

# Petroleum Fund of Timor-Leste

## Quarterly Report

30 June 2019

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### INTRODUCTION

This report is produced in accordance with Article 13 of the Petroleum Fund Law which requires the Central Bank to report on the performance and activities of the Petroleum Fund of Timor-Leste, referred to in this report as the Fund unless the context suggests otherwise.

All monetary references in this report are to United States dollars as the official currency of Timor-Leste.

While every effort has been made to ensure accuracy, the information is based on management and custodial reports and has not been independently audited and is subject to change, in which case the changes will be incorporated into subsequent reports.

### EXECUTIVE SUMMARY

The Petroleum Fund was formed by the enactment of the Petroleum Fund Law promulgated on 3 August 2005 as amended on 28 September 2011. The law gives the Central Bank of Timor-Leste the responsibility for the operational management of the Fund.

This report covers the period from 1 April 2019 to 30 June 2019.

Key statistics for the quarter include:

- The capital of the Fund at the end of the previous quarter was \$16.98 billion while the current quarter was \$17.45 billion.
- Gross cash inflows to the fund from royalties and taxes were \$192.47 million.
- Outflow for the quarter were \$224.11 million, being transfers to the state budget of \$220 million while \$4.11 million was for management costs.
- The profit/loss for the quarter was \$494.69 million, representing a gross of fees return of 2.94% compared with the benchmark return of 3.02%.

The Fund performance for the quarter, including the performance of the relative asset classes, was as follows:

Table 1

%	QTR	FYTD	1 Year	3 Years	5 years	Since Inc
Total Fund	2.94	9.02	6.38	5.67	3.93	4.33
Benchmark	3.02	9.15	6.32	5.45	3.84	4.28
<i>Excess</i>	<i>-0.08</i>	<i>-0.13</i>	<i>0.06</i>	<i>0.22</i>	<i>0.10</i>	<i>0.05</i>
International Fixed Interest	2.46	4.16	6.00	1.38	1.79	2.71
Benchmark	2.57	4.34	6.23	1.30	1.78	2.71
<i>Excess</i>	<i>-0.11</i>	<i>-0.18</i>	<i>-0.22</i>	<i>0.08</i>	<i>0.02</i>	<i>0.00</i>
International Equities	4.02	16.94	6.70	12.00	6.92	9.69
Benchmark	4.00	16.98	6.33	11.77	6.60	9.15
<i>Excess</i>	<i>0.02</i>	<i>-0.04</i>	<i>0.37</i>	<i>0.24</i>	<i>0.32</i>	<i>0.54</i>
Private debt instrument for Petroleum Operations	n.a	n.a	n.a	n.a	n.a	1.01
Benchmark	n.a	n.a	n.a	n.a	n.a	1.01
<i>Excess</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>0.00</i>

## 1. INVESTMENT MANDATE

A revised Management Agreement between the Ministry of Finance and the Central Bank was signed on 25 June 2009. Annex 1 was further updated subsequently to reflect the latest developments. The benchmarks as of June 2019 were as follows:

Table 2

	April-19	May-19	June-19
3 Month US Treasury Bills/Cash	5%	5%	5%
BOA Merrill Lynch 3-5 Years Treasury Bond Index	35%	35%	35%
BOA Merrill Lynch 5-10 Years Treasury Notes and Bond Index	10%	10%	10%
Barclays Global Treasury Developed Market ex US, 30% Eurozone and 10% Country Capped	10%	10%	10%
<b>Total Fixed Income</b>	<b>60%</b>	<b>60%</b>	<b>60%</b>
<b>Total equity (MSCI World Index Net Dividends Reinvested)</b>	<b>35%</b>	<b>35%</b>	<b>35%</b>
<b>Total Private debt instrument for Petroleum Operations</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## 2. MARKET TRENDS DURING THE QUARTER

### *Global Market Trend*

The Global economy continued to show signs of weakness as evidenced by data released during the second quarter. Trade tensions between the major economies adversely affected by manufacturing activities and business investment in both the developed and developing markets.

