its desired level. This could mean that the interest will rise to the level that may push the economy into recession. The U.S economy suffered a negative growth of 1.6% in the first quarter of

2022; the contraction was unexpected and resulted from a drawdown in inventories, a large trade deficit and a decline in defence spending. The Fed lowered its economic growth forecast for 2022 to 1.7% in its June meeting from the 2.8% projected in March. The Fed currently projects the policy rate to be at 3.4% at the end of 2022, which means that the Fed may raise rates 0.50% to 0.75% in every meeting until the end of the year. The Fed's action to fight inflation is not only limited to raising interest rates, it announced in its May meeting it would reduce the size of its balance sheet, meaning that it will stop reinvesting the proceeds of maturing securities such as U.S Treasury bond and mortgage-backed securities (MBS). The pace of reduction would start at \$47.5 billion per month in June and will increase to a monthly reduction of \$90 billion in September onwards. The higher rates and the safe haven status of the U.S government securities during economic crisis may boost the demand, which may further strengthen the U.S dollar. The Bloomberg DXY index, which measures the strength of USD against other currency of peer developed countries, has increased by 9% this year.

The yield of government bonds across major countries in Europe increased as the European Central Bank also intends to raise interest rate in upcoming meeting to rein in the inflation. The spread of the yield of government 10 years widened between countries such as Italy and Germany, which echoed the trend leading up to the European sovereign debt crisis more than ten years ago. The European Central Bank has pledged to introduce anti-fragmentation measure in order to limit the government borrowing cost of the more indebted members. Elsewhere in the region, Bank of England (BoE) increased the Bank Rate by 0.25% from 1.00% to 1.25% in early June. This was its fifth consecutive rate, with policy tightening starting in December 2021. BoE warned that inflation will peak at 11% in October and markets are projecting further hikes.

Across the Pacific and emerging market, the changes of the monetary policy of the central banks varied during the quarter. The likes of the Reserve Bank of Australia and the Reserve Bank of New Zealand increased their short-term cash rate 1.25% and 1% respectively during the quarter. On the other hand, the Bank of Japan has not changed their monetary policy significantly although the yield curve control policy has been challenged as the yield on 10-year Japanese government bonds frequently approached the upper limit of 0.25%. China's central bank has also maintained accommodative monetary policy to try and support the economy during the Covid restrictions.

**Graph 02. 10 Years Global Yield**



### 3. MANAGEMENT DURING THE QUARTER

#### Objectives

The Central Bank, as operational manager of the Fund, has implemented the investment mandates through a combination of internal and external management.

The following table shows how the investment mandates have been implemented.

Table 4

Mandate	Management Style	Authorised Managers	Tracking Error	Outperformance Target	Commencement date
<b>Liquidity Portfolio</b>					
3 Month USD Treasury Bills/Cash	Passive	BCTL	n/a	Nil	August-18
BOA Merrill Lynch 1-3 Years US Treasury Bond Index					July-21
<b>Growth Portfolio</b>					
BOA Merrill Lynch 3-5 Years US Treasury Bond Index	Passive	BCTL	0.25%	Nil	January-12
BOA Merrill Lynch 5-10 Years US Treasury Bond Index			0.50%		May-20
Global Developed Market Sovereign Bond, Hedged	Enhanced Passive	BIS	0.50%	0.15%	April-20
MSCI World Index ex Australia Net Dividends Reinvested	Equity Factor	Schroders	3.0%	Nil	August-19
		SSgA			
MSCI World Index ex Australia Net Dividends Reinvested	Passive	SSgA	0.35%	Nil	January-12
		BlackRock			February-13
MSCI Australia	Passive	BCTL	0.50%	Nil	July-16
<b>Alternative</b>	Passive	BCTL	n/a	Nil	April-19

#### Operational Implementation

The actual allocation of the capital of the Fund to the various mandates as at the end of the quarter was as follows:

