



PETROLEUM FUND QUARTERLY REPORT

Quarter ended 31 December 2012

PRESS RELEASE

The Banco Central de Timor - Leste (BCTL) today released the Quarterly Report ended 31 December 2012 of the Petroleum Fund of Timor-Leste showing that the Capital of the fund as of 31 December 2012 was \$ 11,775.35 million compared to \$ 11,054.41 million at the end of September 2012.

The report shows that the gross capital inflows during the quarter were \$ 1,234.45 million, consisting of \$ 654.60 million as contributions of taxpayers to the Fund, royalty contributions from the NPA (National Petroleum Authority) of \$ 579,85 million.

The investment income of the Fund was \$76,90 million of which the coupon and interest received was \$52,72 million and the change in the market valuation of its financial assets was \$24,18 million. This resulted in a portfolio return of the Fund for the quarter of 0.66%, while the benchmark return for the period was 0.64%. The portfolio return was 0.02% above the benchmark return.

The Petroleum Fund law specifies that the Operational Manager (Banco Central de Timor-Leste), is the agent responsible for the operational management of the Fund. The Ministry of Finance is responsible for setting the overall investment strategy for the Fund.

Following Minister's decision on increase of equity exposure, the existing equities manager' exposure was increased gradually and achieved 26% in December 2012

The mandate given to BIS was to manage a single US Treasury 5-10 years index with the same risk and return characteristics of outperforming the benchmark while maintaining an ex-ante tracking error within 100 basis points.

The mandate given to Schrodgers is to manage the portfolio in an enhanced passive indexing style and maintained within a tracking error relative to the benchmark that does not normally exceed 100 basis points, and with load differences maintained within 0.5% (security level) and 2.5% (country and sector levels). At no time shall the ex-ante tracking error exceed 150 basis points.

The mandate given to SSgA is to be managed in a passive indexing style with the objective to seek to closely match the Performance Benchmark, before tax and fees and maintained within an ex ante tracking error relative to the benchmark that does not normally exceed 35 basis points.

BANCO CENTRAL DE TIMOR-LESTE

Avenida Bispo Medeiros
P.O.BOX 59 - DILI
TIMOR-LESTE

T: +670 331 371 2 / 4 / 5 / 8
F: +670 331 371 3 / 6 / 7
E: info(at)bancocentral.tl

The Banco Central de Timor-Leste has managed the portfolios close to the benchmark over the first 30 quarters. The difference in return between the portfolio and the benchmark since the inception of the fund was 1 basis point.

Highlights of the XXX Quarterly Report, which covers the period from 1 October to 31 December 2012, include:

- The capital of the Fund grew from US\$ 11,054.41 million to US\$ \$11,775.35million.
- Gross cash inflows to the fund from royalties and taxes were US\$ 1,234.45 million.
- Cash outflows were US\$ 590.4 million in which US\$ 586.9 million for transfers to State Budget and US\$ 3.51 for direct external and internal management costs.
- Net cash inflows during the period were US\$ 644.4 million.
- The portfolio return in the period was 0.66% compared with the benchmark return for the quarter of 0.64%.
- Investment income during the quarter was US\$ 76, 90 million consisting of interest income was US\$ \$52,72 million and market revaluations were US\$ 24,18 million.
- The closing balance was US\$ 11,775.35 million.

The quarterly reports, as well as the Petroleum Fund Law and Management Agreement, are available from the Banco Central's website www.bancocentral.tl.

Further information may be obtained from:

Venancio Alves Maria

Executive Director,

Email: venancio.maria@bancocentral.tl

Telephone: +670 3313718

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