The data of manufacturing activities, measured by the Purchasing Manager's Index (PMIs) showed activities in the U.S is still growing but at a much slower pace. However, the data from other developed markets such as the Euro Area, U.K, and Japan showed the manufacturing activity contracted during the quarter.

The U.S. manufacturing activity was still at the growth level of 51.7 in June but decelerated by 0.4 from the May's reading. Beside the deceleration, other details were also worrisome; for example; the forward-looking new order component suggests a more declining activity in the future. The overall manufacture PMI for the Euro Area decreased 0.1 in June and the final reading fell to 47.6, which is way below the growth threshold of

50. Germany, the country with largest economy in the region, was the main contributor to the weak reading in the single currency zone. The manufacturing activity index in Germany came out at 45, declining 0.4 points in June. The U.K's manufacturing PMI fell sharply from 49.4 in May to 48 in June as production contracted at the fastest pace since October 2012 and new orders dropped the most for almost seven years, amid the ongoing BREXIT uncertainty, economic slowdown and rising competition. In addition, the forward-looking business sentiment in June fell to its lowest level in history. Likewise, the manufacturing index of Japan and Australia both fell below 50 points in June, which indicates a contraction of activity in the sector.

In light of those weakening data, the World Bank downgraded its global economic growth outlook for 2019 from 2.9 to 2.6% in its Global Economic Outlook report in June. The downward projection reflects the wide-ranging weaknesses observed in the first half of the year and further deceleration of business investment due to the rising global trading uncertainties.

Soft economic and subpar inflation data triggered many major central banks to shift their monetary policy toward a more accommodative stance in an effort to sustain the current economic growth. The Federal Open Market Committee of the U.S Federal Reserve (the Fed) in its last meeting held its interest rate unchanged at the range of 2.25 – 2.50%. However, the recent developments suggested that the Fed might cut its interest rate in its upcoming meeting at the end of July. The Fed stated recently that despite the strong labor market, business investment in the U.S has fallen in the recent months caused by the trade uncertainties. In addition, the inflation rate also has been running consistently below the Fed's 2% target. The value of the U.S dollar gauged by the Bloomberg DXY index declined more than 1 % for the quarter against other major peer currencies stemming from the prospect that the Fed might reduce the interest rate.

The anemic inflation and economic growth in the Eurozone prompted the European Central Bank to postpone its interest rate raising plan until 2020. In addition, the ECB pledged to roll out additional low-cost credit in September this year to banks in the region to support the economic activities. The economic outlook in the region still faces downward risks stemming from the trade tensions and political uncertainties with Brexit. Consequently, the International Monetary Fund projects that the economic growth in the region will decelerate to 1.3% in 2019 from 1.9% in 2018, and rebounding to 1.6% in 2020. The IMF's forecast is slightly better than the European Union's growth expectations of 1.2% and 1.4% for 2019 and 2020 respectively.

A preliminary data showed the China's economy posted the weakest growth in many decades for the second quarter of the year. China's GDP growth in the second quarter of 2019 came out at 6.2%, decelerating from 6.4% in the first quarter. The economic slowdown in China for the quarter is primarily driven by ongoing trade tension with the U.S. Both countries ended the trade negotiation abruptly in May after prolonged negotiations. Subsequently, the U.S moved to impose a 25% tariffs, increased from 10% last year, on China's import goods worth more than \$250 billion, likewise China increased the same tariffs rates on U.S import goods worth more than \$60 billion. The presidents of China and U.S met during the G-20 summit in Osaka and June and decided to resume the trade talks but there is no certain timeline by which any agreement could be reached to prevent an extended economic damage.

### *Equities*

The Global equity market ended the quarter with gains despite a sharp decline in May. The Equity market declined significantly in May triggered by the fallout in the trade talks between China and U.S. The market then rebounded in June supported by the accommodative monetary policy stance from the major central banks and renewed expectations of a U.S-China trade resolution at the end of the month.

