

Autoridade Bancária e de Pagamentos de Timor-Leste

Banking and Payments Authority of Timor-Leste

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Petroleum Fund Quarterly Report

Quarter ended 30 September 2007

PRESS RELEASE

The Banking & Payments Authority (BPA) today released the ninth Quarterly Report of the Petroleum Fund of Timor-Leste showing that the Capital of the fund as of 30 Sept 2007 was \$1,817.91 million compared to \$1,394.22 million at the end of June 2007.

The report shows that the gross cash inflows during the quarter was US\$381.5 million consist of the taxpayers contribution to the Fund was US\$ 116.22 million and the royalties contribution of the TSDA was US\$ 265.33 million.

The fund accrued interest was \$14.46 million during the quarter, while the change in the securities valuation was \$27.94 million.

The return on the Fund for the quarter was positive 2.68 %, equivalent to an annual return of 11.15%. The benchmark return for the period was 2.66%. The portfolio return for the quarter was 2 basis points higher than the benchmark return within the mandated target of ± 25 basis points.

An amount of US\$ 260.70 thousands management fee has been deducted from the fund 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 eighth quarters. The difference in return between the portfolio and the benchmark since the inception of the fund is 2 basis points within the target of ± 25 basis points.

Highlights of the VIII Quarterly Report, which covers the period from 1 July to 30 September 2007, include:

- An opening Balance was \$1,394.22 million.
- The gross receipts during the quarter was \$381.55 million which consist of taxpayer's receipt of \$116.22 million and the royalties receipts of \$265.33 million whereof the cash outflows was USD 260.70 thousands for the Management fees during the quarter. The net cash inflow was US\$ 381.29 million.
- Absolute return number was 2.68% for the quarter, or \$42.40 million
- A closing balance was \$1,817.91 million.

The opening benchmark cumulative return in this report has been restated upwards by two basis points to reflect a small difference that has arisen between the benchmark return calculated on a year-on-year basis and the sum of the daily movements. This has not affected the return on the Fund.

The BPA also wishes to inform the public on a report published recently by the Peterson Institute for International Economics in Washington USA which gives high praise to Timor-Leste's Petroleum Fund.

32 Funds in 28 countries were evaluated by the Peterson Institute using a range of criteria about structure, governance, transparency and accountability, and behaviour. These criteria are intended to measure international best practices in managing sovereign wealth.

The Petroleum Fund of Timor-Leste was ranked third in the world.

The Petroleum Fund scored 21.75 points out of a maximum of 25, scoring maximum points for structure, and losing only 0.25 of a point on "transparency and accountability", ranking it second in the world in that category.

By way of comparison with similar funds in other countries, the Peterson Institute ranks New Zealand and Norway in the first two places.

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:

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