

## Minutes of Meeting

### Petroleum Fund of Timor-Leste

# Investment Advisory Board

*Held on 9 May 2014*

*At the Office of Autoridade Nacional do Petroleo (ANP), Dili, Timor-Leste*

**Present:**

Olgario de Castro (Chairman)  
Gualdino da Silva  
Kevin Bailey (via teleconference)  
Torres Trovik (via teleconference)  
Fernando Carvalho  
Basilio Soares  
Gastao de Sousa (Secretary)

**In attendance:**

Filipe Nery Bernardo, Petroleum Fund Analyst, Ministry of Finance  
Shih-Yang Ang, Financial Investment Adviser, Ministry of Finance  
Cosme da Costa Araujo, Petroleum Fund Analyst, Ministry of Finance  
Samuel V. Robinson, Advisor, BCTL

The Chairman declared the meeting open at 3.40 PM.

#### **1. Apologies**

An apology was received from Mr Monteiro and Mr Alves Maria. Mr Carvalho was present as the alternate for Mr Alves.

#### **2. Approval of the agenda**

The agenda for the meeting was agreed to.

#### **3. Approval of the minutes of the meeting on 5 March 2014**

The minutes of the previous meeting were approved.

#### **4. Matters arising from the minutes not otherwise included in the agenda**

None

#### **5. Review of the Fund's performance**

The total Fund returned 1.15% for the quarter, underperforming the Benchmark return of 1.16% by -0.01%. The bond portfolio's return was 0.99% while equities returned were 1.39% for the quarter, both outperforming the benchmark return of 0.98% and 1.26% respectively. Since inception the total Fund's return was 4.36% per annum.

The Board noted the report and suggested that the Central Bank consider including an attribution analysis in its future Quarterly Reports.

The Board briefly discussed the structure of the fixed interest portfolio, noting that the 1-3 year mandate would be fully converted to equities in June, meaning that there would be a large concentration in the 3-5 year US Treasuries portfolio

With the achievement of a 40% exposure to equities expected in June, the Board discussed the future of the equities portfolio, and whether the equity portfolio should be tilted to factors.

#### **6. Review of Fixed Interest Mandate**

The details of the developed markets sovereign mandate had been discussed by the Board when approving the appointment of the two external managers. It had been agreed that the Central Bank would propose any required amendments to the mandate.

The Board received comments on the mandate from the Secretariat and agreed to advise the Minister that three clarifications to the mandate be made to the Board's earlier advice:

1. The definition of 'investment grade' be specified using the terminology from Barclays, the benchmark index provider.
2. To include a provision that the duration of the Fund be maintained within one year of the benchmark duration.
3. That gross active currency risk be limited to 5% of the portfolio value.

#### **7. Fi360 Review of Governance**

Further to a presentation received by the Board in June 2013, a proposal to review the governance of the Fund had been received from Fi360. The Board considered the proposal and agreed to accept it. It was noted that the consultant planned to interview Board members in the week beginning 26 May and that a joint teleconference would be held if necessary on 30 May.

#### **8. Confirmation of the fixed income beliefs**

The Board postponed the agenda item.

## **9. Other business**

The Chairman informed the Board that an invitation had been received from the Board of OMFIF to participate in the ‘Global Public Investor and World Capital Markets Dinner’ on Wednesday, 28 May 2014 in London to discuss asset management and world capital markets.

The Board agreed that Mr. Torres should represent the IAB at the function.

The Board discussed the possibility of holding a workshop in sometime from August to October in Dili, with the objective of further discussing the use of smart beta in the portfolio, and to provide an opportunity to update key stakeholders on recent developments in the Fund’s asset allocation. The possibility of inviting leading academics was discussed, and members were asked to make proposals for suitable speakers. It was agreed that the title for the workshop would be, “Building on further diversification in both bonds and equities”, focusing on capacity-building, current best practices in portfolio construction and confirming the Board’s basic approach to the development of the portfolio. The Board requested the Secretariat to draft a programme for a two-day conference, with list of attendees.

## **10. Next meeting**

It was agreed that the next meeting would be on Tuesday, 24th of June in Dili.

The Chairman declared the meeting closed at 6:30 PM.

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**Chairman**

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**Secretary**