

Minutes of Meeting

Petroleum Fund of Timor-Leste

Investment Advisory Board

Held on 28 June 2012

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

Present:

Olgário de Castro (Chairman)
Venancio Alves Maria, as alternate for Mr. Abraao de Vasconcelos
Kevin Bailey (via teleconference)
Gualdino da Silva
Francisco Monteiro

In attendance:

Filipe Nery Bernardo, Petroleum Fund Analyst, Ministry of Finance
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

The Chairman declared the meeting open at 15:30 hours.

1. Apologies

Apologies were received from Mr. Abraão de Vasconcelos, Mr. Tørres Trovik and Mrs. Sara Lobo Brites.

2. Approval of the agenda

The agenda for the meeting was approved.

3. Approval of the minutes of the meeting on 15 June 2012

The minutes of the meeting held on 15 June 2012 were approved. The Board decided that Item 6 including the sub-heading and Item 9 second and third paragraphs of the minutes should be declared confidential because the research and analysis is incomplete and having this information in the public domain could prejudice the Fund's performance.

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

Mr. Venancio informed the Board that 20% equity exposure had been completed in June 2012 as planned.

5. Letter from IAB to Minister of Finance re Review of SAA – short-term plan to increase the share of equities in the Petroleum Fund

The Board agreed the text of a letter to the Minister of Finance regarding the Board's review of the strategic asset allocation of the Fund, including a recommendation to further increase the share of equities in the Petroleum Fund.

The current strategic allocation to public equities is 20%, which is invested in global developed markets. Taking current market conditions into account and the long-term investment horizon of the Fund, the Board believes that the long-term strategic asset allocation to public equities should be increased to 40% and that the range of equity investments be diversified further to achieve a level of expected returns in alignment with the Estimated Sustainable Income.

Pending the completion of its work on identifying equity benchmarks that incorporate strategic tilts and more diversity, which will be the subject of future advice, the Board advises the new equity exposure should be obtained by gradually increasing the size of the two existing indexed equity mandates using previously approved external managers and reducing the allocation to 1-3 year US Treasuries.

The Board advises increasing the public equity exposure by 0.83% a month over a period of two years to 30 June 2014 would be a prudent means of achieving the first-order priority of obtaining a 40% equity exposure.

6. Restructuring the Petroleum Fund's Fixed Income

The Board discussed the structure of the Fixed Income portfolio with a view to gradually diversifying the portfolio. It was agreed that more analysis was needed to develop the long-term strategic composition and numeraire of the Fixed Income portfolio. The Board decided to address these topics further in a dedicated workshop.

7. Other business

As there was no other business, the Chairman declared the meeting closed at 17.00 hours.

Chairman

Secretary