



PETROLEUM FUND ANNUAL REPORT

Financial Year 2016





**DEMOCRATIC REPUBLIC OF TIMOR-LESTE
MINISTRY OF FINANCE**



"To be a good citizen is to be a new hero for our Nation"

**Timor-Leste Petroleum Fund
ANNUAL REPORT
2016**

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Note: Special acknowledgment is due to Sebastião Guterres “Seba” for authorising use of his photograph for the cover of this report.

Message from
Santina J.R.F. Viegas Cardoso
Minister of Finance



The Petroleum Fund's investments generated a return of 4.1 per cent in 2016. The annual investment income was \$648 million after deducting expenses.

Last year's performance illustrates the Fund's investment strategy. The small loss in 2015 and a sharp fall in stock markets early in 2016 led some commentators to question the equity allocation. But our approach is to take a long-term view. We understand that equity's performance is subject to short-term volatility and that is necessary to meet the Fund's return objective over the long-run. The equity allocation was maintained and the Fund benefited when markets subsequently recovered in the second half of the year. Equities drove the Fund's performance, returning 8.1 per cent in 2016, while bonds returned 1.5 per cent.

The benefit of investing in equities is also clear over the longer history. Equities have met their growth role returning on average 9.0 per cent each year since the first investment was made in 2010. Bonds, on the other hand, have returned 1.1 per cent over the corresponding period. For the Fund as a whole, the average annual return is 3.8 per cent since its inception in 2005, with investments adding \$3.2 billion to the Fund's value.

The investment and petroleum income was not sufficient to offset the outflows in 2016. The Fund balance declined for the second consecutive year, falling \$373 million to \$15.8 billion. This is expected while expenditure is front-loaded for economic development, and withdrawals are projected to be well in excess of the ESI. The falls are compounded by lower oil prices and declining production.

The IAB was tasked with assessing the implications of a declining balance on the Fund's investment strategy. I have adopted their recommendation that the asset allocation remains appropriate for the bulk of the Fund, primarily because there is a sufficiently long horizon. At the same time, there is benefit in reducing the price risk of financing upcoming outflows so investments will be sold to finance the next 12 months of withdrawals. Following this advice, an interim sale was made in June 2016 and a new cash mandate will be implemented in 2017.

I have also adopted the IAB's advice to introduce equity factors in order to diversify the equity portfolio. The Board has also been reviewing the Fund's foreign exchange exposure. These matters are described in the report and changes are expected to be implemented during 2017. The Board and Secretariat will also undertake an internal review of the Fund's asset allocation and investment objectives in 2017.

I am pleased with the progress made by the Petroleum Fund. The commencement of internal management of a portion of the equity portfolio by the BCTL represents another positive step. I know that the BCTL and that the Petroleum Fund team at the Ministry of Finance are committed to capacity development to allow more work to be undertaken internally for the benefit of the Fund and ultimately the people of Timor-Leste.

The IAB has played a central role in the Petroleum Fund's development. I would like to thank Mr Kevin Bailey for his valuable service to the Petroleum Fund and Timor-Leste. Kevin has decided to retire after 9 years as a Board member. I welcome the new Board member, Professor Michael Drew.

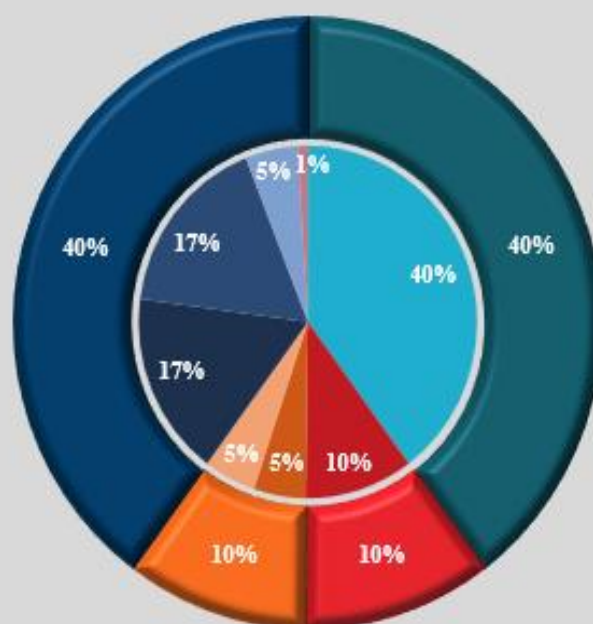
Santina J.R.F. Viegas Cardoso
Minister of Finance



The Petroleum Fund at a Glance

End of Year Balance 2016	Petroleum Revenues 2016	Net Investment Income 2016	Investment Income Since 2005
\$15,844m	\$224m	4.1% (\$648m)	3.8% per annum (\$3.24bn)

Petroleum Fund Allocation as at 31 December 2016



Allocation by Asset Classes

Bonds		60%
US Treasuries 3 - 5 Years	40%	
US Treasuries 5 - 10 Years	10%	
Global Treasuries Dev. Market ex-US	10%	

Equities

Developed Market Equities	40%	40%
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Allocation by Managers

Banco Central de Timor-Leste	40%
Bank for International Settlements	10%
AllianceBernstein	5%
Wellington	5%
State Street Global Advisors	17%
BlackRock	17%
Schroders	5%
Banco Central de Timor-Leste	1%
	100%

About the Petroleum Fund

The Petroleum Fund of Timor-Leste (henceforth “the Fund”) is the cornerstone of the Government’s economic policy.

Legal Framework

The Petroleum Fund was established to fulfil the constitutional requirement set by Article 139 of the Constitution of the Republic that mandates a fair and equitable use of the natural resources in accordance with national interests, and that the income derived from the exploitation of these resources should lead to the establishment of a mandatory financial reserve.

The Government therefore created the Petroleum Fund in 2005, under the provision of the Petroleum Fund Law No.9/2005 (3 August 2005) as amended by the Law No.12/2011 (28 September 2011).

Purpose

The preamble of the Petroleum Fund Law clearly states that the purpose of establishing the Petroleum Fund is to contribute to the wise management of Timor-Leste’s petroleum resources for the benefit of both current and future generations. The Fund is also a tool that contributes to sound fiscal policy, where appropriate consideration and weight is given to the long-term interest of Timor-Leste’s citizens.

Key Features

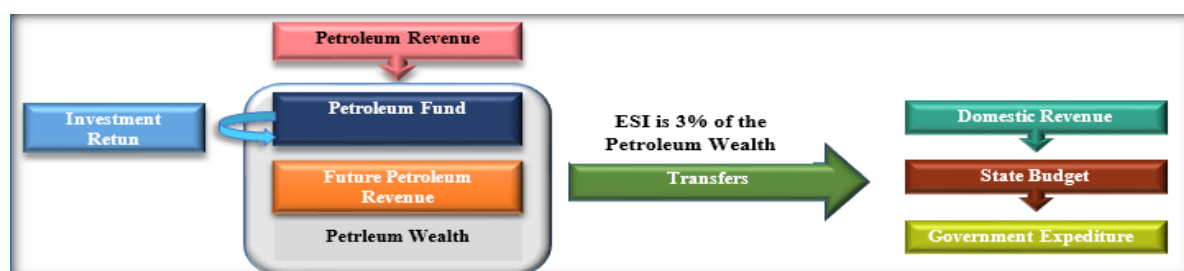
The Petroleum Fund Law provides mechanisms that assist Timor-Leste to sustainably manage its petroleum revenues,

details parameters for operating and managing the Petroleum Fund, defines asset allocation guidelines and risk limits, governs collection and management of the receipts, regulates transfers to the State Budget, defines clear roles and responsibilities of entities involved in the management of the Fund and provides for government accountability and oversight of these activities.

The Petroleum Fund is formed as an account of the Ministry of Finance held in the Central Bank of Timor-Leste (BCTL). The Fund separates the inflow of petroleum revenues from government spending. All petroleum income initially enters the Fund before any transfers are made to the State Budget. The amount of the transfers is guided by the Estimated Sustainable Income (ESI), set at 3% of total Petroleum Wealth. Petroleum Wealth comprises the balance of the Petroleum Fund and the Net Present Value of expected future petroleum revenue. The rationale behind using the ESI is to smooth the spending of temporarily high petroleum income and shield against the volatility of petroleum inflows and safeguard the sustainable use of public finances.

The Fund is invested only in international financial assets. The investment objective is to achieve a 3% real return over the long-run to contribute to the sustainability of the fiscal policy. The Government recognizes that pursuing this investment return objective involves accepting risk in terms of short-term investment return volatility. It requires the Fund to have a long-term horizon to ride through short-term fluctuations in order to achieve an average long-term higher expected return. The investment strategy and strategic asset allocation are described in more detail in the section, “The Fund’s Investments”.

Figure 1 – Petroleum Fund Integrated with the State Budget



Governance

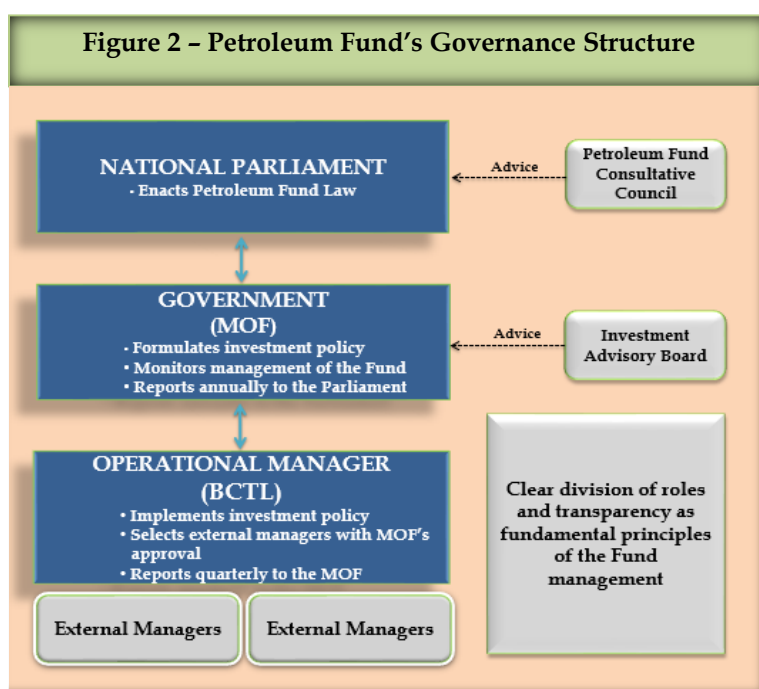
The Petroleum Fund model is internationally recognised for its high standard of governance, accountability, transparency and disclosure of information. This helps build public support for the wise management of petroleum revenues and reduces the risk of mismanagement. As shown in Figure 2 below, the relevant entities involved in the management of the Petroleum Fund operate independently but are accountable to one another in the decision making process.

The Parliament sets the objective of the Fund, the broad asset allocation guidelines and the risk limits. The Government, through the Ministry of Finance, is responsible for the overall management of the Petroleum Fund including setting the investment policy and strategy, investment guidelines and exercising of oversight.

The Minister of Finance is required to seek advice from the Investment Advisory Board (IAB) before making decisions on any matter relating to the investment strategy or management of the Fund. The operational management of the Fund is delegated to and carried out by the Banco Central de Timor-Leste (BCTL), which invests, and may delegate to external managers to invest, the Fund's capital according to guidelines established by the Ministry of Finance.

The Petroleum Fund Law also sets out the requirements for all entities involved in the management of the Fund to provide and publish reports on the activities of the Fund. The Ministry of Finance prepares the Petroleum Fund Annual Report, financial statements and general state budget statement for the National Parliament. The BCTL provides quarterly reports to the Minister on the Fund's performance. In addition, an international accredited external auditor is required to issue and publish an annual audit report on the Fund's financial statements.

These reports are shared with key stakeholders and are publicly available on both Ministry of Finance (www.mof.gov.tl) and Central Bank (www.bancocentral.tl) websites. The Petroleum Fund, as an active member of the International Forum for Sovereign Wealth Funds (IFSFW), conducted its seventh annual self-assessment of the Petroleum Fund's adherence with the Santiago Principles to ensure that the Fund continues to exemplify international best practice with regard to funds governance. The self-assessment report is attached as Annex XIII to this report. These efforts have been reflected in international recognition of the high level of transparency of the Fund and the good management of the resources.



Petroleum Fund Balance and Flows

The Fund's balance decreased to \$15,844 million as at the end of December 2016 from the previous year's balance of \$16,218 million (see Figure 3). The \$373 million fall in the balance was the second annual decline since the Fund's inception. The overall balance of the Fund is affected by petroleum revenues, the investment return and withdrawals. As Figure 4 illustrates, petroleum revenues and investment returns contributed \$224 million and \$648 million respectively to the Fund over the year. The total withdrawal of \$1,245 million from the Fund to finance the Government's budget resulted in the decline in the Fund's balance.

Petroleum Revenues

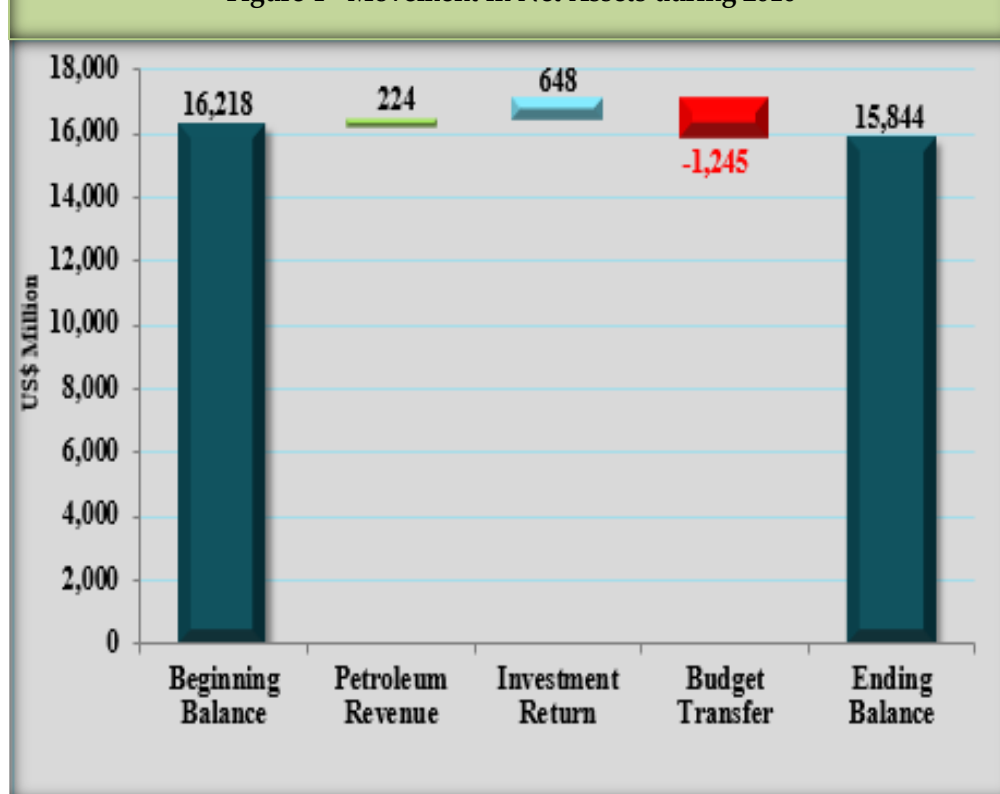
Petroleum revenues now come from one field, Bayu Undan, which started production in 2004. Kitan, the other much smaller field, started production in 2011 but was suspended in December 2015 due to the fall in oil prices.

Figure 3 - Market Value of the Petroleum Fund



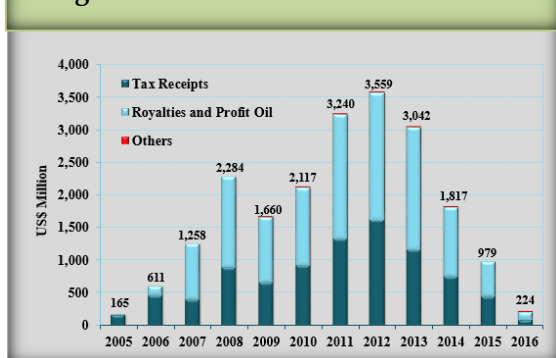
The total petroleum revenue collected during 2016 was \$224 million. That was comprised of \$90 million in petroleum taxes, \$127 million in royalties and oil and gas profit and \$6 million in other petroleum revenues (see Figure 5). The collections are net of a tax settlement¹. These collections were in accordance with Articles 6.1 (a), (b), and (e) of the Petroleum Fund Law respectively.

Figure 4 - Movement in Net Assets during 2016



¹ <http://timor-leste.gov.tl/?p=14540&lang=en>

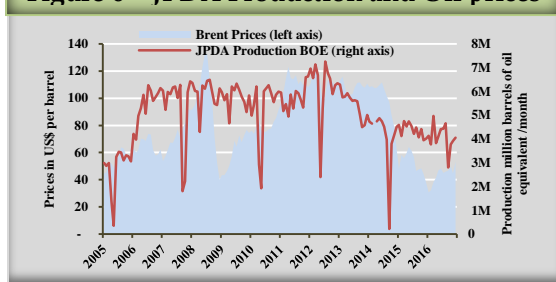
Figure 5 – Annual Petroleum Revenue



Petroleum revenue has declined significantly since its peak of close to \$3.6 billion in 2012. The falls in revenue reflects both declining production and lower oil prices (Figure 6). Total petroleum production from Bayu-Undan peaked in 2011 and will continue to decline before ceasing in 2021. The global oil price has also been much lower over the last two and a half year.

Figure 5 shows that the petroleum revenue received in 2016 was about one fifth of the revenue received in 2015. Oil and gas production slightly decreased from 52 million barrels of oil in 2015 to 49 million barrels of oil in 2016². The average price received in 2016 was higher than the price received in 2015.

Figure 6 – JPDA Production and Oil prices



Source: EIA and ANPM

The bulk of production was sold at higher oil prices in previous years. Since the inception of the Fund in 2005, the Government has collected total petroleum revenues of \$21.0 billion. Most of the country's Petroleum Wealth is already transformed into financial assets. Going forward, investment income and withdrawals will be the main drivers of the Petroleum Fund balance until new projects come online.

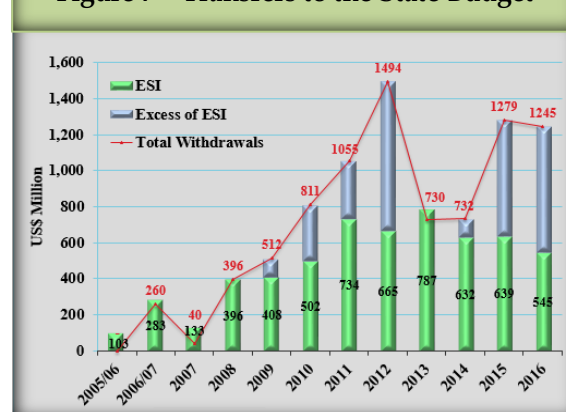
² <http://www.anp-tl.org/webs/anptlweb.nsf/pgLafaekDataGasListHTML>

Withdrawals

The Government withdrew \$1,244.8 million from the Fund during 2016 to finance the General State Budget. This was \$700 million more than the ESI of \$545 million for the year (see Figure 7). The ESI is set at 3% of the Petroleum Wealth which consists of the Petroleum Fund balance and the forecasted net present value of the future petroleum revenues.

The Government has withdrawn \$8,554 million from the Fund since its inception until the end of 2016. This exceeds the cumulative ESI over that period by \$3,003 million. The excess reflects the Government's policy to front-load expenditure to enable economic development. The implications for the Petroleum Fund's investment strategy have been carefully considered and are summarised in the section regarding the advice from the Investment Advisory Board.

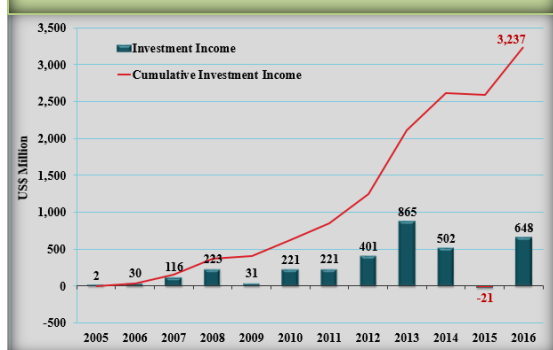
Figure 7 – Transfers to the State Budget



Investment Income

The Petroleum Fund posted a gain of \$647.7 million in 2016 after deducting expenses. This follows the previous year's small loss of \$21.4 million and income of \$502 million in 2014. Details on the Fund's performance are provided in the section below. Since the Fund's inception, investment income has been \$3,237 million.

Figure 8 – Investment Income in USD (\$)



Management Expenses

The Operational Management Agreement signed between the Ministry of Finance and the BCTL provides for the BCTL to recover the expenses it incurs as the Petroleum Fund's operational manager³. Figure 9 shows that management expenses incurred in 2016 totalled US\$ 14.9 million. This included custody and external manager fees of US\$ 8.3 million; the BCTL's operating expenses of US\$ 4.9 million; and Investment Advisory Board (IAB) expenses of US\$ 203 thousand. Relative to the size of the Fund, the fees for 2016 were 0.08 per cent, which was lower than the previous year's 0.10 per cent.

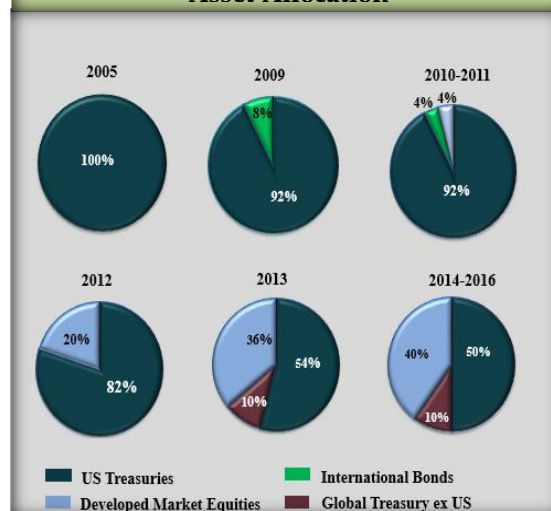
Figure 9 – Management Expenses in 2016

Category	\$US
External manager & custody fees	8,257,197
BCTL operational management costs	4,934,218
IAB expenses	203,420
Other expenses	1,475,000
Total	14,869,835

The Fund's Investments

The Fund's strategic asset allocation (SAA) is 40 per cent equities and 60 per cent bonds. This is shown in Figure 10, along with how the asset allocation has evolved over time.

Figure 10 - The Evolution of the Fund's Asset Allocation



The original Petroleum Fund Law required 90 per cent of investments to be in US dollar bonds and the Fund was fully invested in bonds for its first 5 years. The objective was to limit risk during the early stages in order to help build public confidence in the Fund and allow time to develop internal investment capabilities.

Given the low risk of such a defensive allocation, the portfolio's expected return was low. However, the high bond allocation proved to be a windfall during the Financial Crisis in 2007 and 2008, when a flight to safe investments caused US government bonds to perform strongly.

It was accepted that over the long-run a high allocation to bonds would fail to meet the Fund's 3 per cent real return objective. The objective follows from the ESI rule; earning a real return of 3 per cent will preserve the Fund's purchasing power by offsetting inflation and the government's ESI withdrawals. In order to meet the objective, it was agreed that the equity allocation needed to increase because equities systematically generate higher returns than bonds. Consequently, the Petroleum Fund Law was

³ <http://www.bancocentral.tl/PF/laws.asp>

changed in 2011 to allow up to half of the Fund to be invested in equities. An SAA of 40 per cent equities was chosen based on projections that the allocation could attain a 3 per cent real return with a reasonable probability and an acceptable level of risk. As Figure 11 shows, lower equity allocations fail to meet the return objective, while higher equity allocations result in additional risk.

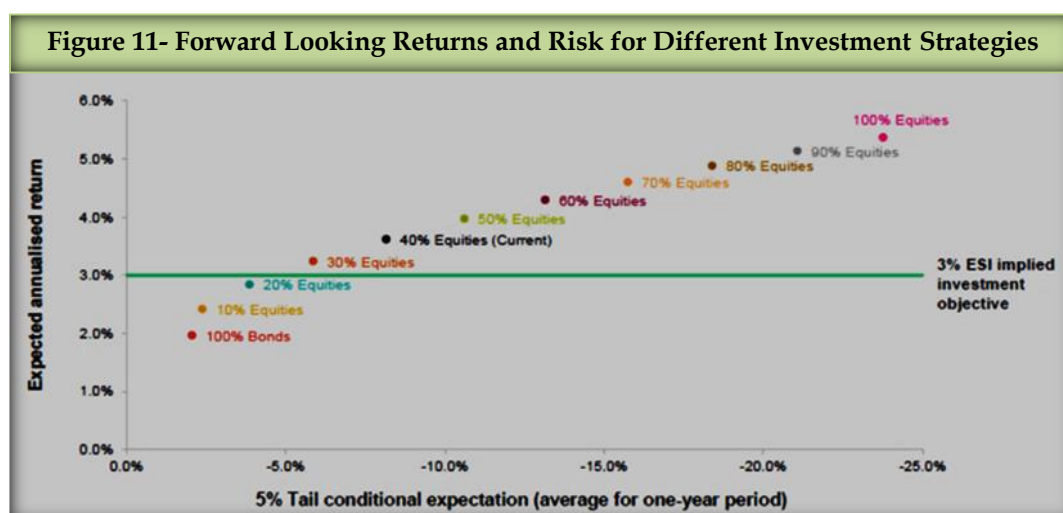
Investment risk can be measured in different ways, as the 2015 Petroleum Fund Annual Report explained. A common measure is the standard deviation of returns, which measures the variability in annual returns. That is 7.6 per cent for our portfolio compared to the expected nominal return of 5.6 per cent (the nominal return includes inflation). This means that we must expect considerable variability each year around the central return expectation. In other words, it is a mistake to think that the Fund will meet its return objective every year. Measures of downside risk are also useful. Modelling predicts that we should expect a loss in one out of five years. Therefore, an annual loss should not be a surprise and it can potentially be large. In the worst five years out of 100, the expected loss is 5.5 per cent or more. Risk is necessary if the objective is to meet the 3 per cent real return objective. The volatility in performance and the potential for losses can be reduced but this will necessitate a lower expected return, which fails to meet the current investment objective.

The Petroleum Fund's SAA, in particular the split between equities and bonds, is the key driver of the Fund's performance. The Fund's investment beliefs shape how the investments are implemented. These are documented in the

Investment Advisory Board's "Statement of Investment Beliefs and Principles", which are published on the Ministry of Finance's website (www.mof.gov.tl).

Two principal beliefs are that markets are generally efficient and that the bulk of investment returns come from rewarded systematic risk factors. Following these beliefs, and also considering capacity development, passive management is adopted as the main investment style for the Petroleum Fund. Passive managers are also known as index managers in that their investment objective is to closely match the performance of the benchmark index. This involves holding the securities in the index so that their invested weights correspond to those in the benchmark. Active managers, in contrast, seek to outperform the benchmark by deviating from the index's holdings.

A related investment belief is that forecasting short-term market movements is difficult. Investors that can remain invested in risky assets over the long-term, including the periods of adverse performance, are able to collect the systematic risk premia, such as the equity risk premium. Ill-timed attempts to jump in and out of markets will fail to realise those premia. For this reason, the Petroleum Fund's allocations are maintained close to those in the SAA, with rebalancing undertaken by the BCTL, the operational manager. Figure 12 shows that the Fund's actual holdings at the end of December 2016 closely correspond with the SAA weights. The 2.3 per cent overweight to equities and the corresponding underweight to bonds are within the mandated parameters.



Source: Willis Towers Watson

Figure 12 - Petroleum Fund's Investment Mandate				
	Manager	Style	Allocation	
			Benchmark	Year-end
US Treasuries 3 - 5 Years	BCTL	Passive	40%	39.0%
US Treasuries 5 - 10 Years	BIS	Enhanced passive	10%	9.6%
Global Treasury ex US	AllianceBernstein	Enhanced passive	5%	4.6%
	Wellington	Enhanced passive	5%	4.6%
Developed Market Equities	SSGA	Passive	34%	17.9%
	BlackRock	Passive		17.9%
	Schroders	Enhanced passive	5%	5.5%
Australian equities	BCTL	Passive	1%	1.0%

The Petroleum Fund invests in equity and bonds issued in a number of developed countries. Passive managers account for the bulk of the equity portfolio, so its composition closely follows the benchmark index, the MSCI World Index. The holdings are diversified across industries and 1,894 companies were held at the end of the year. The individual holdings at the end of the year are detailed in the annual financial statements. Figure 13 shows that over 60 per cent of equities are in companies listed in the US. The Eurozone, Japan and UK in combination account for about another quarter of the equity holdings. The BCTL began internally managing a passive allocation to Australian equities in July 2016, which had previously been managed externally. The 2.6 per cent weight of Australian equities in the Petroleum Fund's equity allocation corresponds with Australia's weight in the MSCI World Index.

The composition of countries in the bond portfolio follows from the allocations to the mandates in Figure 12. Almost 85 per cent of the bond portfolio is in US government bonds. The BCTL's internal mandate of US Treasury 3 to 5 year bonds constitutes about two thirds of the bond portfolio and the BIS's mandate of US Treasury 5 to 10 year bonds represents about another one sixth of the portfolio. The remaining allocation is to non-US sovereign bonds and is managed by AllianceBernstein

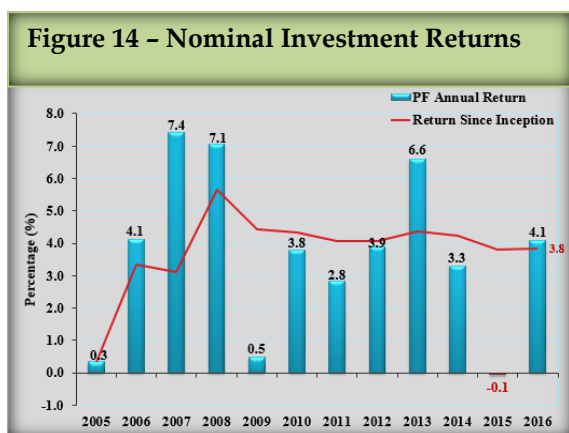
and Wellington Management. A customised benchmark was developed to provide a broad exposure by capping country weights at 10 per cent and the Eurozone at 30 per cent. The enhanced passive mandates provide the two managers with moderate discretion to depart from the benchmark's holdings. The allocations shown in Figure 13 are in line with those in the benchmark, with the Eurozone accounting for 4.4 per cent of the total bond portfolio and Australia, Canada, Japan and the UK each comprising about 1.5 per cent of the portfolio.

Figure 13 also represents the currency exposure of the Petroleum Fund. Almost three quarters of the total Fund is held in the US and therefore denominated in US Dollars. Investments outside the US are denominated in their local currencies. The bond and equity mandates are unhedged in that their foreign exchange exposures are maintained rather than using derivative instruments to reduce or remove the exposures. The Petroleum Fund's largest exposures are to the major currencies, namely the Euro, the Japanese Yen, the British Pound, the Canadian Dollar, the Swiss Franc and the Australian Dollar. The value of the non-US dollar investments in equities and bonds will fluctuate with movements in the US Dollar.

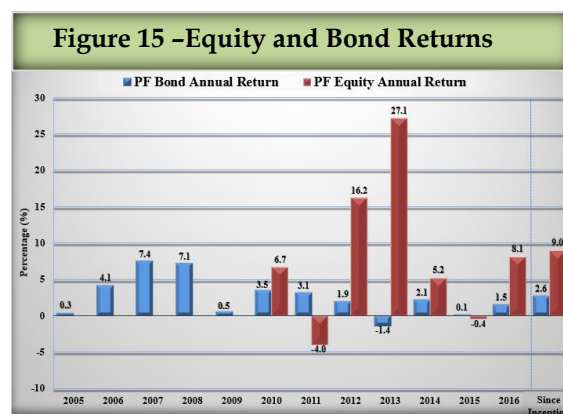
Figure 13 – Allocation by Country			
Country	% of Equities	% of Bonds	% of Portfolio
Australia	2.6%	1.6%	2.0%
Canada	3.5%	1.6%	2.4%
Denmark	0.6%	1.2%	0.9%
Eurozone	10.8%	4.4%	7.1%
Hong Kong	1.6%	0.1%	0.7%
Israel	0.1%	0.0%	0.1%
Japan	8.8%	1.5%	4.6%
New Zealand	0.1%	0.5%	0.3%
Norway	0.3%	0.5%	0.4%
Singapore	0.5%	0.7%	0.6%
Sweden	1.1%	0.8%	0.9%
Switzerland	3.4%	1.0%	2.0%
UK	6.1%	1.5%	3.5%
USA	60.4%	84.6%	74.4%
Total	100.0%	100.0%	100.0%

Performance in 2016

The investment return before expenses was 4.1 per cent (see Figure 14). The Fund's return since inception finished 2016 at 3.8 per cent or 2.0 per cent in real terms after accounting for US inflation.



Equities have met their growth objective, returning 9 per cent per annum since first investing in stocks in 2010 (Figure 15). This compares to the bond portfolio's average annual return of 1.1 per cent over the corresponding period.



Both equities and bonds recorded positive returns in 2016 but the equity portfolio's 8.1 per cent return drove the Fund's performance. Stock markets fell sharply early in the year based on uncertainty regarding China and a weakening outlook for global growth. Markets stabilized as the economic concerns receded, aided by accommodative monetary policy. Stocks were quick to recover from the surprise result in the UK referendum on EU membership in June. Equities posted strong returns in the second half of the year as market sentiment and the economic outlook improved. US equities performed strongly (Figure 16), while other developed markets were mixed, with currency playing a role (Figure 17).

Figure 16 - World and US Equity Returns



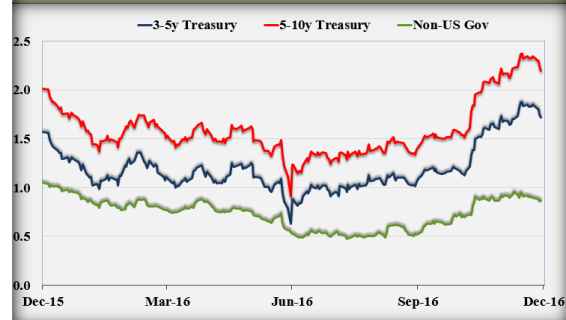
Figure 17 - Equity Returns by Geography

	Local Currency	USD
MSCI World	9.0	7.5
MSCI US	10.9	10.9
MSCI Euro ex UK	2.3	-0.6
MSCI UK	19.2	-0.1
MSCI Japan	-0.7	2.4
MSCI Australia	12.0	11.4
MSCI EM	12.2	11.2

Over the year, the sovereign bond portfolio returned 1.5 per cent and acted as a diversifier for equities. The bond portfolio generated positive returns in the first half and negative returns in the second half of 2016 (Figure 20 and 21).

After declining in the first two quarters, the yields on the US Treasury mandates drifted higher as the outlook and risk sentiment improved (Figure 18). Yields rose sharply in the final quarter. Markets expected a more expansionary fiscal policy following the US Presidential election and began to project higher growth and inflation. The Federal Reserve also raised its policy rate in December to 0.75 per cent and signaled further tightening in future. The US Treasury 3 to 5 year mandate returned 1.3 per cent and the 5 to 10 year mandate returned 1.2 per cent, each in line with their benchmark's performance (Figure 21).

Figure 18 - US Treasuries and Non-US Government Benchmark Yields



The non-US sovereign bond allocation returned about 1 per cent in 2016 (Figure 21). Non-US bonds are unhedged and currency movements contributed to variations in quarterly performance. The portfolio posted strong gains in the first quarter when yields fell and the USD appreciated. The yield on the non-US bond portfolio rose towards the end of the year along with global growth and inflation expectations. The losses in quarter four reflected both a rise in yields and a stronger USD dollar.

The appreciation of the US dollar over the course of the year resulted in a \$116 million fall in the value of foreign currency denominated investments (Figure 19). This was shared between the foreign exchange exposures in the non-US portion of the equity portfolio and the non-US sovereign bond portfolio.

**Figure 19 - USD relative to FX
31 December 2015 = 100**

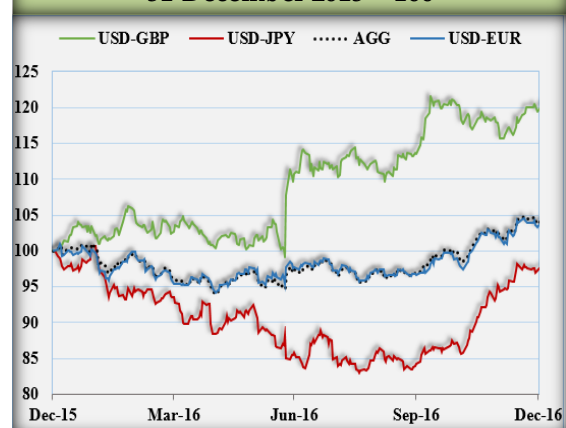


Figure 20 – Portfolio Investment Returns % USD						
	Q1	Q2	Q3	Q4	2016	Since inception
Total Fund	2.10	1.24	1.89	-1.14	4.13	3.84
Benchmark	2.14	1.34	1.89	-1.41	3.98	3.82
Excess	-0.03	-0.10	0.00	0.27	0.15	0.03
Bonds	3.60	1.32	-0.03	-3.32	1.46	2.64
Benchmark	3.67	1.41	-0.08	-3.56	1.31	2.62
Excess	-0.06	-0.09	0.05	0.24	0.15	0.01
Equities	-0.19	1.09	4.99	2.07	8.12	8.99
Benchmark	-0.35	1.01	4.87	1.86	7.51	8.30
Excess	0.16	0.08	0.12	0.21	0.61	0.69

Figure 21 – Bond Investment Returns % USD						
	Q1	Q2	Q3	Q4	2016	Since Inception
3-5 year US Treasuries	2.42	1.10	-0.25	-1.89	1.34	1.15
Benchmark	2.45	1.18	-0.28	-1.96	1.34	1.12
Excess	-0.03	-0.08	0.04	0.07	0.00	0.03
5-10 year US Treasuries	3.90	2.18	-0.36	-4.36	1.17	1.64
Benchmark	4.00	2.22	-0.40	-4.41	1.22	1.65
Excess	-0.10	-0.04	0.04	0.04	-0.05	-0.02
Non-US Sovereigns	8.17	1.34	1.06	-8.86	0.96	-4.31
Benchmark	8.21	1.47	1.03	-8.96	0.99	-4.33
Excess	-0.04	-0.13	0.04	0.09	-0.03	0.02

Advice from the IAB and the Petroleum Fund going forward

The Investment Advisory Board (IAB) of the Petroleum Fund held 8 meetings and 2 workshops during 2016. The minutes of the meetings are available on the BCTL's website (www.bancocentral.tl). The IAB provided 6 recommendations to the Minister of Finance (see Annex XII) in accordance with Article 16 in the Petroleum Fund Law.