Table 5

Mandates	Actual weight in FMI		
	Apr-22	May-22	Jun-22
<b>Total Financial Market Investment</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Total Liquidity Portfolio</b>	<b>18.17%</b>	<b>16.79%</b>	<b>17.26%</b>
BCTL 3 Month US Treasur Bill Index	11.98%	10.52%	10.85%
BCTL 1-3 year US Treasury Bonds Index	6.19%	6.27%	6.40%
<b>Total Growth Portfolio</b>	<b>81.83%</b>	<b>83.21%</b>	<b>82.74%</b>
<b>Total Fixed Income</b>	<b>66.60%</b>	<b>66.66%</b>	<b>56.61%</b>
BCTL 3-5 year US Treasury Bonds	37.87%	38.66%	39.51%
BCTL5-10 year US Treasury Bonds	8.29%	8.46%	8.62%
BIS Global Developed Market Sovereign Bond, Hedged	8.33%	8.35%	8.48%
<b>Total Global Equities</b>	<b>27.33%</b>	<b>27.74%</b>	<b>26.14%</b>
SSGA Equity Factor	3.47%	3.53%	3.35%
Schroders Equity Factor	3.44%	3.52%	3.34%
SSGA International Equity Passive	8.16%	8.27%	7.79%
BlackRock International Equity Passive	11.55%	11.71%	11.02%
BCTL Australia Equities Passive	0.71%	0.72%	0.65%

## 4. PORTFOLIO PERFORMANCE

This section contains a number of tables and charts describing the performance of the Petroleum Fund.

The following notes are intended to assist in interpreting this information:

- The percentage figures show the return of the Fund, or a part of it, which is compared with the performance of the corresponding benchmark. The benchmark represents the investment strategy established by the Minister and is used as a goal against which the performance of the actual investments is measured. The Minister's benchmarks for the Petroleum Fund are described earlier in this report.
- The excess is the difference (which may be negative) between the benchmark and the portfolio being measured. In general a portfolio and its benchmark will respond in a similar manner to movements in the financial markets. The excess occurs because the benchmark does not recognize transaction costs, and because the actual portfolio usually contains a different mix of financial instruments to the benchmark.

### Global Portfolio

In the course of the quarter the Petroleum Fund balance was \$17,845 billion as follows:

Capital Account	\$'000
Opening book value ( 01 April 2022)	19,123,772
Receipts during the period	49,061
Transfer to General State Budget	(300,000)
Investment Return	(1,028,018)
<b>Closing book value (30 June 2022)</b>	<b>17,844,816</b>

The Fund was invested as follows:

Assets	\$'000
Cash and Cash Equivalents	1,869,942
Other Receivables	32,473
Financial assets held at fair value through profit or loss	15,975,209
<b>Less:</b>	
Payable for Securities Purchased	-2,436
Accounts Payable	-30,371
<b>Total</b>	<b>17,844,816</b>

Table 8

Income	\$'000
Interest income	44,151
Dividend income	33,897
Unit Trust distributions	896
Other Investment income	250
Net gains/(losses) on Financial Assets at fair value	-1,089,200
Net foreign exchange gains/(losses)	-11,863
Less:	
External manager, custody fees	-1,480
Central Bank management expenses	-1,888
IAB Expenses	-21
Other expenses	-132
Withholding taxes	-2,629
<b>Total Investment Income</b>	<b>-1,028,018</b>

