

Minutes of Meeting

Petroleum Fund of Timor-Leste

Investment Advisory Board

Held on 17 December 2015

At the Office of Autoridade Nacional do Petroleo (ANP), Dili, Timor-Leste

Present:

Olgario de Castro (Chairman)
Gualdino da Silva
Kevin Bailey
Tørres Trovik (by teleconference)
Venancio Alves Maria
Basilio Soares
Samuel V Robinson (Secretary)

In attendance:

Filipe Nery Bernardo, PFAU, Ministry of Finance
Cosme da Costa Araujo, PFAU, Ministry of Finance
Tobias Ferreira, PF Department, Central Bank
Olga Conceição, PFAU, Ministry of Finance

The Chairman declared the meeting open at 3.30 PM.

1. Apologies

None.

2. Approval of the agenda

The agenda for the meeting was agreed to.

3. Approval of the minutes of the meeting on 10 November 2015

The minutes of the previous meeting were approved with item 5 declared confidential.

4. Matters arising from the minutes not otherwise included in the agenda

The Board briefly discussed the rationale for declaring parts of the minutes relating to investment decisions as confidential until the decisions had been implemented, and agreed to revisit the subject at a future meeting.

5. Letter to the Minister

The Board discussed and approved a draft letter to the Minister with advice on factor-based investing.

6. Review of the Fund's performance

Mr Venancio reported that the Fund had lost 0.62% during November following a near 3% gain (approximately \$450 million) during October. The November loss reflected declines in both the equity and bond portfolios. He said the Prime Minister had sought an explanation for the loss in the September quarter, and this had been provided. There had been five negative quarters out of 40 since the inception of the Fund, which was within the expectations of the Board. The 12-month return of the Fund was negative 26 basis points, an outcome also within the range of expected returns.

7. Priorities over coming months

Mr Nery reported on the Secretariat's proposed work for 2016, including a review of the Fund's liquidity management policy in light of the fact that transfers to government were likely to exceed cash inflows. It was agreed that the Board would be well served if it could be briefed on the overall context of the government's expenditure plans.

Mr Nery said that it was also planned to review the Strategic Asset Allocation.

The Board agreed that it would be timely to revisit the Fund's numeraire, currency, and cash flow policies.

8. Other business

The Board reviewed progress made during 2015 within the longer-term development of the Fund.

9. Next meeting

It was agreed to hold the next meeting on 28 January 2016.

The Chairman declared the meeting closed at 6:00 p.m.

Chairman

Secretary