The Board addressed three main investment issues over the course of the year. These are outlined below and further details of the IAB's advice are provided in Annex XII.

1. Implications of a declining Fund balance for the investment strategy

The IAB's primary focus in 2016 was reviewing the Fund's investment strategy in light of a declining Fund balance. The State Budget Book's projections clearly show that the balance in the Petroleum Fund will decline over the coming years because outflows from government withdrawals will exceed the inflows from oil and gas revenues and investment returns. Withdrawals continue to be in excess of the ESI as the government prioritises economic development. The future inflows from oil and gas revenues are modest, declining with production and lower oil prices. Investment returns will vary from year to year and the prospective return from bonds is compressed by low yields.

In May the Board recommended an interim step of introducing a cash portfolio to reduce the market risk associated with financing expected withdrawals. While the Fund's investments in equities and bonds are highly liquid, they are subject to short-term fluctuations in value. Cash involves no price risk and represents a more suitable investment for a short holding period. The opportunity cost is that cash will earn a low return. The IAB's advice was to sell equities and bonds to match the projected \$800m of net withdrawals from the Fund for the remainder of 2016. The Minister of Finance adopted the IAB's recommendation and the sale was implemented by the BCTL in June.

The IAB undertook further analysis and provided its SAA advice on 23 September 2016. The Board recognised that the Fund's balance will continue to decline over the Budget Book period and, if those projections are extended, then the Fund will be exhausted sometime within the next 15 to 30 years. When determining the balance between saving and spending to foster development, the Board believed that it is important for policy makers to understand that the Fund is not sustainable beyond this horizon unless there is a change in fiscal policy or there are new inflows from oil and gas reserves.

These projections required a reassessment of the Petroleum Fund's investment strategy. The Fund is often presented as a perpetual fund, based on the framework that withdrawals do not exceed the sustainable amount estimated by the ESI. With a perpetual investment horizon - or at the least a very long term horizon - the Petroleum Fund can weather the volatility inherent in equities. The Board considered whether the change in the projected life of the Fund made it necessary to change the portfolio's overall level of risk.

The Board advised the Minister that there were not sufficient grounds for changing the long term strategy for the bulk of the Fund's investments. Instead it reported that:

- The revised investment horizon is still sufficiently long to warrant the equity allocation and associated risk.
- There is some uncertainty in the projections of both government spending and future revenue so there is value in waiting for new information and adapting the investment strategy accordingly.
- The low interest rate environment is likely to increase the opportunity cost of allocating out of equities into interest bearing investments such as cash or bonds.

At the same time, there is merit in reducing the risk with financing the net outflows expected in the near-term. The Board recommended introducing a cash portfolio to match 12 months of expected net withdrawals. The IAB's Secretariat was tasked with developing

and recommending parameters to implement a new cash mandate, including a rule for the size of the allocation and determining its benchmark. The Minister will then be advised by the IAB. It is expected that the mandate will be implemented in 2017.

2. Introduction of equity factors

The IAB recommended diversifying the equity portfolio by including equity factors in its advice to the Minister on 27 January 2016. As noted in the Investments section earlier, the bulk of the equity portfolio is currently passively managed to the global equity benchmark, which provides exposure to the equity risk premium. The IAB believes that other factors are systematically rewarded, including Value, Size, Momentum, Quality and Low risk. This is supported by the empirical finance literature.

Implementation of a long-only factor portfolio involves creating a portfolio that has a higher than average exposure to the targeted factor. For example, to gain exposure to the Value factor an investor will select listed companies that are “cheap” according to valuation ratios, such as the Book to Market ratio (the company’s accounting book value relative to its market capitalisation). The characteristics of the other factors are summarised in Figure 22 below.

Figure 22 - Equity Factors	
Factor	Company characteristics
Value	Cheap according to valuation ratios e.g. Book to Market
Size	Smaller market capitalisation
Momentum	Recent strong performance
Quality	Higher profitability
Low risk	Low volatility or low beta

The Board recommended a multiple factor portfolio to achieve exposure to the equity factors listed above. The IAB explained that the performance of the equity factor mandates will diverge from the current market-capitalisation weighted benchmark, the MSCI World. While over the long-run the factors are expected to offer risk-adjusted returns that are higher than the MSCI World, their performance is subject to cycles that can include extended periods of adverse relative returns. To capture the systematic return it is essential to take a long-

term view and maintain the exposure during periods of underperformance.

The Minister of Finance followed the IAB’s advice and in her letter on 15 March 2016 advised the BCTL to commence a manager search. The BCTL undertook further analysis and in September proposed adding more specific parameters. This was endorsed by the IAB in its advice to the Minister on 14 October 2016 and adopted by the Minister in her instructions to the BCTL on 28 October 2016. This included specifying the MSCI World as the benchmark rather than trying to incorporate equity factors into the factor managers’ benchmarks and a composite benchmark for the total equity portfolio. Consequently returns from the factor strategies must be expected to deviate from the benchmark index and, therefore, differ from the performance of the Fund’s passive equity managers.

The BCTL began due diligence on a short-list of managers and it is expected that equity factors will be implemented in 2017.

3. The currency numeraire and currency exposure

The currency numeraire in economic terms is the unit of measure that represents the purchasing power of the Fund. In other words, it represents the currency mix of the expenditure that withdrawals from the Fund are used to finance. The true currency numeraire can differ from the reporting currency. The US dollar has been the reporting unit since the Fund’s inception. The US dollar represents a transparent measure given it is Timor-Leste’s local currency and is also a reserve currency.

The currency numeraire and hedging policy was last reviewed in 2013. The IAB’s advice at that time was to continue with the US dollar as the reporting currency and maintain an unhedged currency exposure in the strategic benchmark. Retaining currency exposure in the investments assumed there was non-US dollar exposure in the country’s trade-weighted basket of expected purchases, and that there would be some diversification benefit in holding multiple currencies. This was thought to better reflect the true numeraire although it introduced volatility

relative to the US Dollar reporting unit of the Fund.

There are limitations with the data on the currency composition of national expenditure. The estimates in the 2016 review indicate that by far the bulk of the nation's spending is effectively in US dollars. It is clear that almost all government expenditure is in US dollars. In view of this, the IAB believes that the purchasing power of the Fund is now best represented by the US dollar. Analysis for a US dollar investor shows that currency exposures are unlikely to act as a diversifier and usually add to volatility. Unhedged currency is also unlikely to provide a return over the long-term that exceeds a hedged position.

The analysis supported introducing currency hedging of non-US bonds. The IAB has requested the BCTL to determine how to best implement hedging. Once the operational considerations are addressed, the IAB will formally advise the Minister of Finance.

Work going forward

The cash mandate, equity factors and currency hedging are expected to be implemented during 2017. In addition, the IAB's Secretariat will undertake an internal review of the Petroleum Fund's investment objectives and strategic asset allocation (SAA) and brief the Board in the fourth quarter. As part of the review, the Secretariat will work on devising capital market assumptions that account for current conditions. The IAB in its advice to the Minister on the SAA has noted that the low interest rate environment detracts from the expected return from bonds. Bond yields are low in the US and negative in a number of developed markets. The returns expected from bonds over the next 10 years are much lower than the normative assumptions used to determine the returns of the portfolios shown earlier (Figure 11). This presents a challenge in meeting the 3 per cent real return objective. The IAB and Ministry of Finance will brief stakeholders following the SAA review.

The SAA review will also assess potential new asset classes that may lead to incremental improvements in the portfolio. Over the past couple of years, the IAB and its Secretariat have reviewed investment grade corporate

bonds, Asian bonds and emerging market equities. The Board, the BCTL and the Petroleum Fund Administration Unit at the Ministry of Finance take the time to fully understand the investment characteristics of a new asset class to ensure it is a good fit for the Petroleum Fund before any recommendations are made to the Minister.

Annex I

Statement by Director General of Treasury

Petroleum Fund of Timor-Leste
General Information
31 December 2016

Minister of Finance	Her Excellency Santana Cardoso
Director General of Treasury	Rui Ferreira Magno (from 1 July 2016) Agostinho Castro (to 1 July 2016)
Members of Investment Advisory Board	Olgario de Castro Gualdino da Silva Torres Trovik Kevin Bailey
Ex Officio (non-voting)	Venancio Alves Maria Rui Ferreira Magno (alternate, Basilio R.D.C. Soares)
Governor of Central Bank of Timor-Leste	Abraão de Vasconcelos
Executive Director of the Petroleum Fund	Venancio Alves Maria
Operational Manager	Banco Central de Timor-Leste Avenida Xavier do Amaral, no. 9 Dili Timor-Leste
Investment Managers	Banco Central de Timor-Leste Bank for International Settlements Schroders Investment Management Limited State Street Global Advisors BlackRock Investment Management Australia Limited Alliance Bernstein Wellington Management
Members of Petroleum Fund Consultative Council	Mericio Juvinal dos Reis Jose Augusto Fernandes Teixeira Rui Meneses da Costa Julio Fernandes Pe. Julio Crispim Ximenes Belo Bonaventura M. Bali Zelia Fernandes
Custodian	J P Morgan Chase Bank N.A.
Independent Auditor	Deloitte Touche Tohmatsu

Petroleum Fund of Timor-Leste
Statement by the Director General of Treasury
31 December 2016

BACKGROUND

The Petroleum Fund Law No. 9/2005 promulgated on 3 August 2005 and amended on 28 September 2011 (Petroleum Fund Law No. 12/2011) established the Petroleum Fund of Timor-Leste (“Petroleum Fund”). The Banco Central de Timor-Leste (“BCTL”) is responsible for the operational management of the Petroleum Fund. In accordance with a Management Agreement dated 12 October 2005 and amended on 25 June 2009 between the Ministry of Finance and the BCTL, BCTL is also responsible for maintaining the books of account for the Petroleum Fund on behalf of the Director General of Treasury.

FINANCIAL STATEMENTS

In accordance with Article 21 of the Petroleum Fund Law, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The statements are:

- Statement of profit or loss and other comprehensive income,
- Statement of financial position,
- Statement of changes in capital,
- Statement of cash flows, and
- Notes to the financial statements

These financial statements cover the year ended 31 December 2016.

The Petroleum Fund’s financial statements are the most complex IFRS financial statements produced in Timor-Leste. After ten years of the Petroleum Fund’s existence, it is timely to review the format of its statutory financial reporting in light of its transparency obligations. Therefore a working group reviewed the financial statements and supporting notes during 2016 with the objective of making them easier for readers to understand. As a result, accounting policies that were previously included all together in a separate note are now contained individually in the note with the related information. Similarly for information about risks. Commentaries have been added to explain the various components of the financial statements. In general, the notes have been restructured so as to provide a general introduction to the subject matter of the note, followed by financial tables elaborating on the data in the primary statements, a description of the risks, important judgements or key assumptions that have been made in presenting the data, and the related accounting policies. The notes have been re-ordered to better support the information in the primary financial statements.

The financial statements have been independently audited by Deloitte Touche Tohmatsu whose audit opinion is attached to the financial statements.

PETROLEUM FUND CAPITAL

The Petroleum Fund had capital of US\$16.2bn on 1 January 2016 (2015: US\$16.5bn). During the period, taxes and other petroleum revenue under Article 6 of the Petroleum Fund were US\$0.2bn (2015: US\$1.0bn). The Fund recorded a gain of US\$648m (2015: US\$21m loss) during the period. A summary of transactions for the income is given in the “Statement of profit or loss and other comprehensive income”.

US\$1.24bn was transferred from the Petroleum Fund to the Consolidated Fund during the year. The capital of Petroleum Fund as at 31 December 2016 was US\$15.8bn (2015: US\$16.2bn). A summary of the transactions is given in the “Statement of changes in capital”.

BENCHMARKS AND PERFORMANCE

During 2016, the asset allocation of the fund was 60% Fixed interest securities and 40% Global equities, the Investment Advisory Board considers this to be an appropriate level given the long term investment horizon of the Fund.

The Board intends to review the investment strategy and asset allocation of the Fund regularly with the objective of maintaining an alignment between the expected level of returns and the Estimated Sustainable Income (ESI).

Summary of benchmarks

Benchmark Index	As at 31 December 2016	As at 31 December 2015
Fixed Interest		
BOA Merrill Lynch US Government 0-5 Years	40.0%	40.0%
BOA Merrill Lynch US Government 5-10 Years	10.0%	10.0%
Barclays Global	10.0%	10.0%
<i>Total Fixed Interest</i>	<i>60.0%</i>	<i>60.0%</i>
Global Equities		
MSCI World	40.0%	40.0%
<i>Total Global Equities</i>	<i>40.0%</i>	<i>40.0%</i>
Total Benchmark	100%	100%

Petroleum Fund of Timor-Leste
Statement by the Director General of Treasury
31 December 2016

Performance

In accordance with the Article 24.1(a) of the Petroleum Fund and the provisions of the Management Agreement, the Petroleum Fund assets were invested in mandated instruments during the year. The list of instruments held as at 31 December 2016 is given at note 23. The credit exposure by credit rating is given in the note 13(b)(iii). The performance of the Petroleum Fund during the period has been in accordance with the mandate of the Management Agreement.

Net gains on financial assets at fair value through the profit or loss has been significant at US\$447m in 2016 reflecting the performance of global equities during the year. The net foreign exchange loss reflects the strengthening of the US dollar during 2016 into which foreign investments are translated.

During the period, Ministry of Finance together with the BCTL have been able to accomplish the stewardship and fiduciary role for the Petroleum Fund.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Fund during the year.

APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements for the year ended 31 December 2016 have been approved on behalf of the Ministry of Finance by:



Regina de Jesus de Sousa
Acting Director General of Treasury
Ministry of Finance Government of Timor-Leste
28 April 2017

Annex II

Audited Financial Statement

Independent Auditor's Report to The Ministry of Finance, Democratic Republic of Timor-Leste, in respect of the Petroleum Fund Annual Financial Report for the year ended 31 December 2016

Opinion

We have audited the financial statements of the Petroleum Fund of Timor-Leste (the 'Petroleum Fund'), which comprises the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Petroleum Fund as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Petroleum Fund in accordance with the ethical requirements of the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code) that are relevant to our audit of the financial statements. We have also fulfilled our ethical other responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information included in the Petroleum Fund Annual Report. The other information, which does not include the financial statements and our auditor's report thereon, which we received prior to the date of this auditor's report is comprised of the following:

- Annex I Statement by Director General of Treasury
- Annex III Statement on Accounting Policies of the Petroleum Fund for the Fiscal Year 2016
- Annex IV Comparison of Income Derived from the Investment of the Petroleum Fund Assets with the Previous Three Fiscal Years
- Annex V Comparison of Nominal Income on the Investment of the Petroleum Fund Assets to the Real Returns
- Annex VI Comparison of Nominal Income on the Investment of the Petroleum Fund Assets with the Benchmark Performance Index
- Annex VII Comparison of the Estimated Sustainable Income with the Sum of Transfers from the Petroleum Fund
- Annex VIII Statement on Borrowing
- Annex IX A List of Persons Holding Positions Relevant for the Operations and Performance of the Petroleum Fund
- Annex X Statement on Total Withdrawals versus the Approved Appropriation Amount
- Annex XI Article 35 Report on the Petroleum Fund Receipts from Deloitte Touche Tohmatsu
- Annex XII Advice Provided by the Investment Advisory Board
- Annex XIII Implementation of the Santiago Principles

The other information which is expected to be made available to us after the date of this auditor's report is comprised of the following:

- the Message from Minister of Finance
- The Petroleum Fund at a Glance

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Petroleum Fund is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Petroleum Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Petroleum Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Petroleum Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Petroleum Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Petroleum Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw

attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Petroleum Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in dark ink, appearing to read 'J. Schutte', is positioned above the date and firm name.

28 April 2017
Chartered Accountants

Petroleum Fund of Timor-Leste
Statement of profit or loss and other comprehensive income
for the year ended 31 December 2016

	<i>Note</i>	<i>Year ended 31/12/2016 USD</i>	<i>Year ended 31/12/2015 USD</i>
Income			
Interest income	4	157,797,693	156,789,531
Dividend income	5	175,011,786	163,013,772
Trust income	5	7,516,692	6,886,553
Other investment income		545,803	20,200
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	6	447,243,609	(21,060,960)
Net foreign exchange losses	7	(115,796,014)	(302,027,185)
Total income		<u>672,319,569</u>	<u>3,621,911</u>
Expenses	8		
External management and custody fees	19	(8,257,197)	(9,583,916)
Investment Advisory Board expenses	19	(203,420)	(164,456)
BCTL operational management fees	19	(4,934,218)	(5,605,775)
Other expenses	19	(1,475,000)	(312,282)
Total expenses		<u>(14,869,835)</u>	<u>(15,666,429)</u>
Profit/(Loss) before tax		<u>657,449,734</u>	<u>(12,044,518)</u>
Withholding taxes	9	(9,767,840)	(9,367,122)
Profit/(Loss) for the year		<u>647,681,894</u>	<u>(21,411,640)</u>
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<u>647,681,894</u>	<u>(21,411,640)</u>

The financial statements should be read in conjunction with the policies and notes on pages 29 – 71.

Petroleum Fund of Timor-Leste
Statement of financial position
as at 31 December 2016

	<i>Note</i>	<i>As at 31/12/2016 USD</i>	<i>As at 31/12/2015 USD</i>
Assets			
Cash and cash equivalents	11	108,985,160	135,176,810
Other receivables	12	27,853,010	26,890,851
Financial assets at fair value through profit or loss	13,14	<u>15,715,654,040</u>	<u>16,076,302,454</u>
Total assets		<u>15,852,492,210</u>	<u>16,238,370,115</u>
Liabilities			
Payables for securities purchased		3,211,916	15,627,166
Accounts payable		<u>4,953,007</u>	<u>5,170,444</u>
Total liabilities		<u>8,164,923</u>	<u>20,797,610</u>
Net assets		<u>15,844,327,287</u>	<u>16,217,572,505</u>
Capital			
Capital		<u>15,844,327,287</u>	<u>16,217,572,505</u>

The financial statements should be read in conjunction with the policies and notes on pages 29 - 71.

Petroleum Fund of Timor-Leste
Statement of changes in capital
for the year ended 31 December 2016

	<i>Note</i>	<i>Year ended 31/12/2016 USD</i>	<i>Year ended 31/12/2015 USD</i>
Capital at the beginning of the year	15	16,217,572,505	16,538,617,460
Petroleum Fund Gross Receipts	15	<u>223,872,888</u>	<u>1,003,813,967</u>
<i>(pursuant to Article 6 of the Petroleum Fund Law)</i>		<u>16,441,445,393</u>	<u>17,542,431,427</u>
Transfers to the Consolidated Fund of Timor-Leste	15	(1,244,800,000)	(1,278,500,000)
<i>(pursuant to Article 7 of the Petroleum Fund Law)</i>			
Transfers for refunds of taxation	15	-	(24,947,282)
<i>(pursuant to Article 10 of the Petroleum Fund Law)</i>			
Total comprehensive (loss)/income for the year		<u>647,681,894</u>	<u>(21,411,640)</u>
Capital at the end of the year		<u>15,844,327,287</u>	<u>16,217,572,505</u>

The financial statements should be read in conjunction with the policies and notes on pages 29 - 71.

Petroleum Fund of Timor-Leste
Statement of cash flows
for the year ended 31 December 2016

	<i>Note</i>	<i>Year ended 31/12/2016 USD</i>	<i>Year ended 31/12/2015 USD</i>
Cash flows from operating activities			
Proceeds from sale of financial assets at fair value through profit or loss	13	10,377,148,481	12,822,234,541
Purchases of financial assets at fair value through profit or loss	13	(9,698,427,751)	(12,746,142,226)
Interest received		161,397,601	153,916,746
Dividends received		161,637,232	150,425,621
Trust distributions received		7,495,819	6,785,495
External management and custody fees paid		(13,612,273)	(13,672,515)
Other operating receipts		913,627	20,200
Other operating payments		<u>(1,475,000)</u>	<u>(312,282)</u>
Net cash utilized in operating activities	16	<u>995,077,736</u>	<u>373,255,580</u>
Cash flows from financing activities			
Petroleum Fund Gross Receipts	15	223,872,888	1,003,813,967
Transfer payments to the Consolidated Fund of Timor-Leste	15	(1,244,800,000)	(1,278,500,000)
Refunds of tax receipts	15	<u>-</u>	<u>(24,947,282)</u>
Net cash flows provided by financing activities		<u>(1,020,927,112)</u>	<u>(299,633,315)</u>
Net (decrease)/increase in cash and cash equivalents		(25,849,376)	73,622,265
Cash and cash equivalents at the beginning of the year		135,176,810	66,842,141
Effects of foreign currency exchange rate changes on cash and cash equivalents		<u>(342,274)</u>	<u>(5,287,596)</u>
Cash and cash equivalents at 31 December	11	<u>108,985,160</u>	<u>135,176,810</u>

The financial statements should be read in conjunction with the policies and notes on pages 29 - 71.

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2016

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PART I: INTRODUCTION

1. Fund information

The Petroleum Fund of Timor-Leste ("Petroleum Fund") was established under the provisions of the Petroleum Fund Law No. 9/2005 as amended by Law No. 12/2011 on 28 September 2011.

The investment strategy and benchmarks of the Petroleum Fund are determined by the Minister of Finance based on advice from the Investment Advisory Board (IAB).

The Banco Central de Timor-Leste (BCTL) having its office at Avenida Xavier do Amaral, no. 9, Dili, Timor-Leste, is responsible for the operational management of the Petroleum Fund, and is the registered owner of all the assets of the Petroleum Fund. The management of the Petroleum Fund is undertaken according to a Management Agreement between the Ministry of Finance and the BCTL.

The Petroleum Fund's objective is to meet benchmark returns on its capital within the risk limit provided in mandates and within the limits established in Articles 14 and 15 of the Petroleum Fund Law relating to Investment Policy and Investment Rules.

The Petroleum Fund's investment portfolio of assets at fair value through profit or loss (including cash and cash equivalents) complied with the legislative and contractual requirements throughout the period.

These financial statements were authorized for issue by the Director General of Treasury on 28 April 2017.

2. Statement of compliance with IFRS

In accordance with Article 21 of the Petroleum Fund Law, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) (formerly: "International Accounting Standards").

The Petroleum Fund has adopted the IFRS that were applicable during the year under review.

Information about the impact of new and forthcoming IFRS on these financial statements is provided in Note 21.

3. Basis of preparation

Items included in the Petroleum Fund's financial statements are measured and presented in United States Dollars, being the functional and official currency of the Democratic Republic of Timor Leste.

The financial statements are prepared on the historical cost basis, except for certain financial investments that are measured at fair value through profit or loss, as explained in the accounting policies described herein.

The accounting policies have been consistently applied by the Petroleum Fund.

Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values and assets and liabilities that are not readily apparent from other sources. Estimates use observable data to the extent practicable. However, areas such as potential market changes, credit risk, volatilities and correlations require management to make estimates that could affect the reported fair value of financial instruments. Actual results may therefore vary from these estimates. This process involves a high degree of judgement or complexity.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision, and future periods if the revision affects both current and future periods

Assumptions and estimates that are significant to the financial statements are disclosed in the relevant notes, as are the judgements made by management which have a significant effect on the amounts recognized in the financial statements.

PART II: NOTES TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The Statement of Profit or Loss and Other Comprehensive Income, also known as the Profit & Loss Account, is a report of income, expenses and the resulting profit or loss earned by the Petroleum Fund during the period from 1 January to 31 December each year.

The concept of income encompasses both revenue and gains. Revenue arises in the course of the normal activities of the Petroleum Fund and is referred to by a variety of names, including interest and dividends. Gains represent increases in economic benefits and include both realized and unrealized gains, including the revaluation of marketable securities and foreign exchange.

The concept of expenses encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Petroleum Fund.

Other comprehensive income includes items of income or expense (including reclassification adjustments) that are not recognized in profit or loss as required or permitted by IFRS.

4. Interest income

Interest income is derived from the Petroleum Fund's investments in fixed interest securities, from cash balances, and from short-term cash investments.

	<i>Year ended 31/12/2016</i>	<i>Year ended 31/12/2015</i>
	<i>USD</i>	<i>USD</i>
Interest from debt securities at fair value through profit or loss	157,083,828	156,696,468
Interest from cash and cash equivalents	<u>713,865</u>	<u>93,063</u>
	<u>157,797,693</u>	<u>156,789,531</u>

Accounting Policy

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable. It is recognized in the statement of profit or loss and other comprehensive income and shown separately from other fair value movements.

5. Dividends and trust income

Dividends received are distributions from the Petroleum Fund's holding of equities, and represent the Petroleum Fund's share of profits paid out to shareholders. Trust income is similar to dividends, but is derived from the Petroleum Fund's investments in real estate entities that are incorporated as Real Estate Investment Trusts.

	<i>Year ended 31/12/2016</i>	<i>Year ended 31/12/2015</i>
	<i>USD</i>	<i>USD</i>
Dividend income	175,011,786	163,013,772
Trust income	<u>7,516,692</u>	<u>6,886,553</u>
	<u>182,528,478</u>	<u>169,900,325</u>

Accounting policy

Dividend income from investments and unit trust distribution income are recognised when the shareholder's right to receive payment has been established. Dividend income and unit trust distributions are presented gross of any non recoverable withholding taxes, which are disclosed separately in the statement of profit or loss and other comprehensive income.

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6. Gain or loss on financial assets and liabilities at fair value through profit or loss

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as 'at fair value through profit or loss' and excludes interest and dividend income and expenses. These changes arise from changes in the market value of the financial investments (or liabilities) held by the Petroleum Fund.

	<i>Year ended 31/12/2016</i>	<i>Year ended 31/12/2015</i>
	<i>USD</i>	<i>USD</i>
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	<u>447,243,609</u>	<u>(21,060,960)</u>

Accounting Policy, estimates, assumptions, judgements, and risks

See Note 13 which sets out information that relates to this item:

- details of the accounting policies relating to gains and losses on financial assets and liabilities designated as 'at fair value through profit or loss'.
- the significant judgements and estimates that have been made and may be material in determining the reported gain or loss on financial assets and liabilities.
- the risks associated with holding financial assets and liabilities that may impact on the reported profit or loss
- an analysis of the sensitivity to changes in future market conditions that may give rise to gains or losses on financial assets and liabilities.

7. Foreign exchange gain or loss

Foreign exchange gains and losses arise when the Petroleum Fund invests in assets denominated in a currency other than the US dollar (the Petroleum Fund's functional currency). When the US dollar strengthens relative to another currency in which the Petroleum Fund holds assets, the Petroleum Fund will report a foreign exchange loss. Conversely, if the Petroleum Fund holds an asset denominated in a currency other than US Dollars, and that currency strengthens, the Petroleum Fund will report a foreign exchange gain.

	<i>Year ended 31/12/2016</i>	<i>Year ended 31/12/2015</i>
	<i>USD</i>	<i>USD</i>
Net foreign exchange losses	<u>(115,796,014)</u>	<u>(302,027,185)</u>

Accounting Policy

Foreign currency transactions are translated into the functional currency (US dollars) using the exchange rates prevailing at the dates of transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss and other comprehensive income as part of the 'Net gains/(losses) on financial assets and liabilities at fair value through profit or loss'. Exchange differences on other financial instruments are included in profit or loss in the statement of profit or loss and other comprehensive income as 'Net foreign exchange gains/(losses)'.

8. Expenses

In accordance with the provisions of the Petroleum Fund Law, all expenses of the Petroleum Fund, not relating to the purchase or sale of securities and recognized in the sale or purchase price, are met by the BCTL and are covered by a management fee.

In accordance with Article 6.3 of the Petroleum Fund Law, the management fee paid to the BCTL is recognized as a deduction from the gross receipts of the Petroleum Fund, although it is accounted for as an expense in the statement of profit or loss and other comprehensive income of the Petroleum Fund. In accordance with the provisions of the Petroleum Fund Law, all expenses of the Petroleum Fund other than the external audit fee (which is met from the State budget), not relating to the purchase or sale of securities and recognized in the sale or purchase price, are met by the BCTL and are covered by a management fee.

Expenses which are incidental to the acquisition of an investment are included in the cost of that investment.

Expenses that are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

9. Taxation

The Petroleum Fund is exempt from all forms of taxation in Timor Leste. Therefore the Petroleum Fund has a statutory tax rate of 0%.

Investment income and capital gains are subject to withholding tax in certain foreign jurisdictions and are the only items subject to taxation.

In the current year tax has been withheld from foreign dividend, unit trust income, and interest received according to the applicable laws. Relief from withholding tax is available on application in some of these jurisdictions.

Accounting Policy

Income of the Petroleum Fund earned in foreign jurisdictions subject to withholding taxes levied in those jurisdictions is recorded gross of withholding taxes in the statement of profit or loss and other comprehensive income. Withholding taxes, to the extent that they are not recoverable, are shown as a separate line item in the statement of profit or loss and other comprehensive income.

Critical accounting estimates, assumptions and judgements

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on income derived in foreign jurisdictions and the recoverability of amounts withheld. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. The Petroleum Fund establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it invests. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective investment's domicile. As the Petroleum Fund assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

PART III: NOTES TO THE STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position, also known as the Balance Sheet, presents the financial position of the Petroleum Fund as at the end of its financial year, 31 December. The Statement of Financial Position comprises three main components: assets, liabilities and capital.

An asset is something that the Petroleum Fund owns or controls in order to get economic benefits from its use. The main assets of the Petroleum Fund are bonds and equities (shares).

A liability is an obligation that the Petroleum Fund owes to another party, which in normal circumstances is settled in cash or other financial resources.

The capital is the net wealth of the Petroleum Fund that belongs to its owner, the Democratic Republic of Timor-Leste.

The statement of financial position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non current items.

10. Risk Management

The Petroleum Fund's overall risk management programme seeks to maximize the returns derived for the level of risk to which the Petroleum Fund is exposed and seeks to minimize potential adverse effects on the Petroleum Fund's performance. Specific risks are managed as follows:

10.1. Financial Risk

The Petroleum Fund's activities expose it to a variety of financial risks: market risk (including equity price risk, interest rate risk, and currency risk), credit risk and liquidity risk.

The financial risks associated with the Petroleum Fund are monitored by the Risk Management Division of the Petroleum Fund Management Department at the BCTL, which prepares daily management reports for senior management and quarterly reports for the Ministry of Finance. The Petroleum Fund is subject to periodic audit by the Internal Audit Office of the BCTL, which has operational independence from the management of the Petroleum Fund. The Internal Audit Office provides formal monthly reports to the Governor, and half yearly reports to the Governing Board of the BCTL.

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10. Risk Management (continued)

10.2. Liquidity Risk

Liquidity risk is the risk that the Petroleum Fund may not be able to generate sufficient cash resources to settle its obligations, which would primarily be to fund the state budget account, in full, or can only do so on terms that are materially disadvantageous.

To manage this risk, the Ministry of Finance has agreed in the Management Agreement to provide the Central Bank with a forecast of the future cash requirements of the government, including the projected timings and amounts to be transferred from the Petroleum Fund.

Liabilities at the year-end were US\$8.2m (2015: US\$20.8m) and consists of payables for securities purchased but not settled at the year end and management fees payable. These are expected to be settled within 30 days of the year end, but are not considered to create a liquidity risk for the Petroleum Fund due to available cash which is sufficient to cover these liabilities. The Central Bank monitors the Petroleum Fund's liquidity position on a daily basis. Where there are potential shortfalls, financial assets will be sold to meet anticipated shortfall. The Petroleum Fund invests primarily in marketable securities and other financial instruments which, under normal market conditions, are readily convertible to cash.

10.3. Settlement Risk

The financial activities of the Petroleum Fund may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. For the majority of transactions, the Petroleum Fund mitigates this risk by requiring the custodian to conduct settlements on a Delivery versus Payment basis, whereby a trade is settled only when both parties have fulfilled their contractual settlement obligations by delivering the agreed amounts of cash or financial assets. The settlement will fail if either party fails to meet its obligation.

11. Cash and cash equivalents

The Petroleum Fund has a number of bank accounts in which it holds cash. Surplus cash is invested in overnight markets with banks or through reverse repurchase agreements, which may be thought of as secured overnight deposits.

	<i>As at</i> 31/12/2016	<i>As at</i> 31/12/2015
	USD	USD
Cash at bank	107,685,110	89,876,810
Overnight reverse repurchase agreements	<u>1,300,050</u>	<u>45,300,000</u>
	<u>108,985,160</u>	<u>135,176,810</u>

Accounting Policy

Cash comprises current deposits with banks which have maturities of less than 90 days. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

Securities purchased under agreements to resell (reverse repurchase agreements) with a maturity period of greater than one financial day are reported not as purchases of securities, but as receivables and are carried in the statement of financial position at amortized cost.

Interest earned on reverse repurchase agreements is recognized as interest income over the life of each agreement using the effective interest method.

Risks

Cash and cash equivalents are not subject to market or interest rate risk. Credit risk is managed by holding cash at financial institutions with a high reputation – the Federal Reserve Bank of New York with a Standard & Poor's rating of AA+ (very strong capacity to meet its financial commitments) and JPMorgan Chase Bank N.V. with a Standard & Poor's short-term issuer rating of A-2 (susceptible to adverse economic conditions however the obligor's capacity to meet its financial commitment on the obligation is satisfactory).

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12. Other Receivables

Other receivables are financial assets that are classified as loans and receivables including cash balances due from financial intermediaries from the sale of securities, receivables from reverse repurchase agreements with a maturity of more than one business day, and other short term loans and receivables including accruals for investment income receivable.

	<i>As at</i> 31/12/2016	<i>As at</i> 31/12/2015
	USD	USD
Dividends receivable	7,350,712	7,305,867
Withholding tax receivables	13,676,837	10,388,741
Trust distributions receivables	872,203	844,088
Due from brokers receivables	5,843,469	8,326,749
Interest receivables	<u>109,789</u>	<u>25,406</u>
	<u>27,853,010</u>	<u>26,890,851</u>

Accounting Policy

Loans and receivables (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue, and subsequently measured at amortized cost.

Impairment of financial assets

The Petroleum Fund assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss as 'Credit loss expense'.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Petroleum Fund. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a previous write off is later recovered, the recovery is credited to the statement of profit or loss and other comprehensive income.

Interest revenue on impaired financial assets is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Risks

Receivables, other than recoverable withholding taxes, are subject to minimal risk and are generally paid within a short timeframe in the normal course of business.

The recovery of withholding tax receivables is dependent on processing and approval by the relevant tax authorities.

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13. Financial assets at fair value through profit or loss

The Petroleum Fund invests in a range of financial instruments in order to generate income. The investments include equities (shares) and fixed interest (bonds) and a limited number of derivative instruments.

Typically, derivative contracts serve as components of the Petroleum Fund's investment strategy and are utilized primarily to structure and hedge investments, to enhance performance and reduce risk to the Petroleum Fund (the Petroleum Fund does not designate any derivative as a hedging instrument for hedge accounting purposes).

The Petroleum Fund uses derivative financial instruments to economically hedge its risks associated with foreign currency fluctuations. Additionally, derivative financial instruments may also be used for trading purposes where the investment manager believes this would be more efficient than investing directly in the underlying financial instruments. Derivatives often reflect, at their inception, only a mutual exchange of promises with little or no transfer of tangible consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the underlying of a derivative contract may have a significant impact on the profit or loss of the Petroleum Fund. Over the counter ("OTC") derivatives may expose the Petroleum Fund to the risks associated with the absence of an exchange market on which to close out an open position. Investment managers are instructed to closely monitor the Petroleum Fund's exposure under derivative contracts as part of the overall management of the Petroleum Fund's market risk.

The Minister has approved the use of equity index futures, fixed income index futures, money market futures, and currency forward contracts.

A summary of financial assets held at financial position date is as follows:

	<i>As at 31/12/2016</i>		<i>As at 31/12/2015</i>	
	<i>USD</i>		<i>USD</i>	
Designated as at fair value through profit or loss	Fair Value	% of net assets	Fair Value	% of net assets
Fixed interest securities				
United States treasury bill	-	-	19,962,597	-
United States treasury notes	7,676,184,954	49	8,049,248,771	50
Australian government bonds	146,449,574	1	177,167,232	1
Japanese government bonds	136,232,736	1	154,358,289	1
United Kingdom government bonds	139,399,330	1	155,324,504	1
European government bonds	399,342,253	2	487,196,026	3
Other government bonds	574,150,141	4	608,651,281	4
Total fixed interest securities	9,071,758,988	58	9,651,908,700	60
Equity securities				
United States equities	4,015,681,418	25	3,784,991,393	23
Australian equities	175,063,538	1	162,983,537	1
Japanese equities	583,604,197	4	579,451,558	4
United Kingdom equities	439,217,073	3	485,484,977	3
European equities	717,827,720	5	734,478,624	5
Equities from other countries	712,779,194	4	676,772,309	4
Total equity securities	6,644,173,140	42	6,424,162,398	40
Held for trading				
Derivatives				
United States equity futures	(57,771)	-	-	-
Foreign currency forwards	(220,317)	-	231,356	-
	(278,088)	-	231,356	-
Total securities	15,715,654,040		16,076,302,454	

In the table above, European equities represents all equities denoted in Euros.

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13. Financial assets at fair value through profit or loss (continued)

Transactions in financial assets, which arise either from the investment of new funds, the periodic rebalancing of the investment portfolio, or sales to generate cash for budgetary transfers, are summarized as follows:

	<i>As at</i> <i>31/12/2016</i> <i>USD</i>	<i>As at</i> <i>31/12/2015</i> <i>USD</i>
Financial assets at fair value through profit or loss		
Opening fair value	16,076,302,454	16,466,483,685
Purchases at cost	9,698,427,751	12,746,142,226
Proceeds from sales	(10,377,148,481)	(12,822,234,541)
Net (losses)/gains on financial assets at fair value through profit and loss	447,243,609	(21,060,960)
Net foreign exchange losses	(115,796,014)	(302,027,185)
Net gains/(losses) through interest income	(13,375,279)	8,999,229
Closing fair value	<u>15,715,654,040</u>	<u>16,076,302,454</u>

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 (See Accounting Policies below for definitions of the Levels) based on the degree to which the fair value is observable.

