

Petroleum Fund Quarterly Report

Quarter ended 31 March 2008

PRESS RELEASE

The Banking & Payments Authority (BPA) today released the **eleventh** Quarterly Report of the Petroleum Fund of Timor-Leste showing that the Capital of the fund as of 31 March 2008 was \$2,629.96 million compared to \$2,086.16 million at the end of Dec 2007.

The report shows that the gross cash inflows during the quarter was US\$479.74 million consist of the taxpayers contribution to the Fund was US\$ 221.73 million and the royalties contribution of the TSDA was US\$ 258.01 million.

The fund accrued interest was \$20.30 million during the quarter, while the change in the securities valuation was \$44.02 million.

The portfolio return of the Fund for the quarter was 2.99 %, while the benchmark return for the period was 3.04 %. The portfolio return for the quarter was 5 basis points below the benchmark return within the mandated target of ± 25 basis points.

An amount of US\$ 260 thousand has deducted from the Fund for the management fees during the quarter.

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 11th quarters. The difference in return between the portfolio and the benchmark since the inception of the fund is -5 basis points within the target of ± 25 basis points.

Highlights of the XI Quarterly Report, which covers the period from 1 January to 31 March 2008, include:

- An opening Balance was \$2,086.16 million.
- The gross receipts during the quarter was \$479.74 million which consist of taxpayer's receipt of \$221.73 million and the royalties receipts of \$258.01 million whereof the cash outflows was 260.69 thousands for the management fees. The net cash inflow was US\$ 479.48 million.
- The portfolio return number was 2.99% for the quarter while the benchmark return was 3.04%.
- The investment income during the quarter was \$64.32 million consisting of interest income was \$20.30 million and the market revaluation was \$44.02million.

- A closing balance was \$2,629.96 million.

During the quarter, the BPA continue undertaking a project to engage a global custodian with assistance of an international consultancy company.

The BPA also engaged an International Legal Firm during the quarter to provide the legal advice to the BPA in relation to the contractual issues with external parties and other issues as they may arise.

The Executive Director of the Petroleum Fund Department of the BPA continue participating in a Working Group established by the Minister of Finance to review the optimal strategic asset allocation within the limit of the Petroleum Fund Law and to suggest appropriate changes in investment rules and qualifying instruments in the Petroleum Fund Act and correspondingly in the Management Agreement.

The BPA is continuing the process of selecting non-commercial external managers.

The quarterly report, as well as the Petroleum Fund law and Management Agreement, is available from the Banking & Payment Authority's website 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
Telephone: (670) 3313718

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