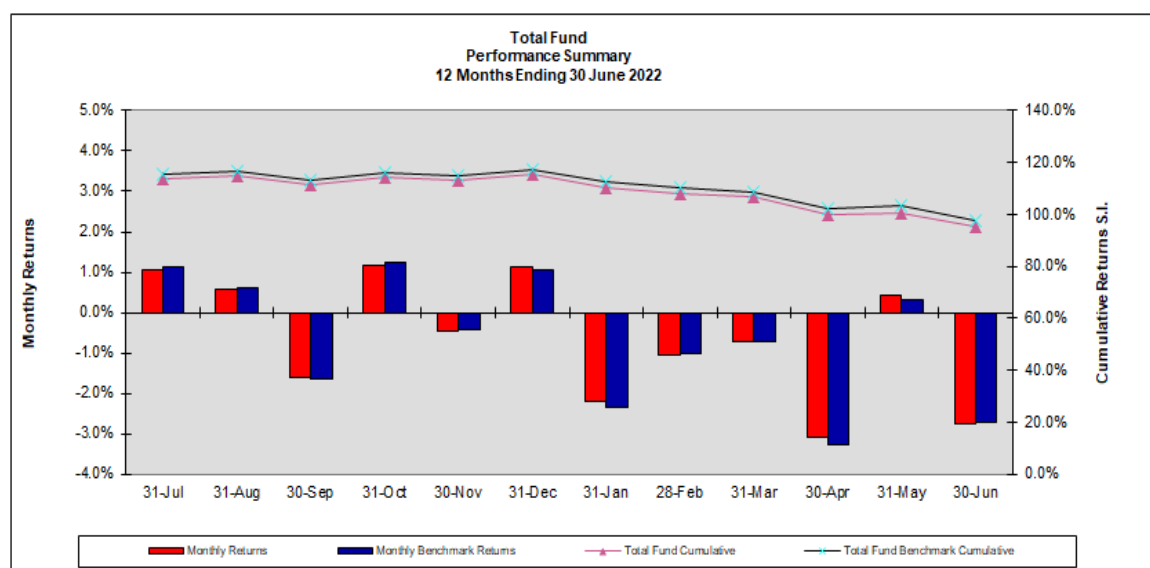
The income for the quarter was as follows:

The following notes are intended to assist in interpreting this information:

- Unit trust distribution is the income received from listed property investment entities.
- Other expenses relate to derivative trading costs which are deducted directly from the Fund.

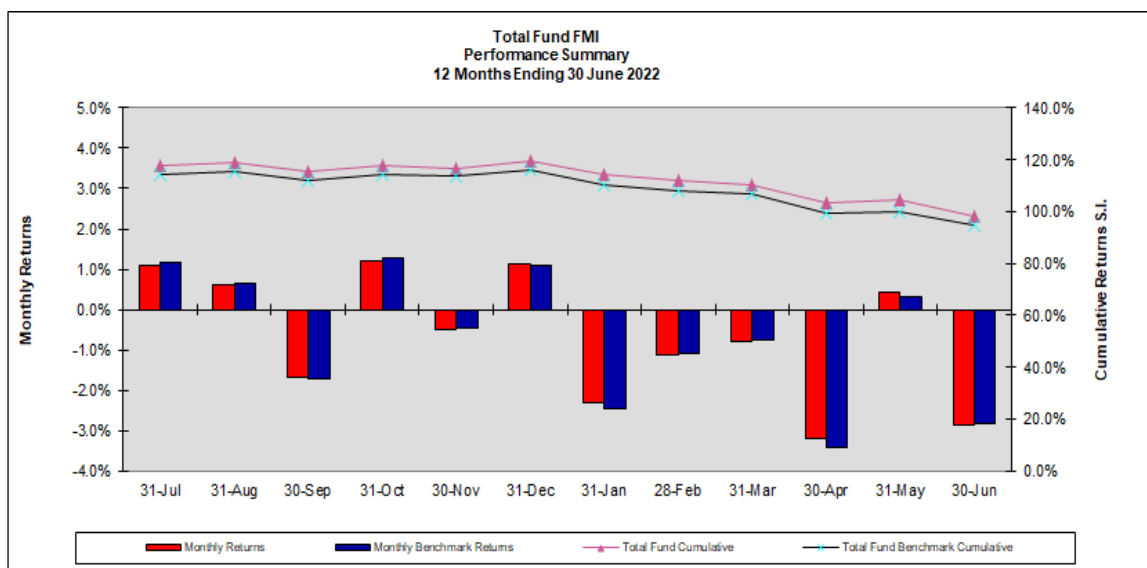
The global Fund Performance of absolute and benchmark over the same period are shown in the following graph.