	<i>As at 31/12/2016</i> <i>USD</i>			
	Quoted Market Price (Level 1)	Valuation technique: Market-observab le inputs (Level 2)	Valuation technique: Non market-observab le inputs (Level 3)	Total
Financial assets				
Financial Instruments designated at fair value through profit or loss				
Equity securities	6,644,173,140	-	-	6,644,173,140
Fixed interest securities	9,071,758,988	-	-	9,071,758,988
Total	<u>15,715,932,128</u>	<u>-</u>	<u>-</u>	<u>15,715,932,128</u>

	<i>As at 31/12/2016</i> <i>USD</i>			
	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial Instruments designated at fair value through profit or loss				
Derivatives	(57,771)	(220,317)	-	(278,088)
Total	<u>(57,771)</u>	<u>(220,317)</u>	<u>-</u>	<u>(278,088)</u>

	<i>As at 31/12/2015</i> <i>USD</i>			
	Quoted Market Price (Level 1)	Valuation technique: Market-observab le inputs (Level 2)	Valuation technique: Non market-observab le inputs (Level 3)	Total
Financial assets				
Financial Instruments designated at fair value through profit or loss				
Derivatives	-	231,356	-	231,356
Equity securities	6,424,162,398	-	-	6,424,162,398
Fixed interest securities	9,651,908,700	-	-	9,651,908,700
Total	<u>16,076,071,098</u>	<u>231,356</u>	<u>-</u>	<u>16,076,302,454</u>

There were no transfers between levels for the year ended 31 December 2016, (2015: Nil).

There were no movements in all levels of instruments for the year ended 31 December 2016, (2015: Nil).

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13. Financial assets at fair value through profit or loss (continued)

A detailed schedule of financial assets at fair value through profit or loss is at Note 23.

The following table sets out the fair values and notional amounts of derivative assets and liabilities held by the Petroleum Fund as at the reporting date.

Derivative financial instruments	As at 31/12/2016		As at 31/12/2015	
	Fair value USD	Notional value USD	Fair value USD	Notional value USD
Equity futures	(57,771)	10,036,804	-	-
Foreign currency forward contracts	(220,317)	(18,906,811)	231,356	498,379
Total	(278,088)	(8,870,007)	231,356	498,379

Accounting Policies

Recognition

The Petroleum Fund recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

The Petroleum Fund categorizes financial assets as “financial assets at fair value through profit or loss” if the asset is held for trading or is a derivative instrument. A financial instrument is classified as held for trading if it is acquired principally for the purpose of selling it in the near term, or is held as part of a portfolio that is managed with a view to profit-taking.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Petroleum Fund commits to purchase or sell the asset.

Financial assets and liabilities (initial measurement)

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognized directly in profit or loss.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself classified as held for trading or designated as at fair value through profit or loss. Embedded derivatives separated from the host are carried at fair value with changes in fair value recognized in profit or loss.

Initial recognition

These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments. These financial instruments are designated at fair value through profit and loss upon initial recognition.

The manner in which the Petroleum Fund is managed is set out in Annex 1 to the Management Agreement between the BCTL and the Minister of Finance, which establishes the performance benchmark for the Petroleum Fund.

Financial assets of the Petroleum Fund are managed and performance is evaluated on a fair value basis and reported in accordance with documented risk management and investment strategies, and have accordingly been designated at fair value through profit or loss for accounting purposes.

Subsequent Measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments is based on their quoted market prices at the statement of financial position date without any deduction for estimated future selling costs. Financial assets held or a liability to be issued are priced at current bid prices, while financial liabilities held and assets to be acquired are priced at current asking prices.

All changes to fair value, other than interest or dividend income, are recognized in the profit and loss as part of net gain from financial assets or liabilities at fair value through profit or loss. Accrued interest and dividend income is presented separately from other fair value movements in the statement of profit or loss.

13. Financial assets at fair value through profit or loss (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

- Either the rights to receive cash flows from the asset have expired, or the Petroleum Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement, and
- Either (a) the Petroleum Fund has transferred substantially all the risks and rewards of the asset; or (b) the Petroleum Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Petroleum Fund has transferred its rights to receive cash flows from an asset (or has entered into a pass through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Petroleum Fund's continuing involvement in the asset. In that case, the Petroleum Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Petroleum Fund has retained.

The Petroleum Fund derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

Offsetting

The Petroleum Fund offsets financial assets and financial liabilities if the Petroleum Fund has a legally enforceable right to set off the recognized amounts and interests and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, e.g. for gains and losses arising from a group of similar transactions such as gains and losses from financial assets and liabilities at fair value through profit and loss.

Critical Accounting Estimates

The manner in which assets are valued can have a material effect on the financial position and profit of the Petroleum Fund. In order to assess the reliability and objectivity of the valuation process, the Petroleum Fund categorises the method of valuation into three levels, as follows:

- Level 1 (Quoted Market Price) fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities. The Petroleum Fund does not adjust the quoted prices for these instruments.
- Level 2 (Valuation technique: market observable inputs) fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). As level 2 investments include positions that are not traded in active markets and/or subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non transferability which are generally based on available market information.
- Level 3 (Valuation technique: non-market observable inputs) fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Risks

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Petroleum Fund's income or fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The maximum risk resulting from financial instruments equals their fair value.

The Petroleum Fund's strategy for the management of market risks is driven by the Petroleum Fund's investment objectives, including diversification of its investment portfolio, by specifying benchmarks in individual investment mandates with risk limits defined by maximum or target tracking errors.

The Petroleum Fund's market risk is thus managed on a regular basis by the investment managers in accordance with these investment mandates.

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13. Financial assets at fair value through profit or loss (continued)

(i) Equity price risk

Equity price risk is the risk of unfavourable changes in the fair values of equities or equity linked derivatives as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Petroleum Fund's investments in equity securities and from equity linked derivatives. The Petroleum Fund manages this risk by investing in a variety of stock exchanges and by limiting exposure to any one company or issuing entity, excluding sovereign states, to 3% of net assets (consistent with Article 15.5a of the Petroleum Fund Law). The Petroleum Fund law limits equity investments to no more than 5% of the share capital of a particular issuer (consistent with Article 15.3b of the Petroleum Fund Law).

Management's best estimate of the effect on the profit or loss for a year due to a reasonably possible change in equity indices, with all other variables held constant is indicated in the table below. There is no effect on 'other comprehensive income' as the Petroleum Fund has no assets classified as 'available for sale' or designated hedging instruments. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in each of the indices shown below would have resulted in an equivalent, but opposite, impact.

The Petroleum Fund manages its exposure to equity price risk by analyzing the portfolio by industrial sector and country each month, and benchmarking the performance of each sector/country to the MSCI World Index, by considering the performance of the Petroleum Fund attributable to stock allocation, security selection and the interaction effect.

The following table summarizes the sensitivity of the Petroleum Fund's operating profit and net assets to price risk. The analysis is based on reasonably possible movements in the benchmark with all other variables held constant and the fair value of the Petroleum Fund's portfolio moving according to the movement in the benchmark. The reasonably possible movements in the risk variables have been determined based on the investment managers' best estimates, having regard to a number of factors, including historical levels of changes in market index, security prices and/or benchmark returns and interest rates. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities to which the variable is exposed. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables. The table below shows the impact on operating profit/net assets resulting from a 10% change in the price of equities.

	Price risk	
	Impact on profit/(loss) for the year / Net assets	
	(-10.00%)	(+10.00%)
31 December 2016	(664,389,505)	664,389,505
31 December 2015	(642,439,375)	642,439,375

The Petroleum Fund has determined that a fluctuation in equity prices of 10% is reasonably possible within a one year period based on historical movements in global equity markets.

(ii) Interest rate risk

Interest rate risk arises from the possibility that an investment's fair value or associated future cash flows will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.

The majority of interest rate exposure arises on investments in debt securities in the United States of America, and to a lesser extent, the rest of the developed world. Most of the Petroleum Fund's investments in debt securities carry fixed interest rates and mature within ten years.

The Petroleum Fund manages this risk by investing according to benchmarks with specified duration target and tracking error limit. The assets and the Petroleum Fund will re-price or mature within the following periods:

<i>As at 31/12/2016</i>								
<i>USD</i>								
FINANCIAL ASSETS	Statement of financial position	Non-interest sensitive	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years
Cash and cash equivalents	108,985,160	-	108,985,160	-	-	-	-	-
Other receivables	27,853,010	27,853,010	-	-	-	-	-	-
Financial assets at fair value through profit or loss	15,715,654,040	6,643,895,052	32,032,767	57,855,052	56,564,138	6,675,464,341	1,852,827,110	397,015,580
Total assets	15,852,492,210	6,671,748,062	141,017,927	57,855,052	56,564,138	6,675,464,341	1,852,827,110	397,015,580
Weighted average interest rate			2.54%	3.03%	2.02%	1.69%	1.93%	3.66%

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2016

13. Financial assets at fair value through profit or loss (continued)

As at 31/12/2015

USD

FINANCIAL ASSETS	Statement of financial position	Non-interest sensitive	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years
Cash and cash equivalents	135,176,810	-	135,176,810	-	-	-	-	-
Other receivables	26,890,851	26,890,851	-	-	-	-	-	-
Financial assets at fair value through profit or loss	16,076,302,454	6,424,393,754	34,277,333	60,988,132	180,339,784	6,991,075,286	1,944,583,922	440,644,243
Total assets	16,238,370,115	6,451,284,605	169,454,143	60,988,132	180,339,784	6,991,075,286	1,944,583,922	440,644,243
Weighted average interest rate			0.81%	1.76%	2.47%	1.59%	1.80%	0.69%

The following table summarises the sensitivity of the Petroleum Fund's operating profit and net assets attributable to interest rate risk. The analysis is based on reasonably possible movements in the benchmark with all other variables held constant and the fair value of the Petroleum Fund's portfolio moving according to the movement in the benchmark. The reasonably possible movements in the risk variables have been determined based on the investment managers' best estimates, having regard to a number of factors, including historical levels of interest rates. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities to which the variable is exposed. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Interest rate risk	
	Impact on profit/(loss) for the year / Net assets	
	(-1.00%)	(+1.00%)
31 December 2016	434,394,565	(434,394,565)
31 December 2015	468,147,961	(468,147,961)

The Petroleum Fund has determined that a fluctuation in interest rates of 1% is reasonably possible within a given one year time period, given the economic environment in which the Petroleum Fund operates.

In determining the impact of an increase/decrease in net assets arising from market risk, management of the Petroleum Fund has considered prior period and expected future movements of the portfolio based on market information.

(iii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Petroleum Fund invests in fixed income and equity securities that are denominated in currencies other than the United States dollar. Accordingly, the Petroleum Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates. Therefore, the Petroleum Fund is necessarily subject to foreign exchange risks. The Petroleum Fund's assets are 74% (2015: 74%) in US Dollars, therefore exposure to currency movements are limited.

The assets of the Petroleum Fund to which the Petroleum Fund had significant currency exposure at financial position date, reported in United States Dollar equivalents, are set out in the following table:

As at 31/12/2016

USD

	USD	EUR	AUD	GBP	JPY	Other Currencies	Total
Cash and cash equivalents	70,157,711	3,467,353	2,543,786	7,596,073	3,400,158	21,820,079	108,985,160
Equity securities	4,015,681,418	717,827,720	175,063,538	439,217,073	583,604,197	712,779,194	6,644,173,140
Interest bearing securities	7,676,184,955	399,342,252	146,449,574	139,399,330	136,232,736	574,150,141	9,071,758,988
Receivables	4,564,550	9,647,691	486,626	2,090,601	814,455	10,249,087	27,853,010
Payables	(4,953,007)	-	-	-	(1,090,107)	(2,121,809)	(8,164,923)
Total physical exposure	11,761,635,627	1,130,285,016	324,543,524	588,303,077	722,961,439	1,316,876,692	15,844,605,375
Futures	(57,771)	-	-	-	-	-	(57,771)
Forward exchange contracts							
- buy foreign currency	47,625,866	48,640,375	4,771,076	12,284,977	11,027,308	23,042,011	147,391,613
- sell foreign currency	(66,532,677)	(20,448,170)	(9,268,184)	(11,731,075)	(1,810,092)	(37,821,732)	(147,611,930)
Total derivative exposure	(18,964,582)	28,192,205	(4,497,108)	553,902	9,217,216	(14,779,721)	(278,088)
Total net exposure	11,742,671,045	1,158,477,221	320,046,416	588,856,979	732,178,655	1,302,096,971	15,844,327,287
Exposure (% of Fund net assets)	74.11%	7.31%	2.02%	3.72%	4.62%	8.22%	100%

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2016

13. Financial assets at fair value through profit or loss (continued)

As at 31/12/2015

USD

	USD	EUR	AUD	GBP	JPY	Other Currencies	Total
Cash and cash equivalents	93,125,682	6,739,595	1,703,043	1,337,560	1,102,465	31,168,465	135,176,810
Equity securities	3,784,991,393	734,478,624	162,983,537	485,484,977	579,451,558	676,772,309	6,424,162,398
Interest bearing securities	8,069,211,368	487,196,026	177,167,232	155,324,504	154,358,289	608,651,281	9,651,908,700
Receivables	5,074,427	6,993,763	449,699	1,133,159	774,704	12,465,099	26,890,851
Payables	(5,476,730)	(188,468)	(1,992,105)	(10,986,901)	(51,904)	(2,101,502)	(20,797,610)
Total physical exposure	11,946,926,140	1,235,219,540	340,311,406	632,293,299	735,635,112	1,326,955,652	16,217,341,149
Forward exchange contracts							
- buy foreign currency	56,344,283	11,393,418	1,991,859	17,874,536	18,287,053	25,474,946	131,366,095
- sell foreign currency	(55,845,905)	(14,438,034)	(16,435,649)	(16,914,010)	(9,268,735)	(18,232,406)	(131,134,739)
Total derivative exposure	498,378	(3,044,616)	(14,443,790)	960,526	9,018,318	7,242,540	231,356
Total net exposure	11,947,424,518	1,232,174,924	325,867,616	633,253,825	744,653,430	1,334,198,192	16,217,572,505
Exposure (% of Fund net assets)	73.76%	7.60%	2.01%	3.90%	4.59%	8.23%	100%

The Petroleum Fund is primarily exposed to the Euro, Australian Dollars, Pound Sterling and Japanese Yen.

The following table details the Petroleum Fund's sensitivity to a 10% increase and decrease in the United States Dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes cash and cash equivalents, interest receivable and qualifying instruments. A negative number below indicates a decrease in profit where the United States Dollar strengthens 10% against the relevant currency. For a 10% weakening of the United States Dollar against the relevant currency, there would be a comparable impact on the profit, and the balances below would be a positive. The analysis presumes that all other variables, in particular interest rates, remain constant.

	<i>As at 31/12/2016 USD</i>	<i>As at 31/12/2015 USD</i>
EUR impact	(115,847,722)	(123,217,492)
AUD impact	(32,004,642)	(32,586,762)
GBP impact	(58,885,698)	(63,325,383)
JPY impact	(73,217,866)	(74,465,343)
Other currencies impact	(130,209,697)	(133,419,819)
Total currencies impact	(410,165,625)	(427,014,799)

This is mainly attributable to the exposure outstanding on all relevant foreign currencies relating to cash and cash equivalents, interest receivable and qualifying instruments in the Petroleum Fund at the end of the reporting period.

(b) Credit risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time, or from losses arising from the change in value of a traded financial instrument as a result of changes in the credit risk on that instrument. It arises principally from debt securities held, and also from derivative financial instruments, cash and cash equivalents, balances due from brokers and receivables from reverse repurchase agreements. For risk management reporting purposes the Petroleum Fund considers and consolidates all elements of credit risk exposure, reflecting the fact that the main concentration to which the Petroleum Fund is exposed arises from the Petroleum Fund's investments in debt securities.

(i) Credit risk management

Article 15 of the Petroleum Fund Law provides broad constraints on the extent of credit risk that can be taken by the Petroleum Fund. To qualify as an eligible investment, debt must have a credit quality of at least equal to investment grade, while deposits are only held with financial institutions with a credit rating of at least investment grade. The investment grade rating reflects the credit rating agencies' assessment of capacity by the issuer to pay. Higher ratings reflect lower credit risk associated with the bonds. Credit risk is also managed by limiting exposure to any one company or issuer (except for a sovereign state) to 3% of the total value of the Petroleum Fund. The limits are reflected in the underlying investment mandates with managers and are monitored by the BCTL. The Petroleum Fund's maximum exposure to credit risk at reporting date in relation to each class of financial asset is the carrying amount of those assets as indicated in the statement of financial position.

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2016

13. Financial assets at fair value through profit or loss (continued)

The allocation of investments is 40% to listed equities and 60% to investment grade fixed interest securities, which was achieved in 2015 and has been maintained during the 2016 year. The IAB regularly monitors and reviews the strategic asset allocation between asset classes with consideration to the desired risk profile of the Petroleum Fund. The current strategic asset allocation is continually monitored and discussed at the IAB meetings and the Board considers this to be an appropriate level given the current investment horizon of the Petroleum Fund.

The mandate in the Operational Management Agreement prescribes that the performance of the Petroleum Fund shall be measured against benchmark indexes for a series of mandates, restricts the permissible investment universe to highly rated financial instruments, and establishes tracking error limits restricting the permissible deviation of the portfolio investments from the benchmark for each mandate. The maximum loss that the Petroleum Fund would suffer from the default of a single issuer is the amount disclosed below with respect to investments in Treasury Notes issued by the United States Government and Equity Securities traded on developed market exchanges.

(ii) Concentration of credit exposure

Concentrations of credit risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or when a number of counterparties are engaged in similar business activities, or activities in the same geographic regions, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The allocation to each sovereign issuer is constantly monitored and any actual or anticipated changes to the credit risk profile of each issuing country will be considered in the allocation. Securities issued by US Treasury was 49% (2015: 50%) of the Petroleum Fund. Diversification within the non US sovereign bond mandate is achieved through limiting each country to a maximum weight of 10% of the index, and the Euro zone weight to 30%.

The Petroleum Fund's significant end of year concentrations of credit exposure by the industry or country of the issuer were as follows:

	<i>As at</i> 31/12/2016 USD	<i>As at</i> 31/12/2015 USD
Fixed interest securities and money market securities		
Sovereign issuers:		
United States Government	7,676,184,954	8,069,211,368
Australia Government	146,449,574	177,167,232
Japan Government	136,232,736	154,358,289
United Kingdom Government	139,399,330	155,324,504
European Governments	399,342,253	487,196,026
Governments of other countries	<u>574,150,141</u>	<u>608,651,281</u>
	<u>9,071,758,988</u>	<u>9,651,908,700</u>

(iii) Credit exposure by credit rating

The following table presents an analysis of the Petroleum Fund's debt securities classified according to the Standard and Poor's credit rating of the issuer as at each period end. AAA is the highest rating possible and indicates that the entity has an extremely strong capacity to pay interest and principal. AA is a high grade rating, indicating a very strong capacity, and A is an upper medium grade, indicating a strong capacity to pay interest and principal. BBB is the lowest investment grade rating, indicating a medium capacity to pay interest and principal. Ratings lower than AAA can be modified by + or - signs to indicate relative standing within the major categories.

	<i>As at</i> 31/12/2016 USD	<i>As at</i> 31/12/2015 USD
International fixed interest securities and money market securities		
AAA	8,435,040,514	8,926,690,733
AA	326,971,490	365,331,302
A	144,726,245	171,320,300
BBB	<u>165,020,739</u>	<u>188,566,365</u>
Total	<u>9,071,758,988</u>	<u>9,651,908,700</u>

13. Financial assets at fair value through profit or loss (continued)

(iv) Credit exposure by counterparty as a percentage of the Petroleum Fund's capital

No more than 1% (2015: 1%) of assets of the Petroleum Fund is exposed to a single sovereign issuer, other than the United States Government, all of which sovereigns are developed nations. The assets exposed to the United States Government amounted to 48% (2015: 50%) of the Petroleum Fund's capital. A change in the credit ratings of the Petroleum Fund's counterparties may have an impact on the future financial performance of the Petroleum Fund.

(c) Derivative financial instruments

The Petroleum Fund Law sets limits on the use of derivative financial instruments whereby derivatives may only be used to reduce the risk to the Petroleum Fund or to efficiently facilitate the desired exposure to an asset, and whereby the risk arising from the use of the derivatives may not be higher than would result from direct exposure to the underlying assets. As such, the objective of using derivative instruments is to reduce financial risks and costs associated with implementing the investment strategy. The Petroleum Fund does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The individual investment mandates set by the IAB include rules for the use of derivatives within these statutory requirements.

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the OTC market. Futures contracts are transacted in standardized amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk. The Petroleum Fund has credit exposure to the counterparties of forward contracts. The credit risk related to futures contracts is considered minimal because the exchange ensures that these contracts are always honoured. Forward contracts are settled gross and, therefore, considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

14. Financial Liabilities

Financial liabilities are amounts owed by the Petroleum Fund to third parties. One type of financial liability is the amount payable for securities purchased.

Another type of financial liabilities arises when derivative contracts are "out of the money", that is, an amount must be paid at the due date of the derivative contract. As a derivative is often used by the Petroleum Fund for hedging, an "out of the money" derivative may be indicative of a corresponding asset having risen in value.

There were no financial instruments liabilities designated at fair value through profit or loss as at 31 December 2016, (2015: Nil).

Accounting Policy

Classification

The Petroleum Fund's financial liabilities are categorized as at fair value through profit or loss, unless otherwise noted.

Financial liabilities that are not at fair value through profit or loss include balances payable to financial intermediaries for the purchase of securities, and other short term payables.

Risks

There were no transfers between levels for the year ended 31 December 2016, (2015: Nil).

There were no movements in all levels of instruments for the year ended 31 December 2016, (2015: Nil).

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2016

PART IV: NOTES TO THE STATEMENT OF CHANGES IN CAPITAL

The Statement of Changes in Capital details the change in the net wealth of the Petroleum Fund over the year. Typically, this includes contributions to the Petroleum Fund by participants in the petroleum sector, withdrawals by the government, refunds of taxation, and the net profit or loss from the Petroleum Fund's investments.

15. Capital receipts and payments

Capital receipts and payments reflect moneys received by the Fund pursuant to the Petroleum Fund law, and amounts transferred to the state budget pursuant to an appropriation of parliament.

Capital receipts are classified in the Petroleum Fund law as follows:

- Article 6.1(a) receipts are the gross revenues, including tax revenue, of Timor-Leste from any petroleum operations.
- Article 6.1(b) receipts are amounts received by the National Petroleum Authority pursuant to the Timor Sea Treaty.
- Article 6.1(c) receipts are amounts received from the investment of the capital of the Petroleum Fund.
- Article 6.1(e) include any other petroleum-related receipts.

The following table shows the capital receipts and payments of the Petroleum Fund.

<i>Year ended 31/12/2016</i>						
<i>USD</i>						
Month	Article 6.1(a) receipts	Article 6.1(b) receipts	Article 6.1(e) Other receipts	To Consolidated Fund	Refunds of taxation	TOTAL
January	16,313,849	28,761,203	-	-	-	45,075,052
February	15,056,102	30,734,725	-	(100,000,000)	-	(54,209,173)
March	25,031,873	9,401,244	-	(90,000,000)	-	(55,566,883)
April	8,192,481	9,847,910	-	(10,000,000)	-	8,040,391
May	1,589,430	1,134,343	-	-	-	2,723,773
June	4,215,660	1,805,769	-	(240,000,000)	-	(233,978,571)
July	4,892,437	6,734,383	-	-	-	11,626,820
August	2,187,188	5,737,082	6,088,000	(104,800,000)	-	(90,787,730)
September	2,873,920	6,909,878	154,000	(100,000,000)	-	(90,062,202)
October	1,083,265	11,055,818	-	(150,000,000)	-	(137,860,917)
November	4,570,291	4,727,479	-	(150,000,000)	-	(140,702,230)
December	4,487,983	10,286,575	-	(300,000,000)	-	(285,225,442)
Totals	<u>90,494,479</u>	<u>127,136,409</u>	<u>6,242,000</u>	<u>(1,244,800,000)</u>	<u>-</u>	<u>(1,020,927,112)</u>
Total Article 6.1			<u>223,872,888</u>			

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2016

15. Capital receipts and payments (continued)

Year ended 31/12/2015

USD

Month	Article 6.1(a) receipts	Article 6.1(b) receipts	Article 6.1(e) Other receipts	To Consolidated Fund	Refunds of taxation	TOTAL
January	57,120,593	38,047,716	-	(70,000,000)	-	25,168,309
February	53,637,710	40,041,155	-	(70,000,000)	(24,947,282)	(1,268,417)
March	64,349,635	44,975,103	-	(75,000,000)	-	34,324,738
April	43,391,670	64,925,544	-	-	-	108,317,214
May	37,290,481	71,462,163	-	(80,000,000)	-	28,752,644
June	32,998,620	44,611,879	-	(150,000,000)	-	(72,389,501)
July	35,510,135	38,848,033	5,896,000	-	-	80,254,168
August	30,753,448	37,276,868	-	(60,000,000)	-	8,030,316
September	30,009,819	39,996,699	944	(133,500,000)	-	(63,492,538)
October	19,046,648	53,341,242	-	(190,000,000)	-	(117,612,110)
November	32,959,614	42,484,332	-	(100,000,000)	-	(24,556,054)
December	23,749,643	21,088,273	-	(350,000,000)	-	(305,162,084)
Totals	<u>460,818,016</u>	<u>537,099,007</u>	<u>5,896,944</u>	<u>(1,278,500,000)</u>	<u>(24,947,282)</u>	<u>(299,633,315)</u>
Total Article 6.1			<u>1,003,813,967</u>			

Accounting Policies, estimates, assumptions, judgements, and risks

Capital

Judgments have been made as to whether certain transactions should be recognized as capital or revenue.

Petroleum Fund Gross Receipts

The Petroleum Fund Law requires certain parties to deposit taxes and other petroleum related payments payable to the Government of Timor Leste directly into the Petroleum Fund. The Petroleum Fund recognizes these and other transactions as follows:

- Payments made as Petroleum Fund receipts in accordance with Article 6.1(a) are recognized as increases in the statement of changes in capital of the Petroleum Fund.
- Payments made by the Designated Authority in accordance with Article 6.1(b) are recognized as increases in the statement of changes in capital of the Petroleum Fund.
- Income earned by the Petroleum Fund from the investment of its assets is recognized in the statement of profit or loss and other comprehensive income in accordance with Article 6.1(c).
- Payments received by Timor Leste relating directly to Petroleum Fund resources not covered in Article 6.1 (a) to (d) of the Petroleum Fund law are recognized as increases in the statement of changes in capital of the Petroleum Fund in accordance with Article 6.1(e).
- Management fees paid from the gross receipts of the Petroleum Fund pursuant to Article 6.2 are recognized in the statement of profit or loss and other comprehensive income.
- Refunds of taxation made pursuant to Article 10 are recognized as reductions in the statement of changes in capital of the Petroleum Fund.

Transfers to the Consolidated Fund

The National Government of República Democrática de Timor Leste (“the Consolidated Fund”) comprises:

- Central government ministries; and
- Autonomous agencies under significant control of Ministry of Finance.

Transfers to the Consolidated Fund are appropriations approved by National Parliament of Timor Leste. All transfers to the Consolidated Fund are authorized and recognized when paid to the Consolidated Fund.

Petroleum Fund of Timor-Leste
Notes to the financial statements
for the year ended 31 December 2016

15. Capital receipts and payments (continued)

Objectives of managing capital

The Petroleum Fund is a mandatory financial reserve established with the objective of allocating financial wealth obtained from natural resources fairly and equitably between current and future generations of Timor Leste citizens. The Petroleum Fund's capital structure consists solely of paid in capital derived from petroleum receipts and other sources as described in Note 3(c). The Petroleum Fund law requires the Government to annually calculate Estimated Sustainable Income (ESI) which is defined as the maximum amount that can be appropriated from the Petroleum Fund in a fiscal year and leave sufficient resources in the Petroleum Fund for an amount of equal real value to be appropriated in all later fiscal years. The ESI calculation is submitted with the annual budget to Parliament, which is required to take the ESI into consideration when determining the amount of capital to be appropriated from the Petroleum Fund. Transfers in excess of the ESI are permitted subject to certain provisions in the Petroleum Fund law being satisfied.

There has been no change during the year in these objectives and policies for managing capital and the Petroleum Fund has complied with all legislative requirements relating to the management of the Petroleum Fund's capital.

PART V: NOTES TO THE STATEMENT OF CASH FLOWS

The Statement of Cash Flows, also known as the Cash Flow Statement, presents the movement in cash flows over the period of 1 January to 31 December as classified under operating and financing activities.

Cash flow generally means cash movements in the Petroleum Fund's bank accounts, and movements in short term investments that are highly liquid and involve very low risk of change in value.

Cash flow from operating activities presents the movement in cash during the year relating to the Petroleum Fund's revenue generating activities of the Petroleum Fund, namely investing in securities.

Cash flow from financing activities includes the movement in cash flow resulting from receipts into the Petroleum Fund deposited by participants in the exploitation of petroleum resources, and transfers out of the Petroleum Fund to the Consolidated Fund or to refund tax.

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with an original maturity of less than 90 days.

16. Reconciliation of net cash flows

	<i>Year ended</i> 31/12/2016 <i>USD</i>	<i>Year ended</i> 31/12/2015 <i>USD</i>
Profit/(loss) for the year	647,681,894	(21,411,640)
Decrease in financial assets at fair value through profit or loss	360,648,414	390,181,231
Increase in receivables	(619,885)	(1,540,154)
(Decrease)/increase in accounts payable	(217,437)	1,681,633
(Decrease)/increase in payables for securities purchased	<u>(12,415,250)</u>	<u>4,344,510</u>
Net cash flow from operating activities	<u>995,077,736</u>	<u>373,255,580</u>

Accounting Policies

Cash inflows from investments are presented net of withholding taxes, when applicable.

PART VI: NON-FINANCIAL DISCLOSURES

17. Personnel

The Fund did not employ any personnel during the year (2015: the same).

18. Contingent assets, contingent liabilities and commitments

There were no contingent assets, contingent liabilities or commitments as at 31 December 2016.

Petroleum Fund of Timor-Leste
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for the year ended 31 December 2016

19. Related party disclosures

The following parties are considered related parties of the Fund:

The ultimate controlling party of the Petroleum Fund is the Democratic Republic of Timor-Leste ('the Government').

The Government

The Government, as stipulated in Article 11.1 of the Petroleum Fund Law, is the overall manager of the Petroleum Fund.

The Petroleum Fund receives receipts on behalf of the Government, as disclosed in Note 15. The Government, through the State budget, meets the expenses of the Petroleum Fund, including the audit fee, not otherwise covered by the management fee.

The Petroleum Fund makes transfers to the Consolidated Fund of Timor-Leste (pursuant to Article 7 of the Petroleum Fund Law) as disclosed in the Statement of changes in capital.

Banco Central de Timor-Leste (BCTL)

The BCTL is the operational manager of the Petroleum Fund, in accordance with Article 11.3 of the Petroleum Fund Law.

This means that the operational manager is, in particular, responsible for oversight of the investment managers and service providers, collection of dividends, interest and proceeds of matured securities, the exercise of options and, in general, for any other operation concerning the day-to-day administration of the securities and other assets and liabilities of the Petroleum Fund.

The management fee covers the operational management of the Petroleum Fund which is undertaken by the BCTL, in accordance with the provisions of Article 11.3 of the Petroleum Fund Law. The audit fee and expenses incurred within the Ministry of Finance relating to the overall management of the Petroleum Fund are met directly from the State budget. The management fee paid to the BCTL for the period was composed as follows:

	<i>Year ended 31/12/2016</i>	<i>Year ended 31/12/2015</i>
	<i>USD</i>	<i>USD</i>
Custody and external management services	8,257,197	9,583,916
IAB expenses	203,420	164,456
BCTL operating expenses	4,934,218	5,605,775
Total management fees	<u>13,394,835</u>	<u>15,354,147</u>
Other expenses	1,475,000	312,282
Total	<u>14,869,835</u>	<u>15,666,429</u>

BCTL were entitled to receive a management fee for its respective services within the parameters of Annex 2 of the Operational Management Agreement Actualization dated 20 April 2015. In the current year, these fees amount to an aggregate of 0.08% (2015: 0.10%) per annum of the net assets of the Fund. Management fees are payable monthly in arrears. Total management fees for the year amounted to US\$13,394,835 (2015: US\$15,354,147).

The management fees payable as at 31 December 2016 is US\$4,953,007 (31 December 2015: US\$5,170,444).

Autoridade Nacional do Petróleo e Minerais (ANPM)

The ANPM manages the revenues from the production sharing contracts between Timor-Leste and Australia, and transfers the Timor-Leste portion to the Petroleum Fund as Article 6.1(b) receipts as disclosed in Note 15.

20. Encumbrances on the Petroleum Fund

Encumbrances on the assets of the Petroleum Fund

In accordance with Article 20 of the Petroleum Fund Law, burdens or encumbrances, in any of their forms, may be put by way of contract or agreement on Petroleum Fund assets, up to a limit of 10% of the total value of the Petroleum Fund at the time the burden or encumbrances is put, provided that this is in compliance with the principles in general rules for creating, issuing and managing public debt.

During the 2016 financial year and as at the financial position date, there were no encumbrances or burdens on the assets of the Petroleum Fund.

21. Application of new and revised IFRS

This note provides information about new IFRS standards that have been adopted, and forthcoming standards that are not yet effective.

21.1. New and revised IFRS applied with no material effect on the financial statements

There are no new and revised IFRSs which have been adopted in these financial statements.

21.2. Adoption of IFRS standards that are not yet effective

Management has not yet had an opportunity to consider the potential impact of the adoption of standards and interpretations in issue but not yet effective.

Management of the Petroleum Fund anticipates that these amendments will be adopted in the Petroleum Fund's financial statements as outlined below:

Standard/interpretation	Effective date (periods beginning on or after)	Expected to be initially applied in the financial year beginning
IFRS 9 Financial Instruments	1 January 2018	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018	1 January 2018
IFRS16 Leases	1 January 2019	1 January 2019
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	1 January 2017	1 January 2017
Disclosure Initiative (Amendments to IAS 7)	1 January 2017	1 January 2017

22. Subsequent Events

No subsequent events have occurred after the reporting date but prior to the issuance of the financial statements that have a material effect on the financial statements and therefore require adjustment or disclosure in the statements.

