

Petroleum Fund Quarterly Report

Quarter ended 31 December 2009

PRESS RELEASE

The Banking & Payments Authority (BPA) today released the Quarterly Report ended 31 December 2009 of the Petroleum Fund of Timor-Leste showing that the Capital of the fund as of 31 December 2009 was \$5,376.63 million compared to \$5,301.57 million at the end of September 2009.

The report shows that the gross capital inflows during the quarter were \$394.03 million, consisting of US\$ 155.30 million as contributions of taxpayer to the Fund, royalty contributions from the NPA (National Petroleum Authority) of US\$ 233.49 million and other receipt was US\$ 5, 24 million.

The investment income of the Fund was -5.63 million of which the coupon and interest received was \$43.64 million and the change in the market valuation was -\$49.30 million. This resulted in a portfolio return of the Fund for the quarter of -0.10%, while the benchmark return for the period was -0.10%. The portfolio return was exactly the same with the benchmark return and within the mandate.

The Petroleum Fund law specifies that the BPA, as the future central bank of 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.

The mandate given to the BPA has not changed, namely to manage the fund closely to the Merrill Lynch 0-5 years US Government Bond Index, while the mandate given to the BIS is to manage a diversified bond portfolio in an enhanced return manner with the objective of outperforming the Benchmark while maintaining an ex ante tracking error within 100 basis points.

The BPA has managed the portfolio close to the benchmark over the first 18 quarters. The difference in return between the portfolio and the benchmark since the inception of the fund in 2005 is -0.06 basis points

Highlights of the XVIII Quarterly Report, which covers the period from 1 October to 31 December 2009, include:

- The opening balance was \$5,301.57million.
- Net receipts during the quarter were \$394.03 million which consisted of taxpayer receipts of \$155.30 million, royalty receipts of \$233.49 million and other receipt was \$5.24 million. The fund outflows were \$313.43 million which

compose of \$312 million was transferred to the State Budget while \$1.34 million was to cover the operational management costs. The net capital flow was \$80.69 million.

- The portfolio return was -0.10 % for the quarter while the benchmark return was -0.10 %. The excess return was 0 (zero) basis point. Investment income during the quarter was \$-5.63 million consisting of interest income was \$43.64 million and market revaluations of -\$49.30 million.
- The closing balance was \$ 5,376.63 million.

The quarterly reports, as well as the Petroleum Fund law and Management Agreement, are available from the Banking & Payments Authority's website www.bancocentral.tl.

Further information may be obtained from:

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