

Minutes of Meeting

Petroleum Fund of Timor-Leste

Investment Advisory Board

Held on 30 March 2012

At the Office of the World Bank, Dili, Timor-Leste

Present:

Olgário de Castro (Chairman) (via teleconference)
Sara Lobo Brites
Venancio Alves Maria as alternate for Mr. Abraao de Vasconcelos
Kevin Bailey (via teleconference)
Tørres Trovik (via teleconference)
Gastao de Sousa, Secretary

In attendance:

Filipe Nery Bernardo, Petroleum Fund Analyst, Ministry of Finance
Sandra F.P. Chan Chao, Petroleum Fund Accountant, Ministry of Finance
Cosme da Costa Araujo, Petroleum Fund Analyst, Ministry of Finance
Samuel V. Robinson, Advisor, Central Bank
Simen Bjornerud, Fiscal Policy and Petroleum Fund Advisor, Ministry of Finance
Craig Callum, Advisor, Central Bank
Shih-Yang Ang, Financial Risk Management Adviser, Ministry of Finance

The Chairman declared the meeting open at 15:00 hours.

1. Apologies

An apology was received from Mr. Abraão de Vasconcelos. Mr. Venancio was present as his alternate.

2. Approval of the agenda

The agenda for the meeting was approved.

3. Approval of the minutes of the meeting on 29 February 2012

The minutes of the meeting held on 29 February 2012 were approved. The Board decided that Item 5 of the minutes, the progress report on the implementation of the first stage implementation strategy, remain confidential until the phase has been completed, because having 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 reported that the BCTL had been increasing the Fund's exposure to equities by 2% per month in accordance with the Board's advice to the Minister. He advised that because the two mandates were the same, the Central Bank proposed to continue using State Street Global Advisors to acquire the equity exposure until the appointment of BlackRock had been completed, at which time the Bank would make an *in specie* transfer from State Street to BlackRock. The Board concurred with this approach.

5. Discussion on Minister's letter regarding BCTL's proposal to appoint a new equity manager

The BCTL had submitted a proposal in response to the Minister's letter dated 1 February 2012 on the appointment of external commercial manager for the Petroleum Fund to manage an index global equity mandate. In the proposal BCTL recommended that BlackRock Investment Management (Australia) Limited (BlackRock) be appointed as the external manager of the Fund to manage a new indexed global equities mandate.

The board discussed the proposal and agreed to advise the Minister to accept the BCTL's recommendation.

6. Other business

The Board decided that its next workshop on developing the investment strategy for the Fund should be held in Singapore on 7 – 8 May 2012. By holding the workshop in Singapore, the Board would have access to input from a wider range of investment professionals than would be practical to bring to Dili.

The Board noted that La'o Hamutuk had published an article entitled "Timor-Leste is going for Broke" in which it was stated that Petroleum Fund investments were returning less than hoped. The Board acknowledged the importance of maintaining ongoing and effective communications with the various stakeholders of the Fund on the development of the Fund's investment strategy.

The Chairman advised that he had recently spoken in a conference on management of natural resources in Sub-Saharan Africa in Kinshasa and reported that the Timor-Leste Fund was regarded as a model for other countries. He suggested that this may provide

an opportunity for Timor-Leste to give back to the international community some of the benefits it had received.

As there was no other business, the Chairman declared the meeting closed at 15.40 hours.

Chairman

Secretary