Petroleum Fund of Timor-Leste
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For the year ended 31 December 2016

PART VII: SCHEDULE OF FINANCIAL ASSETS

23. Schedule of financial assets valued through profit or loss

(a) Fixed interest securities – issued by sovereign states and supranationals

Security	Nominal	Fair Value	Security	Nominal	Fair Value
ADB 1.62% 16Mar21	5,000,000	4,936,728	Belgium 4.50% 28Mar26	1,034,000	1,534,010
		4,936,728	Belgium 5.50% 28Mar28	559,000	926,477
			Belgium 4.00% 28Mar32	253,000	389,012
Australia 5.50% 21Jan18	10,586,000	8,155,060	Belgium 5.00% 28Mar35	902,000	1,609,072
Australia 2.75% 21Oct19	11,083,000	8,240,998	Belgium 5.00% 28Mar35	1,021,800	1,822,782
Australia 5.25% 15Mar19	500,000	393,733	Belgium 4.25% 28Mar41	1,199,000	2,070,727
Australia 5.25% 15Mar19	18,785,000	14,792,549	Belgium 4.25% 28Mar41	848,400	1,465,225
Australia 1.75% 21Nov20	11,330,000	8,107,819	Belgium 3.75% 22Jun45	702,000	1,145,817
Australia 4.50% 15Apr20	6,605,000	5,203,700			25,399,437
Australia 5.75% 15May21	12,835,000	10,747,470			
Australia 5.75% 15May21	4,000,000	3,349,426	Canada 1.50% 01Mar17	2,250,000	1,688,906
Australia 5.75% 15Jul22	5,146,000	4,486,330	Canada 1.50% 01Sep17	8,285,000	6,245,678
Australia 5.50% 21Apr23	8,045,000	6,928,945	Canada 1.25% 01Feb18	14,130,000	10,662,298
Australia 2.75% 21Apr24	11,053,000	8,140,573	Canada 1.75% 01Sep19	27,810,000	21,353,553
Australia 2.75% 21Apr24	16,307,000	12,010,162	Canada 1.50% 01Mar20	9,000,000	6,862,802
Australia 3.25% 21Apr25	11,940,000	9,073,546	Canada 3.50% 01Jun20	5,880,000	4,769,527
Australia 4.25% 21Apr26	4,263,000	3,501,679	Canada 0.75% 01Mar21	4,600,000	3,393,919
Australia 4.25% 21Apr26	11,540,000	9,479,092	Canada 0.75% 01Mar21	15,460,000	11,406,518
Australia 4.75% 21Apr27	10,801,000	9,277,197	Canada 0.75% 01Sep21	15,385,000	11,311,488
Australia 4.75% 21Apr27	3,760,000	3,229,540	Canada 2.50% 01Jun24	1,635,000	1,305,268
Australia 3.25% 21Apr29	5,776,000	4,324,478	Canada 2.25% 01Jun25	19,053,000	14,923,108
Australia 4.50% 21Apr33	2,630,000	2,226,700	Canada 1.50% 01Jun26	11,060,000	8,101,109
Australia 4.50% 21Apr33	6,560,000	5,554,050	Canada 5.75% 01Jun29	2,820,000	2,976,193
Australia 2.75% 21Jun35	2,060,000	1,357,637	Canada 5.75% 01Jun33	4,821,000	5,366,380
Australia 3.75% 21Apr37	1,785,000	1,349,700	Canada 5.75% 01Jun33	8,321,000	9,262,320
Australia 3.75% 21Apr37	3,080,000	2,328,893	Canada 5.00% 01Jun37	2,600,000	2,796,124
Australia 3.25% 21Jun39	700,000	480,057	Canada 4.00% 01Jun41	3,756,000	3,669,895
Australia 3.00% 21Mar47	5,230,000	3,291,698	Canada 4.00% 01Jun41	2,655,000	2,594,135
Australia 3.00% 21Mar47	665,000	418,543	Canada 3.50% 01Dec45	3,986,000	3,702,387
		146,449,574	Canada 3.50% 01Dec45	6,765,000	6,283,654
			Canada 2.75% 01Dec48	1,325,000	1,087,667
Austria 4.65% 15Jan18	482,000	559,233	Canada 2.75% 01Dec64	825,000	697,756
Austria 1.95% 18Jun19	302,000	342,118	Canada 2.75% 01Dec64	750,000	634,323
Austria 1.95% 18Jun19	4,541,000	5,144,229			141,095,009
Austria 3.90% 15Jul20	673,000	833,906			
Austria 3.50% 15Sep21	525,000	660,933	Denmark 4.00% 15Nov17	42,181,000	6,252,532
Austria 3.40% 22Nov22	383,000	491,332	Denmark 4.00% 15Nov17	46,335,000	6,868,284
Austria 3.65% 20Apr22	336,000	437,540	Denmark 4.00% 15Nov19	40,596,000	6,530,246
Austria 3.65% 20Apr22	336,000	437,540	Denmark 4.00% 15Nov19	46,461,700	7,473,798
Austria 1.75% 20Oct23	274,000	326,214	Denmark 3.00% 15Nov21	66,225,000	10,937,003
Austria 0.75% 20Oct26	880,000	957,324	Denmark 1.50% 15Nov23	27,835,000	4,352,925
Austria 4.85% 15Mar26	668,000	1,025,586	Denmark 1.50% 15Nov23	81,310,200	12,715,544
Austria 6.25% 15Jul27	195,000	336,177	Denmark 7.00% 10Nov24	12,882,000	2,832,490
Austria 4.15% 15Mar37	714,000	1,211,501	Denmark 7.00% 10Nov24	46,657,700	10,259,081
Austria 4.15% 15Mar37	928,000	1,574,611	Denmark 1.75% 15Nov25	20,000,000	3,199,661
Austria 3.15% 20Jun44	230,000	357,540	Denmark 1.75% 15Nov25	31,916,000	5,106,020
Austria 3.15% 20Jun44	485,000	753,943	Denmark 4.50% 15Nov39	54,144,000	13,281,741
Austria 3.80% 26Jan62	153,000	296,795	Denmark 4.50% 15Nov39	64,927,200	15,926,903
		15,746,521			105,736,228
Belgium 3.00% 28Sep19	288,000	336,354	Finland 4.37% 04Jul19	865,000	1,047,270
Belgium 3.00% 28Sep19	2,442,700	2,852,822	Finland 3.37% 15Apr20	287,000	349,663
Belgium 4.00% 28Mar19	372,000	445,421	Finland 1.50% 15Apr23	2,275,000	2,673,494
Belgium 3.75% 28Sep20	591,000	730,584	Finland 2.62% 04Jul42	250,000	362,749
Belgium 4.25% 28Sep21	504,000	655,762			4,433,176
Belgium 4.25% 28Sep21	950,000	1,236,060			
Belgium 4.00% 28Mar22	476,000	632,449	France 4.25% 25Oct17	4,558,000	5,041,345
Belgium 4.25% 28Sep22	1,220,000	1,634,203	France 0.00% 25Feb18	6,385,000	6,790,244
Belgium 2.25% 22Jun23	371,000	455,991	France 3.75% 25Oct19	1,051,000	1,252,908
Belgium 0.80% 22Jun25	958,000	1,051,174	France 8.50% 25Oct19	290,000	389,665
Belgium 0.80% 22Jun25	4,015,000	4,405,495	France 0.00% 25May20	6,120,000	6,563,099

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23. Schedule of financial assets valued through profit or loss (continued)

Security	Nominal	Fair Value	Security	Nominal	Fair Value
France 0.25% 25Nov20	9,500,000	10,280,671	Italy 4.75% 01Jun17	3,847,000	4,157,952
France 2.50% 25Oct20	1,092,000	1,287,439	Italy 4.75% 01May17	3,760,000	4,062,844
France 3.50% 25Apr20	1,192,000	1,456,014	Italy 5.25% 01Aug17	813,000	903,670
France 3.25% 25Oct21	2,405,000	2,983,769	Italy 3.50% 01Jun18	586,000	651,914
France 3.75% 25Apr21	3,829,000	4,862,634	Italy 4.50% 01Feb18	830,000	936,146
France 1.75% 25Nov24	2,035,500	2,400,105	Italy 4.50% 01Feb18	829,000	935,018
France 0.50% 25May25	7,802,000	8,329,223	Italy 1.50% 01Aug19	10,270,000	11,311,708
France 0.50% 25May25	15,765,000	16,830,326	Italy 4.25% 01Feb19	824,000	962,928
France 6.00% 25Oct25	280,000	442,396	Italy 4.25% 01Sep19	3,003,000	3,566,918
France 0.50% 25May26	795,000	832,982	Italy 4.50% 01Mar19	808,000	948,962
France 2.75% 25Oct27	1,370,000	1,751,275	Italy 4.00% 01Sep20	2,212,000	2,684,137
France 5.50% 25Apr29	1,225,000	2,045,139	Italy 3.75% 01Aug21	943,000	1,155,152
France 2.50% 25May30	1,840,000	2,346,505	Italy 3.75% 01Mar21	814,000	988,316
France 2.50% 25May30	690,000	879,940	Italy 3.75% 01May21	5,615,000	6,783,505
France 5.75% 25Oct32	1,126,000	2,010,134	Italy 4.75% 01Sep21	838,000	1,067,979
France 4.75% 25Apr35	350,000	596,625	Italy 1.35% 15Apr22	8,940,000	9,715,592
France 4.75% 25Apr35	2,364,632	4,030,852	Italy 5.00% 01Mar22	620,000	804,694
France 1.25% 25May36	650,000	682,594	Italy 5.50% 01Nov22	665,000	888,980
France 4.00% 25Oct38	575,000	914,661	Italy 5.50% 01Sep22	659,000	885,380
France 4.00% 25Oct38	798,124	1,269,588	Italy 5.50% 01Sep22	659,000	885,380
France 4.50% 25Apr41	200,000	348,067	Italy 4.50% 01May23	611,000	783,907
France 4.50% 25Apr41	791,621	1,377,685	Italy 4.75% 01Aug23	833,000	1,100,118
France 3.25% 25May45	1,645,000	2,423,664	Italy 9.00% 01Nov23	800,000	1,288,460
France 4.00% 25Apr55	1,103,000	1,959,787	Italy 2.50% 01Dec24	2,250,000	2,560,117
France 4.00% 25Apr60	372,000	677,991	Italy 2.50% 01Dec24	6,505,000	7,401,582
France 4.00% 25Apr60	516,380	941,131	Italy 3.75% 01Sep24	6,095,000	7,588,965
		93,998,459	Italy 1.50% 01Jun25	1,575,000	1,655,407
			Italy 2.00% 01Dec25	6,275,000	6,802,797
Germany 0.75% 24Feb17	11,000,000	11,700,359	Italy 5.00% 01Mar25	2,517,000	3,412,027
Germany 0.00% 09Apr21	5,765,000	6,240,482	Italy 1.60% 01Jun26	2,850,000	2,976,227
Germany 1.50% 04Sep22	4,260,000	5,002,761	Italy 4.50% 01Mar26	1,299,000	1,712,543
Germany 0.50% 15Feb25	2,073,686	2,296,561	Italy 7.25% 01Nov26	321,000	510,210
Germany 1.00% 15Aug25	3,900,000	4,480,282	Italy 6.50% 01Nov27	872,000	1,340,898
Germany 1.00% 15Aug25	8,040,000	9,236,274	Italy 4.75% 01Sep28	840,000	1,152,487
Germany 0.00% 15Aug26	6,410,000	6,635,079	Italy 6.00% 01May31	1,557,000	2,426,820
Germany 0.50% 15Feb26	4,644,000	5,099,623	Italy 4.00% 01Feb37	2,267,000	2,979,885
Germany 6.50% 04Jul27	590,000	1,047,498	Italy 4.00% 01Feb37	4,974,000	6,538,134
Germany 4.75% 04Jul28	361,000	579,993	Italy 4.75% 01Sep44	600,000	867,026
Germany 5.50% 04Jan31	540,200	991,306	Italy 4.75% 01Sep44	1,597,000	2,307,734
Germany 4.75% 04Jul34	681,100	1,231,169	Italy 2.70% 01Mar47	426,000	435,153
Germany 4.00% 04Jan37	734,300	1,282,175			111,410,952
Germany 2.50% 04Jul44	3,367,039	4,985,720	Japan 0.10% 20Dec17	35,850,000	308,544
Germany 2.50% 04Jul44	2,605,000	3,857,336	Japan 0.20% 20Dec17	60,600,000	522,072
Germany 2.50% 15Aug46	360,000	538,078	Japan 0.20% 20Mar17	33,700,000	289,398
Germany 2.50% 15Aug46	1,020,000	1,524,555	Japan 0.30% 20Mar17	244,650,000	2,101,961
		66,729,252	Japan 1.70% 20Mar17	77,100,000	666,958
Hong Kong 0.61% 05Feb18	2,500,000	321,996	Japan 1.70% 20Sep17	70,700,000	617,741
Hong Kong 1.06% 05Feb20	6,050,000	776,475	Japan 1.80% 20Jun17	51,050,000	442,164
Hong Kong 2.93% 13Jan20	2,350,000	321,147	Japan 1.90% 20Jun17	30,900,000	267,768
Hong Kong 2.93% 13Jan20	12,750,000	1,742,392	Japan 0.10% 20Mar18	35,950,000	309,664
Hong Kong 2.46% 04Aug21	2,900,000	392,455	Japan 0.10% 20Mar18	1,493,900,000	12,868,081
Hong Kong 2.46% 04Aug21	7,850,000	1,062,335	Japan 0.30% 20Mar18	38,250,000	330,456
		4,616,799	Japan 0.40% 20Jun18	40,250,000	348,293
IBRD 1.62% 09Mar21	10,000,000	9,886,027	Japan 0.40% 20Mar18	40,250,000	348,251
		9,886,027	Japan 1.30% 20Dec18	49,500,000	436,967
Ireland 4.40% 18Jun19	1,587,200	1,919,763	Japan 1.30% 20Mar18	33,800,000	296,313
Ireland 5.90% 18Oct19	258,900	325,886	Japan 1.50% 20Jun18	35,100,000	308,662
Ireland 5.40% 13Mar25	1,033,000	1,558,566	Japan 1.50% 20Sep18	69,700,000	617,507
Ireland 2.00% 18Feb45	235,000	268,698	Japan 1.70% 20Mar18	35,900,000	316,563
		4,072,912	Japan 1.80% 20Jun18	33,350,000	294,568
Italy 3.50% 01Nov17	582,000	636,642	Japan 0.10% 20Dec19	900,000,000	7,773,737
Italy 3.50% 01Nov17	582,000	636,642	Japan 0.10% 20Dec19	1,292,300,000	11,162,223
			Japan 1.30% 20Dec19	81,100,000	725,599
			Japan 1.30% 20Mar19	47,350,000	420,708
			Japan 1.30% 20Sep19	30,750,000	275,124

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23. Schedule of financial assets valued through profit or loss (continued)

Security	Nominal	Fair Value	Security	Nominal	Fair Value
Japan 1.50% 20Jun19	51,450,000	459,393	Netherlands 1.75% 15Jul23	2,068,700	2,473,361
Japan 1.50% 20Mar19	31,150,000	278,105	Netherlands 2.00% 15Jul24	3,065,000	3,742,631
Japan 0.80% 20Sep20	33,000,000	293,257	Netherlands 0.25% 15Jul25	1,000,000	1,061,112
Japan 1.00% 20Sep20	55,300,000	495,230	Netherlands 5.50% 15Jan28	844,000	1,424,218
Japan 1.10% 20Jun20	55,450,000	495,811	Netherlands 2.50% 15Jan33	542,000	744,184
Japan 1.20% 20Dec20	85,300,000	769,792	Netherlands 4.00% 15Jan37	472,000	815,629
Japan 1.30% 20Jun20	31,450,000	283,102	Netherlands 4.00% 15Jan37	461,641	797,728
Japan 1.30% 20Mar20	31,750,000	285,816	Netherlands 3.75% 15Jan42	536,000	947,738
Japan 1.40% 20Mar20	55,250,000	499,045	Netherlands 3.75% 15Jan42	1,070,000	1,891,939
Japan 1.00% 20Dec21	65,400,000	591,418	Netherlands 2.75% 15Jan47	301,700	469,838
Japan 1.00% 20Sep21	60,450,000	546,766			23,941,756
Japan 1.10% 20Dec21	39,450,000	358,445			
Japan 1.10% 20Jun21	35,200,000	318,182	New Zealand 6.00% 15Dec17	5,577,000	4,048,962
Japan 1.10% 20Mar21	33,500,000	302,768	New Zealand 5.00% 15Mar19	13,700,000	10,246,126
Japan 1.10% 20Sep21	34,800,000	316,260	New Zealand 5.00% 15Mar19	5,266,000	3,938,402
Japan 1.20% 20Jun21	58,950,000	535,145	New Zealand 3.00% 15Apr20	5,320,000	3,787,539
Japan 1.30% 20Mar21	173,400,000	1,580,572	New Zealand 6.00% 15May21	2,290,000	1,823,891
Japan 0.80% 20Sep22	418,850,000	3,780,572	New Zealand 5.50% 15Apr23	10,000,000	8,060,417
Japan 0.90% 20Jun22	176,200,000	1,592,752	New Zealand 5.50% 15Apr23	5,475,000	4,413,078
Japan 0.80% 20Sep23	396,600,000	3,606,367	New Zealand 5.50% 15Apr23	9,540,000	7,689,638
Japan 0.30% 20Dec24	1,357,250,000	11,931,013	New Zealand 4.50% 15Apr27	1,715,000	1,321,860
Japan 0.10% 10Mar25	776,000,000	7,056,214	New Zealand 3.50% 14Apr33	300,000	204,315
Japan 0.10% 10Mar26	1,455,000,000	13,261,042	New Zealand 3.50% 14Apr33	1,925,000	1,311,020
Japan 2.10% 20Dec27	502,100,000	5,251,958	New Zealand 2.75% 15Apr37	2,000,000	1,149,319
Japan 2.10% 20Dec29	41,500,000	443,519			47,994,567
Japan 2.10% 20Jun29	168,200,000	1,788,734			
Japan 1.60% 20Jun30	32,150,000	326,990	Norway 4.25% 19May17	48,600,000	5,871,792
Japan 1.90% 20Sep30	42,450,000	448,880	Norway 4.50% 22May19	35,725,000	4,631,889
Japan 2.00% 20Dec30	30,650,000	326,987	Norway 4.50% 22May19	48,525,000	6,291,460
Japan 2.00% 20Jun30	31,050,000	329,907	Norway 3.75% 25May21	30,550,000	4,032,938
Japan 2.10% 20Dec30	43,550,000	469,688	Norway 3.75% 25May21	9,587,000	1,265,590
Japan 2.10% 20Mar30	43,750,000	470,781	Norway 2.00% 24May23	48,766,000	5,950,275
Japan 2.20% 20Mar30	32,500,000	353,433	Norway 2.00% 24May23	104,744,000	12,780,535
Japan 1.80% 20Dec31	41,150,000	431,770	Norway 3.00% 14Mar24	8,169,000	1,069,317
Japan 1.90% 20Jun31	40,950,000	433,496	Norway 3.00% 14Mar24	17,005,000	2,225,944
Japan 2.20% 20Mar31	31,050,000	341,022	Norway 1.75% 13Mar25	21,060,000	2,513,920
Japan 1.70% 20Dec32	145,300,000	1,508,562			46,633,661
Japan 1.80% 20Mar32	32,850,000	346,112			
Japan 1.60% 20Mar33	45,150,000	464,469	Singapore 0.50% 01Apr18	1,395,000	958,804
Japan 1.70% 20Jun33	45,450,000	472,172	Singapore 4.00% 01Sep18	2,068,000	1,514,249
Japan 1.70% 20Jun33	714,500,000	7,422,816	Singapore 4.00% 01Sep18	5,242,000	3,838,343
Japan 1.20% 20Dec34	452,250,000	4,368,509	Singapore 2.50% 01Jun19	8,997,000	6,384,086
Japan 1.40% 20Sep34	160,000,000	1,597,988	Singapore 2.50% 01Jun19	3,067,000	2,176,280
Japan 1.20% 20Mar35	65,350,000	632,245	Singapore 3.25% 01Sep20	2,781,000	2,051,925
Japan 2.40% 20Mar37	32,800,000	379,646	Singapore 3.25% 01Sep20	6,596,000	4,866,774
Japan 2.50% 20Sep37	28,900,000	340,740	Singapore 2.25% 01Jun21	4,132,000	2,917,645
Japan 2.40% 20Sep38	34,000,000	398,599	Singapore 2.25% 01Jun21	1,931,000	1,363,498
Japan 2.50% 20Mar38	33,000,000	390,804	Singapore 3.12% 01Sep22	2,380,000	1,756,182
Japan 2.20% 20Sep39	35,250,000	404,193	Singapore 3.12% 01Sep22	2,379,000	1,755,444
Japan 2.30% 20Mar39	36,550,000	423,331	Singapore 2.75% 01Jul23	3,439,000	2,450,648
Japan 2.30% 20Mar39	387,950,000	4,493,330	Singapore 2.75% 01Jul23	3,533,000	2,517,633
Japan 2.00% 20Sep40	43,550,000	486,393	Singapore 3.00% 01Sep24	1,902,000	1,385,142
Japan 2.30% 20Mar40	38,750,000	453,094	Singapore 3.00% 01Sep24	6,325,000	4,606,216
Japan 2.20% 20Mar41	40,650,000	471,709	Singapore 2.37% 01Jun25	1,660,000	1,145,607
Japan 1.90% 20Sep42	309,000,000	3,437,551	Singapore 2.12% 01Jun26	5,850,000	3,938,252
Japan 0.30% 20Jun46	259,700,000	1,988,400	Singapore 3.50% 01Mar27	3,725,000	2,826,678
Japan 2.20% 20Mar51	31,050,000	383,454	Singapore 3.50% 01Mar27	3,498,000	2,654,422
Japan 2.00% 20Mar52	91,750,000	1,091,301	Singapore 2.87% 01Sep30	2,731,000	1,939,714
Japan 1.70% 20Mar54	105,000,000	1,173,763	Singapore 2.87% 01Sep30	6,462,000	4,589,686
		136,232,736	Singapore 3.37% 01Sep33	2,010,000	1,521,899
			Singapore 2.75% 01Apr42	2,482,000	1,737,676
Netherlands 1.25% 15Jan19	1,770,638	1,965,241	Singapore 2.75% 01Apr42	3,976,000	2,783,643
Netherlands 0.25% 15Jan20	2,855,000	3,105,420	Singapore 2.75% 01Mar46	1,100,000	776,097
Netherlands 3.50% 15Jul20	796,000	978,024			64,456,545
Netherlands 3.25% 15Jul21	1,986,000	2,490,392			
Netherlands 2.25% 15Jul22	849,000	1,034,304	Spain 3.80% 31Jan17	715,000	782,665

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Notes to the financial statements
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23. Schedule of financial assets valued through profit or loss (continued)

Security	Nominal	Fair Value	Security	Nominal	Fair Value
Spain 5.50% 30Jul17	3,550,000	3,956,346	Switzerland 2.50% 08Mar36	2,620,000	3,734,578
Spain 3.75% 31Oct18	649,000	739,656	Switzerland 2.50% 08Mar36	923,000	1,315,655
Spain 4.10% 30Jul18	632,000	724,183	Switzerland 1.25% 27Jun37	4,212,000	5,023,333
Spain 4.30% 31Oct19	649,000	773,538	Switzerland 1.25% 27Jun37	1,182,000	1,409,682
Spain 4.60% 30Jul19	605,000	727,703	Switzerland 1.50% 30Apr42	1,510,000	1,938,763
Spain 1.40% 31Jan20	8,130,000	9,056,165	Switzerland 1.50% 30Apr42	3,548,000	4,555,452
Spain 4.00% 30Apr20	2,655,000	3,242,778	Switzerland 4.00% 06Jan49	915,000	1,915,847
Spain 4.85% 31Oct20	1,365,000	1,710,420	Switzerland 4.00% 06Jan49	2,694,000	5,640,756
Spain 5.50% 30Apr21	801,000	1,068,031	Switzerland 2.00% 25Jun64	922,000	1,509,626
Spain 4.40% 31Oct23	380,000	498,583			87,410,525
Spain 5.40% 31Jan23	1,035,000	1,455,738			
Spain 2.75% 31Oct24	2,335,000	2,783,584	UK 1.00% 07Sep17	8,640,000	10,782,830
Spain 1.60% 30Apr25	4,890,000	5,395,405	UK 1.00% 07Sep17	4,825,000	6,021,661
Spain 5.90% 30Jul26	6,847,000	10,351,094	UK 1.75% 22Jul19	3,845,000	4,987,925
Spain 5.75% 30Jul32	630,000	1,029,474	UK 2.00% 22Jul20	3,050,000	4,025,607
Spain 5.75% 30Jul32	450,000	735,338	UK 1.50% 22Jan21	6,810,000	8,836,733
Spain 4.20% 31Jan37	543,000	782,125	UK 3.75% 07Sep21	1,159,000	1,665,865
Spain 4.20% 31Jan37	1,023,000	1,473,507	UK 8.00% 07Jun21	983,000	1,626,403
Spain 4.70% 30Jul41	1,400,000	2,133,790	UK 0.50% 22Jul22	2,795,000	3,420,667
Spain 4.70% 30Jul41	1,689,000	2,574,265	UK 1.75% 07Sep22	3,810,000	5,015,758
Spain 5.15% 31Oct44	780,000	1,255,173	UK 4.00% 07Mar22	1,550,000	2,277,851
Spain 2.90% 31Oct46	320,000	360,226	UK 2.00% 07Sep25	11,749,554	15,701,719
		53,609,787	UK 1.50% 22Jul26	1,495,000	1,903,537
			UK 6.00% 07Dec28	1,777,000	3,325,951
Sweden 3.75% 12Aug17	15,835,000	1,817,627	UK 4.75% 07Dec30	1,316,000	2,289,673
Sweden 3.75% 12Aug17	27,830,000	3,194,477	UK 4.25% 07Jun32	1,274,000	2,142,857
Sweden 4.25% 12Mar19	46,595,000	5,857,889	UK 4.25% 07Jun32	1,949,400	3,278,874
Sweden 4.25% 12Mar19	54,065,000	6,797,012	UK 4.50% 07Sep34	832,000	1,480,121
Sweden 5.00% 01Dec20	43,485,000	5,822,033	UK 4.25% 07Mar36	622,000	1,089,085
Sweden 5.00% 01Dec20	40,330,000	5,399,623	UK 4.25% 07Mar36	4,181,400	7,321,382
Sweden 3.50% 01Jun22	48,485,000	6,493,897	UK 4.75% 07Dec38	1,269,800	2,409,970
Sweden 3.50% 01Jun22	11,835,000	1,585,135	UK 4.25% 07Sep39	806,000	1,454,880
Sweden 1.50% 13Nov23	35,235,000	4,247,004	UK 4.25% 07Dec40	1,014,000	1,839,479
Sweden 1.50% 13Nov23	114,020,000	13,743,249	UK 4.25% 07Dec40	1,229,300	2,230,051
Sweden 2.50% 12May25	39,900,000	5,245,234	UK 4.50% 07Dec42	1,087,000	2,084,560
Sweden 1.00% 12Nov26	21,200,000	2,435,690	UK 3.25% 22Jan44	4,014,000	6,484,057
Sweden 1.00% 12Nov26	45,035,000	5,174,119	UK 3.50% 22Jan45	1,468,000	2,484,552
Sweden 2.25% 01Jun32	4,940,000	634,874	UK 3.50% 22Jan45	8,770,000	14,842,999
Sweden 2.25% 01Jun32	4,935,000	634,231	UK 4.25% 07Dec46	890,000	1,707,790
Sweden 3.50% 30Mar39	22,160,000	3,409,279	UK 4.25% 07Dec49	607,000	1,211,329
Sweden 3.50% 30Mar39	24,150,000	3,715,437	UK 3.75% 22Jul52	826,000	1,576,502
		76,206,808	UK 3.75% 22Jul52	2,076,500	3,963,205
			UK 4.25% 07Dec55	979,000	2,090,872
Switzerland 3.00% 08Jan18	3,137,000	3,301,667	UK 4.00% 22Jan60	785,000	1,679,644
Switzerland 3.00% 12May19	3,097,000	3,390,494	UK 2.50% 22Jul65	1,544,146	2,449,090
Switzerland 2.25% 06Jul20	717,000	789,346	UK 3.50% 22Jul68	367,000	744,894
Switzerland 2.25% 06Jul20	2,126,000	2,340,514	UK 3.50% 22Jul68	1,453,900	2,950,957
Switzerland 2.00% 28Apr21	1,706,000	1,899,715			139,399,330
Switzerland 2.00% 28Apr21	1,705,000	1,898,601			
Switzerland 2.00% 25May22	6,800,000	7,713,975	USA 1.37% 15Dec19	20,000,000	19,965,183
Switzerland 2.00% 25May22	2,205,000	2,501,370	USA 1.37% 30Apr20	2,091,200,000	2,082,646,934
Switzerland 4.00% 11Feb23	2,087,000	2,698,339	USA 1.37% 31Oct20	1,838,400,000	1,820,179,567
Switzerland 4.00% 11Feb23	2,087,000	2,698,339	USA 1.12% 31Aug21	40,000,000	38,801,341
Switzerland 1.25% 11Jun24	1,011,000	1,122,638	USA 1.25% 31Oct21	450,000,000	437,322,998
Switzerland 1.25% 11Jun24	2,970,000	3,297,959	USA 1.25% 31Oct21	5,000,000	4,859,144
Switzerland 1.50% 24Jul25	1,912,000	2,180,704	USA 1.75% 30Nov21	10,000,000	9,940,775
Switzerland 1.50% 24Jul25	2,870,000	3,273,337	USA 2.00% 15Nov21	15,000,000	15,080,545
Switzerland 1.25% 28May26	370,000	416,700	USA 2.00% 31Oct21	5,000,000	5,031,582
Switzerland 3.25% 27Jun27	685,000	924,433	USA 2.25% 30Apr21	1,795,500,000	1,833,910,397
Switzerland 3.25% 27Jun27	935,000	1,261,817	USA 8.00% 15Nov21	1,500,000	1,936,752
Switzerland 4.00% 08Apr28	3,510,000	5,140,702	USA 0.12% 15Apr21	5,000,000	5,129,950
Switzerland 4.00% 08Apr28	2,538,000	3,717,123	USA 1.62% 15Aug22	10,000,000	9,813,719
Switzerland 2.25% 22Jun31	1,153,000	1,501,759	USA 1.62% 15Nov22	98,000,000	95,580,655
Switzerland 2.25% 22Jun31	1,470,000	1,914,645	USA 1.75% 28Feb22	40,000,000	39,759,725
Switzerland 3.50% 08Apr33	1,243,000	1,913,104	USA 1.75% 30Apr22	17,000,000	16,815,214
Switzerland 3.50% 08Apr33	2,904,000	4,469,553	USA 1.75% 30Sep22	70,000,000	68,986,831

Petroleum Fund of Timor-Leste
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For the year ended 31 December 2016

23. Schedule of financial assets valued through profit or loss (*continued*)

Security	Nominal	Fair Value
USA 1.75% 31Mar22	30,000,000	29,734,535
USA 1.87% 31Aug22	25,000,000	24,868,246
USA 1.87% 31May22	11,000,000	10,929,615
USA 1.87% 31Oct22	70,000,000	69,295,123
USA 2.00% 15Feb22	52,500,000	52,978,608
USA 2.00% 30Nov22	10,000,000	9,950,002
USA 2.00% 31Jul22	30,000,000	30,140,927
USA 2.12% 30Jun22	10,000,000	10,035,737
USA 1.37% 30Jun23	94,000,000	89,296,180
USA 1.37% 30Sep23	9,000,000	8,554,545
USA 1.37% 31Aug23	50,000,000	47,606,648
USA 1.50% 28Feb23	20,000,000	19,337,874
USA 1.62% 30Apr23	65,000,000	63,048,125
USA 1.62% 31May23	115,000,000	111,260,611
USA 1.62% 31Oct23	25,000,000	24,121,329
USA 1.75% 15May23	9,000,000	8,786,305
USA 1.75% 31Jan23	60,000,000	59,056,582
USA 2.00% 15Feb23	5,000,000	4,996,562
USA 2.12% 30Nov23	90,000,000	89,570,442
USA 2.25% 15Nov25	85,000,000	84,159,288
USA 1.50% 15Aug26	65,000,000	60,150,529
USA 1.62% 15Feb26	100,000,000	94,051,291
USA 1.62% 15May26	40,000,000	37,384,392
USA 2.00% 15Nov26	112,500,000	108,533,777
USA 2.87% 15Nov46	8,000,000	7,753,614
		7,661,362,200
Total fixed interest securities		9,071,758,988

Petroleum Fund of Timor-Leste
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23. Schedule of financial assets valued through profit or loss (continued)

(b) Equity Securities

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Australia			Santos Ltd	264,699	770,508
Adelaide Brighton Ltd	92,186	360,460	Scentre Group	909,338	3,035,462
AGL Energy Ltd	115,659	1,842,471	Seek Ltd	133,434	1,429,969
Alumina Ltd	458,549	599,324	Sonic Healthcare Ltd	64,952	1,004,128
Amcor Limited	202,243	2,184,947	South32 Ltd	915,115	1,822,246
AMP Ltd	514,475	1,873,833	Stockland	431,312	1,417,901
APA Group	212,608	1,313,189	Suncorp Group Ltd	228,410	2,232,788
Aristocrat Leisure Ltd	90,949	1,010,892	Sydney Airport	186,184	807,547
ASX Ltd	47,832	1,708,898	Tabcorp Holdings Ltd	125,130	431,288
Aurizon Holdings Ltd	338,583	1,216,033	Tatts Group Ltd	258,928	834,329
Ausdrill Ltd	43,903	39,897	Telstra Corp Ltd	1,862,961	6,866,258
Ausnet Services	271,901	309,107	TPG Telecom Ltd	59,081	291,336
Aust And NZ Banking	508,286	11,188,717	Transurban Group	342,401	2,556,185
Bank Of Queensland Ltd	58,610	503,332	Treasury Wine Estate	132,132	1,016,087
Bendigo And Adelaide	91,551	841,909	Troy Resources Ltd	16,917	1,776
BHP Billiton Limited	683,243	12,398,091	Vicinity Centers	622,929	1,339,657
Boral Ltd	116,987	458,283	Vocus Communications	88,186	246,482
Brambles Ltd	275,985	2,450,047	Wesfarmers Ltd	196,134	5,981,909
BWP Trust	179,810	387,997	Westfield Corp	344,026	2,329,171
Cabcharge Australia	17,688	48,798	Westpac Banking Corp	580,207	13,691,968
Caltex Australia Ltd	46,491	1,016,320	Woodside Petroleum L	172,002	3,879,628
Carsales.Com Ltd	99,738	818,256	Woolworths Ltd	225,420	3,927,233
Challenger Ltd	90,900	737,192			175,063,538
Charter Hall Group	189,348	637,547	Canada		
Cimic Group Ltd	15,809	396,649	Agnico Eagle Mines L	39,135	1,645,594
Coca-Cola Amatil Ltd	308,391	2,257,623	Agrium Inc	22,764	2,290,065
Cochlear Ltd	9,244	809,923	Alacer Gold Corp	75,200	125,048
Commonwealth Bank	298,410	17,804,883	Alimentation Couche	70,865	3,214,436
Computershare Ltd	86,423	769,720	Altagas Ltd	27,481	694,684
Crown Resorts Ltd	65,005	543,660	Arc Resources Ltd	62,582	1,077,995
CSL Ltd	95,045	6,909,049	Atco Ltd -Class I	14,384	478,376
Dexus Property Grp	178,159	1,225,547	Athabasca Oil Corp	307,700	465,778
Domino's Pizza	10,616	499,274	Bank Of Montreal	109,743	7,901,859
Duet Group	373,711	738,749	Bank Of Nova Scotia	208,311	11,612,792
Flight Centre Travel	25,826	584,394	Barrick Gold Corp	199,970	3,201,489
Fortescue Metals	259,526	1,106,865	Baytex Energy Corp	111,200	543,127
Goodman Group	307,770	1,582,279	BCE Inc	59,939	2,593,238
GPT Group	325,373	1,173,301	Blackberry Ltd	87,743	603,906
Harvey Norman Holdings	108,266	401,385	Boardwalk R/Estate	10,000	362,328
Healthscope Ltd	330,459	547,963	Bombardier Inc-B	394,261	635,028
Iluka Resources Ltd	54,591	286,983	Bonavista Energy Corp	132,500	473,267
Incitec Pivot Ltd	289,386	752,264	Brookfield Asset	153,364	5,065,056
Insurance Australia	399,908	1,731,649	CAE Inc	39,659	554,496
Iress Ltd	45,511	372,386	Cameco Corp	154,026	1,611,413
James Hardie Industries	76,147	1,202,009	Can Imperial Bank	67,767	5,536,374
Lendlease Group	97,675	1,024,827	Can Rl Est Invst Tst	8,100	279,050
Macquarie Group Ltd	88,583	5,587,492	Canadian Natl Railways	135,175	9,102,052
Medibank Private Ltd	465,987	951,528	Canadian Natural Resources	188,432	6,011,054
Mirvac Group	666,233	1,022,729	Canadian Pacific Rail	25,074	3,581,280
Monadelphous Group Ltd	22,103	177,653	Canadian Tire Corp	12,324	1,279,314
National Australia Bank	461,710	10,253,724	Canadian Utilities Ltd	20,797	560,924
Newcrest Mining Ltd	131,909	1,934,185	Capital Power Corp	9,000	155,565
Oil Search Ltd	245,980	1,266,391	Cardinal Energy Ltd	13,029	102,596
Orica Ltd	64,047	818,544	CCL Industries Inc	5,020	986,032
Origin Energy Ltd	301,955	1,432,129	Cenovus Energy Inc	145,983	2,208,714
Oz Minerals Ltd	82,987	474,117	Centerra Gold Inc	41,000	191,082
Qantas Airways Ltd	90,692	218,025	CGI Group Inc	73,610	3,532,161
QBE Insurance Group	242,860	2,180,601	CI Financial Corp	82,498	1,775,395
Ramsay Health Care Ltd	24,991	1,230,527	Constellation Software	3,426	1,558,274
Rea Group Ltd	13,871	552,721	Crescent Point Energy	144,809	1,970,669
Rio Tinto Ltd	101,292	4,382,396	Crew Energy Inc	95,600	534,656
			Dollarama Inc	20,716	1,519,581

Petroleum Fund of Timor-Leste
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23. Schedule of financial assets valued through profit or loss (continued)

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Dominion Diamond Corp	23,700	229,039	Sun Life Financial Inc	103,644	3,983,307
Eldorado Gold Corp	241,895	779,230	Suncor Energy Inc	283,068	9,264,277
Element Fleet Manage	65,693	609,879	Surge Energy Inc	195,100	480,094
Emera Inc	7,325	247,872	Teck Resources Ltd	116,292	2,330,090
Empire Co Ltd 'A'	25,566	299,308	Telus Corporation	37,656	1,197,871
Enbridge Inc	158,470	6,675,346	Thomson Reuters Corp	60,659	2,656,956
Enbridge Income Fund	22,900	593,056	Toronto-Dominion Bank	317,877	15,694,152
Encana Corp	161,163	1,893,986	Tourmaline Oil Corp	39,053	1,045,452
Fairfax Financial Hldgs	3,690	1,780,270	Transcanada Corp	153,103	6,908,218
Finning International	28,197	551,934	Transcontinental Inc	18,000	296,499
First Capital Realty	24,382	375,080	Turquoise Hill Resources	410,237	1,315,402
First Quantum Mineral	166,108	1,652,348	Valeant Pharmaceutical	56,595	821,673
Fortis Inc	64,002	1,978,214	Veresen Inc	46,089	450,219
Franco-Nevada Corp	31,061	1,857,801	Vermilion Energy Inc	23,049	970,394
Genworth MI Canada	29,000	727,244	West Fraser Timber Corp	12,709	453,565
Gildan Activewear Inc	40,904	1,038,880	Weston (George) Ltd	8,509	720,669
Goldcorp Inc	184,949	2,519,682	Westshore Terminals	10,600	203,693
Great-West Lifeco Inc	53,156	1,392,866	Yamana Gold Inc	239,649	673,709
H&R Real Estate Inv	27,208	453,653			234,848,242
Husky Energy Inc	154,315	1,873,345	Denmark		
Hydro One Ltd	30,768	540,542	AP Moeller-Maersk A/	620	938,415
Iamgold Corp	38,800	149,292	AP Moller-Maersk A/S	1,249	1,998,528
IGM Financial Inc	18,646	529,883	Carlsberg AS-B	18,139	1,569,574
Imperial Oil Ltd	53,402	1,859,643	Chr Hansen Holding A	17,414	964,624
Industrial Alliance	16,434	653,292	Coloplast-B	36,675	2,477,932
Intact Financial Corp	22,766	1,630,909	Danske Bank A/S	122,960	3,743,107
Inter Pipeline Ltd	60,237	1,330,914	Dong Energy A/S	11,637	441,574
Jean Coutu Group Inc	19,040	297,019	DSV A/S	31,585	1,407,303
Kelt Exploration Ltd	39,500	198,524	Genmab A/S	9,412	1,560,756
Keyera Corp	29,898	901,366	ISS A/S	28,127	951,990
Kinross Gold Corp	323,281	1,010,065	Novo Nordisk A/S-B	478,860	17,253,650
Linamar Corp	17,073	733,310	Novozymes A/S-B	50,282	1,737,515
Loblaw Companies Ltd	37,752	1,993,941	Pandora A/S	19,373	2,533,766
Magna International	96,263	4,184,163	Simcorp A/S	4,250	206,545
Manulife Financial C	341,477	6,085,756	TDC A/S	145,665	749,448
Meg Energy Corp	73,500	505,328	TRYG A/S	19,345	350,428
Methanex Corp	15,612	683,364	Vestas Wind Systems	38,058	2,476,898
Metro Inc	63,328	1,896,464	William Demant Holdi	23,380	408,264
National Bank Of Canada	56,340	2,288,387			41,770,318
Nevsun Resources Ltd	24,900	76,870	Europe		
North West Co Inc	8,100	166,041	Abertis Infrastructure	107,899	1,505,660
Onex Corporation	14,011	953,883	ABN Amro Group NV-CV	43,507	965,964
Open Text Corp	53,153	3,282,998	Accor SA	30,586	1,144,929
Pembina Pipeline Corp	63,044	1,971,639	Acea SPA	2,136	25,999
Pengrowth Energy Corp	136,300	195,143	ACS Actividades Cons	32,353	1,024,072
Penn West Petroleum	229,300	401,816	Adidas AG	32,937	5,193,678
Peyto Exploration	29,587	730,933	ADP	4,377	469,743
Potash Corp Of SAska	- 54,000	- 980,501	Aegon NV	410,907	2,265,838
Potash Corp Of S	204,424	3,702,666	Aena SA	11,862	1,622,110
Power Corp Of Canada	64,453	1,444,251	Ageas	35,552	1,410,318
Power Financial Corp	44,694	1,116,142	Agfa-Gevaert NV	72,001	278,711
Prairiesky Royalty Ltd	34,681	825,745	Air Liquide SA	66,114	7,363,887
Primer Mining Corp	38,100	30,115	Airbus SE	102,656	6,790,018
Restaurant Brands Inc	39,137	1,864,849	Akzo Nobel	43,416	2,718,276
Riocan Real Estate	72,825	1,445,585	Allianz SE-Reg	78,255	12,921,560
RMP Energy Inc	131,400	74,467	Alstom	25,011	688,660
Rogers Communication	66,333	2,561,220	Altice NV - A	69,286	1,375,721
Royal Bank Of Canada	254,759	17,260,661	Altice NV - B	15,929	317,709
Saputo Inc	43,588	1,542,588	Amadeus It Group SA	76,188	3,469,113
Semafo Inc	52,500	172,253	Andritz AG	20,698	1,043,205
Seven Generations	43,095	1,005,191	Anheuser-Busch Inbev	133,328	14,111,999
Shaw Communications	66,240	1,330,184	Aperam	5,397	247,196
Silver Standard Resorts	27,300	242,658	Arcadis NV	12,337	173,326
Silver Wheaton Corp	78,596	1,520,287	Arcelormittal	303,551	2,246,317
Smart Real Estate	13,248	318,098	Arkema	13,017	1,273,291
Snc-Lavalin Group Inc	25,305	1,090,283	Asml Holding NV	61,605	6,926,645

