

*July 2013*



# PETROLEUM FUND ANNUAL REPORT

## FINANCIAL YEAR 2012







REPÚBLICA DEMOCRÁTICA DE TIMOR-LESTE  
MINISTÉRIO DAS FINANÇAS  
GABINETE DA MINISTRA



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

# TIMOR-LESTE PETROLEUM FUND

A report on the management of Petroleum Fund for the  
year 2012

July 2013



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Message from  
**Emilia Pires**  
Minister of Finance

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## **DIVERSIFYING THE INVESTMENTS OF THE PETROLEUM FUND**

The Petroleum Fund safeguards the interests of both current and future generations in Timor-Leste. The Fund has grown rapidly since its inception in 2005, reaching US\$11.8 billion in 2012. The financial investments of the Fund are increasingly spread out in different regions and asset classes to avoid concentration of risk.

The investment strategy changed in 2011 to provide for more diversification. Spreading the investments to different regions, asset classes and sub-asset classes is, in the long-term, better than being concentrated in any one of these. Avoiding concentration supports capital preservation. The Petroleum Fund Law amendments allow up to 50% of the Fund to be invested abroad in publicly listed equities, while at least 50% should be invested in high-rated bonds.

At the end of 2012, the Fund had invested 26% of its capital in developed market equities. This allocation will gradually increase to 40% by June 2014. We appreciate that the higher allocation to equities is expected to involve more short-term fluctuations in the investment performance. Having a long-term investment horizon, however, we should be ready to assume the higher risk in order to pursue the expected increase in long-term average return.

The public's confidence is a crucial condition for the successful long-term management of the Petroleum Fund. I am therefore pleased to see that the management of the Petroleum Fund is increasingly earning a well-deserved reputation of professionalism and ability. That bodes well for the future of the Petroleum Fund and eventually its beneficiaries – the Timorese citizens.

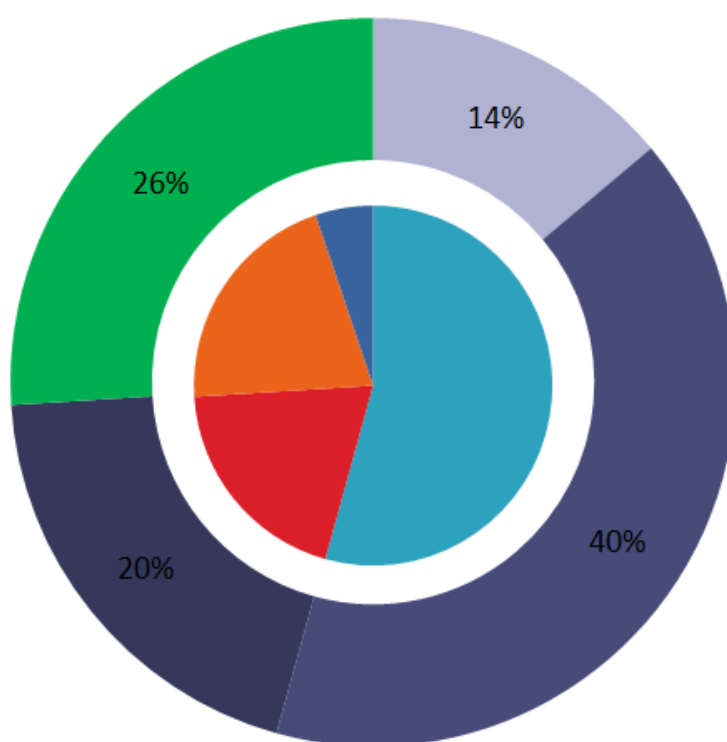
A handwritten signature in blue ink, appearing to read 'Emilia Pires'. The signature is fluid and cursive, with a large initial 'E'.

**Emilia Pires**  
Minister of Finance

## The Petroleum Fund at a Glance

End of Year Balance	Petroleum Revenues 2012	Net Investment Return 2012	Return Since Inception
<b>\$11.8bn</b>	<b>\$3.6bn</b>	<b>3.9% (\$401m)</b>	<b>4.1% (\$1,244m)</b>

### Petroleum Fund Allocation as at 31 December 2012



#### Allocation by Asset Classes

<b>Bonds</b>	<b>74%</b>
US Treasuries 1 - 3 Years	14%
US Treasuries 3 - 5 Years	40%
US Treasuries 5 - 10 Years	20%
<b>Equities</b>	<b>26%</b>
Developed Market Equities	26%

#### Allocation by Managers

Banco Central Timor-Leste	54%
Bank for International Settlements	20%
State Street Global Advisors	21%
Schroders	5%

## About the Petroleum Fund

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

### Legal Framework

The Fund was established in 2005 under the provision of the Petroleum Fund Law no. 9/2005. The Law was amended in 2011 with the Petroleum Fund Law no. 12/2011.

