



PETROLEUM FUND QUARTERLY REPORT

Quarter ended 30 September 2012

PRESS RELEASE

The Banco Central de Timor - Leste (BCTL) today released the Quarterly Report ended 30 September 2012 of the Petroleum Fund of Timor-Leste showing that the Capital of the fund as of 30 September 2012 was \$ 11,054.41 million compared to \$ 10,600.74 million at the end of June 2012.

The report shows that the gross capital inflows during the quarter were \$ 629.47 million, consisting of \$ 329.41 million as contributions of taxpayers to the Fund, royalty contributions from the NPA (National Petroleum Authority) of \$ 299.81 million and other receipt of \$ 0.24 million.

The investment income of the Fund was \$214.52 million of which the coupon and interest received was \$53.32 million and the change in the market valuation of its financial assets was \$161.20 million. This resulted in a portfolio return of the Fund for the quarter of 2.01% , while the benchmark return for the period was 1.98%. The portfolio return was 0.03% above the benchmark return.

The Petroleum Fund law specifies that the Operational Manager (Banco Central de 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.

Following Minister's decision on increase of equity exposure, the existing equities manager' exposure was increased gradually and achieved 23% target equities in September 2012

The mandate given to BIS was to manage a single US Treasury 5-10 years index with the same risk and return characteristics of outperforming the benchmark while maintaining an ex-ante tracking error within 100 basis points.

The mandate given to Schroders is to manage the portfolio in an enhanced passive indexing style and maintained within a tracking error relative to the benchmark that does not normally exceed 100 basis points, and with load differences maintained within 0.5% (security level) and 2.5% (country and sector levels). At no time shall the ex-ante tracking error exceed 150 basis points.

The mandate given to SSgA is to be managed in a passive indexing style with the objective to seek to closely match the Performance Benchmark, before tax and fees and maintained within an ex ante tracking error relative to the benchmark that does not normally exceed 35 basis points.

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The Banco Central de Timor-Leste has managed the portfolios close to the benchmark over the first 29 quarters. The difference in return between the portfolio and the benchmark since the inception of the fund was -1 basis point.

Highlights of the XXIX Quarterly Report, which covers the period from July to 30 September 2012, include:

- The capital of the Fund grew from \$10, 600.74 million to US\$11,054.41 million.
- Gross cash inflows to the fund from royalties and taxes were US\$ 629.47 million.
- Cash outflows were US\$ 391.63 million in which \$389 million for transfers to State Budget and \$1.32 for direct external and internal management costs.
- Net cash inflows during the period were US\$ 239.15 million.
- The portfolio return in the period was 2.01% compared with the benchmark return for the quarter of 1.98%.
- Investment income during the quarter was \$ 214.52 million consisting of interest income was \$53.32 million and market revaluations were \$161.20 million.
- The closing balance was \$ 11,054.41 million.

The quarterly reports, as well as the Petroleum Fund Law and Management Agreement, are available from the Banco Central's website www.bancocentral.tl.

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Dili, 06 November 2012.