



PETROLEUM FUND QUARTERLY REPORT

Quarter ended 31 December 2011

PRESS RELEASE

The Banco Central de Timor – Leste (BCTL) today released the Quarterly Report ended 31 December 2011 of the Petroleum Fund of Timor-Leste showing that the Capital of the fund as of 31 December was \$ 9,310,32 million compared to \$ 8, 903.14 million at the end of September 2011.

The report shows that the gross capital inflows during the quarter were \$ 860.95 million, consisting of \$ 340.89 million as contributions of taxpayers to the Fund and royalty contributions from the NPA (National Petroleum Authority) of \$ 520.06 million.

The investment income of the Fund was \$54.29 million of which the coupon and interest received was \$65.99 million and the change in the market valuation of its financial assets was -\$11.70 million. This resulted in a portfolio return of the Fund for the quarter of 0.59%, while the benchmark return for the period was 0.67%. The portfolio return was -0.08% below the benchmark return.

The Petroleum Fund law specifies that the 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 to restructure the BCTL's mandate, from 0-5 Year Index to 3-5 Years US Treasury index with the same risk and return characteristics, namely to manage the fund closely to the Merrill Lynch 3-5 years US Government Bond Index and a Cash Management not otherwise invested in a specific mandate benchmarked to 1-3 Years US Treasury Index, operational logistics been in place in December but due to proximity to Christmas holiday the implementation has been deferred to January 2012.

The BIS benchmark changed from composite to 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 old BIS portfolio ceased on 9th December for transition to 22 December 2011 and the new mandate commenced from close of business of 22 December 2011.

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.

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

State Street Global Advisors (SSgA) has been appointed as an external manager of an Indexed global equities mandate and an Investment Management Agreement been signed with the SSgA in December 2011 but given the proximity to Christmas holiday, the implementation of the mandate has been defferred to January 2012.

The Banco Central de Timor-Leste has managed the portfolio close to the benchmark over the first 26 quarters. The difference in return between the portfolio and the benchmark since the inception of the fund was -3 basis points.

Highlights of the XXVI Quarterly Report, which covers the period from 1 October to 31 December 2011, include:

- The capital of the Fund grew from \$8,903.14 million to US\$ 9, 310,32 million.
- Gross cash inflows to the fund from royalties and taxes were US\$ 860.96 million.
- Cash outflows were US\$ 508.07 million in which US\$ 505.00 million for transfer to the State Budget, US\$ 2.24 million for direct external and internal management costs and accrued for external management and custody fees US\$ 0.83 million.
- Net cash inflows during the period were US\$ 352.89 million.
- The portfolio return in the period was 0.59% compared with the benchmark return for the quarter of 0.67%.
- Investment income during the quarter was \$ 54.29 million consisting of interest income was \$65.99 million and market revaluations were -\$11.70 million.
- The closing balance was \$ 9,310.32 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

Petroleum Fund Management,

Banco Central de Timor-Leste

Email: venancio.maria@bancocentral.tl

Telephone: +670 3313718

Dili, 8 February 2012.