### Purpose

The Petroleum Fund Law is designed to contribute to a wise management of Timor-Leste’s petroleum resources for the benefit of both current and future generations. The Fund is 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

Income from petroleum production is temporarily high, but will eventually decrease before ending, when existing oil producing fields are depleted. Spending all the money as it flows in from petroleum activities would have been likely to seriously disrupt the small Timorese economy. It would also involve leaving nothing for later generations.

The Fund separates the inflow of petroleum revenues from 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, which is defined as the amount that can be withdrawn from the Fund each year so that the real value of the Fund is preserved.

The Fund is invested only in international financial assets. The implied investment objective is to achieve 3% real return 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. Having a long-term horizon, however, means that the probability of achieving the investment objective is greater and such short term fluctuations should be of less economic importance.

### Governance

The Petroleum Fund governance model is based on checks and balances and a high degree of transparency. This helps build public support for the wise management of petroleum revenues and reduces the risk of bad governance. The Government



through the Ministry of Finance is responsible for the overall management of the Petroleum Fund, on behalf of the people of Timor-Leste. The Petroleum Fund Law makes the Government accountable to Parliament through various reporting requirements. The operational management is carried out by the Central Bank (BCTL), which invests the Fund's capital according to guidelines established by the Ministry of Finance. The Ministry 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 Petroleum Fund.

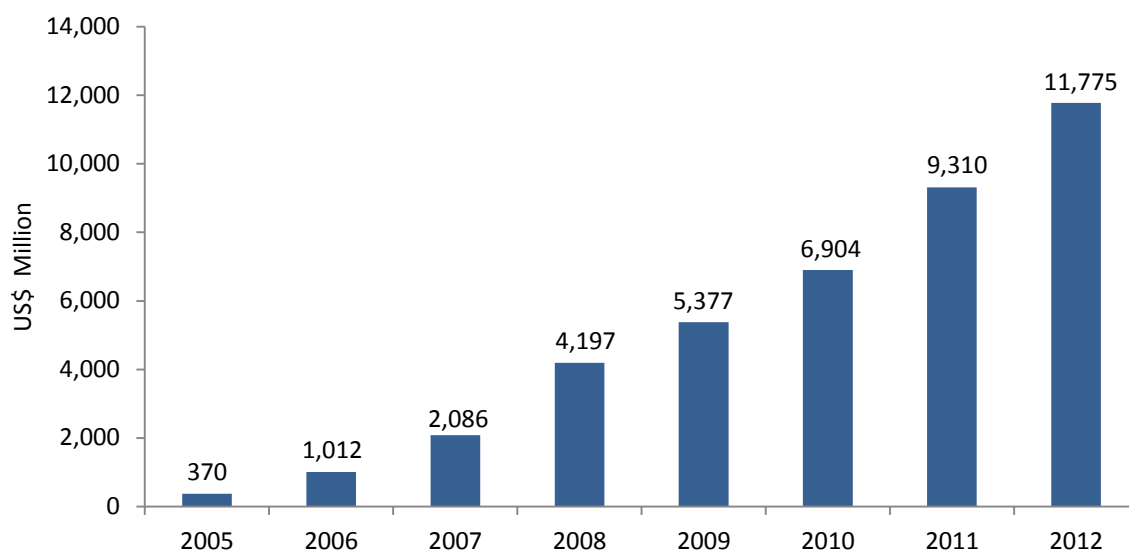
## Size of the Fund

Three main factors affect the Fund's overall balance; a) petroleum revenues, b) withdrawals, and c) net investment return. These are discussed in greater detail in the rest of the report.