*Graph 03 Total Fund Performances*





Graph 04 Total Financial market Investments Performance



### Liquidity Portfolio

The performance of the investments in the short-term liquidity portfolio for the quarter, including the performance of the managers responsible for those investments, was as follows:

Table 9

%	Qtr	FYTD	1 Year	3 Years	5 Years	Since Inc
<b>Liquidity Portfolio</b>	-0.26	-1.13	-1.39	n.a	n.a	-1.39
Benchmark	-0.12	-0.88	-1.21	n.a	n.a	-1.21
<i>Excess</i>	<i>-0.14</i>	<i>-0.25</i>	<i>-0.19</i>	<i>n.a</i>	<i>n.a</i>	<i>-0.19</i>
<b>BCTL Cash Management</b>	-0.17	-0.41	-0.39	0.30	0.90	0.94
ICE BoA ML 3 Month US Treasury Bill Index	0.10	0.14	0.17	0.63	1.23	1.04
<i>Excess</i>	<i>-0.27</i>	<i>-0.55</i>	<i>-0.56</i>	<i>-0.33</i>	<i>-0.32</i>	<i>-0.10</i>
<b>BCTL ML 1-3 Year US Treasury Index</b>	-0.51	-2.64	-3.06	n.a	n.a	-3.06
BoA Merrill Lynch 1-3 Years US Treasury Note Index	-0.50	-2.84	-3.35	n.a	n.a	-3.35
<i>Excess</i>	<i>0.00</i>	<i>0.19</i>	<i>0.29</i>	<i>n.a</i>	<i>n.a</i>	<i>0.29</i>

### Growth Portfolio

The performance of the investments in global developed market bonds and equities for the quarter, including,

The performance of the managers responsible for those investments was as follows:

Table 10

	Qtr	FYTD	1 Year	3 Years	5 Years	Since Inc
<b>Growth Portfolio</b>	-6.69	-11.16	-9.13	n.a	n.a	-9.13
Benchmark	-7.13	-11.55	-9.61	n.a	n.a	-9.61
<i>Excess</i>	<i>0.44</i>	<i>0.39</i>	<i>0.47</i>	<i>n.a</i>	<i>n.a</i>	<i>0.47</i>
<b>International Fixed Interest</b>	-2.05	-6.74	-7.58	-1.12	0.40	2.02
Benchmark	-2.11	-6.76	-7.50	-1.01	0.48	2.03
<i>Excess</i>	<i>0.07</i>	<i>0.03</i>	<i>-0.09</i>	<i>-0.11</i>	<i>-0.09</i>	<i>-0.02</i>
<b>BCTL 3-5 year US Treasury Bonds</b>	-1.23	-5.74	-6.83	-0.39	0.78	1.04
BoA Merrill Lynch 3-5 Years US Treasury Passive	-1.33	-5.77	-6.74	-0.31	0.86	1.05
<i>Excess</i>	<i>0.10</i>	<i>0.03</i>	<i>-0.09</i>	<i>-0.09</i>	<i>-0.07</i>	<i>-0.01</i>
<b>BCTL 5-10 year US Treasury Bonds</b>	-3.39	-9.03	-9.54	n.a	n.a	-6.21
BoA Merrill Lynch 5-10 Years US Treasury Passive	-3.28	-8.95	-9.28	n.a	n.a	-5.93
<i>Excess</i>	<i>-0.11</i>	<i>-0.07</i>	<i>-0.26</i>	<i>n.a</i>	<i>n.a</i>	<i>-0.27</i>
<b>BIS Global Treasury Developed Marked Hedged</b>	-4.39	-2.88	-2.53	n.a	n.a	-1.04
Global Treasury Developed Market - Hedged	-4.47	-2.78	-2.47	n.a	n.a	-1.06
<i>Excess</i>	<i>0.08</i>	<i>-0.09</i>	<i>-0.05</i>	<i>n.a</i>	<i>n.a</i>	<i>0.02</i>
<b>International Equities</b>	-15.30	-19.32	-12.99	7.22	7.90	9.05
Benchmark	-16.19	-20.51	-14.34	7.00	7.67	8.59
<i>Excess</i>	<i>0.88</i>	<i>1.19</i>	<i>1.35</i>	<i>0.23</i>	<i>0.24</i>	<i>0.46</i>
<b>SSgA Equity Factor</b>	-13.48	-16.81	-9.62	n.a	n.a	7.42
MSCI ex. Australia Net Dividends Reinvested	-16.14	-20.68	-14.37	n.a	n.a	7.37
<i>Excess</i>	<i>2.67</i>	<i>3.87</i>	<i>4.75</i>	<i>n.a</i>	<i>n.a</i>	<i>0.05</i>
<b>Schroders Equity Factor</b>	-13.25	-17.05	-9.50	n.a	n.a	9.27
MSCI ex. Australia Net Dividends Reinvested	-16.14	-20.68	-14.37	n.a	n.a	7.37
<i>Excess</i>	<i>2.89</i>	<i>3.63</i>	<i>4.87</i>	<i>n.a</i>	<i>n.a</i>	<i>1.91</i>
<b>SSGA International Equity Passive</b>	-15.86	-20.35	-14.12	7.04	7.85	9.58
MSCI ex. Australia Net Dividends Reinvested	-16.14	-20.68	-14.37	7.10	7.74	9.32
<i>Excess</i>	<i>0.28</i>	<i>0.32</i>	<i>0.25</i>	<i>-0.05</i>	<i>0.11</i>	<i>0.26</i>
<b>BlackRock International Equity Passive</b>	-15.89	-20.36	-14.12	7.18	7.96	8.91
MSCI ex. Australia Net Dividends Reinvested	-16.14	-20.68	-14.37	7.10	7.74	8.65
<i>Excess</i>	<i>0.25</i>	<i>0.31</i>	<i>0.25</i>	<i>0.08</i>	<i>0.22</i>	<i>0.27</i>
<b>BCTL Australia Equity Passive</b>	-17.88	-12.16	-13.32	1.91	4.18	6.06
MXAU Australia Net Dividends Reinvested	-18.11	-12.18	-13.05	2.42	4.48	6.31
<i>Excess</i>	<i>0.23</i>	<i>0.01</i>	<i>-0.27</i>	<i>-0.52</i>	<i>-0.29</i>	<i>-0.25</i>

### Private Debt Instrument for Petroleum Operations

The performance of the investment in Private debt instrument for Petroleum Operations for the quarter was as follows:

Table 11

	Qtr	FYTD	1 Year	3 Years	5 Years	Since Inc
<b>Private debt instrument for Petroleum Operations</b>	1.10	2.21	4.50	0.06	n.a	0.36
<b>Benchmark</b>	1.10	2.21	4.50	4.50	n.a	4.50
<i>Excess</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>-4.44</i>	<i>n.a</i>	<i>-4.14</i>

## 5. MANAGEMENT COSTS

A management fee of \$3.520 million for operational management costs was charged to the fund during the quarter. The fee covered the following services (in thousands \$):

External Management and Custody expenses	1,480
Central Bank management expenses	1,888
IAB expenses	21
Other Expenses	132
<b>Total Cost</b>	<b>3,520</b>

## 6. TRANSFERS TO STATE BUDGET

According to Article 7.1 of the Petroleum Fund Law transfers from the Fund may only be made to the credit of a single State Budget account. An amount of \$300 million was transferred to the State Budget account during the quarter.

	In Thousand (\$)
Transfer April 2022	0
Transfer May 2022	-300,000
Transfer June 2022	0
Transfer for this Quarter	-300,000
<b>Total transfers this fiscal year to June 2022</b>	<b>-450,000</b>

## 7. COMPLIANCE STATEMENT

Banco Central de Timor-Leste asserts the following statements relating to compliance with the mandates given by the Minister

### *Qualifying Instruments*

The Fund was invested in instruments within the investment universes specified in the various mandates at all times during the quarter.

### *Modified Duration*

The modified duration of the Fund's fixed interest investment portfolios remained within the mandate during the quarter.