The U.S. equity markets rallied for the quarter with all the major indices reaching all-time highs. All of the sectors of the generic equity index S&P 500 increased for the quarter, except for the energy sector. The Financial sector and tech sectors were among the best performers for the quarter. The concerns on global economic growth weighted on the future demand of energy products, which in turn adversely affected the share prices of the companies in the sector. The U.S. small cap equity index represented by the Russell 2000

index underperformed the medium and large caps index during the quarter as investors' sentiment came under pressure due to the trade uncertainties. The small business optimism measured by the National Federation of Independent Business declined to 103.3 in June compared to 104 in May.

The European equity market advanced for the quarter despite the significant loss posted in May. The positive performance was led by German Dax, which added more than 7% compared to the end of the previous quarter. The reduced trade tensions toward the end of the quarter and the supportive monetary policy by the central banks are the major catalysts for the equity performance in the region.

Across the Asia Pacific and emerging markets, the strength of the Japanese yen, regarded by most investors as a safe haven currency in times of economic downturns, and trade uncertainties triggered the equity market of the country to underperform its peer-developed markets. The broad-based Japanese equity benchmark Topix declined more than 2% for the quarter. Indeed, business sentiment has deteriorated in the last few months. The business condition surveyed by The Bank of Japan's Tankan showed further deterioration in the second quarter of the year, with the sentiment of large manufacturing companies falling from 12 to 7. The Equity market in Australia measured by the MSCI Australia increased more than 7% for the quarter outperforming the other developed markets. The emerging market equities, which are highly sensitive to global trade developments slightly declined for the quarter.

### *Bonds including US Treasuries*

The weakening global economic growth outlook and the absence of inflation pressures triggered the major central banks to lean toward a more accommodative monetary policy. This in turn heightened demand for government bonds and pushed the yields of sovereign bonds to fall to the multiyear lowest levels. The yield and the price of bond move in opposite direction.

The yields of the 10-year Government bonds across Europe fell drastically during the quarter. The yield of the 10 year German and France bonds fell into a negative territory at the end of the quarter. The yield of the Italian government bond fell 0.40%, and stood at 2.10%. The U.K 10-year gilt decreased from 1.0% to 0.83% by the end of the quarter.

The yield curve graph below demonstrates the yields movement of the U.S Treasury securities for the quarter as it notes the yield fell more steeply in the middle of the curve while showing a moderate upward movement at the front and the end of the curve. The sharp decline in the medium term compared to the short-term bond yield caused the yield curve to invert, meaning the short-term bonds yield higher than the long-term. For example, the 3-month U.S Treasury Bills yield 2.08% compared to the 10-year yield of 2.00%. The yield curve inversion has historically been associated with impending economic recessions.

Figure 1



### 3. MANAGEMENT DURING THE QUARTER

#### Objectives

The Central Bank, as operational manager of the Fund, has implemented the investment mandates through a combination of internal and external management.

The following table shows how the investment mandates have been implemented.

Table 3

Mandate	Management Style	Authorised Managers	Tracking Error	Outperformance Target	Commencement date
3 Month USD Treasury Bills/Cash	Passive	BCTL	n/a	Nil	14-Aug-18
BOA Merrill Lynch 3-5 Years US Treasury Bond Index	Passive	BCTL	n/a	Nil	19-Jan-12
BOA Merrill Lynch 5-10 Years US Treasury Bond Index	Enhanced Passive	Bank for International Settlements	0.50%	0.25%	15-Dec-11
Barclays Global Treasury Developed Market ex US, 30% Eurozone and 10% Country Capped	Enhanced Passive	Alliance Bernstein	0.50%	Nil	3-Jul-14
	Enhanced Passive	Wellington Management	0.50%	Nil	4-Dec-14
MSCI World index ex Australia Net Dividends Reinvested	Passive	State Street Global Advisors	0.35%	Nil	18-Jan-12
		BlackRock	0.35%	Nil	21-Feb-13
MSCI World index Net Dividends Reinvested	Enhanced Passive	Schroders Investment Management	1.00%	1.00%	7-Oct-10
MSCI Australia	Passive	BCTL	0.50%	Nil	4-Jul-16
Private debt instrument for Petroleum Operations	Passive	BCTL	n/a	n/a	10-Apr-19

### Operational Implementation

The allocation of the capital of the Fund to the various mandates as at the end of the quarter was as follows:

Table 4

	Managers	Benchmark	Tolerance	Actual	Lower Boundary	Upper Boundary
3 Month US Treasury Bills/Cash	BCTL	5%	± 2.5%	6.32%	2.50%	7.50%
BOA Merrill Lynch 3-5 Years Treasury Bond Index	BCTL	35%	± 2.5%	35.47%	32.50%	37.50%
BOA Merrill Lynch 5-10 Years Treasury Notes and Bond Index	Bank for International Settlements	10%	± 1%	9.98%	9%	11%
Barclays Global Treasury Developed Market ex US, 30% Eurozone and 10% Country Capped	Alliance Bernstein	5%	± 0.5%	4.66%	4.50%	5.50%
	Wellington Management	5%	± 0.5%	4.72%	4.50%	5.50%
<b>Total Fixed Income</b>		<b>60%</b>		<b>61%</b>	<b>53%</b>	<b>67%</b>
MSCI Index ex Australia Net Dividends Reinvested	State Street Global Advisors	29%	± 4.0%	14.91%	10.50%	18.50%
	BlackRock			14.91%		
MSCI World Index Net Dividends Reinvested	Schroders Investment Management	5%	± 1.5%	4.35%	3.50%	6.50%
MSCI Australia Index	BCTL	1%	± 0.5%	0.91%	0.50%	1.50%
<b>Total Equities</b>		<b>35%</b>		<b>35%</b>	<b>25%</b>	<b>45%</b>
<b>Total Private debt instrument for Petroleum Operations</b>	BCTL	<b>5%</b>	n/a	<b>3.76%</b>	<b>0%</b>	<b>0%</b>
<b>Total</b>		<b>100%</b>		<b>100%</b>	<b>78%</b>	<b>112%</b>

## 4. PORTFOLIO PERFORMANCE

This section contains a number of tables and charts describing the performance of the Petroleum Fund.

The following notes are intended to assist in interpreting this information:

- The percentage figures show the return of the Fund, or a part of it, which is compared with the performance of the corresponding benchmark. The benchmark represents the investment strategy established by the Minister and is used as a goal against which the performance of the actual investments is measured. The Minister's benchmarks for the Petroleum Fund are described earlier in this report.
- The excess is the difference (which may be negative) between the benchmark and the portfolio being measured. In general a portfolio and its benchmark will respond in a similar manner to movements in the financial markets. The excess occurs because the benchmark does not recognise transaction costs, and because the actual portfolio usually contains a different mix of financial instruments to the benchmark.

### GLOBAL PORTFOLIO

In the course of the quarter the Petroleum Fund balance was \$17.45 billion as follows:

Table 5

Capital Account	\$'000
Opening book value (01 April 2019)	16,980,218
Receipts during the period	192,466
Transfer to General State Budget	-220,000
Investment Return	494,685
<b>Closing book value (30 June 2019)</b>	<b>17,447,364</b>

The Fund was invested as follows:

Table 6

Assets	\$'000
Cash and Cash Equivalents	1,199,147
Other Receivables	186,213
Financial assets held at fair value through profit or loss	16,080,946
Less:	
Payable for Securities Purchased	-14,153
Accounts Payable	-4,789
<b>Total</b>	<b>17,447,364</b>

The income for the quarter was as follows:

Table 7

Income	\$'000
Interest income	68,279
Dividend income	47,205
Unit Trust distributions	1,647
Other Investment income	23
Net gains/(losses) on Financial Assets at fair value	421,179
Net foreign exchange gains/(losses)	-34,238
Less:	
External manager, custody fees	-2,677
Central Bank management expenses	-1,145
IAB Expenses	-44
Other expenses	-246
Withholding taxes	-5,298
<b>Total Investment Income</b>	<b>494,685</b>