### Petroleum Fund Balance

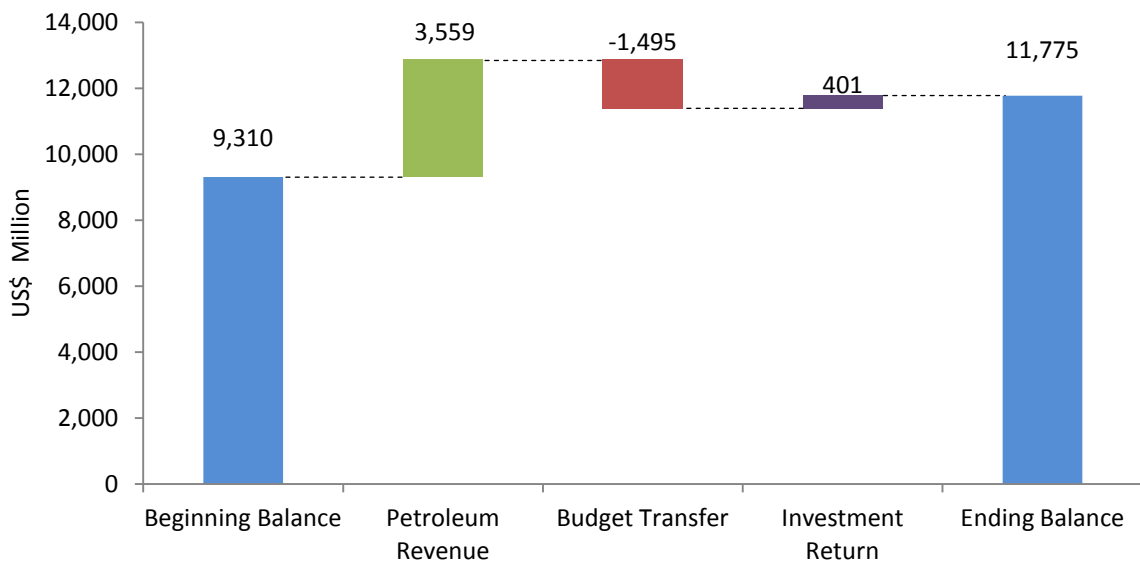
The Fund has increased every year since it was established in 2005 (see Figure 1). In 2012, the Fund started with a balance of US\$9,310 million.

**Figure 1 - Market Value of the Petroleum Fund**



Over the year, as Figure 2 illustrates, petroleum revenues and net investment return added US\$3,559 million and US\$401 million to the Fund, respectively, while withdrawals subtracted US\$1,495 million. The net inflow to the Fund in 2012 was thus US\$2,465 million giving an end of the year balance of US\$11,775 million.

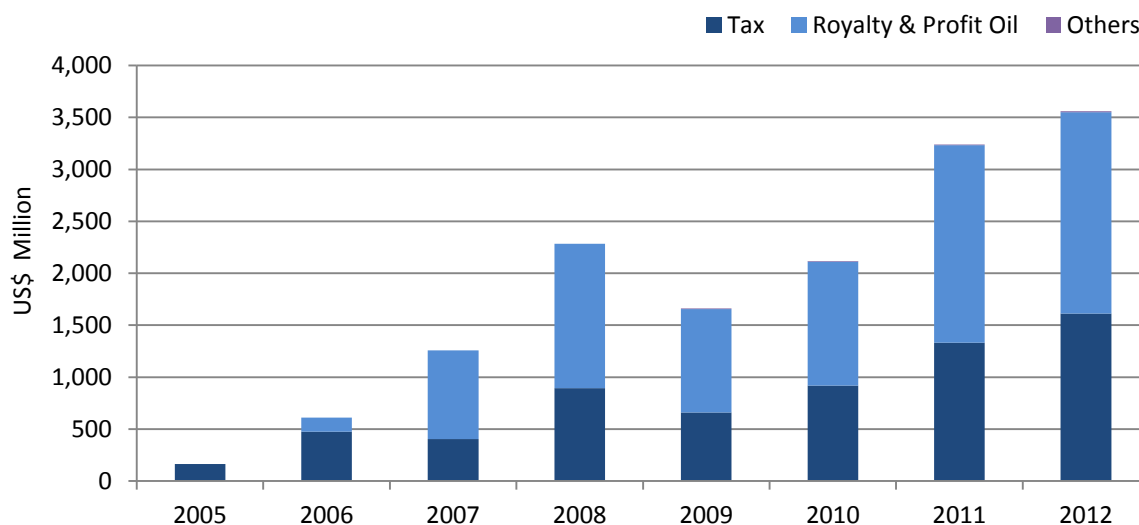
**Figure 2 - Movement in Net Assets during 2012**



### **Petroleum Revenues**

The main factors driving the Government's inflow of petroleum revenues are prices, production and costs. Of the US\$3,559 million that in total was collected in 2012, US\$1,613 million were petroleum taxes, US\$1,938 million were royalties and profit oil/gas and US\$9 million were other petroleum revenues (see Figure 3). These amounts were in accordance with Article 6.1 (a), (b), and (e) of the Petroleum Fund Law, respectively. Petroleum revenues for 2012 were the highest on record due to reasonably high oil prices and high levels of production, as well as rigorous implementation of audit compliance. Going forward, petroleum revenues from Bayu-Undan and Kitan will fall. The Operators estimate that total production has started to go down and will end in a decade or so.