### *Tracking Error*

The tracking error of each mandate in the Fund's investment portfolio was within the specified range during the quarter.

### *External Managers*

External managers' investments were within their mandates during the quarter.

### *Internal Audit*

The provisions of Article 22 of the Petroleum Fund law no. 9/2005 require the Central Bank's Internal Auditor to perform an audit of the Fund every six months. The Internal Auditor has performed an audit up to quarter ended 30 June 2021.

## 8. FINANCIAL INFORMATION

The following financial information is presented for the purpose of assisting the Minister to review the quarterly performance of the Petroleum Fund as set out in this report. The figures have not been audited.

Table 14

<b>BALANCE SHEET</b>	<b>June-22</b>	<b>June-21</b>
In thousands of USD		
<b>ASSETS</b>		
Cash and Cash Equivalents	1,869,942	1,244,991
Receivables	32,473	44,774
Financial assets held at fair value through profit or loss	15,975,209	18,209,756
<b>TOTAL ASSETS</b>	<b>17,877,623</b>	<b>19,499,521</b>
<b>LIABILITIES</b>		
Payables for securities purchased	-2,436	-4,772
Accounts payable	-30,371	-2,492
<b>TOTAL LIABILITIES</b>	<b>-32,807</b>	<b>-7,264</b>
<b>NET ASSETS</b>	<b>17,844,816</b>	<b>19,492,257</b>
<b>CAPITAL</b>		
Opening Balance (January)	19,650,677	18,990,614
PF Law Art. 6.1 (a) Revenue receipts	194,420	73,718
PF Law Art. 6.1 (b) DA receipts	388,128	53,287
PF Law Art. 6.1 (e) Other receipts	0	915
PF Law Art 7.1 Transfers to State Budget	-450,000	-350,000
Income for the period	-1,938,409	723,724
<b>CAPITAL</b>	<b>17,844,816</b>	<b>19,492,257</b>

Note: There has been reclassification of a private debt instrument from amortized cost method to fair value measurement. The Fair Value as of December 2020 was \$615.7 million reflected in financial assets held at fair value until a new valuation for 2021 is finalized.

Table 15

STATEMENT OF PROFIT OR LOSS In thousands of USD	QUARTER		YEAR TO DATE	
	Jun-22	Jun-21	Jun-22	Jun-21
<b>INVESTMENT INCOME</b>				
Interest income	44,151	36,455	81,596	76,918
Dividend income	33,897	39,257	62,177	73,902
Trust income	896	1,398	1,761	2,380
Other investment income	250	1	240	23
Net gains/(losses) on Financial Assets at fair value	-1,089,200	523,886	-2,060,995	599,191
Net foreign exchange gains/(losses)	-11,863	-878	-11,027	-1,543
<b>Total Investment Income</b>	<b>-1,021,868</b>	<b>600,119</b>	<b>-1,926,248</b>	<b>750,871</b>
<b>EXPENSES</b>				
External management, fees	1,480	3,684	4,033	4,297
Internal operational management fees	1,888	2,550	3,147	3,776
IAB Expenses	21	33	147	69
Other expenses	132	184	274	337
<b>Total expenses</b>	<b>3,520</b>	<b>6,451</b>	<b>7,601</b>	<b>8,479</b>
Profit before tax	-1,025,389	593,668	-1,933,849	742,393
Withholding taxes on investments	2,629	3,909	4,560	18,670
Profit/loss for the period	-1,028,018	589,759	-1,938,409	723,724
Other comprehensive income	0	0	0	0
<b>Total comprehensive income for the period</b>	<b>-1,028,018</b>	<b>589,758</b>	<b>-1,938,409</b>	<b>723,724</b>

Note: The accounting policies and method of computation used to prepare the above figures are the same as disclosed in the most recent annual financial statements of the Petroleum Fund.

Dili, 26 July 2022



**Venancio Alves Maria**  
Deputy Governor



**Nur-Aini Alkatiri**  
Deputy Governor