

Minutes of Meeting

Petroleum Fund of Timor-Leste

Investment Advisory Board

Held on 20 September 2012

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

Present:

Gualdino da Silva (Chairman)
Venancio Alves Maria
Kevin Bailey (via teleconference)
Torres Trovik (via videoconference)
Olgario de Castro
Gastão de Sousa (Secretary)

In attendance:

Cosme da Costa Araujo, Petroleum Fund Analyst, Ministry of Finance
Samuel V. Robinson, Advisor, Central Bank
Shih-Yang Ang, Financial Risk Management Adviser, Ministry of Finance
Craig Callum, Advisor, Central Bank

1. Election of acting Chairman

The Board, according to its rules of procedure, elected Mr. Gualdino to chair the meeting.

The Chairman declared the meeting open at 15:15 hours.

2. Apologies

Apologies were received from Mr. Francisco Monteiro and Mrs. Sara Lobo Brites. The Chairman welcomed Mr. Venancio Alves Maria who had been appointed as the official representative of the Central Bank to participate in meetings of the Board.

3. Approval of the agenda

The agenda for the meeting was agreed.

4. Approval of the minutes of the meeting on 31 August 2012

The minutes of the meeting held on 31 August 2012 were approved.

5. Business arising from the minutes not otherwise included in the agenda

The issue of remuneration of the current non-Timorese Board members was raised and it was agreed for the Ministry's Petroleum Fund Administration Unit (PFAU) to bring this to the Minister of Finance's attention.

It was agreed that the BCTL and the Secretariat will ascertain the process for administering the remuneration of the non-Timorese Board members.

6. Revised IAB Operational Regulations

The Secretariat submitted a draft revising the IAB's 2006 Rules of Procedures ("The Operational Regulations of the IAB"). The draft was based on amendments discussed at the IAB meeting on March 4th 2010 and also reflected amendments to the Petroleum Fund Law and a legal opinion on the preliminary draft amendments.

Each article was discussed and the Secretariat will incorporate the Board's amendments. The Ministry's PFAU agreed to seek a legal opinion on whether the Director of Treasury and representative of the Operational Manager constituted members for the purposes of the minimum number of IAB members (Article 17.1 of the Petroleum Fund Law) and requirement to disclose financial interests (Article 1.7 of the draft Operational Regulations). BCTL agreed to distribute a template to help IAB members disclose their financial interests. The Board requested that the Secretariat discuss the IAB annual budget with the IAB before it is submitted.

There was insufficient time to complete discussions and Board members agreed to review the remaining articles and respond to the Secretariat via email before the next meeting. The Secretariat will incorporate those suggestions into a new draft to be reviewed at the next IAB meeting.

7. Determination of IAB Secretariat's research priorities

The Secretariat tabled a paper providing an overview of the 3 main research projects it is working on - equities, fixed interest and the currency numeraire. The Secretariat reported that it did not have sufficient resources to research the projects simultaneously and requested the IAB to prioritize between fixed interest and equity research.

The IAB agreed that work on bond portfolio construction was more important than the equity portfolio and should be prioritized over coming months.

The Secretariat agreed to develop a checklist to help the IAB specify their investment beliefs. This is to be distributed to the IAB within 2 weeks; members are to respond via email within a week. The Secretariat will collate this material to enable the IAB to agree on its investment beliefs for fixed interest at the next meeting. The Secretariat agreed to incorporate these beliefs in a paper recommending changes to the fixed interest portfolio.

The Secretariat discussed the work underway for the currency numeraire. The Secretariat agreed to provide a presentation to the IAB by mid-November.

8. IAB's intention on briefing the new government

The IAB requested that the PFAU and the BCTL brief the new Council of Ministers on the Petroleum Fund's investment strategy and operational matters.

9. Other business

It was agreed that the next meeting would take place on 18 October 2012.

As there was no other business, the Chairman declared the meeting closed at 17.30 hours.

Chairman

Secretary