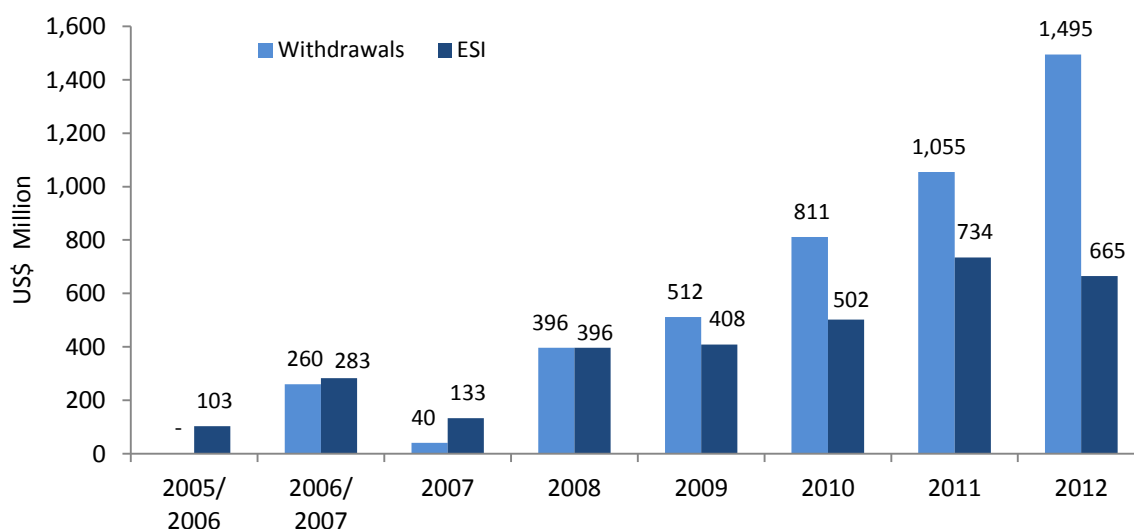
**Figure 3 - Annual Petroleum Revenue**



### Withdrawals

The Government withdrew US\$1,494.9 million from the Fund to the Treasury's Account (CFET) during 2012. This amount involved withdrawing US\$829.6 million in excess of the Estimated Sustainable Income (ESI) (see Figure 4). The Government has withdrawn a total amount of US\$4,568.9 million from the Fund since its inception in 2005 and until 2012.

**Figure 4 - Transfer to the State Budget in 2012**



## The Fund's Investment Performance in 2012

Risky assets returned more than the long term expected return in 2012 as economic conditions, helped by significant central bank measures (i.e. quantitative easing), fared better than anticipated. Central Bank interventions pressed US Treasury prices further up, although at a slower pace than in previous years.