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23. Schedule of financial assets valued through profit or loss (continued)

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Assicurazioni General	201,345	2,998,647	Erste Group Bank AG	48,423	1,422,672
Atlantia SPA	72,348	1,698,640	Essilor Internationa	35,478	4,005,858
Atos SE	15,109	1,597,607	Euler Hermes Group	6,061	533,675
AXA SA	435,112	11,005,253	Eurazeo	6,989	409,716
Axel Springer SA	6,251	304,146	Eurofins Scientific	1,635	698,085
Azimut Holding SPA	24,891	416,385	Euronext NV	11,819	488,733
Banca Mediolanum SPA	83,862	604,137	Eutelsat Communicati	30,798	597,547
Banco Bilbao Vizcaya	1,127,797	7,623,791	Evonik Industries AG	24,125	723,680
Banco De SAbadell SA	882,497	1,229,606	Exor NV	20,073	867,417
Banco Espirito Santo	247,871	31,373	Ferrari NV	22,822	1,329,951
Banco Popular Espanol	843,854	816,181	Ferrovial SA	81,435	1,459,762
Banco Santander SA	2,535,791	13,244,753	Fiat Chrysler Automotive	161,523	1,476,226
Bank Of Ireland	6,550,675	1,612,905	Fonciere Des Regions	5,946	519,096
Bankia SA	782,352	801,256	Fortum Oyj	83,379	1,283,983
Bankinter SA	106,416	825,879	Fraport AG Frankfurt	5,921	349,980
BASF SE	198,083	18,377,321	Fresenius Medical	39,525	3,365,138
Bayer AG-Reg	192,264	20,037,736	Fresenius SE & Co Kg	69,196	5,398,665
Bayerische Motoren Werke	66,465	6,097,100	Fuchs Petrolub SE -P	12,302	518,113
Bco Intesa SPA	150,267	353,759	Galp Energia SGPS SA	72,583	1,085,578
Beiersdorf AG	16,496	1,404,635	Gas Natural Sdg SA	120,093	2,267,993
BNP Paribas	220,825	14,063,426	GEA Group AG	31,229	1,261,062
Bollore	150,972	533,287	Gecina SA	7,369	1,020,524
Boskalis Westminster	29,492	1,023,877	Gemalto	13,623	789,138
Bouygues SA	36,849	1,323,210	Grifols SA	58,652	1,167,978
Brenntag AG	26,325	1,466,061	Groupe Bruxelles Lambert	13,485	1,133,882
Bureau Veritas SA	45,297	879,575	Groupe Eurotunnel SE	79,923	760,797
Caixabank S.A	542,914	1,795,223	Grupo Catalana Occid	23,731	775,939
Capgemini	28,112	2,376,540	Hannover Rueck SE	9,701	1,053,910
Carrefour SA	96,001	2,317,775	Heidelbergcement AG	24,438	2,286,589
Casino Guichard Perry	10,451	502,548	Heineken Holding NV	18,294	1,274,668
Christian Dior SE	15,495	3,252,329	Heineken NV	38,530	2,895,567
Cia De Distribucion	19,892	460,955	Henkel AG & Co Kgaa	49,474	5,642,726
CIE Automotive SA	12,746	248,913	Hermes International	4,436	1,824,059
CNH Industrial NV	167,148	1,456,233	Hochtief AG	3,771	528,605
CNP Assurances	25,963	481,967	Hugo Boss AG -Ord	23,318	1,426,491
Coca-Cola European	41,644	1,313,987	Iberdrola SA	934,918	6,142,450
Colruyt SA	11,326	561,288	Icade	6,541	466,588
Commerzbank AG	219,964	1,682,516	Iliad SA	4,287	825,665
Compagnie De St Germain	82,807	3,860,460	Imerys SA	20,767	1,576,650
Continental AG	22,303	4,328,435	Industria De Diseno	191,015	6,526,724
Covestro AG	47,397	3,268,478	Infineon Technologie	198,534	3,470,869
Credit Agricole SA	180,098	2,237,711	Ing Groep NV	671,374	9,453,564
CRH Plc	145,596	5,031,638	Ingenico Group	9,255	740,231
Daimler AG-Reg	165,103	12,292,718	Innogy Se	21,575	750,387
Danone	101,794	6,457,068	Intesa SAnpaolo	2,206,386	5,627,138
Dassault Aviation SA	287	320,013	Intl Consolidated Ai	135,936	735,389
Dassault Systemes SA	22,811	1,741,697	Jdeciaux SA	11,442	337,072
Deutsche Bank AG-Reg	296,533	5,384,307	Jeronimo Martins	44,493	689,857
Deutsche Boerse AG	34,736	2,847,491	K+S AG-Reg	33,751	808,451
Deutsche Euroshop AG	11,145	455,102	Kbc Groep NV	44,605	2,767,784
Deutsche Lufthansa	36,570	474,053	Kering	13,178	2,964,764
Deutsche Post AG-Reg	168,878	5,549,459	Kerry Group Plc-A	27,200	1,943,121
Deutsche Telekom AG-	558,454	9,592,349	Klepierre	38,860	1,529,658
Deutsche Wohnen AG-B	58,888	1,862,743	Kone Oyj-B	57,774	2,589,829
Distribuidora Intern	105,680	519,543	Koninklijke Ahold De	228,743	4,822,924
E.On SE	345,211	2,443,916	Koninklijke Dsm NV	30,803	1,850,601
Edenred	36,022	715,241	Koninklijke Kpn NV	602,726	1,788,932
EDF	44,638	455,518	Koninklijke Philips	163,375	4,992,107
EDP-Energias De Portugal	389,291	1,188,291	Lagardere Sca	19,615	545,153
Eiffage	9,339	651,697	Lanxess AG	16,373	1,075,540
Elisa Oyj	25,259	820,306	Legrand SA	46,313	2,635,385
Enagas SA	33,429	850,630	Leonardo Spa	72,630	1,021,931
Endesa SA	59,164	1,255,866	Linde AG	31,969	5,280,446
Enel SPA	1,795,797	7,921,201	L'Oreal	43,222	7,891,357
Engie	367,303	4,695,446	Luxottica Group SPA	30,164	1,625,772
Eni Spa	442,106	7,204,514	LVMH Moet Hennessy Ltd	48,192	9,207,953

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23. Schedule of financial assets valued through profit or loss (continued)

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
M6-Metropole Television	18,359	342,165	Symrise AG	21,040	1,284,248
MAN SE	5,048	503,048	Technip SA	20,151	1,440,828
Mapfre SA	205,218	627,500	Tecnicas Reunidas SA	9,712	399,147
Mediobanca Spa	307,049	2,511,535	Telecom Italia Spa	2,764,137	2,275,685
Melexis NV	9,167	615,135	Telefonica Deutschla	103,654	443,876
Merck Kgaa	22,829	2,385,497	Telefonica SA	798,635	7,428,779
Metro AG	31,134	1,032,117	Telenet Group Holdings	7,858	436,956
Metso Oyj	20,809	594,799	Tenaris SA	78,433	1,403,882
Michelin (Cgde)	42,124	4,694,063	Terna Spa	263,029	1,207,375
Muenchener Rueckver	38,057	7,183,168	Thales SA	17,143	1,665,857
Natixis	156,114	882,091	Thyssenkrupp AG	63,133	1,509,586
Neopost SA	6,328	197,965	Total SA	472,566	24,244,086
Neste Oyj	20,836	802,153	UCB SA	21,659	1,391,479
NN Group NV	78,105	2,652,266	Umicore	15,992	913,042
Nokia Oyj	1,002,353	4,823,094	Unibail-Rodamco	17,511	4,178,778
Nokian Renkaat Oyj	18,536	692,296	Unicredit Spa	931,089	2,683,006
Oesterreichische Post	8,691	293,339	Unilever NV-Cva	374,593	15,452,447
OMV AG	50,033	1,776,581	Unipolsai Spa	116,611	249,681
Orange	344,315	5,233,229	United Internet AG-R	20,377	795,551
Orion Oyj-Class B	31,683	1,419,248	Upm-Kymmene Oyj	150,413	3,710,781
Osram Licht AG	13,734	720,458	Valeo SA	54,713	3,149,734
Pernod Ricard SA	35,953	3,904,013	Veolia Environnement	80,861	1,378,684
Peugeot SA	118,665	1,937,507	Vinci SA	85,653	5,824,384
Plastic Omnium	9,683	309,407	Viscofan SA	18,134	896,093
Porsche Automobil HI	35,427	1,940,076	Vivendi	183,839	3,488,338
Poste Italiane Spa	87,351	580,902	Voestalpine AG	19,223	759,012
Prosiebensat.1 Media	36,638	1,412,630	Volkswagen AG	5,179	750,828
Proximus	68,791	1,983,718	Volkswagen AG-Pref	32,524	4,571,102
Prysmian Spa	32,481	835,928	Vonovia Se	78,313	2,552,361
Publicis Groupe	51,202	3,540,050	Vopak	13,033	616,602
Qiagen N.V.	43,002	1,215,551	Wartsila Oyj Abp	23,494	1,059,110
Raiffeisen Bank Intl	21,577	395,085	Wendel	5,134	618,945
Randstad Holding NV	20,619	1,120,234	Wolters Kluwer	55,519	2,015,590
Recordati Spa	8,275	234,348	Zalando Se	14,732	563,351
Red Electrica Corp	65,486	1,238,105	Zardoya Otis SA	30,890	261,627
Relx NV	238,940	4,028,573	Zodiac Aerospace	36,710	844,287
Remy Cointreau	3,487	297,470			717,070,080
Renault SA	41,797	3,725,658	Hong Kong		
Repsol SA	328,154	4,644,939	AIA Group Ltd	2,068,000	11,669,452
Repsol SA-Rts	201,218	74,707	ASM Pacific Technology	39,800	421,452
Rexel SA	46,772	770,085	Bank Of East Asia Ltd	219,354	838,865
Rtl Group	5,674	417,490	BOC Hong Kong Holdings	983,000	3,512,005
Rwe AG	85,247	1,060,539	Cathay Pacific Airways	218,000	286,800
Ryanair Holdings Plc	13,329	204,133	Cheung Kong Infrastructure	122,000	970,883
Safran SA	54,824	3,948,913	Cheung Kong Property	455,348	2,792,646
Saipem Spa	1,018,670	574,827	CK Hutchison Holding	467,740	5,302,922
Sampo Oyj-A Shs	129,092	5,812,665	CLP Holdings Ltd	465,500	4,277,859
Sanofi	257,452	20,863,006	First Pacific Co	428,000	299,202
SAP SE	175,614	15,292,504	Galaxy Entertainment	407,000	1,774,324
Schaeffler AG	22,959	339,993	Hang Lung Group Ltd	198,000	686,973
Schneider Electric	96,169	6,692,636	Hang Lung Properties	607,000	1,280,837
Scor SE	25,703	888,810	Hang Seng Bank Ltd	180,900	3,366,873
Seb SA	2,888	390,817	Henderson Land Develop	318,652	1,695,362
SES	59,326	1,309,364	HK Electric Investment	471,154	388,924
SFR Group SA	17,218	487,251	HKT Trust And HKT Lt	820,040	1,004,802
Siemens AG-Reg	155,334	19,054,433	Hong Kong & China Gas	1,339,109	2,373,146
SNAM Spa	441,415	1,822,291	Hong Kong Exchanges	195,157	4,611,386
Societe Bic SA	5,218	710,801	Hopewell Holdings Ltd	35,000	120,757
Societe Generale SA	174,602	8,585,612	HSBC Holdings Plc	4,125,800	33,460,534
Sodexo	15,574	1,792,151	Hysan Development Co	218,000	901,169
Software AG	26,746	970,436	Kerry Properties Ltd	207,000	560,675
Solvay SA	12,149	1,426,857	Li & Fung Ltd	972,000	427,506
Stmicroelectronics	99,695	1,131,976	Link REIT	542,000	3,519,822
Sto Se & Co. Kgaa-Pr	688	67,523	MGM China Holdings L	164,400	340,965
Stora Enso Oyj-R Shs	143,462	1,547,969	MTR Corp	244,397	1,186,814
Suez	60,396	892,475	New World Development	912,576	965,172

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23. Schedule of financial assets valued through profit or loss (continued)

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
NWS Holdings Ltd	244,947	399,338	Chugoku Electric Power	48,300	567,334
PCCW Ltd	838,000	453,958	Concordia Financial	200,000	963,004
Power Assets Holdings	245,500	2,164,272	Create Sd Holdings C	12,800	274,141
Sands China Ltd	423,600	1,841,229	Credit Saison Co Ltd	26,800	477,016
Shangri-La Asia Ltd	216,000	227,056	Cyberdyne Inc	18,800	265,313
Sino Land Co	488,000	727,611	Dai Nippon Printing	99,000	979,518
SJM Holdings Ltd	374,000	292,807	Daicel Corp	130,300	1,438,903
Sun Hung Kai Properties	346,000	4,373,449	Dai-ichi Life Holdings	186,700	3,112,601
Swire Pacific Ltd	148,000	1,411,633	Daiichi Sankyo Co Ltd	105,400	2,158,425
Swire Properties Ltd	321,123	886,354	Daikin Industries Ltd	41,200	3,790,252
Techtronic Industries	225,500	807,108	Daito Trust Construction	15,000	2,257,685
WH Group Ltd	1,269,408	1,023,300	Daiwa House Industry	94,700	2,590,884
Wharf Holdings Ltd	389,000	2,581,409	Daiwa House Reit Inv	235	592,562
Wheelock & Co Ltd	275,000	1,548,242	Daiwa Securities Group	509,000	3,140,801
Wynn Macau Ltd	266,800	423,954	Dena Co Ltd	18,400	402,754
Yue Yuen Industrial	115,500	419,355	Denso Corp	107,400	4,652,911
		108,619,206	Dentsu Inc	38,400	1,810,778
Israel			Don Quijote Holdings	19,200	711,142
Azrieli Group Ltd	6,612	286,735	East Japan Railway	57,500	4,976,745
Bank Hapoalim Bm	353,095	2,101,882	Eisai Co Ltd	44,900	2,581,938
Bank Leumi Le-Israel	416,278	1,715,451	Electric Power Developmt	25,000	576,157
Bezeq The Israeli Te	329,096	625,844	F@N Communications	24,200	153,124
Elbit Systems Ltd	2,986	301,963	Familymart Uny Holdings	15,600	1,040,580
Frutarom	5,166	264,565	Fanuc Corp	33,200	5,638,892
Israel Chemicals Ltd	106,370	436,685	Fast Retailing Co Ltd	9,300	3,335,355
Mizrahi Tefahot Bank	20,357	298,057	Fuji Electric Co Ltd	104,000	538,569
Nice Ltd	11,063	754,848	Fuji Heavy Industries	154,400	6,302,555
Teva Pharmaceutical	79,059	2,840,960	Fujifilm Holdings Corp	76,000	2,885,309
		9,626,990	Fujitsu Ltd	332,000	1,846,516
Japan			Fukuoka Financial Group	123,000	546,268
ABC-Mart Inc	4,000	226,347	Fukushima Industries	1,600	46,093
Acom Co Ltd	67,600	295,589	Future Corp	15,400	95,330
Aeon Co Ltd	111,600	1,584,034	GEO Holdings Corp	9,000	104,943
Aeon Financial Servi	19,900	353,861	Gungho Online Entertainmt	65,000	138,209
Aeon Mall Co Ltd	19,690	276,860	Hachijuni Bank Ltd	164,000	950,521
Aica Kogyo Co Ltd	27,300	720,916	Hakuhodo Dy Holdings	40,600	500,908
Aichi Bank Ltd/The	1,900	107,189	Hamamatsu Photonics	22,000	579,072
Air Water Inc	25,000	451,623	Hankyu Hanshin Holdings	43,000	1,382,518
Aisin Seiki Co Ltd	32,600	1,414,293	Hikari Tsushin Inc	2,600	242,534
Ajinomoto Co Inc	97,100	1,956,403	Hino Motors Ltd	43,700	445,112
Alfresa Holdings Corp	35,700	591,047	Hirose Electric Co Ltd	5,040	624,842
Alps Electric Co Ltd	29,300	709,169	Hiroshima Bank Ltd	77,000	359,798
Amada Holdings Co Lt	63,000	703,271	Hisamitsu Pharmaceutical	12,900	645,913
ANA Holdings Inc	188,000	506,610	Hitachi Chemical Co	44,900	1,123,318
Aozora Bank Ltd	415,000	1,465,941	Hitachi Construction	17,800	385,653
Arakawa Chemical Ind	6,900	110,391	Hitachi High-Technology	12,400	501,273
Asahi Glass Co Ltd	167,000	1,136,863	Hitachi Ltd	840,000	4,540,113
Asahi Group Holdings	67,400	2,132,345	Hitachi Metals Ltd	93,300	1,264,692
Asahi Holdings Inc	15,400	267,505	Hokuriku Electric Power	33,900	380,752
Asahi Kasei Corp	379,000	3,307,944	Honda Motor Co Ltd	334,100	9,762,190
Asics Corp	26,600	531,840	Hoshizaki Corp	9,400	743,876
Astellas Pharma Inc	696,100	9,665,488	Hoya Corp	68,200	2,869,271
Awa Bank Ltd	49,000	299,541	Hulic Co Ltd	55,100	489,893
Bandai Namco Holding	32,700	904,167	Hyakugo Bank Ltd	51,000	207,262
Bank Of Kyoto Ltd	197,000	1,462,700	Idemitsu Kosan Co Ltd	15,600	415,296
Benesse Holdings Inc	9,700	267,377	IHI Corp	239,000	622,935
Bridgestone Corp	156,500	5,644,923	Iida Group Holdings	25,300	480,469
Brother Industries Ltd	94,300	1,703,521	Inaba Denki Sangyo	3,700	127,209
Calbee Inc	12,600	394,847	Inpex Corp	278,300	2,791,710
Canon Inc	182,900	5,160,750	Isetan Mitsukoshi Hldgs	60,000	648,176
Casio Computer Co Ltd	35,200	498,869	Isuzu Motors Ltd	110,100	1,396,133
Central Japan Railways	52,000	8,560,040	Itochu Corp	406,200	5,396,382
Chiba Bank Ltd	217,000	1,330,261	Iyo Bank Ltd	116,600	805,758
Chubu Electric Power	109,000	1,525,636	J Front Retailing Co	40,500	546,204
Chugai Pharmaceutical	38,900	1,115,622	Japan Airlines Co Ltd	45,100	1,318,953
Chugoku Bank Ltd	25,900	371,951	Japan Airport Terminals	7,600	275,303

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23. Schedule of financial assets valued through profit or loss (continued)

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Japan Exchange Group	86,500	1,236,297	Miraca Holdings Inc	8,800	395,353
Japan Petroleum Explore	19,200	427,673	Misumi Group Inc	44,200	727,603
Japan Post Bank Co Ltd	133,600	1,605,927	Mitsubishi Chemical	249,600	1,621,057
Japan Post Holdings	108,300	1,354,737	Mitsubishi Corp	260,700	5,555,536
Japan Prime Realty	147	580,388	Mitsubishi Electric	405,000	5,646,077
Japan Real Estate	234	1,277,987	Mitsubishi Estate Co	217,000	4,324,745
Japan Retail Fund	470	951,807	Mitsubishi Gas Chemicals	27,200	464,547
Japan Tobacco Inc	190,100	6,258,706	Mitsubishi Heavy Industry	527,000	2,403,321
JFE Holdings Inc	84,600	1,288,566	Mitsubishi Logistics	22,000	311,605
JGC Corp	36,000	654,349	Mitsubishi Materials	19,200	590,149
JSR Corp	72,400	1,143,403	Mitsubishi Motors Co	105,700	601,747
Jtekt Corp	69,200	1,108,885	Mitsubishi Tanabe	35,900	705,473
JX Holdings Inc	377,600	1,601,243	Mitsubishi UFJ Finance	2,278,800	14,043,827
Kajima Corp	148,000	1,024,015	Mitsubishi UFJ Lease	79,200	409,462
Kakaku.Com Inc	27,900	462,150	Mitsui & Co Ltd	295,600	4,066,449
Kaken Pharmaceutical	23,600	1,252,489	Mitsui Chemicals Inc	147,000	660,419
Kamigumi Co Ltd	39,000	371,827	Mitsui Fudosan Co Lt	151,000	3,497,463
Kanamoto Co Ltd	6,900	182,801	Mitsui OSK Lines Ltd	222,000	614,790
Kaneka Corp	59,000	480,559	Mixi Inc	11,900	435,658
Kansai Electric Power	127,100	1,392,123	Mizuho Financial Group	4,069,400	7,305,976
Kansai Paint Co Ltd	41,000	755,425	MS&AD Insurance Group	86,200	2,675,390
Kao Corp	87,300	4,140,641	Murata Manufacturing	32,800	4,398,269
Kawasaki Heavy Industries	228,000	713,508	Nabtesco Corp	16,600	385,841
KDDI Corp	516,000	13,090,790	Nagoya Railroad Co Ltd	176,000	851,065
Keihan Holdings Co Ltd	103,000	676,452	NEC Corp	441,000	1,168,337
Keihin Corp	11,100	194,715	Nexon Co Ltd	113,800	1,650,874
Keikyu Corp	85,000	986,025	NGK Insulators Ltd	46,000	890,933
Keio Corp	94,000	774,502	NGK Spark Plug Co Lt	31,000	690,247
Keisei Electric Railways	21,500	522,039	NH Foods Ltd	28,000	757,406
Keyence Corp	7,740	5,316,170	NHK Spring Co Ltd	32,000	305,363
Kikkoman Corp	26,000	831,483	Nidec Corp	41,300	3,563,978
Kintetsu Group Holdings	323,000	1,232,349	Nikon Corp	85,800	1,334,430
Kirin Holdings Co Ltd	139,200	2,267,587	Nintendo Co Ltd	19,800	4,161,676
Kobe Steel Ltd	53,800	515,237	Nippo Corp	15,000	279,976
Koito Manufacturing	17,800	943,148	Nippon Building Fund	240	1,329,275
Komatsu Ltd	161,600	3,660,542	Nippon Electric Glas	112,000	604,964
Konami Holdings Corp	15,000	605,736	Nippon Express Co Ltd	126,000	677,344
Konica Minolta Inc	73,000	726,652	Nippon Gas Co Ltd	8,500	244,502
Kose Corp	5,300	440,777	Nippon Paint Holding	30,000	817,936
Kubota Corp	179,500	2,564,726	Nippon Prologis Reit	243	496,688
Kuraray Co Ltd	81,500	1,225,627	Nippon Shokubai Co Ltd	3,500	218,759
Kurita Water Industries	18,300	403,232	Nippon Steel & Sumitomo	138,224	3,087,183
Kuroda Electric Co Ltd	15,500	306,186	Nippon Telegraph & Telephone	160,800	6,767,843
Kyocera Corp	56,700	2,822,969	Nippon Yusen Kk	262,000	485,206
Kyowa Hakko Kirin Co	44,000	609,628	Nissan Chemical Ind	18,300	612,694
Kyushu Electric Power	80,500	874,468	Nissan Motor Co Ltd	428,900	4,315,293
Kyushu Financial Group	72,400	491,005	Nisshin Seifun Group	35,695	536,489
Lawson Inc	50,100	3,522,271	Nissin Foods Holding	9,500	499,293
Line Corp	7,700	264,402	Nitori Holdings Co Ltd	12,900	1,475,424
Lintec Corp	8,500	185,836	Nitto Denko Corp	28,400	2,180,982
Lion Corp	41,000	674,575	Nitto Kogyo Corp	9,200	125,259
Lixil Group Corp	44,200	1,003,486	NOK Corp	26,300	532,832
M3 Inc	41,200	1,038,875	Nomura Holdings Inc	814,800	4,804,900
Mabuchi Motor Co Ltd	9,400	491,619	Nomura Real Estate	21,300	362,138
Maeda Road Constructn	14,000	234,064	Nomura Real Estate	689	1,040,870
Makita Corp	19,800	1,327,526	Nomura Research Inst	20,207	615,037
Marubeni Corp	283,000	1,606,259	Nsk Ltd	137,600	1,596,200
Marui Group Co Ltd	36,300	530,954	Ntt Data Corp	21,000	1,017,276
Maruichi Steel Tube	11,300	367,188	Ntt Docomo Inc	446,700	10,191,357
Mazda Motor Corp	128,400	2,100,461	Obayashi Corp	110,000	1,051,571
McDonald's Holdings	11,200	293,360	Obic Co Ltd	11,600	507,223
Mebuki Financial Group	149,760	553,407	Odakyu Electric Rail	49,500	981,215
Medipal Holdings Corp	27,500	434,304	OJI Holdings Corp	136,000	553,865
Meiji Holdings Co Ltd	19,800	1,555,005	Olympus Corp	47,100	1,627,411
Mimasu Semiconductor	3,000	42,440	Omron Corp	35,200	1,350,538
Minebea Co Ltd	48,000	449,814	Ono Pharmaceutical	70,000	1,533,417

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23. Schedule of financial assets valued through profit or loss (continued)

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Oracle Corp Japan	24,400	1,230,094	Sysmex Corp	34,400	1,993,776
Oriental Land Co Ltd	35,200	1,991,855	T&D Holdings Inc	135,200	1,788,602
Orix Corp	327,600	5,113,353	Taiheiyo Cement Corp	197,000	624,941
Osaka Gas Co Ltd	465,000	1,791,667	Taisei Corp	233,000	1,632,109
Otsuka Corp	7,800	364,470	Taisho Pharmaceutical	5,800	481,862
Otsuka Holdings Co L	66,300	2,891,086	Taiyo Nippon Sanso	30,000	347,752
Panasonic Corp	389,000	3,960,540	Takashimaya Co Ltd	54,000	446,316
Park24 Co Ltd	20,700	561,714	Takeda Pharmaceutical	123,800	5,120,344
Pola Orbis Holdings	4,100	339,221	TDK Corp	22,200	1,528,409
Rakuten Inc	161,000	1,579,839	Teijin Ltd	30,200	613,140
Recruit Holdings Co	60,900	2,443,624	Terumo Corp	60,600	2,239,345
Resona Holdings Inc	393,300	2,019,189	THK Co Ltd	19,900	441,218
Ricoh Co Ltd	111,400	942,700	Toagosei Co Ltd	33,600	331,002
Rinnai Corp	6,200	500,742	Tobu Railway Co Ltd	163,000	810,563
Rohm Co Ltd	16,200	933,374	Toho Co Ltd	18,300	517,769
Ryohin Keikaku Co Ltd	4,100	804,990	Toho Gas Co Ltd	69,000	562,010
San-In Godo Bank Ltd	36,000	300,013	Tohoku Electric Power	79,800	1,009,858
Sankyo Co Ltd	9,500	307,476	Tokai Holdings Corp	26,200	182,626
Santen Pharmaceutical	62,000	759,086	Token Corp	1,900	135,208
SBI Holdings Inc	31,480	401,074	Tokio Marine Holdings	116,600	4,785,565
Secom Co Ltd	38,000	2,782,356	Tokyo Electric Power	243,700	986,208
Sega Sammy Holdings	29,500	439,585	Tokyo Electron Ltd	27,200	2,572,264
Seibu Holdings Inc	23,200	416,520	Tokyo Gas Co Ltd	488,000	2,209,567
Seiko Epson Corp	58,500	1,239,367	Tokyo Tatemono Co Ltd	34,500	461,440
Sekisui Chemical Co	71,000	1,134,077	Tokyo Construction	12,400	100,042
Sekisui House Ltd	101,900	1,698,406	Tokyu Corp	191,000	1,405,050
Seven & I Holdings	129,000	4,916,235	Tokyu Fudosan Holdings	86,200	509,211
Seven Bank Ltd	120,200	344,209	Tomony Holdings Inc	27,700	143,446
Sharp Corp	282,000	652,806	Tonengeneral Sekiyu	48,000	505,783
Shimadzu Corp	43,000	685,360	Toppan Forms Co Ltd	2,200	22,955
Shimamura Co Ltd	3,700	462,203	Toppan Printing Co L	94,000	897,810
Shimano Inc	13,300	2,086,767	Toray Industries Inc	250,000	2,025,550
Shimizu Corp	101,000	923,968	Toshiba Corp	703,000	1,705,138
Shin-Etsu Chemical	65,300	5,072,949	Toshiba Plant System	10,800	142,414
Shin-Etsu Polymer	27,800	217,376	Tosoh Corp	62,000	439,079
Shinsei Bank Ltd	703,000	1,175,334	Toto Ltd	24,000	951,687
Shionogi & Co Ltd	52,000	2,494,449	Toyo Ink Sc Holdings	32,000	146,234
Shiseido Co Ltd	62,400	1,581,467	Toyo Kanetsu K K	115,000	310,584
Shizuoka Bank Ltd	198,000	1,665,350	Toyo Seikan Group Ho	25,400	474,746
Shizuoka Gas Co Ltd	14,900	105,137	Toyo Suisan Kaisha L	14,800	536,117
Showa Shell Sekiyu	32,900	306,335	Toyoda Gosei Co Ltd	8,600	201,516
SMC Corp	9,600	2,292,691	Toyota Boshoku Corp	7,900	181,727
Softbank Group Corp	165,800	11,029,643	Toyota Industries Co	44,600	2,126,086
Sohgo Security Services	12,300	473,503	Toyota Motor Corp	480,020	28,257,539
Sompo Holdings Inc	61,500	2,087,526	Toyota Tsusho Corp	36,300	946,131
Sony Corp	218,100	6,114,692	Trend Micro Inc	17,000	604,879
Sony Financial Holdings	106,400	1,663,028	TS Tech Co Ltd	8,700	224,521
SRA Holdings Inc	4,900	107,549	Tsuruha Holdings Inc	6,600	627,548
Stanley Electric Co	23,000	628,071	Unicharm Corp	65,900	1,442,190
Start Today Co Ltd	32,100	554,563	USS Co Ltd	35,500	565,821
Sumitomo Chemical Co	341,000	1,622,626	UTD Urban Invest Crp	506	770,920
Sumitomo Corp	195,900	2,309,449	West Japan Railway Co	29,300	1,799,927
Sumitomo Dainippon	22,700	391,000	Yahoo Japan Corp	494,700	1,900,164
Sumitomo Electric	137,900	1,991,029	Yakult Honsha Co Ltd	14,200	658,653
Sumitomo Heavy Industries	88,000	566,622	Yamada Denki Co Ltd	102,400	552,232
Sumitomo Metal Mining	92,000	1,187,122	Yamaguchi Financial	36,000	392,610
Sumitomo Mitsui Financial	289,500	11,042,875	Yamaha Corp	29,400	898,624
Sumitomo Mitsui Trust	57,900	2,075,038	Yamaha Motor Co Ltd	47,300	1,042,640
Sumitomo Realty	64,000	1,701,033	Yamanashi Chuo Bank	22,000	104,686
Sumitomo Rubber Ind	54,600	866,503	Yamato Holdings Co Ltd	59,000	1,201,398
Sumitomo Seika Chemical	3,700	145,132	Yamato Kogyo Co Ltd	10,900	305,594
Sundrug Co Ltd	7,000	484,332	Yamazaki Baking Co Ltd	23,000	445,072
Suntory Beverage	24,300	1,010,460	Yaskawa Electric Corp	36,700	571,417
Suruga Bank Ltd	33,400	746,550	Yokogawa Electric Corp	35,800	518,729
Suzuken Co Ltd	11,000	359,798	Yokohama Rubber Co Ltd	20,500	367,870
Suzuki Motor Corp	94,800	3,338,950			583,604,197

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23. Schedule of financial assets valued through profit or loss (continued)

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
New Zealand			Hennes & Mauritz Ab-	197,224	5,518,608
Auckland Intl Airport	150,688	653,565	Hexagon Ab-B Shs	43,974	1,578,487
Contact Energy Ltd	123,386	400,933	Hexpol Ab	78,856	733,476
Fletcher Building Ltd	112,481	831,390	Husqvarna Ab-B Shs	74,043	578,270
Mercury NZ Ltd	147,808	305,077	Ica Gruppen Ab	14,956	458,166
Meridian Energy Ltd	407,046	726,613	Industrivarden Ab-C	26,506	495,423
Ryman Healthcare Ltd	66,192	374,323	Intrum Justitia Ab	29,894	1,012,525
Sky Network Television	83,889	265,571	Investor Ab-B Shs	104,448	3,922,865
Spark New Zealand Ltd	282,013	669,585	Kinnevik Ab - B	39,920	961,901
Trade Me Group Ltd	75,207	261,160	Lundbergs Ab-B Shs	4,935	302,577
		4,488,216	Lundin Petroleum Ab	32,642	709,281
Norway			Millicom Intl Cellular	11,019	474,135
Aker Solutions Asa	75,858	364,586	Nordea Bank Ab	519,489	5,809,842
DNB Asa	163,526	2,431,699	Sandvik Ab	177,055	2,200,373
Gjensidige Forsikrin	29,686	471,447	Securitas Ab-B Shs	55,186	871,716
Marine Harvest	64,169	1,160,718	Skandinaviska Enskil	266,257	2,809,231
Norsk Hydro Asa	233,286	1,119,313	Skanska Ab-B Shs	60,675	1,443,307
Orkla Asa	152,021	1,381,094	Skf Ab-B Shares	144,263	2,667,832
Schibsted Asa-B Shs	15,531	330,190	Svenska Cellulosa Ab	104,071	2,945,276
Schibsted Asa-CI A	13,435	308,260	Svenska Handelsbanken	264,957	3,709,853
Statoil Asa	309,869	5,702,251	Swedbank Ab - A Shares	157,058	3,820,732
Subsea 7 SA	76,222	966,091	Swedish Match Ab	51,692	1,654,103
Telenor Asa	286,726	4,297,044	Tele2 Ab-B Shs	57,799	466,039
Yara International A	59,880	2,365,232	Telia Co Ab	706,831	2,859,349
		20,897,925	Tethys Oil Ab	17,760	154,442
Singapore			Volvo Ab-B Shs	265,342	3,110,641
1apletree Greater Ch	634,000	414,709			71,094,823
Ascendas	448,162	701,077	Switzerland		
Capitaland Commercia	840,900	858,537	ABB Ltd-Reg	563,843	11,916,513
Capitaland Ltd	425,000	885,478	Actelion Ltd-Reg	18,097	3,926,195
Capitaland Mall Trust	1,005,400	1,308,336	Adecco Group AG-Reg	36,640	2,402,771
City Developments Ltd	75,000	429,847	Aryzta AG	13,636	601,602
Comfortdelgro Corp Ltd	346,000	589,161	Baloise Holding AG -	8,622	1,088,407
DBS Group Holdings Ltd	297,400	3,569,542	Barry Callebaut AG-R	389	474,983
Genting Singapore Plc	982,000	615,152	Burkhalter Holding A	1,778	238,793
Global Logistic Prop	466,300	710,085	Chocoladefabriken Li	180	1,992,793
Golden Agri-Resource	1,342,000	394,788	Cie Financiere Riche	90,924	6,034,165
Jardine Cycle & Carrier	18,888	539,041	Credit Suisse Group	462,537	6,644,405
Keppel Corp Ltd	267,000	1,070,070	Dufry AG-Reg	7,586	947,924
M1 Ltd	226,200	306,099	EMS-Chemie Holding AG	1,325	674,005
Mapletree Industrial	383,000	433,450	Galenica AG-Reg	659	745,010
Oversea-Chinese Bank	532,467	3,287,608	Geberit AG-Reg	6,770	2,719,058
SATS Ltd	191,800	643,892	Givaudan-Reg	1,561	2,865,968
Sembcorp Industries	180,000	355,091	Julius Baer Group Lt	37,782	1,681,389
Singapore Airlines Ltd	99,000	662,650	Kuehne & Nagel Intl	20,954	2,775,037
Singapore Exchange Ltd	143,000	707,725	Lafargeholcim Ltd-Re	76,451	4,035,614
Singapore Press Holdings	247,911	605,749	Lonza Group AG-Reg	9,419	1,633,856
Singapore Tech Engin	244,200	542,592	Nestle SA-Reg	661,228	47,525,663
Singapore Telecomm	2,262,900	5,701,501	Novartis AG-Reg	484,340	35,312,241
Starhub Ltd	99,100	192,068	Pargesa Holding SA-B	4,337	282,917
Suntec Reit	388,000	440,451	Partners Group Hldgs	2,800	1,314,803
United Overseas Bank	223,899	3,160,034	Roche Holding AG-Gen	153,601	35,152,845
UOL Group Ltd	163,253	676,878	Schindler Holding AG	3,007	526,340
Wilmar International	318,000	790,213	Schindler Holding-Pa	7,712	1,362,035
Yangzijiang Shipbuild	950,600	536,263	SGS SA-Reg	1,726	3,517,043
		31,128,086	Sika AG-Br	366	1,761,669
Sweden			Sonova Holding AG-Re	9,392	1,140,328
Alfa Laval Ab	154,720	2,581,903	Swatch Group AG	13,521	2,191,939
Assa Abloy Ab-B	172,707	3,222,359	Swiss Life Holding A	5,572	1,580,017
Atlas Copco Ab-A Shs	145,731	4,465,966	Swiss Prime Site-Reg	12,075	990,261
Atlas Copco Ab-B Shs	65,774	1,806,421	Swiss Re AG	91,350	8,673,464
Axfood Ab	63,041	989,548	Swisscom AG-Reg	4,410	1,979,044
Boliden Ab	47,558	1,250,645	Syngenta AG-2nd Line	7,925	3,122,903
Electrolux Ab-Ser B	40,811	1,017,962	Syngenta AG-Reg	7,872	3,116,734
Ericsson Lm-B Shs	667,328	3,926,280	UBS Group AG-Reg	819,500	12,860,752
Getinge Ab-B Shs	35,054	565,288	Zurich Insurance Group	26,191	7,225,815

