

**The Secretary of State for the Council of Ministers and  
Official Spokesperson for the Government of Timor-Leste  
Ágio Pereira**



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Dili, Timor-Leste

**World experts advise diversification of Timor-Leste's Petroleum Fund**

World experts in sovereign wealth gathered in Timor-Leste on May 10<sup>th</sup> and 11<sup>th</sup> to engage in a national dialogue to discuss the way forward for the nation's Petroleum Fund. The fund averages an intake of US \$100 million per month. A total of almost six billion has accrued since the establishment of the fund in 2005. The fund's balance is currently ten times the non-oil Gross Domestic product.

Nearly 80% of all sovereign wealth funds invest in public equities, and the same proportion in fixed income. Investment in alternative asset classes is considerable; with 55% known to invest in private equity, 51% in real estate, 47% in infrastructure and 37% in hedge funds.

Timor-Leste's Petroleum Fund has operated with a much more conservative approach. The Petroleum Fund Law promulgated in 2005 mandates 90% must be invested in US treasury bonds with only 10% available for investment into other asset classes. While the investment strategy at the time was considered prudent, the law allowed for a review after five years. The Xanana Gusmão Government is now exploring investment diversification strategies, in line with global best practice, to emulate the high performance of other sovereign wealth funds for better long-term returns for the Timorese.

Investment consultants, Towers Watson, told the forum in order to maintain a 3% real rate of return per annum, the maximum withdrawals allowed in the Law; the investment strategy would have to diversify to at least 25% in equities to sustain the petroleum wealth. The Government has maximized the 10% allowed investment under the law and has been vocal in their intention to diversify further after a full review is submitted to National Parliament.

Kevin Bailey, Honorary Consul General for Timor-Leste in Melbourne and an investment professional, pointed out that higher returns meant higher risk but with a long term investment horizon, Timor-Leste could benefit from taking more risk if short term volatility and fluctuations in the market were closely managed.

Petroleum's impact on the domestic economy, investments in the international financial market and the consequences of different future investment strategy options for the Petroleum Fund were all points of discussion for members of National Parliament, members of the Government, managers and guardians of the Petroleum Fund, civil society, academia, and members of the media who engaged in two days of robust dialogue about the nation's wealth.

The Secretary of State for the Council of Ministers Ágio Pereira said "Timor-Leste's Petroleum Fund is a matter of national importance; all Timorese should be provided with the best advice available in order to participate in these important decisions of the State. This was an important process to begin this dialogue."

'We would like to thank the Norwegian Petroleum Assistance Program for their continued support and for collaborating on this important initiative and all the global experts for

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sharing their expertise and experience in managing sovereign wealth. The forum was the beginning of a long process of research, analysis and advice which will contribute to steering our future direction and ensuring long term benefits to the people of our Nation.” ENDS

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