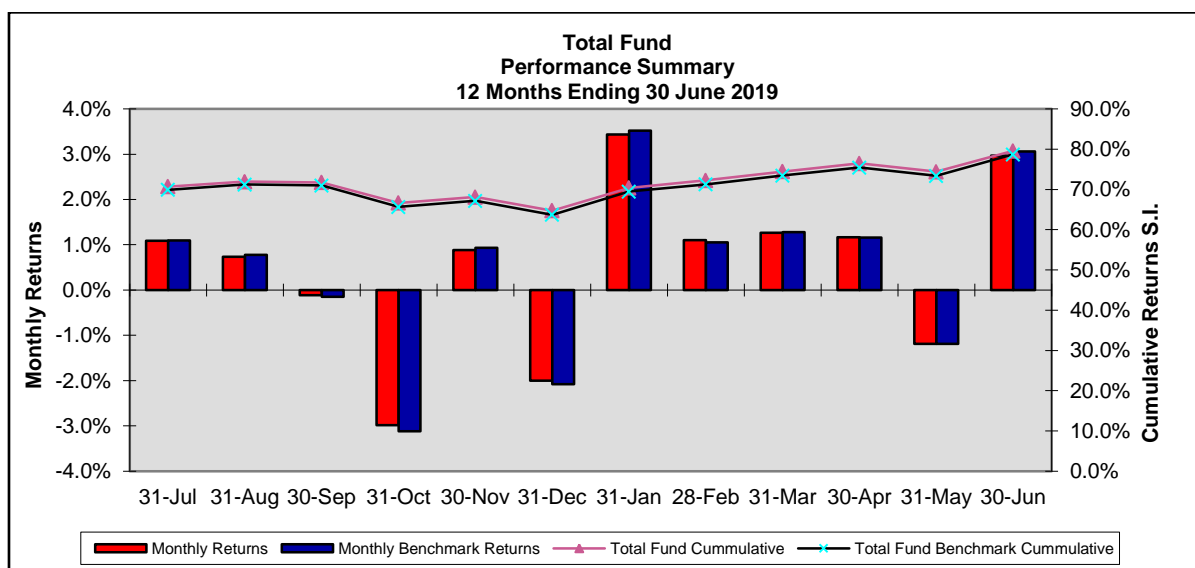
The following notes are intended to assist in interpreting this information:

- Unit trust distribution is the income received from listed property investment entities.
- Other expenses relate to derivative trading costs which are deducted directly from the Fund.



Global Benchmark over the same period is shown in the following graph.

Figure 2



## FIXED INTEREST

The performance of the investments in Fixed Interest for the quarter, including the performance of the managers responsible for those investments, was as follows:

Table 8

%	Qtr	FYTD	1 Year	3 Years	5 Years	Since Inc
<b>International Fixed Interest</b>	2.46	4.16	6.00	1.38	1.79	2.71
Benchmark	2.57	4.34	6.23	1.30	1.78	2.71
<i>Excess</i>	<i>-0.11</i>	<i>-0.18</i>	<i>-0.22</i>	<i>0.08</i>	<i>0.02</i>	<i>0.00</i>
<b>BCTL Cash Management (TLCM)</b>	0.62	1.21	2.25	n.a	n.a	1.58
3 Month USD Treasury Bills	0.62	1.28	2.54	n.a	n.a	2.11
<i>Excess</i>	<i>0.00</i>	<i>-0.07</i>	<i>-0.29</i>	<i>n.a</i>	<i>n.a</i>	<i>-0.53</i>
<b>BCTL 3-5 yr US Treasury</b>	2.31	3.91	6.21	1.40	1.99	1.62
BoA Merrill Lynch 3-5 Years US Treasury Passive	2.42	4.04	6.34	1.37	2.02	1.60
<i>Excess</i>	<i>-0.11</i>	<i>-0.13</i>	<i>-0.13</i>	<i>0.03</i>	<i>-0.03</i>	<i>0.02</i>
<b>Bank for International Settlements</b>	3.55	6.13	9.08	1.53	2.96	2.35
BoA Merrill Lynch 5-10 Years US Treasury Enhanced Passiv	3.50	6.03	9.02	1.40	2.93	2.33
<i>Excess</i>	<i>0.05</i>	<i>0.10</i>	<i>0.06</i>	<i>0.12</i>	<i>0.03</i>	<i>0.03</i>
<b>Alliance Bernstein</b>	2.97	4.89	4.22	1.26	n.a	-0.24
Barclays Global Treasury DM ex US Enhanced Passive	3.08	5.24	4.35	1.24	n.a	-0.26
<i>Excess</i>	<i>-0.11</i>	<i>-0.35</i>	<i>-0.13</i>	<i>0.03</i>	<i>n.a</i>	<i>0.02</i>
<b>Wellington Management</b>	3.26	5.51	4.72	1.29	n.a	1.03
Barclays Global Treasury DM ex US Enhanced Passive	3.08	5.24	4.35	1.24	n.a	1.03
<i>Excess</i>	<i>0.18</i>	<i>0.26</i>	<i>0.37</i>	<i>0.05</i>	<i>n.a</i>	<i>0.00</i>