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23. Schedule of financial assets valued through profit or loss (continued)

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
		223,035,300			
United Kingdom			Investec Plc	97,515	644,645
3i Group Plc	176,021	1,524,678	ITV Plc	892,006	2,266,139
Abcam Plc	24,908	235,910	Johnson Matthey Plc	30,886	1,214,007
Aberdeen Asset Mgmt	170,536	542,190	Jupiter Fund Management	45,425	248,990
Admiral Group Plc	93,016	2,092,972	Kingfisher Plc	378,431	1,636,162
Anglo American Plc	245,744	3,519,347	Land Securities Grp	140,327	1,844,925
Antofagasta Plc	70,777	590,326	Legal & General Group	1,773,089	5,418,142
Ashmore Group Plc	155,869	544,479	Lloyds Banking Group	11,861,279	9,157,318
Ashtead Group Plc	89,880	1,754,753	London Stock Exchange	54,058	1,919,072
Associated British F	61,990	2,097,253	Marks & Spencer Group	368,581	1,592,665
Astrazeneca Plc	216,939	11,869,734	Mediclinic International	61,735	587,760
Auto Trader Group Pl	178,584	902,530	Meggitt Plc	130,080	736,320
Aviva Plc	690,991	4,145,313	Merlin Entertainment	109,165	605,116
Babcock Intl Group P	48,302	567,599	Micro Focus International	18,219	490,093
BAE Systems Plc	537,145	3,909,332	Mitie Group Plc	139,974	388,120
Barclays Plc	4,535,784	12,464,730	Mondi Plc	63,124	1,295,567
Barratt Developments	174,039	994,398	National Grid Plc	648,481	7,612,312
Beazley Plc	79,433	378,766	Nex Group Plc	24,088	138,255
Berkeley Group Holdi	23,362	810,593	Next Plc	34,828	2,144,016
BHP Billiton Plc	456,438	7,360,173	Novae Group Plc	20,705	173,972
BP Plc	3,492,114	21,985,095	Old Mutual Plc	846,579	2,166,423
British American Tobacco	381,881	21,800,466	Paddy Power Betfair	14,201	1,523,793
British Land Co	171,239	1,330,911	Pearson Plc	144,039	1,455,892
Bt Group Plc	1,460,974	6,621,670	Persimmon Plc	56,937	1,248,788
Bunzl Plc	59,433	1,545,145	Petrofac Ltd	43,174	463,594
Burberry Group Plc	122,513	2,261,666	Playtech Plc	122,343	1,247,179
Cairn Energy Plc	63,446	184,939	Provident Financial	25,638	900,651
Capita Plc	242,940	1,591,002	Prudential Plc	471,954	9,464,854
Carnival Plc	33,362	1,698,832	Randgold Resources Ltd	16,025	1,268,273
Centrica Plc	936,152	2,706,811	Reckitt Benckiser Group	112,199	9,525,871
Close Brothers Group	23,924	427,167	Relx Plc	189,076	3,375,981
Cobham Plc	280,486	567,356	Restaurant Group Plc	72,470	290,313
Coca-Cola Hbc AG-Di	34,970	762,669	Rio Tinto Plc	260,765	10,162,644
Compass Group Plc	284,247	5,261,426	Rolls-Royce Holdings	15,158,949	2,547,233
Croda International	21,473	845,876	Royal Bank Of Scotland	1,117,985	3,102,712
Dart Group Plc	29,569	179,945	Royal Dutch Shell Plc	1,462,580	41,439,603
DCC Plc	15,499	1,155,784	Royal Mail Plc	286,396	1,633,535
Diageo Plc	536,142	13,975,106	RSA Insurance Group	173,665	1,248,910
Direct Line Insurance	238,610	1,089,134	Sage Group Plc	178,259	1,441,640
Dixons Carphone Plc	168,667	738,617	Sainsbury (J) Plc	251,900	775,972
Dunelm Group Plc	32,167	318,375	Schroders Plc	20,578	762,308
Easyjet Plc	26,983	333,416	Segro Plc	125,729	711,691
Entertainment One Ltd	88,882	252,822	Senior Plc	108,150	259,253
Experian Plc	248,048	4,815,126	Severn Trent Plc	40,495	1,111,837
Fidessa Group Plc	6,657	188,287	Shire Plc	155,628	9,006,458
Fresnillo Plc	42,735	644,228	Sky Plc	182,091	2,229,759
G4S Plc	252,011	730,850	Smith & Nephew Plc	214,816	3,230,375
GKN Plc	304,888	1,243,603	Smiths Group Plc	71,848	1,252,672
GlaxoSmithKline Plc	842,248	16,240,504	SSE Plc	173,563	3,330,614
Glencore Plc	2,113,363	7,242,659	St James's Place Plc	89,435	1,119,471
Go-Ahead Group Plc	12,984	359,379	Standard Chartered Plc	826,562	6,770,476
Halfords Group Plc	56,500	254,613	Standard Life Plc	327,975	1,504,335
Hammerson Plc	145,903	1,032,133	Tate & Lyle Plc	87,133	761,737
Hansteen Holdings Pl	168,103	235,758	Taylor Wimpey Plc	564,374	1,070,462
Hargreaves Lansdowne	47,300	708,953	Tesco Plc	1,414,529	3,614,582
HICL Infrastructure	171,740	348,662	TP Icap Plc	36,056	192,735
Hikma Pharmaceutical	24,060	561,892	Travis Perkins Plc	46,378	832,098
IG Group Holdings Pl	33,288	203,235	Tui AG-Di	89,698	1,287,907
IMI Plc	185,408	2,373,471	Unilever Plc	278,092	11,296,659
Imperial Brands Plc	197,755	8,642,876	United Utilities Group	113,012	1,257,489
Indivior Plc	232,632	850,570	Vodafone Group Plc	4,545,630	11,222,389
Inmarsat Plc	80,210	744,328	Weir Group Plc	35,529	827,542
Intercontinental Hotels	33,412	1,496,602	WH Smith Plc	26,398	506,895
Intertek Group Plc	27,036	1,161,229	Whitbread Plc	32,281	1,505,774
Intu Properties Plc	162,570	564,271	William Hill Plc	297,393	1,066,409
			Wm Morrison Supermarket	358,360	1,020,672

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23. Schedule of financial assets valued through profit or loss (continued)

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Wolseley Plc	41,888	2,564,655	Aon Plc	46,233	5,156,829
Wood Group (John) Plc	69,856	754,416	Apache Corp	65,010	4,126,835
Worldpay Group Plc	332,009	1,105,206	Apple Inc	1,098,095	127,203,325
WPP Plc	227,116	5,087,932	Applied Materials Inc	188,378	6,078,958
		407,244,801	Aramark	39,451	1,409,190
United States			Arch Capital Group Ltd	21,462	1,851,741
3M Co	125,418	22,409,688	Archer-Daniels-Midland	140,194	6,399,856
Abbott Laboratories	255,139	9,799,889	Arconic Inc	79,121	1,466,903
Abbvie Inc	350,713	21,961,648	Arrow Electronics Inc	16,863	1,202,332
Accenture Plc	113,381	13,280,317	Arthur J Gallagher	28,481	1,479,873
Activision Blizzard	168,422	6,081,718	Artisan Partners Assn	8,200	243,540
Acuity Brands Inc	7,465	1,723,892	Ashland Global Holdings	11,616	1,269,977
Adobe Systems Inc	86,651	8,920,720	Assurant Inc	12,238	1,136,665
Advance Auto Parts Inc	12,356	2,090,141	Assured Guaranty Ltd	33,200	1,255,292
Advansix Inc	564	12,464	AT&T Inc	1,174,504	49,963,400
Adverum Biotechnology	11,983	34,751	Atmos Energy Corp	15,950	1,182,852
Aercap Holdings NV	26,781	1,114,090	Atwood Oceanics Inc	56,200	737,344
AES Corp	111,652	1,297,396	Autodesk Inc	36,606	2,709,210
Aetna Inc	82,588	10,243,390	Autoliv Inc	23,090	2,612,403
Affiliated Managers	10,267	1,492,000	Automatic Data Process	78,237	8,041,199
Aflac Inc	114,356	7,959,178	Autonation Inc	10,581	514,871
Agco Corp	13,243	766,505	Autozone Inc	5,120	4,048,282
Agilent Technologies	58,725	2,675,511	Avalonbay Communities	23,928	4,240,281
Agnc Investment Corp	62,056	1,125,075	Avangrid Inc	6,600	249,942
Air Products & Chemical	35,246	5,069,432	Avery Dennison Corp	15,079	1,058,847
Akamai Technologies	31,460	2,097,753	Avnet Inc	22,369	1,064,988
Alaska Air Group Inc	10,800	958,176	Axalta Coating Systems	34,118	928,010
Albemarle Corp	18,075	1,556,438	Axis Capital Holdings	16,646	1,087,650
Alcoa Corp	1	28	B/E Aerospace Inc	16,761	1,008,845
Alexandria Real Estate	14,741	1,637,873	Baker Hughes Inc	71,493	4,647,760
Alexion Pharmaceutical	38,977	4,768,836	Ball Corp	27,877	2,093,005
Align Technology Inc	11,017	1,058,734	Bank Of America Corp	2,042,181	45,213,887
Alkermes Plc	24,112	1,340,145	Bank Of New York Mellon	183,391	8,689,066
Alleghany Corp	2,672	1,624,950	Baxter International	88,461	3,923,245
Allergan Plc	67,678	14,225,239	BB&T Corp	145,459	6,839,482
Alliance Data Systems	13,857	3,167,433	Becton Dickinson And	36,032	5,965,458
Alliant Energy Corp	39,177	1,484,417	Bed Bath & Beyond Inc	66,497	2,702,438
Allstate Corp	64,390	4,772,587	Bemis Company	21,500	1,028,345
Ally Financial Inc	119,966	2,280,554	Berkshire Hathaway Inc	221,735	36,149,457
Alphabet Inc-CI A	58,505	46,372,233	Best Buy Co Inc	73,504	3,136,416
Alphabet Inc-CI C	61,487	47,475,342	Biogen Inc	37,861	10,738,137
Altria Group Inc	395,240	26,730,081	Biomarin Pharmaceutical	27,091	2,243,948
Amazon.Com Inc	78,674	59,007,073	Blackrock Inc	21,254	8,092,673
Amdocs Ltd	31,765	1,850,311	Boeing Co	126,741	19,741,178
Amerco	1,387	512,621	Borgwarner Inc	58,529	2,308,384
Ameren Corporation	42,180	2,212,763	Boston Properties	25,615	3,222,623
American Airlines Group	22,932	1,070,695	Boston Scientific Co	230,910	4,994,583
American Eagle Outfit	20,300	307,951	Brinker International	9,500	470,535
American Electric Power	85,138	5,360,288	Bristol-Myers Squibb	286,557	16,746,391
American Equity Inv	14,400	324,720	Brixmor Property Group	50,284	1,227,432
American Express Co	170,140	12,603,971	Broadcom Ltd	70,184	12,408,531
American Financial Group	15,100	1,331,367	Broadridge Financial	20,931	1,388,353
American International	184,760	12,068,523	Brown-Forman Corp	40,766	1,832,432
American Tower-Reits	78,191	8,264,007	Buckle Inc	39,690	904,932
American Water Works	29,930	2,165,735	Bunge Ltd	24,047	1,737,155
Ameriprise Financial	27,514	3,052,403	C.H. Robinson Worldwide	41,559	3,043,366
Amerisourcebergen Co	34,233	2,676,678	CA Inc	139,751	4,439,889
Ametek Inc	71,298	3,465,083	Cabot Oil & Gas Corp	73,621	1,719,050
Amgen Inc	175,179	25,616,425	Cadence Design Sys Inc	47,536	1,198,858
Amphenol Corp-CI A	53,724	3,610,253	Calpine Corp	62,637	715,315
Anadarko Petroleum Co	93,480	6,518,360	Camden Property Tst	16,209	1,362,691
Analog Devices Inc	53,897	3,913,461	Campbell Soup Co	76,583	4,630,974
Annaly Mortgage Mgmt	161,399	1,609,148	Capital One Financial	110,377	9,629,289
Ansys Inc	15,810	1,462,267	Carbo Ceramics Inc	26,400	776,408
Antero Resources Cor	22,875	540,994	Cardinal Health Inc	71,634	5,155,499
Anthem Inc	44,389	6,382,250	Carlisle Cos Inc	3,900	430,287

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23. Schedule of financial assets valued through profit or loss (continued)

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Carmax Inc	32,636	2,101,758	Danaher Corp	106,864	8,323,637
Carnival Corp	62,439	3,250,574	Darden Restaurants I	43,104	3,133,661
Caterpillar Inc	99,729	9,248,867	Davita Inc	29,238	1,877,372
Cato Corp-Class A	10,600	319,060	Deere & Co	46,925	4,835,152
CBRE Group Inc - A	50,544	1,591,631	Dell Technologies	37,454	2,058,846
CBS Corp-Class B Non	70,517	4,487,702	Delphi Automotive Plc	68,705	4,627,282
CDK Global Inc	28,056	1,674,382	Delta Air Lines Inc	51,698	2,543,025
CDW Corp	26,913	1,401,629	Deluxe Corp	22,200	1,589,742
Celanese Corp-Series	26,932	2,120,087	Dentsply Sirona Inc	39,100	2,257,243
Celgene Corp	142,098	16,453,527	Devon Energy Corp	80,910	3,695,160
Centene Corp	28,817	1,628,449	Dexcom Inc	13,739	820,356
Centerpoint Energy Inc	69,607	1,715,116	Diamond Offshore Drill	23,500	415,715
Centurylink Inc	97,590	2,320,690	Diamondback Energy Inc	13,034	1,317,216
Cerner Corp	75,079	3,556,492	Dick's Sporting Goods	14,607	775,632
CF Industries Holdings	41,765	1,314,762	Digital Realty Trust	26,507	2,604,578
Charter Communications	36,592	10,535,569	Discover Financial	94,743	6,830,023
Check Point Software	52,952	4,472,326	Discovery Communications	65,927	1,779,716
Chemed Corp	3,400	545,394	Dish Network Corp-A	38,292	2,218,256
Cheniere Energy Inc	33,328	1,381,779	Dollar General Corp	49,208	3,644,837
Chesapeake Lodging	14,936	386,394	Dollar Tree Inc	40,779	3,146,100
Chevron Corp	387,357	45,622,907	Dominion Resources Inc	105,123	8,051,371
Chipotle Mexican Grill	5,158	1,946,217	Domino's Pizza Inc	8,417	1,340,323
Chubb Ltd	79,756	10,540,553	Dover Corp	47,732	3,576,559
Church & Dwight Co Inc	59,630	2,635,050	Dow Chemical Co	253,099	14,482,325
Cigna Corp	44,205	5,903,136	Dr Horton Inc	56,347	1,539,964
Cimarex Energy Co	16,099	2,188,015	Dr Pepper Snapple Group	56,773	5,147,608
Cincinnati Financial	26,033	1,972,260	DTE Energy Company	30,710	3,025,549
Cintas Corp	14,521	1,678,047	Du Pont (E.I.) De Ne	150,729	11,063,509
Cisco Systems Inc	1,122,075	33,931,548	Duke Energy Corp	118,199	9,174,606
CIT Group Inc	32,127	1,371,180	Duke Realty Corp	55,301	1,468,242
Citigroup Inc	628,084	37,327,032	Dun & Bradstreet Corp	15,699	1,904,603
Citizens Financial Group	87,066	3,102,162	E*Trade Financial Cop	49,927	1,729,971
Citrix Systems Inc	38,808	3,465,166	Eastman Chemical Co	38,308	2,881,528
Clorox Company	21,766	2,612,573	Eaton Corp Plc	111,402	7,475,074
CME Group Inc	56,937	6,567,683	Eaton Vance Corp	21,410	896,865
CMS Energy Corp	45,864	1,908,860	Ebay Inc	285,616	8,479,939
CNO Financial Group	24,500	469,175	Ecolab Inc	46,547	5,456,239
Coach Inc	61,829	2,165,252	Edgewell Personal Ca	17,150	1,251,779
Coca-Cola Co	857,413	35,548,343	Edison International	55,839	4,019,850
Cognizant Tech Solutions	103,506	5,799,441	Edwards Lifesciences	36,942	3,461,465
Colgate-Palmolive Co	148,517	9,718,952	Electronic Arts Inc	52,876	4,164,514
Comcast Corp-Class A	436,207	30,159,352	Eli Lilly & Co	183,290	13,484,645
Comerica Inc	31,330	2,135,766	Emerson Electric Co	183,279	10,217,804
Comm Net Lease Rty	22,096	976,422	Endo International	39,842	656,198
Computer Sciences Co	21,918	1,302,368	Energizer Holdings	9,600	428,352
Conagra Brands Inc	70,644	2,793,970	Entergy Corp	31,074	2,283,007
Concho Resources Inc	24,045	3,187,405	Envision Healthcare	10,174	643,912
Conocophillips	211,505	10,604,861	EOG Resources Inc	98,445	9,952,790
Consolidated Edison	50,463	3,718,114	EQT Corp	28,330	1,853,349
Constellation Brands	31,064	4,764,907	Equifax Inc	25,596	3,025,447
Contango Oil & Gas	120	1,122	Equinix Inc	11,618	4,153,784
Continental Resources	15,246	785,779	Equity Residential	62,433	4,018,188
Cooper Cos Inc	7,692	1,345,562	Essex Ppty Trust Inc	10,812	2,514,763
Core Laboratories N.V.	7,439	892,829	Estee Lauder Companies	38,604	2,952,820
Corning Inc	179,733	4,362,120	Everest Re Group Ltd	16,207	3,508,816
Costar Group Inc	4,913	926,101	Eversource Energy	55,159	3,046,432
Costco Wholesale Corp	75,922	12,155,112	Exelon Corp	157,376	5,585,274
Coty Inc-CI A	85,848	1,572,735	Expedia Inc	21,554	2,441,422
Cr Bard Inc	15,909	3,574,116	Expeditors Intl Wash	57,660	3,053,674
Credit Acceptance Co	1,952	424,580	Express Scripts Holdings	174,789	12,023,735
Crown Castle International	57,419	4,982,247	Exterran Corp	12,100	289,311
Crown Holdings Inc	22,902	1,203,958	Extra Space Storage	20,619	1,592,612
CSG Systems Intl Inc	6,500	314,600	Exxon Mobil Corp	845,569	76,321,058
CSX Corp	164,220	5,900,425	F5 Networks Inc	11,254	1,628,679
Cummins Inc	59,872	8,186,299	Facebook Inc-A	457,986	52,727,928
CVS Health Corp	184,688	14,579,271	Factset Research Systems	2,900	474,121

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23. Schedule of financial assets valued through profit or loss (continued)

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Fastenal Co	47,883	2,249,543	Hewlett Packard	288,331	6,671,979
FBL Financial Group	7,109	556,279	Hillenbrand Inc	31,400	1,201,050
Federal Realty Invs	11,631	1,652,881	Hilton Worldwide Holdgs	94,487	2,569,102
Federated Investors	17,500	494,900	Hollyfrontier Corp	32,639	1,069,254
Federated National	2,855	53,389	Hologic Inc	42,758	1,715,879
Fedex Corp	43,647	8,127,944	Home Depot Inc	235,091	31,532,756
Fidelity National Inc	52,637	3,981,463	Honeywell International	142,378	16,497,339
Fifth Third Bancorp	136,432	3,679,571	Hongkong Land Holdings	353,400	2,226,420
First American Financial	9,600	351,744	Hormel Foods Corp	49,255	1,714,567
First Data Corp	44,219	627,025	Host Hotels & Resorts	130,551	2,460,886
First Republic Bank	25,867	2,383,385	HP Inc	411,022	6,099,566
Firstenergy Corp	73,863	2,287,537	Hubbell Inc	700	81,711
Fiserv Inc	39,781	4,227,925	Humana Inc	25,566	5,215,208
Fleetcor Technologies	17,030	2,410,937	Hunt (JB) Transprt	15,582	1,512,389
Flex Ltd	102,178	1,468,298	Huntington Bancshare	179,276	2,368,236
Flir Systems Inc	23,945	866,809	Huntington Ingalls Inc	26,538	4,888,830
Flowers Foods Inc	43,200	862,704	Hutchison Port Holdings	960,000	417,600
Flowserve Corp	23,631	1,135,470	Idex Corp	6,886	620,153
Fluor Corp	25,539	1,341,308	Idexx Laboratories Inc	18,964	2,223,339
FMC Corp	22,111	1,250,819	Ihs Markit Ltd	61,416	2,174,741
FMC Technologies Inc	40,315	1,432,392	Illinois Tool Works	56,293	6,893,641
FNF Group-W/I	40,571	1,377,385	Illumina Inc	25,077	3,210,358
Foot Locker Inc	34,877	2,472,431	Incyte Corp	29,396	2,947,243
Ford Motor Co	638,300	7,742,579	Ingersoll-Rand Plc	45,527	3,416,346
Fortinet Inc	24,929	750,861	Ingredion Inc	12,016	1,501,760
Fortive Corp	53,432	2,866,627	Intel Corp	1,040,768	37,769,471
Fortune Brands Home	26,503	1,416,850	Intercontinental Exc	102,700	5,794,334
Fossil Group Inc	8,900	230,065	International Paper	66,541	3,530,665
Franklin Resources I	99,845	3,951,865	Interpublic Group	70,698	1,655,040
Freeport-McMoran Inc	215,559	2,841,068	Intl Business Machines	202,951	33,687,836
Frontier Communications	182,156	612,044	Intl Flavors & Fragrances	14,100	1,661,544
Gamestop Corp	15,600	394,056	Intuit Inc	51,615	5,915,595
Gannett Co Inc	26,400	256,344	Intuitive Surgical Inc	6,523	4,140,213
Gap Inc	96,355	2,162,206	Invesco Ltd	72,130	2,189,146
Garmin Ltd	60,341	2,925,935	Iron Mtn Inc	40,622	1,319,403
Gartner Inc	15,187	1,534,950	J2 Global Inc	16,438	1,344,135
Gener8 Maritime Inc	29,500	132,160	Jack Henry & Associates	6,900	612,582
General Dynamics Corp	45,169	7,800,686	Jacobs Engineering Group	22,523	1,284,036
General Electric Co	1,664,998	52,663,887	Jardine Matheson Hlds	41,600	2,298,400
General Growth Properties	98,243	2,454,110	Jazz Pharmaceuticals	9,995	1,089,755
General Mills Inc	168,620	10,415,657	Jetblue Airways Corp	19,000	425,790
General Motors Co	240,290	8,371,704	JM Smucker Co	19,450	2,490,378
Gentex Corp	19,200	378,048	Johnson & Johnson	565,060	65,117,514
Genuine Parts Co	38,087	3,638,832	Johnson Controls Int	161,786	6,663,965
Gilead Sciences Inc	281,836	20,185,094	Jones Lang Lasalle Inc	8,187	827,133
Glacier Bancorp Inc	8,800	318,824	JPMorgan Chase & Co	719,876	62,146,895
Global Payments Inc	25,595	1,776,549	Juniper Networks Inc	61,601	1,740,844
GNC Holdings Inc	18,000	198,360	Kansas City Southern	18,250	1,548,513
Goldman Sachs Group	71,039	17,020,944	Kellogg Co	45,600	3,361,176
Goodyear Tire & Rubber	41,585	1,283,729	Keycorp	178,109	3,254,051
H&R Block Inc	56,159	1,291,095	Kimberly-Clark Corp	99,955	11,406,865
Halliburton Co	149,307	8,076,016	Kimco Realty Corp	69,668	1,753,544
Hanesbrands Inc	64,573	1,392,840	Kinder Morgan Inc	328,810	6,812,943
Harley-Davidson Inc	31,305	1,826,334	KLA-Tencor Corp	44,037	3,463,950
Harman International	11,650	1,295,014	Knoll Inc	16,400	458,052
Harris Corp	20,267	2,076,759	Kohls Corp	42,273	2,087,441
Hartford Financial	65,762	3,133,559	Kraft Heinz Co	103,812	9,066,940
Hasbro Inc	19,512	1,517,643	Kroger Co	155,367	5,363,269
HCA Holdings Inc	53,893	3,989,699	Kulicke & Soffa Industries	10,200	162,588
HCI Group Inc	6,300	248,976	L Brands Inc	58,931	3,880,017
Health Care Pptys	78,896	2,347,156	L-3 Communications	14,029	2,134,091
Heico Corp	4,100	316,561	Laboratory Crp Of America	16,471	2,114,712
Helmerich & Payne	19,049	1,474,774	LAM Research Corp	27,491	2,906,623
Henry Schein Inc	14,566	2,209,662	Las Vegas Sands Corp	74,163	3,960,304
Hershey Co	24,589	2,543,240	Lasalle Hotel Prop	16,900	514,943
Hess Corp	75,238	4,686,575	Lazard Ltd-C1 A	15,700	644,642

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23. Schedule of financial assets valued through profit or loss (continued)

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Lear Corp	13,491	1,786,748	Moody's Corp	31,664	2,985,599
Leggett & Platt Inc	39,776	1,944,251	Morgan Stanley	325,662	13,759,220
Lennar Corp-A	28,212	1,210,859	Mosaic Co	79,422	2,329,447
Leucadia National Co	55,690	1,294,236	Motorola Solutions Inc	25,302	2,097,789
Level 3 Communications	50,255	2,832,372	MSCI Inc	14,555	1,146,788
Liberty Broadband-C	16,911	1,252,598	Murphy Oil Corp	48,433	1,507,719
Liberty Global Plc-A	43,336	1,325,648	Mylan NV	77,973	2,974,670
Liberty Global Plc	105,907	3,146,497	Nasdaq Inc	20,644	1,385,625
Liberty Interactive	76,790	1,533,496	National Oilwell Var	63,933	2,393,652
Liberty Lilac Group	17,900	378,764	National Western Life	700	217,588
Liberty Ppty Tst	24,587	971,187	Navient Corp	55,410	910,386
Liberty Sirius Grp	33,932	1,150,973	Netapp Inc	80,057	2,823,610
Liberty Siriusxm Group	15,586	538,029	Netflix Inc	73,582	9,109,452
Lincoln National Corp	64,761	4,291,711	Neustar Inc-Class A	7,200	240,480
Linear Technology Co	40,946	2,553,393	New York Community Bank	82,284	1,309,138
LKQ Corp	52,440	1,607,286	Newell Brands Inc	75,563	3,373,888
Lockheed Martin Corp	49,366	12,347,918	Newfield Exploration	33,191	1,344,236
Loews Corp	51,080	2,392,587	Newmont Mining Corp	98,541	3,357,292
Lowe's Cos Inc	180,988	12,871,867	News Corp - Class A	57,949	664,096
Lululemon Athletical	18,558	1,205,899	Nextera Energy Inc	79,996	9,557,122
Lyondellbasell Industries	112,524	9,652,309	Nielsen Holdings Plc	59,657	2,502,611
M & T Bank Corp	24,260	3,795,720	Nike Inc -CI B	232,033	11,794,237
Macerich Co	22,089	1,564,785	Nisource Inc	53,450	1,183,383
Macquarie Infrastructure	11,684	954,583	Noble Energy Inc	72,557	2,762,245
Macy's Inc	72,081	2,581,221	Nordstrom Inc	23,508	1,126,738
Magellan Midstream	10,940	826,955	Norfolk Southern Corp	51,286	5,542,478
Mallinckrodt Plc	20,139	1,003,526	Northern Trust Corp	37,467	3,336,436
Manpowergroup Inc	12,845	1,141,664	Northrop Grumman Corp	29,917	6,959,891
Marathon Oil Corp	257,891	4,464,093	Norwegian Cruise Lines	27,140	1,154,264
Marathon Petroleum	120,842	6,085,603	Nuance Communications	41,366	615,940
Markel Corp	2,421	2,188,608	Nucor Corp	55,557	3,307,864
Marriott International	57,945	4,789,734	Nvidia Corp	96,435	10,292,508
Marsh & McLennan Cos	89,141	6,025,040	NXP Semiconductors	49,439	4,846,011
Martin Marietta Mate	10,247	2,270,120	Occidental Petroleum	185,206	13,192,223
Marvell Technology Group	74,973	1,039,876	Oceaneering Intl Inc	12,000	338,520
Masco Corp	58,907	1,862,639	OFG Bancorp	14,700	192,570
Mastercard Inc - A	183,038	18,904,165	OGE Energy Corp	34,422	1,151,416
Mattel Inc	84,354	2,323,953	Omnicom Group	75,226	6,403,237
Maxim Integrated Pro	74,300	2,865,751	Oneok Inc	35,095	2,014,804
McCormick & Co-Non V	19,426	1,813,029	Oracle Corp	707,460	27,201,837
McDonald's Corp	171,306	20,854,792	O'Reilly Automotive	16,464	4,581,602
McKesson Corp	58,515	8,219,017	Overseas Shipholding	48,200	184,606
Mead Johnson Nutrition	32,097	2,270,863	P G & E Corp	86,366	5,249,325
Mednax Inc	30,213	2,014,301	Paccar Inc	60,726	3,880,391
Medtronic Plc	299,036	21,306,315	Packaging Corp Of Am	35,918	3,046,924
Melco Crown Entertainment	34,717	552,000	Palo Alto Networks Inc	15,826	1,978,883
Mercadolibre Inc	6,530	1,019,594	Parker Hannifin Corp	38,152	5,341,280
Merck & Co. Inc.	604,031	35,559,305	Parsley Energy Inc-C	25,774	907,760
Meredith Corp	9,600	567,840	Patterson Cos Inc	13,520	554,726
Metlife Inc	160,274	8,637,166	Paychex Inc	81,595	4,967,504
Mettler-Toledo International	4,622	1,935,185	Paypal Holdings Inc	223,316	8,814,283
MGM Resorts International	75,593	2,178,590	Pebblebrook Hotel	9,400	279,556
Michael Kors Holding	43,726	1,879,343	Pentair Plc	29,398	1,648,346
Microchip Technology	38,698	2,482,477	People's United Financial	49,639	961,011
Micron Technology In	186,069	4,078,632	Pepsico Inc	307,890	32,226,846
Microsoft Corp	1,487,602	92,439,588	Perrigo Co Plc	24,084	2,004,993
Mid-America Apartmnt	12,411	1,215,285	Petmed Express Inc	18,300	422,181
Middleby Corp	8,865	1,141,901	Pfizer Inc	1,306,072	42,434,279
Mobileye NV	30,982	1,181,034	Philip Morris International	320,909	29,366,383
Moelis & Co - Class	9,600	325,440	Phillips 66	81,220	7,018,220
Mohawk Industries Inc	10,103	2,017,771	Pinnacle West Capital	20,090	1,567,824
Molina Healthcare Inc	5,400	293,166	Pioneer Natural Resorts	28,346	5,105,398
Molson Coors Brewing	31,657	3,080,859	Pitney Bowes Inc	33,800	513,422
Mondelez International	269,015	11,925,435	Plains Gp Holdings Ltd	16,269	564,046
Monsanto Co	75,203	7,916,620	PNC Financial Services	85,210	9,966,162
Monster Beverage Corp	67,764	3,003,978	Polaris Industries Inc	10,916	899,369

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23. Schedule of financial assets valued through profit or loss (continued)

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
PPG Industries Inc	46,788	4,433,631	Sirius XM Holdings Inc	349,840	1,553,290
PPL Corp	117,706	4,007,889	Skyworks Solutions Inc	32,108	2,397,183
Praxair Inc	48,555	5,692,588	SL Green Realty Corp	16,340	1,757,367
Priceline Group Inc	9,058	13,281,745	Smith (A.O.) Corp	26,324	1,246,178
Principal Financial	90,994	5,264,913	Snap-On Inc	16,653	2,852,326
Procter & Gamble Co	537,155	45,223,079	Sonoco Products Co	41,773	2,201,855
Progressive Corp	100,127	3,555,510	Southern Co	165,660	8,148,815
Prologis Inc	93,769	4,950,066	Southwest Airlines	27,865	1,388,792
Prudential Financial	74,888	7,794,343	Southwestern Energy	83,071	898,828
Public Service Enter	86,886	3,812,558	Spectra Energy Corp	118,227	4,857,947
Public Storage Inc	30,683	6,852,741	Spectra Energy Partners	8,700	398,460
Pultegroup Inc	60,738	1,116,364	Spectrum Brands Holdings	3,607	441,389
PVH Corp	13,693	1,235,793	Splunk Inc	20,838	1,065,864
Qorvo Inc	23,581	1,243,426	Sprint Corp	136,942	1,153,052
Qualcomm Inc	349,068	22,762,724	St Jude Medical Inc	48,769	3,910,786
Quality Care Properties	4,460	69,130	Stanley Black & Decker	25,631	2,939,876
Quest Diagnostics Inc	50,334	4,626,198	Staples Inc	114,779	1,037,602
Quintiles IMS Holdings	23,773	1,807,461	Starbucks Corp	261,662	14,527,474
Ralph Lauren Corp	19,967	1,803,419	State Street Corp	67,979	5,283,328
Range Resources Corp	33,115	1,137,831	Stericycle Inc	14,629	1,126,872
Raymond James Financial	21,774	1,508,285	Steven Madden Ltd	5,268	188,331
Raytheon Company	51,635	7,334,235	Stryker Corp	69,105	8,282,234
Reality Income Corp	43,867	2,521,475	Suntrust Banks Inc	86,864	4,764,490
Red Hat Inc	31,623	2,204,123	Symantec Corp	109,611	2,618,607
Regency Centres Corp	16,772	1,156,597	Synaptics Inc	5,000	267,900
Regeneron Pharmaceuticals	13,244	4,863,859	Synchrony Financial	144,981	5,258,461
Regions Financial Co	217,850	3,128,326	Synopsys Inc	25,218	1,484,079
Reinsurance Group	9,929	1,249,366	Sysco Corp	93,535	5,179,033
Renaissancere Holdings	18,823	2,563,316	T Rowe Price Group Inc	61,596	4,635,715
Renewable Energy Group	22,900	222,130	Targa Resources Corp	27,279	1,529,261
Republic Services Inc	43,124	2,460,224	Target Corp	104,228	7,531,515
Resmed Inc	48,908	3,035,230	Taro Pharmaceutical	10,278	1,080,629
Reynolds American Inc	148,188	8,304,456	TD Ameritrade Holdings	46,852	2,042,747
Rite Aid Corp	162,463	1,337,070	TE Connectivity Ltd	60,806	4,212,640
RLJ Lodging Trust	16,900	413,881	Teekay Tankers Ltd-C	107,000	240,750
Robert Half Intl Inc	48,542	2,367,879	Tegna Inc	35,561	760,294
Rockwell Automation	22,149	2,977,490	Teleflex Inc	6,700	1,079,370
Rockwell Collins Inc	23,410	2,172,214	Teradata Corp	35,900	975,403
Roper Technologies Inc	16,783	3,072,967	Terra Nitrogen Company	5,000	511,850
Ross Stores Inc	85,056	5,579,674	Tesla Motors Inc	21,706	4,638,138
Rowan Companies Plc	39,100	738,599	Tesoro Corp	20,784	1,817,561
Royal Caribbean Cruises	28,969	2,376,617	Tessera Holding Corp	1,922	84,856
S&P Global Inc	46,102	4,955,504	Teva Pharmaceutical-	132,325	4,798,105
Sabre Corp	36,281	905,211	Texas Instruments In	211,369	15,423,596
Safeway Casa Ley	20,400	80,580	Textron Inc	45,356	2,202,487
Safeway Pdc Llc	20,400	74,460	Thermo Fisher Scientific	68,483	9,664,321
Salesforce.Com Inc	110,882	7,592,091	Tiffany & Co	21,078	1,632,280
SBA Communications	21,750	2,245,905	Time Warner Inc	135,771	13,122,267
Scana Corp	26,035	1,907,845	TJX Companies Inc	123,395	9,275,602
Schlumberger Ltd	262,465	22,033,937	T-Mobile Us Inc	46,931	2,699,002
Schwab (Charles) Corp	205,613	8,115,545	Toll Brothers Inc	26,467	820,477
Schweitzer-Mauduit Inc	10,713	487,977	Torchmark Corp	20,717	1,527,879
Scorpio Tankers Inc	59,800	270,894	Total System Service	28,256	1,385,392
Scripps Networks Intl	54,573	3,894,875	Tractor Supply Company	22,790	1,727,938
Seagate Technology	49,241	1,879,529	Transdigm Group Inc	9,279	2,310,285
Sealed Air Corp	33,531	1,520,296	Travelers Cos Inc	50,712	6,209,177
Seattle Genetics Inc	15,848	836,299	Trimble Inc	41,398	1,248,564
SEI Investments Companies	24,893	1,228,718	Tripadvisor Inc	21,243	984,825
Sempra Energy	40,695	4,095,545	Tupperware Brands Co	22,038	1,159,199
Sensata Technologies	27,297	1,063,218	Twenty-First Century	256,190	7,123,877
Servicenow Inc	28,061	2,086,335	Twitter Inc	99,997	1,628,951
Sherwin-Williams Co	13,695	3,684,503	Tyson Foods Inc-CI A	51,290	3,163,567
Shire Plc-Adr	145	24,705	UDR Inc	47,889	1,747,470
Signature Bank	8,154	1,224,731	UGI Corp	28,090	1,294,387
Signet Jewelers Ltd	12,426	1,171,772	Ultra Salon Cosmetics	10,726	2,734,379
Simon Property Group	53,780	9,572,302	Under Armour Inc	60,477	1,639,721

