

Second Petroleum Fund Quarterly Report

MEDIA RELEASE

The Banking & Payments Authority (BPA) today released the second Quarterly Report of the Petroleum Fund of Timor-Leste showing total assets under management of \$370 million compared with \$247 million at the end of September 2005.

The report shows that the companies had paid \$US120.6 million directly into the Fund during the quarter via the BPA's account with the US Federal Reserve Bank in New York.

Announcing the release of the report the General Manager of the BPA, Mr Abraão de Vasconcelos, said the fund had earned more than US\$3.1 million in interest during the quarter. All interest earnings are reinvested into the fund.

The Petroleum Fund law specifies that the BPA, as the future central bank of Timor-Leste, is the agent responsible for the operational management of the Fund. All taxes and royalties derived from the nation's petroleum wealth and related activities are required to be deposited into the BPA's account with the US Federal Reserve. This is an additional transparency requirement as it means that petroleum revenues do not have to bypass Consolidated Revenue before they go into the Fund.

The Minister of Planning and Finance, supported by an Investment Advisory Board, is responsible for setting the overall investment strategy for the Fund. The mandate in the initial period is for investments in US Government guaranteed bonds. Details are contained in the Management Agreement signed by the Minister and the BPA on 12 October 2005.

In reviewing the performance of the Fund, Mr de Vasconcelos said: "The BPA achieved a return just four basis points below the benchmark index in the quarter, which again shows the commitment of the BPA to manage the Fund to the mandate it has been given. The overall return on the Fund for the quarter was 0.66%."

Like many financial market indexes, such as stock exchange indexes, the bond index selected as the benchmark for the Petroleum Fund rises or falls daily according to market conditions. These fluctuations are not of any real concern to Timor-Leste because the BPA intends to hold on to its investments until maturity, thereby recovering the capital value of the bond in addition to the interest earned over the life of the investment.

Highlights of the second Quarterly Report, which covers a period from 1 October 2005 to 31 December 2005, include:

- An opening balance of \$247 million.
- Receipts from taxpayers during the quarter of \$120.5 million.
- An investment portfolio at the end of December valued at \$368 million.
- Interest income of \$3,703,000 earned by the Fund in the period since its inception.
- A closing balance of \$370.2 million.

The quarterly report, as well as the Petroleum Fund law and Management Agreement, is available from the Banking & Payment Authority's website www.bancocentral.tl and from the Timor-Leste petroleum transparency website www.transparency.gov.tl

Further information may be obtained from:

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Ends

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