## INTERNATIONAL EQUITIES

The performance of the investments in global developed market equities for the quarter, including the performance of the managers responsible for those investments, was as follows:



Table 9

	Qtr	FYTD	1 Year	3 Years	5 Years	Since Inc
<b>International Equities</b>	4.02	16.94	6.70	12.00	6.92	9.69
Benchmark	4.00	16.98	6.33	11.77	6.60	9.15
<i>Excess</i>	<i>0.02</i>	<i>-0.04</i>	<i>0.37</i>	<i>0.24</i>	<i>0.32</i>	<i>0.54</i>
<b>Schroders Investment Management</b>	3.43	15.55	6.07	11.20	6.60	9.65
MSCI World Enhanced Passive	4.00	16.98	6.33	11.77	6.60	9.15
<i>Excess</i>	<i>-0.57</i>	<i>-1.43</i>	<i>-0.26</i>	<i>-0.57</i>	<i>0.00</i>	<i>0.50</i>
<b>SSgA International Equity</b>	4.01	17.04	6.81	12.15	6.99	10.61
MSCI World ex Australia Passive	3.92	16.92	6.33	11.78	6.61	10.22
<i>Excess</i>	<i>0.09</i>	<i>0.12</i>	<i>0.49</i>	<i>0.36</i>	<i>0.38</i>	<i>0.38</i>
<b>BlackRock Investment Management</b>	4.02	17.09	6.79	12.20	7.01	9.73
MSCI World ex Australia Passive	3.92	16.92	6.33	11.78	6.61	9.38
<i>Excess</i>	<i>0.10</i>	<i>0.17</i>	<i>0.47</i>	<i>0.42</i>	<i>0.40</i>	<i>0.36</i>
<b>BCTL Investment Management</b>	7.29	19.19	6.58	n.a	n.a	10.38
MXAU AU Index Passive	7.30	19.52	6.55	n.a	n.a	10.35
<i>Excess</i>	<i>-0.01</i>	<i>-0.33</i>	<i>0.03</i>	<i>n.a</i>	<i>n.a</i>	<i>0.03</i>

### Private debt instrument for Petroleum Operations

The performance of the investment in Private debt instrument for Petroleum Operations for the quarter, including the performance of the manager responsible for this investment, was as follow:

Table 10

%	Qtr	FYTD	1 Year	3 Years	5 Years	Since Inc
<b>Private debt instrument for Petroleum Operations</b>	n.a	n.a	n.a	n.a	n.a	1.01
Benchmark	n.a	n.a	n.a	n.a	n.a	1.01
<i>Excess</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>0.00</i>

## 5. MANAGEMENT COSTS

A management fee of \$4.11 million for operational management costs was charged to the fund during the quarter. The fee covered the following services (in thousands \$):

Table 11

External Management and Custody expenses	2,677
Central Bank management expenses	1,145
IAB expenses	44
Other Expenses	246
<b>Total Cost</b>	<b>4,112</b>

## 6. TRANSFERS TO STATE BUDGET

According to Article 7.1 of the Petroleum Fund Law transfers from the Fund may only be made to the credit of a single State Budget account. An amount of \$220 million was transferred to the State Budget account during the quarter. The transfers are summarised in table 12.