Petroleum Fund of Timor-Leste
Notes to the financial statements
For the year ended 31 December 2016

23. Schedule of financial assets valued through profit or loss (continued)

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
Union Pacific Corp	153,511	15,923,696	Wynn Resorts Ltd	14,468	1,251,771
Unit Corp	23,800	639,744	Xcel Energy Inc	87,128	3,546,981
United Continental Hotels	14,368	1,047,140	Xerox Corp	147,491	1,287,596
United Insurance Holdgs	9,900	149,886	Xilinx Inc	46,167	2,786,640
United Parcel Service	118,085	13,549,073	XL Group Ltd	49,004	1,825,889
United Rentals Inc	15,968	1,686,061	Xylem Inc	31,881	1,578,747
United Technologies	136,990	15,040,132	Yahoo! Inc	154,533	5,977,336
United Therapeutics	17,246	2,473,594	Yum! Brands Inc	84,263	5,336,376
Unitedhealth Group Inc	202,277	32,386,570	Zayo Group Holdings	23,211	762,946
Universal Corp	6,700	427,125	Zillow Group Inc - C	15,786	575,558
Universal Health Services	31,612	3,362,885	Zimmer Biomet Holdings	33,853	3,494,645
Universal Insurance	21,515	609,950	Zoetis Inc	96,941	5,189,252
Unum Group	43,304	1,902,778			4,015,681,418
Urban Outfitters Inc	14,800	421,356			
Urstadt Biddle CI A	10,600	256,096	Total Equity Securities		6,644,173,140
US Bancorp	298,756	15,350,083			
Usana Health Science	14,600	893,520			
Valero Energy Corp	125,119	8,550,632			
Validus Holdings Ltd	43,100	2,370,500			
Valspar Corp	13,695	1,419,624			
Vantiv Inc - CI A	29,241	1,743,348			
Varian Medical Systems	17,184	1,542,951			
VCA Inc	5,000	343,350			
Ventas Inc	59,352	3,710,687			
Vereit Inc	162,184	1,370,455			
Verisign Inc	17,663	1,343,801			
Verisk Analytics Inc	27,488	2,230,926			
Verizon Communications	765,470	40,868,443			
Vertex Pharmaceuticals	42,134	3,106,540			
VF Corp	82,484	4,400,521			
Viacom Inc-Class B	87,671	3,078,129			
Visa Inc-Class A	367,726	28,741,464			
VMware Inc-Class A	13,981	1,100,724			
Vornado Realty Trust	28,966	3,023,181			
Voya Financial Inc	74,128	2,907,300			
Vulcan Materials Co	21,789	2,727,111			
Wabco Holdings Inc	8,430	895,013			
Wabtec Corp	15,999	1,328,237			
Waddell & Reed Financial	23,700	462,150			
Walgreens Boots Alliance	174,081	14,410,425			
Wal-Mart Stores Inc	358,250	24,765,823			
Walt Disney Co	301,519	31,442,401			
Waste Connections Co	29,721	2,336,368			
Waste Management Inc	76,138	5,401,230			
Waters Corp	18,709	2,515,051			
Weatherford International	152,773	762,337			
WEC Energy Group Inc	54,294	3,184,886			
Wells Fargo & Co	923,811	50,920,462			
Welltower Inc	60,528	4,051,139			
Westar Energy Inc	23,231	1,308,835			
Western Digital Corp	47,616	3,235,507			
Western Union Co	229,952	4,994,557			
Westrock Co	41,732	2,119,151			
Weyerhaeuser Co	131,351	3,952,352			
Whirlpool Corp	13,759	2,501,661			
Whitewave Foods Co	29,773	1,655,677			
Whole Foods Market Inc	55,326	1,701,275			
Wiley (John) & Sons	16,375	892,438			
Williams Cos Inc	123,853	3,858,021			
Williams-Sonoma Inc	19,900	962,762			
Willis Towers Watson	22,719	2,778,079			
Workday Inc-Class A	19,178	1,267,282			
WR Berkley Corp	17,273	1,148,827			
WR Grace & Co	12,395	838,398			
WW Grainger Inc	10,362	2,406,471			
Wyndham Worldwide Co	18,433	1,407,913			

Petroleum Fund of Timor-Leste
Notes to the financial statements
For the year ended 31 December 2016

23. Schedule of financial assets valued through profit or loss (continued)

(c) Derivatives

Security	Unit holding	Fair Value	Security	Unit holding	Fair Value
S&P500 Emini Mar17	65	- 57,771	Buy USD:Sell DKK 03/02/17	1,243,327	1,243,327
Buy AUD:Sell EUR 05/01/17	2,296,534	1,662,773	Buy USD:Sell DKK 09/01/17	2,792,929	2,792,929
Buy AUD:Sell USD 03/02/17	2,165,000	1,566,330	Buy USD:Sell EUR 03/01/17	17,751	17,751
Buy AUD:Sell USD 10/01/17	2,130,000	1,541,973	Buy USD:Sell EUR 03/02/17	1,531,728	1,531,728
Buy CAD:Sell EUR 05/01/17	874,091	651,821	Buy USD:Sell EUR 04/01/17	1,434,567	1,434,567
Buy CAD:Sell USD 03/02/17	775,000	578,138	Buy USD:Sell EUR 09/01/17	1,322,352	1,322,352
Buy CAD:Sell USD 09/01/17	1,284,000	957,545	Buy USD:Sell EUR 09/01/17	3,341,259	3,341,259
Buy CHF:Sell EUR 05/01/17	810,914	798,054	Buy USD:Sell EUR 10/01/17	1,820,328	1,820,328
Buy CHF:Sell USD 03/02/17	1,040,000	1,025,732	Buy USD:Sell GBP 03/02/17	1,391,147	1,391,147
Buy CHF:Sell USD 04/01/17	1,261,493	1,241,392	Buy USD:Sell GBP 04/01/17	1,000,985	1,000,985
Buy CHF:Sell USD 09/01/17	625,000	615,279	Buy USD:Sell GBP 09/01/17	3,226,375	3,226,375
Buy DKK:Sell USD 09/01/17	1,434,000	203,539	Buy USD:Sell GBP 10/01/17	1,822,890	1,822,890
Buy EUR:Sell AUD 27/01/17	3,415,776	3,607,876	Buy USD:Sell JPY 03/02/17	984,197	984,197
Buy EUR:Sell CAD 27/01/17	1,115,955	1,178,715	Buy USD:Sell JPY 10/01/17	852,497	852,497
Buy EUR:Sell DKK 05/01/17	892,167	941,224	Buy USD:Sell NOK 09/01/17	953,984	953,984
Buy EUR:Sell DKK 27/01/17	2,620,307	2,767,670	Buy USD:Sell NOK 09/01/17	1,203,840	1,203,840
Buy EUR:Sell GBP 05/01/17	551,945	582,294	Buy USD:Sell NOK 10/01/17	1,841,637	1,841,637
Buy EUR:Sell GBP 27/01/17	3,575,736	3,776,832	Buy USD:Sell NZD 03/02/17	3,033,358	3,033,358
Buy EUR:Sell HKD 05/01/17	341,438	360,212	Buy USD:Sell NZD 09/01/17	2,533,747	2,533,747
Buy EUR:Sell NOK 27/01/17	4,058,929	4,287,199	Buy USD:Sell NZD 10/01/17	1,603,982	1,603,982
Buy EUR:Sell NZD 05/01/17	2,877,018	3,035,214	Buy USD:Sell SEK 03/02/17	829,140	829,140
Buy EUR:Sell SGD 27/01/17	2,161,878	2,283,460	Buy USD:Sell SEK 09/01/17	750,466	750,466
Buy EUR:Sell USD 03/02/17	1,359,000	1,435,906	Buy USD:Sell SEK 09/01/17	2,695,344	2,695,344
Buy EUR:Sell USD 09/01/17	1,825,000	1,925,923	Sell AUD:Buy EUR 27/01/17	- 4,959,601	- 3,588,795
Buy EUR:Sell USD 09/01/17	3,257,000	3,437,114	Sell AUD:Buy USD 09/01/17	- 7,845,000	- 5,679,388
Buy EUR:Sell USD 09/01/17	4,047,000	4,270,801	Sell CAD:Buy EUR 27/01/17	- 1,574,552	- 1,174,491
Buy EUR:Sell USD 09/01/17	13,977,000	14,749,935	Sell CAD:Buy USD 09/01/17	- 1,975,000	- 1,472,859
Buy GBP:Sell USD 03/02/17	811,000	1,003,030	Sell CHF:Buy USD 03/02/17	- 1,261,000	- 1,243,700
Buy GBP:Sell USD 09/01/17	1,531,000	1,892,272	Sell CHF:Buy USD 09/01/17	- 521,000	- 512,896
Buy GBP:Sell USD 09/01/17	7,597,000	9,389,675	Sell CHF:Buy USD 09/01/17	- 338,000	- 332,743
Buy HKD:Sell EUR 27/01/17	29,085,975	3,752,051	Sell DKK:Buy EUR 05/01/17	- 6,634,373	- 941,347
Buy HKD:Sell USD 09/01/17	9,450,000	1,218,883	Sell DKK:Buy EUR 27/01/17	- 19,481,866	- 2,767,852
Buy JPY:Sell EUR 06/01/17	159,332,853	1,366,556	Sell DKK:Buy USD 03/02/17	- 8,750,000	- 1,243,587
Buy JPY:Sell USD 03/02/17	252,800,000	2,171,513	Sell DKK:Buy USD 09/01/17	- 19,560,000	- 2,776,304
Buy JPY:Sell USD 04/01/17	754,793	6,473	Sell EUR:Buy AUD 05/01/17	- 1,576,710	- 1,663,407
Buy JPY:Sell USD 04/01/17	1,896,263	16,261	Sell EUR:Buy CAD 05/01/17	- 617,937	- 651,915
Buy JPY:Sell USD 04/01/17	1,917,636	16,444	Sell EUR:Buy CHF 05/01/17	- 756,644	- 798,249
Buy JPY:Sell USD 05/01/17	1,617,532	13,872	Sell EUR:Buy HKD 27/01/17	- 3,581,823	- 3,783,261
Buy JPY:Sell USD 05/01/17	3,902,305	33,466	Sell EUR:Buy JPY 06/01/17	- 1,295,460	- 1,366,794
Buy JPY:Sell USD 06/01/17	929,639	7,973	Sell EUR:Buy NOK 05/01/17	- 617,878	- 651,853
Buy JPY:Sell USD 06/01/17	1,182,559	10,143	Sell EUR:Buy SEK 05/01/17	- 1,302,432	- 1,374,048
Buy JPY:Sell USD 06/01/17	114,943,934	985,844	Sell EUR:Buy SGD 05/01/17	- 685,399	- 723,087
Buy JPY:Sell USD 10/01/17	239,700,000	2,056,487	Sell EUR:Buy USD 03/01/17	- 16,924	- 17,851
Buy JPY:Sell USD 10/01/17	506,127,000	4,342,275	Sell EUR:Buy USD 03/02/17	- 1,450,000	- 1,532,056
Buy NOK:Sell EUR 05/01/17	5,609,614	651,739	Sell EUR:Buy USD 04/01/17	- 1,358,842	- 1,433,453
Buy NOK:Sell USD 03/02/17	5,730,000	665,883	Sell EUR:Buy USD 09/01/17	- 3,154,000	- 3,328,418
Buy NOK:Sell USD 09/01/17	9,270,000	1,077,103	Sell EUR:Buy USD 09/01/17	- 1,240,000	- 1,308,573
Buy SEK:Sell EUR 05/01/17	12,477,003	1,373,807	Sell EUR:Buy USD 10/01/17	- 1,720,000	- 1,815,206
Buy SEK:Sell USD 03/02/17	11,060,000	1,220,062	Sell GBP:Buy EUR 05/01/17	- 471,176	- 582,274
Buy SEK:Sell USD 04/01/17	7,516,242	827,515	Sell GBP:Buy EUR 27/01/17	- 3,042,604	- 3,762,381
Buy SEK:Sell USD 09/01/17	12,630,000	1,391,172	Sell GBP:Buy USD 03/02/17	- 1,125,000	- 1,391,379
Buy SEK:Sell USD 10/01/17	16,780,000	1,848,399	Sell GBP:Buy USD 04/01/17	- 810,580	- 1,001,668
Buy SGD:Sell EUR 05/01/17	1,044,309	722,844	Sell GBP:Buy USD 09/01/17	- 2,580,000	- 3,188,806
Buy SGD:Sell USD 03/02/17	1,050,000	726,676	Sell GBP:Buy USD 10/01/17	- 1,460,000	- 1,804,567
Buy SGD:Sell USD 09/01/17	885,000	612,563	Sell HKD:Buy EUR 05/01/17	- 2,792,469	- 360,175
Buy SGD:Sell USD 09/01/17	1,274,000	881,814	Sell JPY:Buy USD 03/02/17	- 114,944,000	- 987,351
Buy USD:Sell AUD 09/01/17	5,839,026	5,839,026	Sell JPY:Buy USD 10/01/17	- 95,897,000	- 822,741
Buy USD:Sell CAD 09/01/17	1,469,352	1,469,352	Sell NOK:Buy EUR 27/01/17	- 36,983,934	- 4,297,735
Buy USD:Sell CHF 03/02/17	1,241,982	1,241,982	Sell NOK:Buy USD 09/01/17	- 10,231,000	- 1,188,764
Buy USD:Sell CHF 09/01/17	334,406	334,406	Sell NOK:Buy USD 09/01/17	- 8,164,000	- 948,594
Buy USD:Sell CHF 09/01/17	513,271	513,271	Sell NOK:Buy USD 10/01/17	- 15,760,000	- 1,831,203

Petroleum Fund of Timor-Leste
Notes to the financial statements
For the year ended 31 December 2016

23. Schedule of financial assets valued through profit or loss (*continued*)

Security	Unit holding	Fair Value
Sell NZD:Buy EUR 05/01/17	- 4,352,065	- 3,034,359
Sell NZD:Buy USD 03/02/17	- 4,355,000	- 3,033,263
Sell NZD:Buy USD 09/01/17	- 3,581,000	- 2,496,387
Sell NZD:Buy USD 10/01/17	- 2,267,000	- 1,580,314
Sell SEK:Buy USD 03/02/17	- 7,516,000	- 829,113
Sell SEK:Buy USD 09/01/17	- 24,788,000	- 2,730,353
Sell SEK:Buy USD 09/01/17	- 6,911,000	- 761,234
Sell SGD:Buy EUR 27/01/17	- 3,271,877	- 2,264,458
Sell USD:Buy AUD 03/02/17	- 1,566,761	- 1,566,761
Sell USD:Buy AUD 10/01/17	- 1,585,270	- 1,585,270
Sell USD:Buy CAD 03/02/17	- 578,177	- 578,177
Sell USD:Buy CAD 09/01/17	- 957,473	- 957,473
Sell USD:Buy CHF 03/02/17	- 1,025,287	- 1,025,287
Sell USD:Buy CHF 04/01/17	- 1,240,041	- 1,240,041
Sell USD:Buy CHF 09/01/17	- 615,279	- 615,279
Sell USD:Buy DKK 09/01/17	- 204,819	- 204,819
Sell USD:Buy EUR 03/02/17	- 1,436,929	- 1,436,929
Sell USD:Buy EUR 09/01/17	- 14,823,168	- 14,823,168
Sell USD:Buy EUR 09/01/17	- 4,321,852	- 4,321,852
Sell USD:Buy EUR 09/01/17	- 3,511,798	- 3,511,798
Sell USD:Buy EUR 09/01/17	- 1,940,504	- 1,940,504
Sell USD:Buy GBP 03/02/17	- 1,002,398	- 1,002,398
Sell USD:Buy GBP 09/01/17	- 9,484,870	- 9,484,870
Sell USD:Buy GBP 09/01/17	- 1,913,187	- 1,913,187
Sell USD:Buy HKD 09/01/17	- 1,218,822	- 1,218,822
Sell USD:Buy JPY 03/02/17	- 2,171,396	- 2,171,396
Sell USD:Buy JPY 04/01/17	- 16,331	- 16,331
Sell USD:Buy JPY 04/01/17	- 16,149	- 16,149
Sell USD:Buy JPY 04/01/17	- 6,428	- 6,428
Sell USD:Buy JPY 05/01/17	- 33,525	- 33,525
Sell USD:Buy JPY 05/01/17	- 13,896	- 13,896
Sell USD:Buy JPY 06/01/17	- 10,114	- 10,114
Sell USD:Buy JPY 06/01/17	- 7,951	- 7,951
Sell USD:Buy JPY 06/01/17	- 982,883	- 982,883
Sell USD:Buy JPY 10/01/17	- 4,501,808	- 4,501,808
Sell USD:Buy JPY 10/01/17	- 2,108,940	- 2,108,940
Sell USD:Buy NOK 03/02/17	- 665,819	- 665,819
Sell USD:Buy NOK 09/01/17	- 1,089,166	- 1,089,166
Sell USD:Buy SEK 03/02/17	- 1,219,854	- 1,219,854
Sell USD:Buy SEK 04/01/17	- 828,023	- 828,023
Sell USD:Buy SEK 09/01/17	- 1,371,782	- 1,371,782
Sell USD:Buy SEK 10/01/17	- 1,824,627	- 1,824,627
Sell USD:Buy SGD 03/02/17	- 726,798	- 726,798
Sell USD:Buy SGD 09/01/17	- 892,642	- 892,642
Sell USD:Buy SGD 09/01/17	- 617,914	- 617,914
Total derivatives		- 278,088

Annex III

Statement on Accounting Policies of the Petroleum Fund for the Fiscal Year 2016



República Democrática de Timor-Leste
Ministério das Finanças
Direcção Geral do Tesouro



“Seja um bom cidadão, seja um novo héroi para a nossa Nação”

No: 088 / 2017/DGT-MF

Date: 28 April 2017

Subject: Statement on Accounting Policies of the Petroleum Fund for the Fiscal Year 2016.

With respect to the provisions of Article 24.1 part (d) of the Petroleum Fund Law, the following statement on the Accounting Policies of the Petroleum Fund may be retained for your records.

“In accordance with article 21 of the Petroleum Fund Law, the Financial Statements of the Petroleum Fund for the Fiscal Year ended 31 December 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations approved by the International Accounting Standard Board (IASB) and International Accounting Standard and Standing Interpretations Committee interpretations approved by the International Accounting Standard Committee (IASC) that remained in effect at the balance sheet date of the Petroleum Fund. No new or revised IFRSs were adopted for the Financial Statements of the year ended 31 December 2016. Previously adopted accounting policies have continued to be applied.

Best Regards,

Regina de Jesus de Sousa
Acting Director General of Treasury

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Annex IV

Comparison of Income Derived from the Investment of the Petroleum Fund Assets with the Previous Three Fiscal Years

Statement of comparison of investment income with the previous three fiscal years

(As per Article 24. 1 (e) of the Petroleum Fund Law No. 9/2005, of 3rd of August as amended by the Law No. 12/2011, of 28th of September)

Please refer to the Audited Financial Statements for details

FY 2016	FY 2015	FY 2014	FY 2013
US\$ 647,681,894	(US\$ 21,411,640)	US\$ 501,553,586	US\$ 864,914,691

Annex V

Comparison of Nominal Income on the Investment of the Petroleum Fund Assets to the Real Returns

Statement of comparison of nominal income on the investment of Petroleum Fund assets with the real returns after adjusting for inflation

(As per Article 24. 1 (f) of the Petroleum Fund Law No. 9/2005, of 3rd of August as amended by the Law No. 12/2011, of 28th of September)

Petroleum Fund's nominal and real return

Return	2016	2015
Nominal Return	4.13%	-0.06%
Inflation ¹	2.07%	0.73%
Real return	2.02%	-0.78%

The petroleum Fund's nominal return for 2016 was 4.13%. The real return of the Fund for the year was 2.02%, after adjusting for the US inflation of 2.07%.

¹ US CPI was used in portfolio real return calculation. Source: US Department of Labor - Bureau of Labor Statistics (www.bls.gov)

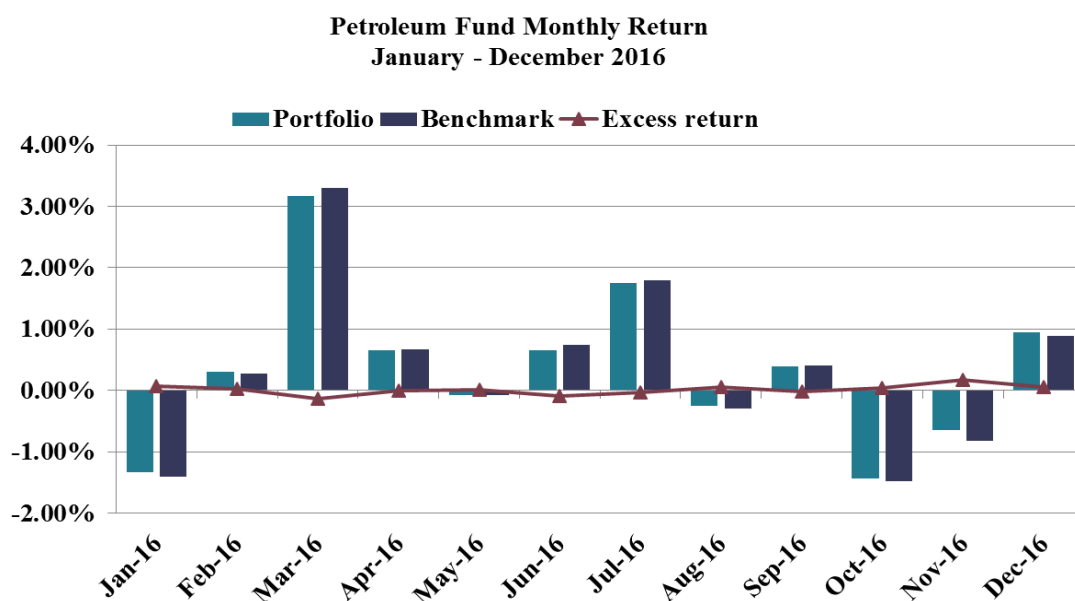
Annex VI

Comparison of Nominal Income on the Investment of the Petroleum Fund Assets with the Benchmark Performance Index

Statement of comparison of income on the investment of the Petroleum Fund assets with the benchmark performance indices

(As per Article 24. 1 (g) of the Petroleum Fund Law No. 9/2005, of 3rd of August as amended
by the Law No. 12/2011, of 28th of September)

Statement of comparison of income on the investment of Petroleum Fund assets with the
benchmark performance indices is given below:



**Petroleum Fund Monthly Return
January - December 2016**

Period	Portfolio	Benchmark	Excess return
January 2016	-1.33%	-1.40%	0.07%
February 2016	0.30%	0.27%	0.03%
March 2016	3.17%	3.30%	-0.13%
April 2016	0.66%	0.67%	-0.01%
May 2016	-0.08%	-0.08%	0.00%
June 2016	0.66%	0.74%	-0.09%
July 2016	1.76%	1.79%	-0.03%
August 2016	-0.25%	-0.30%	0.05%
September 2016	0.39%	0.40%	-0.02%
October 2016	-1.43%	-1.48%	0.04%
November 2016	-0.65%	-0.82%	0.17%
December 2016	0.95%	0.89%	0.06%

Annex VII

Comparison of the Estimated Sustainable Income with the Sum of Transfers from the Petroleum Fund

Statement of comparison of the Estimated Sustainable Income for the Fiscal Year with the sum of transfer from the Petroleum Fund for the year

(As per Article 24. 1 (h) of the Petroleum Fund Law No. 9/2005, of 3rd of August as amended by the Law No. 12/2011, of 28th of September)

The total withdrawals from the Petroleum Fund for the financial year 2016 has been US\$ 1,245 million, which was US\$ 700 million more than the Estimated Sustainable Income amount of US\$ 545 projected for the year.

Please refer to Statement of changes in capital and note of the Financial Statements for further details.

Annex VIII

Statement on Borrowing



República Democrática de Timor-Leste
Ministério das Finanças
Direcção Geral do Tesouro



“Seja um bom cidadão, seja um novo herói para a nossa Nação”

No: 089/2017/DGT-MF

Date: 28 April 2017

Subject: Statement of Borrowings by Government of Timor Leste during Fiscal Year 2016.

This statement is made in accordance with the requirement under Article 24.1 (i) of the Petroleum Fund Law No. 12/2011 to declare if there have been any borrowings by the Government of Timor Leste in which the Fund is being used as collateral as detailed in Article 20.2.

While sovereign loans negotiated and entered into from time to time by Timor Leste with international financial institutions such as JICA, World Bank Asian Development Bank and China Exim Bank engage all of Timor Leste's assets for payment of interest and repayment of principal, such sovereign loans do not have any specific collateral requirements that encumber the Petroleum Fund, under their terms and conditions.

In addition to the loans negotiated in previous years totalling US\$ 255 million (based on the exchange rate at the date of the loan agreements were signed). New loans totalling USD 126 million were signed during fiscal year ended 31 December 2016. Total loans negotiated and the loans negotiated in the current year at exchange rate ruling at 31 December 2016 amounted to approximately USD 360 million. These include Special Drawing Rights (SDR) and Yen denominated liabilities which can vary according to the exchange rates.

Best Regards,

Regina de Jesus de Sousa
Acting Director General of Treasury

Edifício 5, 1.º Andar,
Palácio do Governo,
Dili, Timor-Leste
Phone - +670 3339510
Fax - +670 3331204
Website - www.mof.gov.tl

Annex IX

A List of Persons Holding Positions Relevant for the Operations and Performance of the Petroleum Fund

List of Persons holding relevant positions for the operation and performance of the Petroleum Fund

(As per Article 24.1 (j) of the Petroleum Fund Law No. 9/2005, of 3rd of August as amended by the Law No. 12/2011, of 28th of September)

The list of persons holding relevant positions for the operation and performance of the Petroleum Fund is given below:

- (i). The Ministry of Finance
Ms. Santana J.R.F.Viegas Cardoso (from 16 February 2015).
- (ii). The Director General of Treasury
Mr. Rui Ferreira Magno (From 1 July 2016).
Mr. Agostinho Castro (until 1 July de 2016).
- (iii). The members of the Investment Advisory Board (IAB)

Name	Position
Mr. Olgário de Castro	President of the IAB
Mr. Kevin Bailey	Member of the IAB
Mr. Torres Trovik	Member of the IAB
Mr. Gualdino da Silva	Member of the IAB
Mr. Abraão Fernandes de Vasconcelos (substitute: Mr. Venâncio Alves Maria)	Governor of the Central Bank of Timor-Leste
Mr. Rui Ferreira Magno (substitute: Mr. Basilio R.D.C. Soares)	Director General of Treasury

- (iv). Operational manager
Banco Central de Timor-Leste (BCTL) –12 October 2005.
- (v). The external Investment Managers
 - Bank for International Settlements (BIS) –3 June 2009.
 - Schroders Investment Management Limited – 8 October 2010.
 - State Street Global Advisors (SSgA) – 14 September 2011 (Implementation commenced in January 2012)
 - BlackRock Investment Management Australia Limited – April 2012 (implementation in February 2013)
 - AllianceBernstein – July 2014
 - Wellington Management – December 2014.

- (vi). Custodian
 - JP Morgan Chase Bank N.A.
- (vii). The External Investment Consultant
 - Willis Towers Watson Investment Services – Since 2009
- (viii). Independent Auditor
 - Deloitte Touche Tohmatsu
- (ix). The Governor of the Central Bank
Mr. Abraão Fernandes de Vasconcelos
- (x). The Petroleum Fund Consultative Council (PFCC) was formally constituted on 6 November 2006. For the Financial year 2016 the members of the PFCC were:

Name	Representation	Position
Mr. Merício Juvinal dos Reis	Civil Society	Coordinator
Mr. Rui Meneses da Costa	National Parliament	Vice Coordinator
Mr. Zélia Fernandes	Civil Society	Secretary
Mr. José Augusto F. Texeira	National Parliament	Member
Mr. Bonaventura A. M.Bali	Ex Prime Minister Representative	Member
Mr. Júlio Fernandes	Private Sector	Member
Pe. Júlio Crispim X. Belo	Religious Representative	Member

Annex X

Statement on Total Withdrawals versus the Approved Appropriation Amount

Statement affirming that total withdrawals from the Fund did not exceed the approved appropriation amount for the fiscal year

(As per Article 7.2 of the Petroleum Fund Law No. 9/2005, of 3rd of August as amended by the Law No. 12/2011, of 28th of September)

In accordance with Article 7 of Law No. 9/2005, of the 3rd August as amended by the Law No. 12/2011, of the 28th September, Petroleum Fund Law, the total transfer amount from the Petroleum Fund for a fiscal year shall not exceed the appropriation amount approved by the Parliament for the Fiscal Year.

In accordance with Article 4 of Law No. 1/2016, of the 14th January on the General State Budget for 2016, as amended by Law No. 1/2016, of the 10th of August, the transfer amount from the Petroleum Fund to the General State Budget for 2016 did not exceed US\$1,674.5 million.

The total transfer amount from the Petroleum Fund to the Consolidated Fund of Timor-Leste for 2016 was US\$1,244.8 million.

The total transfer amount from the Petroleum Fund for 2016 was in Compliance with Article 7.2 of the Petroleum Fund Law No. 9/2005 as amended by the Law No. 12/2011.

Annex XI

Article 35 Report on the Petroleum Fund Receipts from Deloitte Touche Tohmatsu

Compilation Report to the Ministry of Finance, Democratic Republic of Timor-Leste in respect of the Statement of Petroleum Fund Receipts for the year ended 31 December 2016

We have compiled the accompanying schedule of payment amounts made to the Petroleum Fund for each Payer (Petroleum Fund Receipts) for the year ended 31 December 2016, based on the information provided by the Petroleum Fund operational managers (“management”).

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), *Compilation Engagements*.

Our procedures use accounting expertise to collect, classify and summarise the financial information, which management provided, in compiling the statement of Petroleum Fund Receipts. Our procedures do not include verification or validation procedures. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

The National Petroleum Authority and the National Directorate of Petroleum Tax Revenue are responsible for monitoring that all payments that should have been made under the Petroleum Fund Law (Law No. 9/2005, amendment No. 12/2011) have been made for the year and it is management that are responsible for the information contained in the attached list.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information provided to us by management to compile the accompanying list of aggregate amounts of payments made as Petroleum Fund Receipts for each Payer. Accordingly, we have not audited or reviewed the attached list and accordingly express no assurance thereon.

The Statement of Petroleum Fund Receipts was compiled exclusively for the benefit of the Ministry of Finance as required by the Petroleum Fund Act. We do not accept responsibility to any other person for the contents of the Statement of Petroleum Fund Receipts.



DELOITTE TOUCHE TOHMATSU

Chartered Accountants

Dili,

9 June 2017

PETROLEUM FUND OF TIMOR-LESTE
STATEMENT OF PETROLEUM FUND RECEIPTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Article 6.1(a) receipts:

	PAYEE	US\$
Air Energy Group		42,788
Amec Engineering P/L		157,687
Amec Engineering P/L & Clough Engineering		941,559
Clough Amec P/L		1,607,604
B2B Enginerring P/L		2,164
Bluewater Services Internatioal P/L		323,749
Brunel Energy Pty Ltd		78,955
Caltech Unipessoal Lda		544,145
Cameron Services Inter P/L		120,709
Cape East Philippines INC		125,680
CGG Service		49,382
CHC Helicopter Australia Pty Ltd		523,954
Compas Group (Australia) P/L		868,830
Competencia Ltd GR		36,671
ConocoPhillips Co		38,037,967
ENI S.p.A		12,166,939
Farstad Shipping (Indian Pacific) P/L		8,247
Firecroft Australia P/L		270,647
FMC Techonologies Australia P/L		276,885
GAP - MHS Aviation TL Lda		1,617,936
Haliburton Australia P/L		514,755
INPEX Corporation		339,135
Interstate Enterprises P/L		223,632
Japan Energy E P JPDA Pty Ltd		10,416
Kakivik Asset Management LLC		8,794
Konnekto Unipesseoal Lda		4,896
Maersk Supply Services A/S		109,671
Melleniun Offshore Ser PL		2,483,599
MMA Offshore Vessel Operations Pty		186,292
Neptune Asset Integrity Services Pty Ltd		7,739
Oilex (JPDA 06-103) Ltd		647
Prosafe Personnel P/L		695
Santos JPDA (91-12) Pty Ltd		8,868,995
SGS Australia P/L		79,341
Solar Turbines Inter P/L		54,031
Subsea 7 Australia Contracting		158,411
Svitzer Asia P/L		194,384
Timor Gap Offshore Block Unipessoal Lda		142,214
Tokyo Timor Sea Resource Pty Ltd		18,919,773
Wood Group PSN Inter. P/L		9,648
Woodside Petroleum (Timor Sea 19) Pty Ltd		24,667
Cape Australia Onshore P/L		186,553
Unknown		25,967
Article 6.1(a) receipts per the National Directorate of Petroleum and Mineral Revenue (NDPMR)		90,356,753
Timor GAP receipt recorded by Petroleum Fund but not NDPMR		137,726
Total Article 6.1(a) receipts per the Petroleum Fund for the year		90,494,479

PETROLEUM FUND OF TIMOR-LESTE
STATEMENT OF PETROLEUM FUND RECEIPTS continued
FOR THE YEAR ENDED 31 DECEMBER 2016

Article 6.1(b) receipts:

	US\$
Article 6.1(b) receipts per Autoridade Nacional do Petróleo e Minerais (ANPM)	110,975,150
Less:	
Amount paid to Petroleum Fund on 5 January 2017	(3,829,725)
Add:	
Amount paid to Petroleum Fund on 4 January 2016	19,990,984
Total Article 6.1(b) receipts per the Petroleum Fund for the year	127,136,409

Article 6.1(e) receipts:

The Government of Australia	6,088,000
Surface Rental Annual Fee	154,000
Total Article 6.1(e) receipts per the Petroleum Fund for the year	6,242,000

Summary of Receipts for the year ended 31 December 2016 per the Petroleum Fund:

Article 6.1(a) receipts	90,494,479
Article 6.1(b) receipts	127,136,409
Article 6.1(e) receipts	6,242,000
Total Article 6.1 receipts per the Petroleum Fund for the year	223,872,888

Annex XII

Advice Provided by the Investment Advisory Board

Strictly confidential in accordance with Article 32.2 (d) of the Petroleum Fund Law until the date as the recommendations in this advice have been fully implemented.

Investment Advisory Board

Date: 27 January 2016

To

H.E. Ms. Santana Cardoso

Minister of Finance

Democratic Republic of Timor-Leste

Subject: Review of the Petroleum Fund's Strategic Asset Allocation – Equity factor diversification

In accordance with Article 16.1(a) of the Petroleum Fund Law, the Investment Advisory Board has considered the Petroleum Fund's current asset allocation and recommends diversifying the equity portfolio to include equity factors.

The Board has identified a number of equity factors as being systematically rewarded including Value, Size, Momentum, Quality and Low-risk (low volatility). The IAB believes that including such factors will result in a more efficient equity portfolio than only investing in a market-capitalisation weighted index such as the MSCI World.

The Board advises an allocation of 16% of the Fund, which corresponds to 40% of the equity portfolio, to factor-based strategies. The remaining 60% of the equity portfolio (24% of the Fund) is to be passively managed to the MSCI World.

In accordance with Article 16.1(b) of the Petroleum Fund Law, the Board annexes suitable interim investment instructions to the BCTL to reflect this advice. Some of the parameters are left open and are to be decided upon once detailed information is available from the selection exercise. The BCTL is requested to brief the Board on these matters at the end of the selection process. The BCTL may propose other ways to potentially improve the investment mandate after conducting the selection exercise. The IAB will consult with the BCTL and advise you of the final recommended parameters before implementation.

The IAB has asked the Secretariat to review the Fund's equity portfolio benchmark. Introducing equity factors will cause the portfolio's performance to diverge from the current benchmark, the MSCI World. The deviation in returns, known as tracking error, will need to be explained to stakeholders. An alternative approach is to incorporate the targeted equity factor exposures into the equity portfolio's benchmark.

The IAB will consult with the Secretariat on the benchmark and the BCTL on the implementation options and advise you of its final recommendations prior to implementation.

Yours sincerely



Olgario de Castro

Investment Advisory Board

Chairman

Strictly confidential in accordance with Article 32.2 (d) of the Petroleum Fund Law until the date as the recommendations in this advice have been fully implemented.

Annex: Instructions for the equity factor selection exercise

The BCTL is instructed to undertake due diligence on both multiple-factor indices (working with PFAU) and manager strategies that target some mix of Value, Quality (including Profitability), Size, Momentum and Low-Risk (including Low Volatility). To be suitable, the manager strategies need to adopt a rules-based approach to obtain consistent exposure to the targeted factors through broad, rather than concentrated, security selection.

At the end of the selection exercise, the BCTL is asked to advise the IAB on:

- Whether the benefits of manager strategies can be expected to outweigh their additional fees relative to factor indices.
- A combination of factor indices (along with an implementation/index manager) and/or manager strategies that can be shown to provide broad exposure to the targeted factors at the portfolio level.
- Where a manager strategy is recommended, whether a customised factor index is recommended as a manager benchmark.
- How factor exposures and attribution analysis will be reported at the mandate and equity portfolio level once the mandates are implemented.
- Any suggestions to improve the investment mandates.

