

**The Secretary of State for the Council of Ministers and  
Official Spokesperson for the Government of Timor-Leste  
Ágio Pereira**



**February 20, 2010  
Dili, Timor-Leste**

**Clarification on the performance of the Petroleum Fund**

The Government has expressed serious concerns about NGO's and related organizations distributing materials on the financial performance of Timor-Leste based on opinion rather than expert financial analysis.

The Government wishes to clarify any misconceptions which might have occurred from statements issued by La'o Hamutuk in relation to the performance of the Petroleum Fund (PF).

La'o Hamutuk has inferred that the PF had not benefited from the Bank of International Settlements (BIS) investments.

To be absolutely clear, all data demonstrates the overall performance of the BIS' mandate has performed better than the Banking and Payment Authority's (BPA) investments between January 09 and December 09: BPA (+.17) vs. BIS (+ 2.47).

This higher performance is due to the fact that the BIS' mandate is different from the mandate of the BPA which is 100% invested in limited US treasury bonds. The BIS has invested in other markets or currencies and bond instruments with more beneficial returns.

Investment strategies are based on overall long term performance in line with the Fund's long term objectives, which cannot be assessed by looking at one thirty day interval.

December 2009 was the first month where the Fund Balance declined due to higher withdrawals than petroleum revenues; however, there is no difference in withdrawing funds from the PF in small monthly transfers (less than the revenues received) or larger withdrawals during the year (as happened in December 2009).

While the BIS performance in December 2009 was weaker than the BPA's return; this is not a conclusive evaluation on the overall performance of the investment strategy.

Unsystematic risk is minimized by increasing the range of investment instruments of an investment portfolio.

By limiting investments only to US Government bonds the Petroleum Fund would continue to be exposed to higher unsystematic risk and lower return rates over the long term.

The purpose of engaging the BIS was to start the process of diversification into other Bond instruments and currencies to minimize risks and maximize financial return.

Independent Experts have simulated the Petroleum Fund and concluded that diversifying the Petroleum Fund up to a 20% equity portfolio will actually reduce the overall risks of the Fund as compared to the current law which allows only a 10% equity

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exposure over a long term investment horizon.

Investing in non-US government bonds which satisfy the legal requirements minimize the effects of a depreciating US dollar and/or the US recession. Diversification of investments is considered global best practice and necessary to increase returns for the long term profitability of the fund.

Secretary of State Pereira said “There is a need to be very careful about the information they produce and disseminate. The Government of Timor-Leste has retained world-class experts to advise and monitor the progress of the Petroleum Fund. Analysis by global experts is based on long term experience in markets, diversification strategies and expertise in managing sovereign wealth funds of many nations.’

‘We encourage debate which is leveraged by the transparent systems established by the Xanana Gusmão Government, but appeal to those without the appropriate professional qualifications to refrain from unnecessary statements which mislead the public, especially on such important matters like the financial performance of Timor-Leste’s Petroleum Fund.’  
**ENDS**

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