

Minutes of Meeting

Petroleum Fund of Timor-Leste Investment Advisory Board

Held on 20th July 2007

At the Office of the Banking and Payments Authority

Present:

Abraão de Vasconcelos, General Manager of BPA (Chairman)
Cristino Gusmão, Director of Macroeconomic Unit of MoPF
Manuel Monteiro, Director of Treasury
Tørres Trovik, Norges Bank
Vidar Ovesen, Fiscal and Petroleum Advisor

In attendance:

Maria J.J. Sarmiento, Acting Executive Director of the PF Department, BPA
Terje Iversen, Petroleum Fund Advisor, BPA
Shuboth Kumar Mathur, Treasury Advisor
Gastão de Sousa, Chief Economist, BPA (Secretary)

The Chairman declared the meeting open at 14.30 p.m.

Agenda of the meeting was approved without amendment. Other business will include - information from the BPA on the operational management of the Fund.

Minutes of Previous Meeting

The minutes of previous meeting held on 11th May 2007 was approved without amendment.

Business arising from the minutes not otherwise include in the agenda

The Chairman informed the meeting that the process of non commercial external manager assessment still in the process therefore, no paper submitted for discussion in the meeting.

Update information on the PF performance for quarter ended 30 June 2007

The Chairman briefed the meeting that as discussed in the previous meeting which the IAB requested the BPA to present an updates information regularly on the PF performance in its regular meetings.

He then requested the Petroleum Fund Department of the BPA to present the PF performance for the quarter ended 30 June 2007.

Mr. Terje Iversen, Petroleum Fund Advisor at BPA, made a presentation on the performance of the petroleum fund for the quarter ended 30 June 2007. He described that the quarterly return of PF portfolio was 0.62%, while the return on the Merrill Lynch 0-5 US Treasury Notes and Bonds benchmark was 0.63%. Cash received during the quarter of USD 308.2 million, while USD 104.2 million was transferred to the government budget. The total capital as of the end of the quarter was USD 1.394 million. The return for the last fiscal year 2006/07 (1 July 2006 – 30 June 2007) was 5.12% for the PF and 5.14% for the benchmark.

The performance report also included a summary of the quarterly return numbers (PF and benchmark), quarterly cash flows and quarterly Net Asset Value numbers since the inception of the PF (September 2005).

The Board discussed the report presented and suggested to include the duration numbers of the portfolio versus benchmark in the next performance report.

Other Business

Mr. de Vasconcelos, the General Manager of BPA briefed the meeting on the operational management of the petroleum fund.

He stated that the BPA has decided to engage an international investment consulting company, Mercer Consulting Company, to provide consultancy services in three major areas i.e. study on the investment strategy, lead the project to appoint a global custodian and advise on the workforce plan.

A time table for the projects has been provided to Mercer which required them to furnish to BPA the report on investment strategy by 31 August 2007 and the custodian to be ready to appoint by November 16, 2007.

He further stated that the BPA will discuss the issue with Minister of Planning and Finance once receiving the reports.

The Board noted the information and requested the possibility for the Mercer to do a presentation to before making the decision.

There were no other businesses the Chairman declared the meeting adjourned at 15.30 p.m.

Chairman

Minute Secretary