

## Minutes of Meeting

### Petroleum Fund of Timor-Leste Investment Advisory Board

*Held on 19<sup>th</sup> January 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  
Sigurd Klakeg, Fiscal and Petroleum Advisor  
Manuel Monteiro, Deputy Director of Treasury  
Tørres Trovik, Norges Bank

#### In attendance:

Venancio Alves, Executive Director of the Department of PF Management, BPA  
Terje Iversen, Petroleum Fund Advisor, BPA  
Gastão de Sousa, Chief Economist, BPA (Secretary)

The Chairman declared the meeting open at 09.15 a.m.

Agenda of the meeting was approved without amendment.

The Chairman declared that he will preside the meeting until new the Chairman is elected.

#### **Election of the Chairman**

The Chairman stated that base on the Article 2.2 of the Board's Rules of Procedure, the chairman shall be elected for one year term and may be re-elected and the current chairmanship is end on 31 December 2006. The Chairman opened the floor for nomination.

The meeting with acclamation re-elected Mr. Abraão de Vasconcelos to Chair the Board for further one.

#### **Minutes of Previous Meeting**

The minutes of previous meeting held on 17<sup>th</sup> October 2006 was approved without amendment.

#### **Business arising from the minutes not otherwise include in the agenda**

The rebalancing issue is not presented in this meeting since the BPA considers further analysis was deemed necessary.

The meeting resolved to request the BPA to include in the analysis the possibility of changing the Management Agreement to avoid the need for a separate cash account.

### **Study: Non-Commercial external Manager (continue)**

The BPA presented a comprehensive study of non-commercial candidates for external management. The report was well received by the IAB, and the board supported the BPA's main conclusion to enter into contract negotiations with two non-commercial external managers. Furthermore the IAB supported the BPA's suggested plan of action in terms of when the external manager should be funded. In the meeting Mr. Tørres Trovik gave a presentation on BPA's study and discussed its implications in terms of an allocation plan for the external managers.

The BPA's study of the use of external managers presented an external assessment of BPA's own investment operations. This assessment gave a favorable account of the current management given the extent of the current investment mandate. The assessment also concluded that the Petroleum Fund will benefit from the use of external investment managers in the case of an expanded investment mandate. The IAB supported this conclusion of the assessment.

The IAB discussed operational and institutional constraints on the current investment strategy, and how BPA can prepare for the review in 2010 of the range of qualifying instruments, as per Article 14.3 of the Petroleum Fund Law. The IAB noted that a new global custodian and the ability to use external managers will allow the strategic allocation to be broadened and optimized within the current constraint of the Petroleum Fund Law. Looking ahead for the 2010 review of qualifying instruments the IAB noted that BPA should start to analyze and plan for a change well in advance of the review to be able to implement an optimal investment strategy as soon as the law is changed.

For the next IAB meeting BPA will propose an allocation plan (amounts and dates) for the suggested non-commercial external investment managers. This proposal should take account of the management fees, the quality of the capacity building, including what administrative support that is included in the capacity building programs, the expected return from the broadened investment strategy subsequently available to the external managers and an assessment of the total risks including operational risk. Moreover the BPA was requested in the next IAB meeting to propose necessary changes to the investment management agreement between the MoPF and the BPA, and to present a reporting regime suitable for more than one investment manager.

The IAB made a resolution to write a letter to the Minister of Planning and Finance in which;

*The IAB recommends the Minister of Planning and Finance to authorize the Banking and Payments Authorities to enter into contract negotiations with non-commercial external investment managers.*

**Adoption of IAB work plan for 2007**

The Board discussed the Work Plan presented by the Secretariat and resolved to adopt the work plan for 2007.

**Other Business**

The Chairman announced that Mr. Sigurd Klakeg, the Fiscal and Petroleum Advisor, has decided to return to Norway and his membership as the Board member will continue until a new member is appointed.

Board members wished Mr. Sigurd the very best thanking him for his dedication and invaluable contribution to the Board over the last year. He was a key contributor to the success of the establishment of the IAB.

Mr. Sigurd stated that he will be participating in the upcoming April Board meeting.

There were no other businesses, and the Chairman declared the meeting closed at 11.40 p.m.

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**Chairman**

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**Minute Secretary**