Table 12	In Thousand (\$)
Transfer April 2019	0
Transfer May 2019	120,000
Transfer June 2019	100,000
Transfer for this Quarter	<b>220,000</b>
Total Transfers previous quarters	0
<b>Total transfers this fiscal year to June 2019</b>	<b>220,000</b>

## 7. COMPLIANCE STATEMENT

Banco Central de Timor-Leste asserts the following statements relating to compliance with the mandates given by the Minister.

### *Qualifying Instruments*

The Fund was invested in instruments within the investment universes specified in the various mandates at all times during the quarter.

### *Modified Duration*

The modified duration of the Fund's fixed interest investment portfolios remained within the mandate during the quarter.

### *Tracking Error*

The tracking error of each mandate in the Fund's investment portfolio was within the specified range during the quarter.

### *External Managers*

External managers' investments were within their mandates during the quarter.

### *Internal Audit*

The provisions of Article 22 of the Petroleum Fund law no. 9/2005 require the Central Bank's Internal Auditor to perform an audit of the Fund every six months. The Internal Auditor has performed an audit up to quarter ended 31 December 2018.

## 8. FINANCIAL INFORMATION

The following financial information is presented for the purpose of assisting the Minister to review the quarterly performance of the Petroleum Fund as set out in this report. The figures have not been audited.

Table 13

BALANCE SHEET	2019	2018
In thousands of USD	June	June
<b>ASSETS</b>		
Cash and Cash Equivalents	1,199,147	893,561
Receivables	186,213	32,856
Financial assets held at fair value through profit or loss	16,080,946	16,011,070
<b>TOTAL ASSETS</b>	<b>17,466,306</b>	<b>16,937,487</b>
<b>LIABILITIES</b>		
Payables for securities purchased	-14,153	-6,566
Accounts payable	-4,789	-3,597
<b>TOTAL LIABILITIES</b>	<b>-18,942</b>	<b>-10,163</b>
<b>NET ASSETS</b>	<b>17,447,364</b>	<b>16,927,324</b>
<b>CAPITAL</b>		
Opening Balance (January)	15,803,638	16,799,313
PF Law Art. 6.1 (a) Revenue receipts	170,754	105,029
PF Law Art. 6.1 (b) DA receipts	261,988	146,877
PF Law Art. 6.1 (e) Other receipts	0	0
PF Law Art 7.1 Transfers to State Budget	-220,000	-70,000
Income for the period	1,430,984	-53,895
<b>CAPITAL</b>	<b>17,447,364</b>	<b>16,927,324</b>

Table 14

STATEMENT OF PROFIT OR LOSS	QUARTER		YEAR TO DATE	
In thousands of USD	Jun-19	Jun-18	Jun-19	Jun-18
<b>INVESTMENT INCOME</b>				
Interest income	68,279	47,049	125,758	95,302
Dividend income	47,205	51,169	89,638	89,865
Trust income	1,647	1,816	3,079	2,728
Other investment income	23	5	23	33
Net gains/(losses) on Financial Assets at fair value	421,179	109,767	1,269,903	-133,357
Net foreign exchange gains/(losses)	-34,238	-162,631	-42,360	-91,933
<b>Total Investment Income</b>	<b>504,096</b>	<b>47,176</b>	<b>1,446,042</b>	<b>-37,362</b>
<b>EXPENSES</b>				
External management, custody fees	2,677	2,645	4,759	5,339
Internal operational management fees	1,145	1,683	2,752	3,353
IAB Expenses	44	69	73	97
Other expenses	246	104	530	352
<b>Total expenses</b>	<b>4,112</b>	<b>4,502</b>	<b>8,114</b>	<b>9,141</b>
Profit before tax	499,983	42,674	1,437,928	-46,503
Withholding taxes on investments	5,298	5,418	6,944	7,392
Profit/loss for the period	494,685	37,256	1,430,984	-53,895
Other comprehensive income	0	0	0	0
<b>Total comprehensive income for the period</b>	<b>494,685</b>	<b>37,256</b>	<b>1,430,984</b>	<b>-53,895</b>

Notes: The accounting policies and method of computation used to prepare the above figures are the same as disclosed in the most recent annual financial statements of the Petroleum Fund.

Dili, 25 July 2019



Venancio Alves Maria  
Deputy Governor



Abraão de Vasconcelos  
Governor