

## **Petroleum Fund Quarterly Report**

**Quarter ended 31 December 2008**

### **PRESS RELEASE**

The Banking & Payments Authority (BPA) today released the Quarterly Report ended 31 December 2008 of the Petroleum Fund of Timor-Leste showing that the Capital of the fund as of 31 December 2008 was \$4,196.97 million compared to \$3,738.35 million at the end of September 2008.

The report shows that the gross cash inflows during the quarter were US\$585.81 million, consisting of taxpayer contributions to the Fund of US\$ 183.78 million and royalty contributions from the NPA (National Petroleum Authority) of US\$ 402.02 million.

The investment income of the Fund was \$129.36 million of which the coupon and interest received was \$37 million and the change in the market valuation was \$92.36 million. This resulted in a portfolio return of the Fund for the quarter of 3.30 %, while the benchmark return for the period was 3.36 %. The portfolio return for the quarter was therefore 6 basis points below the benchmark return and within the mandated target of  $\pm 25$  basis points.

At the request of government and within the amount appropriated by parliament an amount of \$256 million has been deducted from the Fund and transferred to the General State Budget account during the quarter. During the calendar year 2008, the total transfer to the State Budget was \$396 million.

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 is to manage the fund closely to the Merrill Lynch 0-5 years US Government Bond Index. The BPA has managed the portfolio close to the benchmark over the first 14<sup>th</sup> quarters. The difference in return between the portfolio and the benchmark since the inception of the fund in 2005 is -5 basis points within the target of  $\pm 25$  basis points.

Highlights of the XIV Quarterly Report, which covers the period from 1 October to 31 December 2008, include:

- The Opening Balance was \$3,738.35 million.
- Gross receipts during the quarter were \$585.81 million which consisted of taxpayer receipts of \$183.78 million and royalty receipts of \$402.02 million whereof the cash outflows was \$256.53 million for the transfers to the state budget and the management fees. The net cash inflow was US\$329.28 million.

- The portfolio return was 3.30% for the quarter while the benchmark return was 3.36% within the mandate of +/-25 basis points.
- Investment income during the quarter was \$129.36 million consisting of interest income of \$37 million and market revaluations of \$92.36 million.
- The closing balance was \$4,196.97 million.

During the quarter, the BPA and the Investment Advisory Board continue to discuss the further diversification strategy to diversify the Petroleum Fund assets for higher yield.

The contract negotiations with BIS as non-commercial external manager were progressing during the quarter.

The quarterly report, as well as the Petroleum Fund law and Management Agreement, is available from the Banking & Payments Authority's website [www.bancocentral.tl](http://www.bancocentral.tl).

Further information may be obtained from:

Venancio Alves Maria  
Executive Director  
Petroleum Fund Management,  
Banking & Payments Authority of Timor-Leste  
Email: [venancio.maria@bancocentral.tl](mailto:venancio.maria@bancocentral.tl)  
Telephone: (670) 3313718

Dili, 9 February 2009.