Other mandate parameters

Investment Universe

Developed market listed equities.

Benchmark

To be determined. For the selection exercise, assume MSCI World Index Net Dividends Reinvested. Ticker NDDUWI.

Base Currency

United States Dollars unhedged.

Size of allocation

To be determined. For the selection exercise, assume a minimum allocation of 4 per cent of the Petroleum Fund for each mandate.



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Investment Advisory Board

Date: 30 May 2016

To
H.E. Sra. Santana J.R.F. Viegas Cardoso
Minister of Finance
Democratic Republic of Timor-Leste

Subject: Sale of securities to account for withdrawals

The Investment Advisory Board conducted a workshop in Dili from Wednesday 27th to Friday 29th of April in which it considered the likely withdrawals from the Petroleum Fund and the implications for the Fund's investment strategy.

It was clear from the workshop that the balance in the Petroleum Fund will decline over the coming years as outflows from government withdrawals exceed inflows from oil and gas and investment returns. The expected life for the Fund depends on the assumptions for government withdrawals and also on the investment outcomes.


The ability to take investment risk declines as the investment horizon shortens. The declining capital makes the Petroleum Fund more vulnerable to short-term losses as there is less time to recover. The Board recommends introducing a liquidity portfolio of cash and US Treasury securities to accommodate for the expected withdrawals. The size of this allocation requires further analysis but at this stage it is expected to cover projected withdrawals over the next 1 to 5 years. The details will be determined during an IAB workshop in August, where the Board will decide on its recommendations to your Excellency regarding changes to the Petroleum Fund's strategic asset allocation and investment objectives to better account for withdrawals.

The Board believes that an interim step is warranted to reduce the portfolio's market risk in line with the minimal size of the liquidity portfolio in the range given above. The IAB thus recommends selling securities – both equities and bonds - to match the withdrawals expected for the remainder of this year, net of cash inflows from oil and gas revenue and investments. This is estimated to be approximately \$800 million. The proceeds will be held in a low-interest, liquidity account managed by the BCTL and transferred to Treasury each month as required.

If your Excellency agrees with the recommended approach, the IAB advises that the sale of securities be implemented as quickly as possible.

Please do not hesitate to contact me should you require further information.

Yours sincerely,


Olgario de Castro
Chairman

Strictly confidential in accordance with Article 32.2 (d) of the Petroleum Fund Law until the date as the recommendations in this advice have been fully implemented.

Investment Advisory Board

Date: 31 May 2016

To
H.E. Sra. Santana J.R.F. Viegas Cardoso
Minister of Finance
Democratic Republic of Timor-Leste

Subject: Advice on In-House Passive Equity Mandate

The IAB has considered Your Excellency's letter dated 31 March 2016 and the attached report on the operational review carried out by Mercer.

Based on representations from the Central Bank that it has addressed the two preconditions identified by Mercer for live operations, the Board advises that the key person risk is now recognized and managed, and the pre-trade compliance checks have been coded into the Bloomberg portfolio management system. The BCTL also confirmed it will address the other key areas raised in Mercer's report relating to the internal audit program and business continuity.

Accordingly, the Board believes that the internal mandate is ready to be implemented.

As envisaged in the Board's advice of 28 January 2015, the implementation of the mandate will involve a realignment of the benchmarks for the passive equity mandates managed by State Street Global Advisors and BlackRock Investment Management, which will change from MSCI World to MSCI World ex Australia.

The Board has also considered the potential costs of rebalancing trades in the internal equity mandate in relation to its size and contribution to return, and advises that the initial allocation be via an *in specie* transfer (approximately 1% of the total value of the Fund) that will be maintained in dollar terms unless market conditions or cash withdrawals significantly change the allocation. The Board will need to revisit the mandate's allocation, along with the weights of the Petroleum Fund's other mandates, as part of the upcoming SAA review.

The Board advises a mandate for the BCTL internal equity portfolio as attached in Attachment 1 to update the initial mandate provided on 28 January 2015, with consequential changes to Annex 1 of the Management Agreement as attached in Attachment 2. The tracking error has been increased to 50 basis points from the previous recommendation of 35 basis points.

The IAB recommends that an operational review of the Central Bank's investment management function for the in-house equity mandate be carried out by an independent party

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approximately one year after the mandate goes live and at least after two index rebalances have taken place.

The IAB believes the long-term objectives for internal management remain valid as a strategic decision of the Fund in line with the nation's development objectives.

Yours sincerely,



Olgario de Castro
Chairman

Strictly confidential in accordance with Article 32.2 (d) of the Petroleum Fund Law until the date as the recommendations in this advice have been fully implemented.

Attachment 1:

**Proposed Investment Mandate for the BCTL
Passive MSCI Australia Index**

1. Investment Objective

The Manager's investment objective is to achieve a performance of the portfolio to closely match the Performance Benchmark.

The Performance Benchmark means the MSCI Australia Index (MXAU) with dividends reinvested, unhedged, (Bloomberg Ticker NDDUAS) expressed in US dollars.

2. Management style

The portfolio shall be managed in a passive indexing style.

3. Investment Restrictions

The Manager is appointed to invest in Authorised Investments as described below and must manage the portfolio within the general restrictions in the Petroleum Fund law, and as outlined under this paragraph.

Investments are restricted to the following assets ("Authorised Investments"):

- All Stocks that are in the Performance Benchmark index;

Stocks expected to be included in the Performance Benchmark within 30 days of purchase; or stocks that were included in the Performance Benchmark during the preceding 30 days.

Cash instruments as authorized below; and

"Stocks" includes, but is not limited to, ordinary shares (fully or partly paid), preference shares, stapled securities, convertible notes, exchangeable notes, exchange traded warrants and other securities that are part of the Performance Benchmark.

4. Cash Instruments

Authorised Investments for Cash include cash deposits with the Custodian in US and Australian dollars;

5. Tracking Error / Performance measurement

The *ex ante* tracking error of the portfolio in comparison with the Performance Benchmark measured by the Bloomberg AIM Fundamental Factor Model shall be less than 50 basis

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points per annum. The tracking error shall be reviewed at the end of each month and if the tracking error should exceed 50 basis points, the Manager shall inform the Ministry of Finance and take action to reduce the tracking error within 30 days.

6. Other Terms and Conditions

The assets shall be managed in a separate account.

Restrictions:

- Short selling is not permitted.
- Securities lending is not permitted
- Gearing or leveraging the portfolio is not permitted.
- The assets in the portfolio are not to be encumbered.



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Attachment 2

Proposed Amendments to Annex 1 of the Management Agreement between the Minister of Finance and the Central Bank

MANDATE 4

Asset Class / Management Style	MSCI Developed Market Equities / Passive
Allocation	(2 tranches of 17.0 ± 4)% of the value of the Fund (based on the ex-Australian component of MSCI World), measured at the end of each month.
Benchmark	MSCI World Index ex Australia Net Dividends Reinvested (M1WOO) (Bloomberg code NDDUXA).
Eligible Instruments	All securities in the benchmark index, securities expected to be in the benchmark index within the next 3 months, securities that were in the benchmark index in the preceding 3 months, cash instruments, equity index futures and currency forwards.
Mandate Objective	The portfolio shall be managed in a passive indexing style with the objective to seek to closely match the Performance Benchmark, and maintained within an ex ante tracking error relative to the benchmark that does not normally exceed 35 basis points. The tracking error shall be reviewed at the end of each month, and if it should exceed 35 basis points, the manager shall reduce the tracking error within 30 days.
Approved Managers	State Street Global Advisors BlackRock Investment Management

MANDATE 6

Asset Class / Management Style	MSCI Australian Equities / Passive
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Allocation	The value of the Australian component of MSCI World as transferred in specie from State Street Global Advisors and BlackRock, to be rebalanced to approximately 1% of the value of the Fund if the allocation rises above 2% or falls below 0.5%.
Benchmark	MSCI Australia Index Net Dividends Reinvested (MXAU) (Bloomberg ticker NDDUAS).
Eligible Instruments	All securities in the benchmark index, securities expected to be in the benchmark index within the next 3 months, securities that were in the benchmark index in the preceding 3 months, cash instruments, Australian exchange traded funds and currency forwards.
Mandate Objective	The portfolio shall be managed in a passive indexing style with the objective to seek to closely match the Performance Benchmark, and maintained within an ex ante tracking error relative to the benchmark that does not normally exceed 50 basis points. The tracking error shall be reviewed at the end of each month, and if it should exceed 50 basis points, the manager shall reduce the tracking error within 30 days.
Approved Manager	Banco Central de Timor-Leste



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Investment Advisory Board

Date: 23 September 2016

To
H.E. Sra. Santana J.R.F. Viegas Cardoso
Minister of Finance
Democratic Republic of Timor-Leste

Subject: Review of Asset allocation

The Investment Advisory Board has been reviewing the Fund's investment strategy and objectives in light of three changes in the Fund's environment. The Board thanks your Excellency for attending the workshop in Singapore in late August where it determined its advice.

The three changes are

- In light of the lower price of oil and increased government withdrawals, the Fund balance has declined and seems likely to continue to decline given current projections of future withdrawals.
- The interest rates in several currencies are now very low. This has an implication for both the expected return of the Fund going forward and the relative benefit of being exposed to equities versus interest rate bearing investments.
- We have experienced that government revenue from petroleum has decreased substantially and thus the perception of risk in the Timor-Leste economy from the petroleum sector could have increased. The Board recognizes that the level of risk in the Petroleum Fund should be viewed in a national wealth perspective.

The Petroleum Fund is often presented as a perpetual fund. According to this framework, the Fund's purchasing power is maintained by earning a real investment return of three per cent to offset government withdrawals equal to the three per cent ESI. In practice, this has not been the case. Withdrawals from the Petroleum Fund have exceeded the ESI for six of the last seven years. At times, the excess has been significant, including 2015 and that is expected again in 2016. Until the last couple of years, the associated decline in realised petroleum wealth was obscured by a growing Fund balance, as high oil and gas revenues and solid investment returns offset withdrawals. However, the Fund's balance declined in 2015 when outflows from government withdrawals exceeded the inflows from oil and gas revenues and investments recorded a small loss.

Projections in the 2016 Budget Book show that withdrawals will continue to exceed inflows over the estimation period. If that trend is extended, the Petroleum Fund is expected to continue to deplete until it is exhausted sometime within the next 15 to 30 years. The Fund is not sustainable beyond this horizon assuming there is no change in fiscal policy or new inflows from oil and gas revenues.

The Board notes that the fiscal forecasts are the primary determinant of the Fund's balance projections rather than investment returns. Put simply, the Petroleum Fund's life will be extended if withdrawals are reduced; if withdrawals were to decline to the ESI at some stage, it will become a perpetual fund.

The Board recognises that it is for the Government of Timor-Leste to determine the appropriate balance between saving for future generations and withdrawing from the Fund to finance the country's much-

Strictly confidential in accordance with Article 32.2 (d) of the Petroleum Fund Law until the date as the recommendations in this advice have been fully implemented.

needed economic development. However, the Board is mandated according to Petroleum Fund Law § 16.3 to take into account the overall objective of the Fund to exploit resources to the benefit of both current and future generations. The current spending projection does not constitute a sustainable level of spending for current and future generations unless an alternative source of income comes on line in the period, either from unknown natural resources or as a consequence of the development arising from government expenditure.

In deciding on this balance in the fiscal policy, the Board believes it is important for policy-makers to understand that if the current projections represent all relevant information and are implemented, they will lead to a depleted fund within 15 to 30 years.

The Board has considered whether the change in projected life of the Fund will make it necessary to change the overall risk level of investments. The current investment strategy, in particular the 40 per cent equity allocation, was designed to meet the three per cent real return objective over the long-run. The very long-term horizon that was assumed positioned the Fund to weather the volatility inherent with equities. As our projections now involve a shorter horizon, the Board needed to reassess the Fund's ability to take investment risk.

When stock prices approximately resemble a trending random walk, stocks are not less risky in the long run. Thus, standard financial theory provides very little support for a strong link between time horizon and asset allocation. Recent findings modify this view based on empirical evidence of weak long term predictability and weak mean reversion in asset markets. However, due to high uncertainty in the estimation of how prices actually mean revert, influential and well known academic work on asset allocation suggest that the horizon effect becomes less important for horizons longer than 7 to 10 years. Hence it is not obvious to argue an effect based on change in risk from shortening the investment horizon from, say, 50 years to, say, 15-20 years.

Another issue is the uncertainty inherent in the government projections of future spending as well as future revenue. Noting that the current projections of spending eventually are unsustainable, there is a possibility that the projections will change. Thus, rather than adapting the asset allocation to a set of alternative projected paths for the balance of the Fund as if they were certain alternatives, there is value in waiting for more information and more clarity in the projections.

A third issue for consideration is the low interest environment which may increase the opportunity cost of allocating out of equities and into interest bearing investments. At the time the current allocation was decided upon, a very long term average interest rate was not that different from the current rate at that time. Today, current interest rates are way below this long term average. Projections of expected return from the current allocation are based on estimates from Willis Towers Watson. They provide both unconditional "normative" assumptions which earlier were rather similar to their conditional "market calibrated" estimates which are anchored in current markets.

For the current portfolio, the normative, annual return assumption is 6.1 per cent in nominal terms, with equities expected to return 7.9 per cent and bonds 4.3 per cent. The IAB understands that stakeholders' expectations have become anchored on these long-term returns of about 6 per cent. It is now important to explain that current market conditions will detract from those expected returns. Bond yields are currently very low in the US and negative in a number of developed markets. Accounting for current conditions, returns over the next 10 years are expected to be much lower than the normative assumptions. Using Willis Towers Watson's "market calibrated" assumptions, bonds are

Strictly confidential in accordance with Article 32.2 (d) of the Petroleum Fund Law until the date as the recommendations in this advice have been fully implemented.

expected to return 1.2 per cent and equities 4.4 per cent annually. We note that their assumed return for equities is conservative relative to other market commentators.

Further work on these assumptions is required before they should be socialised with the public. The IAB recommends that the PFAU undertakes this and reverts to the IAB. Stakeholder education should also extend to explaining the risk associated with the investment returns, particularly the equity allocation.

To sum up, the Board has considered the possible relevance of a shorter time horizon, the degree of uncertainty in estimates of what that time horizon actually is and the consequence of the low interest environment. In balance the Board does not find sufficient grounds for changing the long term strategy for the bulk of the Fund at this time. However, the Board recognizes a need to revisit this analysis periodically and suggest implementing an annual review of the strategic asset allocation.

Moreover, according to the Petroleum Fund Law § 16.3 the IAB is mandated to give advice to ensure that sufficient amounts are available when needed for transfers. Obviously, for the near future funds are to be withdrawn with certainty. Following the same reasoning as above there is a case for reducing the risk of investments that has a certain time horizon within a few years.

The Board recommends introducing a cash portfolio to match up to 12 months of expected withdrawals. This is similar to the interim sale we recommended to your Excellency on 30 May 2016, which was executed in June. The remainder of the portfolio will be managed according to the existing strategic asset allocation of 60 per cent bonds and 40 per cent equities. The Board has requested that the IAB Secretariat work on the details of how best to implement the cash portfolio and brief the Board before the end of the year.


Larger allocations to the matching portfolio were considered but one year of withdrawals was deemed sufficient. This allows the bulk of the portfolio to earn the higher return from equities that is expected over the longer run. There is accompanying risk, which the Board believes is acceptable. The one year period also allows for the investment strategy to adapt to any prospective changes in fiscal policy, as alluded to above.

While the Board argue that the shorter time horizon is sufficiently accommodated by the matching portfolio as described above, we also should consider whether there is any new information concerning Timor-Leste's ability to bear risk in general. Here, experience with stakeholder's response to last year's loss, and possibly a reduced level of national wealth due to the dramatically reduced price of oil could be relevant information. On the other hand, there could be information about prospective natural resources that would work the other way. The Board requests PFAU to brief the Board of any change in the risk tolerance of the Fund. .

This note is provided for your information and no action is required on your part at this stage. The IAB will provide details regarding the cash mandate later in the year.

If your Excellency requires any further information, please do not hesitate to contact the Board.

Yours sincerely,


Olgario de Castro
Chairman

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Investment Advisory Board

Date: 14 October 2016

To

H.E. Sra. Santana J.R.F. Viegas Cardoso

Minister of Finance

Democratic Republic of Timor-Leste

Subject: Instructions for the equity factor mandate

Dear Minister,

I am writing in response to your letter dated 20 September 2016 relating to the parameters for the equity factor mandates.

The BCTL has written to your Excellency providing recommendations on the parameters for the manager selection exercise. The Board had earlier provided interim instructions, intending for the details to be determined using the information gained during the course of the BCTL's manager search. Although it is yet to meet with managers, the BCTL has worked with its investment consultant over the past six months and received responses from potential managers to a Request for Proposal. The investment consultant's report was attached in the BCTL's letter to your Excellency.

The Board is comfortable with providing additional investment instructions to facilitate the next stage of the BCTL's manager selection process. New investment instructions are attached to further inform the BCTL. It includes a list of questions for the BCTL to address at the end of the selection exercise. The Board encourages this to be a dynamic process. As was previously the case, the BCTL is encouraged to propose ways to further improve the mandate in its recommendations following the search.

The parameters propose continuing with the MSCI World – a market-capitalisation weighted index - as the benchmark for the Fund's overall equity portfolio and also adopting it as the benchmark for the new equity factor managers. It is important to understand that the performance of the equity factor strategies will deviate from the benchmark's returns. As set out in our original advice in January, the Board believes that equity factors are a more efficient allocation than market-capitalisation indices in the sense that higher risk-adjusted returns are expected over the long run. However, there will be periods when the factors underperform the MSCI World. Stakeholder education is required so that the rationale for the equity factor allocation is understood and that tracking error relative to the MSCI World benchmark is expected. We recommend that this be jointly presented by the PFAU and the BCTL before the mandate is implemented.

Once you have considered this and determined the final investment instructions, please inform the BCTL. Please contact the Chairman of the Board should your Excellency require further information.

Yours sincerely,



Olgario de Castro
Chairman

Strictly confidential in accordance with Article 32.2 (d) of the Petroleum Fund Law until the date as the recommendations in this advice have been fully implemented.

Annex: Instructions for the equity factor selection exercise

The BCTL is instructed to undertake due diligence on equity factor strategies, including both factor indices and manager strategies.

The objective of the mandate is to obtain, through a combination of managers, a broad exposure at the portfolio level to systematically rewarded equity factors including Value, Size, Momentum, Quality (including Profitability) and Low Volatility. The allocations are to be in approximately equal proportions, subject to any implementation issues.

Mandate parameters

Investment Universe

Developed market listed equities.

Benchmark

MSCI World Index Net Dividends Reinvested. Ticker NDDUWI. This applies for each manager and the overall equity benchmark.

Base Currency

United States Dollars unhedged.

Size of allocation

16 per cent of the Fund, excluding amounts set aside for cash management purposes.

The portfolio should be allocated to two or more managers.

Tracking error

To be determined. A tracking error of 300 basis points for the combined portfolio can be used as an initial guide.

Questions to be addressed following the search

At the end of the selection exercise, the BCTL is asked to advise the IAB on:

- Whether the benefits of manager strategies can be expected to outweigh their additional fees relative to factor indices.
- Whether tracking error needs to be specified for individual managers and/or the combined portfolio. If so, what tracking error is suggested and whether that is to be a guide or a maximum.
- Where a manager strategy is recommended, whether a customised factor index will be useful for internal performance reporting.
- How factor exposures and attribution analysis will be reported at the mandate and equity portfolio level once the mandates are implemented.
- Any suggestions to improve the investment mandates.



Annex XIII

Implementation of the Santiago Principles

**TIMOR-LESTE PETROLEUM FUND
IMPLEMENTATION OF THE GENERALLY ACCEPTED PRINCIPLES AND
PRACTICES
“SANTIAGO PRINCIPLES”**

The Timor-Leste Petroleum Fund was established by the enactment of the Petroleum Fund Law no.9/2005, later amended by Law no.12/2011.

The preamble of the Petroleum Fund Law states that the objective of having the Petroleum Fund is to contribute to a wise management of petroleum revenues for the benefit of current and future generations. The Petroleum Fund is also a fiscal tool that contributes to sound fiscal policy, where appropriate consideration and weight is given to the long-term interest of Timor-Leste's citizens.

The Petroleum Fund Law lays down key parameters for the operation and management of the Petroleum Fund. The Law governs the collection and management of receipts associated with the petroleum wealth, outlines the framework for regulating transfers to the State Budget, and provides for government accountability and oversight of these activities.

The Petroleum Fund is internationally recognized for its high standards of governance, accountability, transparency, and disclosure of information. This has helped build public support for the prudent management of petroleum revenues and has reduced the risk of bad governance.

The relevant entities involved in the management of the Petroleum Fund are independent, but accountable to one another in the decision making process. Parliament sets the objective of the fund, the broad asset allocation guidelines and risk limits. The Ministry of Finance is responsible for the overall management of the Petroleum Fund including setting investment policy, investment guidelines and exercising of oversight. The operational management is delegated to the Central Bank. The Law requires these entities to provide and publish reports on the operations and activities of the Petroleum Fund.

The Petroleum Fund, as an active member of the International Forum for Sovereign Wealth Fund (IFS WF), conducted its sixth annual self-assessment of the Petroleum Fund's adherence with the Santiago Principles to ensure that Petroleum Fund continues to be an example of international best practice with regard to funds management.

The table below depicts how the Timor-Leste Petroleum Fund adheres to the Santiago Principles.

Principle	Implementation
I. Legal framework, objectives, and coordination with macroeconomic policies	
<p>1. The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).</p> <p>1.1. The legal framework for the SWF should ensure legal soundness of the SWF and its transactions.</p> <p>1.2. The key features of the SWF's legal basis and structure, as well as the legal relationship between the SWF and other state bodies, should be publicly disclosed.</p>	<p>Timor-Leste Petroleum Fund was established to fulfill the requirement of the Constitution that mandates the establishment of mandatory financial reserves from the exploitation of the natural resources.</p> <p>The legal framework for the Petroleum Fund is detailed in the Petroleum Fund Law No. 9/2005, of 3rd of August as amended by the Law No. 12/2011, of 28th of September.</p> <p>The Fund is formed as an account of the Ministry of Finance held in the Central Bank of Timor-Leste (BCTL¹), rather than as a separate legal entity.</p> <p>The Petroleum Fund Law specifically -</p> <ul style="list-style-type: none"> • provides mechanisms that assist Timor-Leste to sustainably manage its petroleum revenue, • details the parameters for operating and managing the Petroleum Fund, • defines the asset allocation guidelines and risk limits, • governs the collection and management of the receipts, • regulates transfers to the State Budget, • defines clear roles and responsibilities of entities involved in the management of the Fund and, • provides for government accountability and oversight of these activities. <p>The Operational Management Agreement signed between the Ministry of Finance and the Operational Manager (BCTL) on 12 October 2005 with later amendments goes further to account the key functions and competencies of the Ministry of Finance, with the responsibility of the overall management of the Fund, and the BCTL, which has the responsibility for the operational management of the Fund.</p> <p>The legal framework and other supporting</p>

¹ BCTL – Banco Central de Timor-Leste (Timor-Leste Central Bank)

Principle	Implementation
	<p>documentations on the Petroleum Fund are publicly available at the Ministry of Finance and BCTL websites.</p> <p>https://www.mof.gov.tl/budget-spending/budget-treasury-documents/?lang=en</p> <p>https://www.bancocentral.tl/en/go/about-petroleum-fund</p>
<p>2. The policy purpose of the SWF should be clearly defined and publicly disclosed.</p>	<p>The preamble of the Petroleum Fund Law states that the purpose of establishing the Petroleum Fund, which accumulates revenues from the exploitation of natural resources, is to contribute to a prudent management of the petroleum resources for the benefit of both current and future generations.</p> <p>The Fund is also a tool that contributes to sound fiscal policy, where appropriate consideration and weight is given the long-term interest of Timor-Leste's citizens.</p> <p>The Ministry of Finance, through the publication of the Petroleum Fund Annual Report and regular public consultation, continues to emphasize and remind the stakeholders of the objectives of establishing the Petroleum Fund.</p> <p>The Petroleum Fund Law further describes the manner in which the Petroleum Fund contributes to the achievement of these objectives.</p>
<p>3. Where the SWF's activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency with the overall macroeconomic policies.</p>	<p>The Petroleum Fund Law does not allow the Fund to invest domestically. The Petroleum Fund only has significant direct domestic macroeconomic implications arising from the transfers made to the State Budget to finance government's budget deficit.</p> <p>The Petroleum Fund, as a tool of fiscal management, is integrated into the State Budget.</p> <p>The amount transferred to the State Budget from the Fund is guided by the Estimated Sustainable Income (ESI). This is designed to be the amount that can be transferred from the Fund without depleting the long-term real value of petroleum wealth, ensuring the sustainability of the Fund.</p> <p>The Ministry of Finance coordinates the activities of line ministries, other entities and relevant</p>

Principle	Implementation
	<p>departments within the Ministry during the preparation, discussion and execution of the government's budget.</p> <p>https://www.mof.gov.tl/budget-spending/budget-treasury-documents/?lang=en</p>
<p>4. There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF's general approach to funding, withdrawal, and spending operations.</p> <p>4.1. The source of SWF funding should be publicly disclosed.</p> <p>4.2. The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.</p>	<p>The Petroleum Fund Law clearly defines what constitutes petroleum fund receipts and sets out the mechanisms for handling these receipts and requirements for withdrawals.</p> <p>Detailed information about receipts and transfers to government is publicly disclosed in the Petroleum Fund Annual Reports, and the General State Budget from the Ministry of Finance, as well as in the Petroleum Fund's quarterly and monthly reports from the BCTL. These reports were audited by an external reputable international accounting firm.</p> <p>A complete list of all entities making payments to the Petroleum Fund is published annually. Timor-Leste was accepted as an EITI (Extractive Industries Transparency Initiative) compliant country on 1 July 2010.</p> <p>https://www.mof.gov.tl/budget-spending/budget-treasury-documents/?lang=en</p> <p>https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</p> <p>http://www.eiti.tl/</p>
<p>5. The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.</p>	<p>Transparency is a fundamental principle of the Petroleum Fund Law. The Law sets out the requirements for all entities involved in the management of the Fund to provide and publish the reports pertaining to the activities of the Fund.</p> <p>The Ministry of Finance prepares the Petroleum Fund Annual Report, Petroleum Fund financial statements and general state budget statement for the National Parliament.</p> <p>The BCTL, on a quarterly basis, provides reports to the Minister on the Fund's performance over the quarter. BCTL also, on its own initiative, issues to the public a monthly performance report for the</p>

Principle	Implementation
	<p>Fund.</p> <p>The Law requires an international accredited auditor to issue and publish an annual audit report on the Fund's financial statements.</p> <p>All this information is publicly available on both the MoF and BCTL websites.</p> <p>https://www.mof.gov.il/budget-spending/petroleum-fund/?lang=en</p> <p>https://www.mof.gov.il/budget-spending/budget-treasury-documents/?lang=en</p>
II. Institutional Framework and Governance Structure	
<p>6. The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives.</p>	<p>The Petroleum Fund Law clearly defines the roles and responsibilities of all entities involved in the management of the Fund. No single institution or individual is responsible for making and implementing the investment decisions, because each one of them is accountable to one another for their role in the decision making process.</p> <p>Parliament has established the Petroleum Fund Law. The Law limits the broad asset allocation and risk tolerance.</p> <p>The Ministry of Finance sets the investment policy and monitors the Fund's performance. The Investment Advisory Board (IAB) provides advice for Minister on investment policy and sets the investment benchmarks for the Fund. BCTL, the Operational Manager, is responsible for the Fund's operations including implementing the investment mandates set by the Minister of Finance. The BCTL appoints external managers and monitors their performance.</p>
<p>7. The owner should set the objectives of the SWF, appoint the members of its governing body (ies) in accordance with clearly defined procedures, and exercise oversight over the SWF's operations.</p>	<p>Parliament, representing the people, sets the objectives of the Fund in the Petroleum Fund Law. The Petroleum Fund Consultative Council (PFCC) is a statutory body appointed to provide advice to Parliament on matters relating the Petroleum Fund.</p> <p>The Ministry of Finance, responsible for the overall management of the Fund, sets the investment policy, investment guidelines, including detailed risk limits and exercise of oversight. The Prime</p>

Principle	Implementation
	<p>Minister appoints members of the IAB on the advice of the MoF.</p> <p>The operational management is delegated to the Central Bank. The Operational Manager appoints the external managers, in accordance with international tendering procedures, to manage part of the Fund provided that the Minister is satisfied that the managers fulfill certain requirements in the Law.</p>
<p>8. The governing body (ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions.</p>	<p>Further to discussion in Principle 7, the Minister of Finance is accountable to the Parliament and is required to provide relevant reporting. In carrying out her functions, Minister of Finance is required to seek advice from the IAB. The Law determines at least three of the IAB members must have significant knowledge and experience in financial investment.</p> <p>The composition, role and authority of the PFCC aim to safeguard the proper management of the Petroleum Fund.</p>
<p>9. The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.</p>	<p>The Petroleum Fund Law clearly defines the roles and responsibilities of the Operational Manager. As an independent institution appointed by the Parliament, the BCTL has statutory legal, operational, administrative, and financial autonomy from any other person or entity, including the government, to be able to fulfill its operational management responsibilities in an independent manner.</p>
<p>10. The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.</p>	<p>Accountability arrangements are detailed in the Petroleum Fund Law and the Management Agreement. The Petroleum Fund law delegates the operational responsibility to the Operational Manager. The Operational Manager may delegate further certain operational mandates to external managers subject to Minister's consent.</p> <p>The Minister of Finance reports to the Parliament on the performance of the Fund on annual basis and is required to publish all advice received from the IAB unedited in the Annual Report.</p> <p>The Operational Manager reports to the Minister on the Fund's performance on quarterly basis. These</p>

Principle	Implementation
	reports are published and available on the Central Bank's website.
11. An annual report and accompanying financial statements on the SWF's operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.	<p>The Petroleum Fund Law requires the government to prepare and submit to the Parliament an annual report of the Fund's operation and performance for the fiscal year, including financial statements prepared to International Financial Reporting Standards and audited by an internationally recognized auditor, at the same time as the annual financial statements of that year.</p> <p>The Director of Treasury of the Ministry of Finance is responsible for maintaining the Petroleum Fund accounts and records, and preparing financial statements, in accordance with the International Financial Reporting Standards.</p>
12. The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.	<p>The Petroleum Fund Law requires the accounts, records and other documents relating to the Petroleum Fund to be audited every six month by the bodies responsible for internal audits of each entities involved.</p> <p>The Law further requires the annual financial statements to be audited by an internationally recognized accounting firm. The audited financial statements are submitted to the Parliament together with the Petroleum Fund Annual Report.</p>
13. Professional and ethical standards should be clearly defined and made known to the members of the SWF's governing body (ies), management, and staff.	<p>The professional and ethical standards for the Ministry of Finance's staff are defined by the Public Service Law no.8/2004, as amended by Law no.5/2009. All the staff of the Operational Manager is bound by the BCTL's Code of Ethics.</p> <p>The Petroleum Fund Law also requires members of the IAB, on the occasion of their appointment, and as appropriate, when providing advice to the Minister to signify in writing an affirmation that their appointment or advice does not represent a conflict of interest with any of their other interest. The Minister of Finance may request members of the IAB, as necessary, to submit a declaration concerning their assets to avoid any conflict of interest. The IAB has established its own Standard of Conduct.</p> <p>http://cfp.gov.tl/pt/</p>

Principle	Implementation
	https://www.bancocentral.tl/en/go/investment-advisory-board3 https://www.bancocentral.tl/en/go/rules http://www.bancocentral.tl/en/cconduct.asp
<p>14. Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.</p>	<p>The Operational Manager is responsible for the selection and subject to Minister of Finance's consent, the appointment of the external manager. The law requires the Minister to be satisfied that each external manager has sufficient equity, guarantees and insurances, a sound record of operational and financial performance, and has business references and a reputation of the highest standard.</p> <p>The requirements are based on professional and commercial standards, while the responsibility of the external manager is to maximize return of the Petroleum Fund, taking into account the appropriate risk as set out in the Law and the investment mandate.</p> <p>The external managers and other service providers are required to be selected and contracted subject to rigorous, fair and transparent tendering procedures and in compliance with the substantive provisions of Timor-Leste's laws.</p>
<p>15. SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.</p>	<p>The Petroleum Fund Law requires the management of the Petroleum Fund to be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which the investment are made.</p>
<p>16. The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed.</p>	<p>The governance framework and objectives of the Ministry of Finance and Operational Manager, as well as the IAB and the PFCC, are set out in the Petroleum Fund Law and in the Petroleum Fund Annual Report. The framework clearly establishes the roles, independence and accountability arrangement between the entities.</p> <p>http://www.mof.gov.tl/category/documents-and-forms/petroleum-fund-documents/petroleum-fund-legal-framework/?lang=en</p>

Principle	Implementation
	https://www.mof.gov.tl/budget-spending/petroleum-fund/?lang=en
<p>17. Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.</p>	<p>Petroleum Fund Annual Report and audited financial statements are prepared by the Ministry of Finance and submitted to the Parliament. The reports are also distributed to key stakeholders and publicly available in the Ministry of Finance website.</p> <p>In addition, the Operational Manager also issues quarterly and monthly updates on the investment performance for the Minister of Finance and this is made available to the general public in the BCTL's website.</p> <p>The Ministry of Finance, on its own initiative and/or as requested, conducts public information sessions with the general public including public servants, NGOs and students to update on the Fund's activities, operation and performance.</p> <p>http://www.mof.gov.tl/category/documents-and-forms/petroleum-fund-documents/petroleum-fund-annual-reports/?lang=en</p> <p>https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</p> <p>http://www.mof.gov.tl/category/documents-and-forms/petroleum-fund-documents/petroleum-fund-seminars-presentations/?lang=en</p>
<h3>III. Investment and Risk Management Framework</h3>	
<p>18. The SWF's investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles.</p> <p>18.1. The investment policy should guide the SWF's financial risk exposures and the possible use of leverage.</p> <p>18.2. The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they are</p>	<p>The Ministry of Finance, on behalf of the government, sets out the investment policy, pursuant to the IAB's advice, reflecting the risk preference of the Timor-Leste people. The investment policy is publicly disclosed. The Petroleum Fund Law defines the broad asset allocation guidelines as the risk profile, the investment universe, investment principles, and other issues related with the overall investment policy.</p> <p>The advice of the IAB is based on its publicly disclosed Investment Beliefs and Principles.</p>

Principle	Implementation
<p>selected and their performance monitored.</p> <p>18.3. A description of the investment policy of the SWF should be publicly disclosed.</p>	<p>The selection of external investment managers is based on professional and commercial criteria. The external managers are given and are measured by clearly defined mandates, where the goal is to achieve highest possible risk-adjusted return.</p> <p>The investment policy is summarized into the investment mandate, which is annexed to the Management Agreement and discussed at length in the Petroleum Fund Annual Report. These documents are publicly available.</p>
<p>19. The SWF's investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds.</p> <p>19.1. If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed.</p> <p>19.2. The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.</p>	<p>The government's obligation to seek to maximize risk-adjusted financial returns is established in the Petroleum Fund Law and subject to an over-riding requirement that the Fund be managed prudently.</p> <p>The road map toward this goal is further detailed in the operational management agreement and external investment mandate under the legislation. To date, all investment mandates have been developed on economic and financial grounds.</p>
<p>20. The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.</p>	<p>The Petroleum Fund Law does not permit the Fund to be invested domestically and the implementation of the investment mandate by the Operational Manager (BCTL) is independent from the setting of investment policy by the Minister of Finance. The Fund is not privy to any privileged information or inappropriate influence by broader government.</p>
<p>21. SWFs view shareholder ownership rights as a fundamental element of their equity investments' value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.</p>	<p>A separate policy on shareholder ownership rights has not been established yet.</p> <p>The current practice is that the Fund exercises its shareholder ownership rights based on the ISS voting guidelines when appropriate to protect the financial interest of the Fund's assets, this is done through external managers upon the instructions from the Operational Manager.</p>
<p>22. The SWF should have a framework that identifies, assesses, and manages the risks of its operations.</p> <p>22.1. The risk management framework should</p>	<p>The Petroleum Fund Law requires the Minister and the Operational Manager to develop and maintain policies, systems and procedures to ensure that the risks associated with the implementation of the investment strategy are identified, monitored and</p>

Principle	Implementation
<p>include reliable information and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function.</p> <p>22.2. The general approach to the SWF's risk management framework should be publicly disclosed.</p>	<p>managed.</p> <p>The Petroleum Fund Law sets the Fund's broad asset allocation guidelines which imply the risk preference, investment universe, and investment principles.</p> <p>In the Operational Management Agreement, the Minister of Finance, sets, under the Global Mandate, the overall investment strategy for the Fund in term of benchmark and eligible instruments, including applicable constraints and limitations. In the Sub-Mandate, Minister of Finance specifies the manner of which investment would be implemented, structure of investment portfolio including management style, risk tolerance, and benchmark.</p> <p>The Ministry of Finance monitors the Fund's performance including its risk exposure through a quarterly performance and risk review and audits done by an internationally recognized accounting firm.</p> <p>The Operational Manager reports to the Minister of Finance on a quarterly basis, while Minister of Finance reports to the Parliament on annual basis to ensure that the Fund operates within the given tolerable risk limits.</p>
<p>23. The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.</p>	<p>The Petroleum Fund Law requires the Operational Manager (BCTL) to report to the Minister of Finance, on a quarterly basis, the performance and activities of the Petroleum Fund relative to the benchmark. Performance reporting is prepared by a third party who asserts that the reports are GIPS compliant.</p> <p>This report is published within 40 days after the end of every quarter to the public.</p> <p>https://www.bancocentral.tl/en/go/publications-key-report-petroleum-fund-report</p>
<p>24. A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.</p>	<p>The Fund conducted its first review in 2010. The seventh review, based on the current document, will be published in the 2016 Petroleum Fund Annual Report. The Fund intends to review its implementation of the GAPP annually.</p>

Democratic Republic of Timor-Leste
Ministry of Finance
Petroleum Fund Administration Unit

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