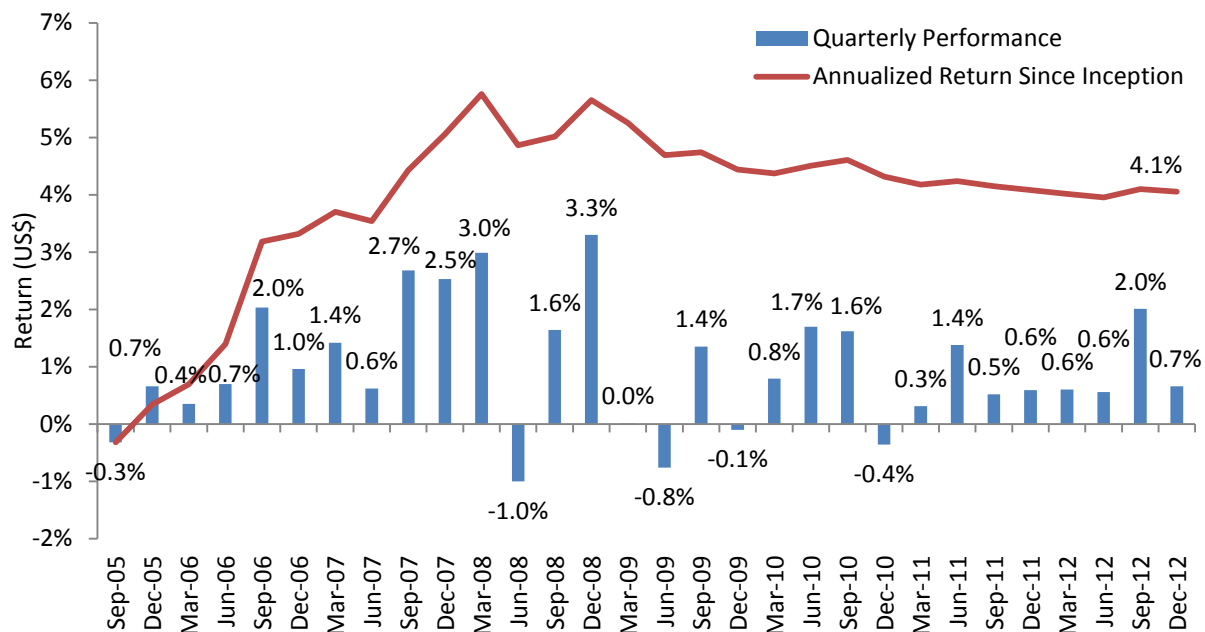
### Net Investment Return

Three factors affect the Fund's net investment return; coupon and dividend payment (*investment income*), which is a positive amount received on bonds and equities investment, respectively, *market revaluation*, which may be positive or negative subject to market fluctuations, and *management fees*, which is deducted from the gross investment return.

The Fund earned a gross investment return of US\$408 million in 2012. The net investment return, subtracting management fees, was US\$401 million or 3.9%. In 2011, the net investment return was 2.8%. The increased returns are associated with an increased allocation to equities which performed quite favourably in 2012. The accumulated net investment return since inception of the Fund in 2005 has been US\$1,244 million or 4.1% (see Figure 5).

The Fund has yet to experience an annual loss in investment return since it was established. This unusually favourable trend should not be expected to continue indefinitely. The volatile nature of financial markets implies that negative outcomes will occur at some point in the future. Investment returns are achieved by accepting appropriate investment risks. Managing (rather than completely avoiding) risk is the key to successful investing. This is done by identifying risks that are believed to give rise to higher returns (not all risks do) and then taking on the appropriate level. Therefore, instead of avoiding all possible negative outcomes, the Fund should accept some volatility in return while managing the risks. Furthermore, as a disciplined long-term investor, the Fund must aim to stay true to its investment strategy especially when it faces future outcomes that are temporarily unfavourable.

**Figure 5 - Quarterly Net Nominal Investment Returns since Inception**



In accordance with the Operational Management Agreement between the Ministry of Finance and BCTL<sup>1</sup>, a management fee is to be paid from the Fund to BCTL as the operational manager. The fee in 2012 was US\$7.0 million. The amount included a custody and external management fee of US\$5.0 million, the BCTL operating expenses of US\$1.9 million, and Investment Advisory Board (IAB) costs of US\$48,232.

### Benchmarking Performance

The Fund uses benchmarks when monitoring investment performance. The reason for using benchmarks is two-fold: One is to see how well the Fund, or more specifically managers, is performing compared with the relevant markets they invest in. The other is to constrain the managers in terms of how they manage their given investment mandates.

Regarding overall performance, the Fund's bond portfolio and equity portfolio are measured against publicly available benchmark indices. The benchmarks are compiled by Bank of America Merrill Lynch and MSCI and are meant to approximate the markets for US Treasuries and developed market equities, respectively. Overall the return of the Fund has been very close to the benchmark return as shown in Figure 6. This is to be expected as the managers are strictly

<sup>1</sup> <http://www.bancocentral.tl/PF/laws.asp>

constrained in how they are allowed to invest. Generally, they are instructed to replicate the market development, i.e. manage their mandates passively.<sup>2</sup>

**Figure 6 - Investment Returns in 2012 in Percentage (USD)**

	% (USD)				
	Q1	Q2	Q3	Q4	2012
<b>Total Fund</b>	<b>0.60</b>	<b>0.56</b>	<b>2.01</b>	<b>0.66</b>	<b>3.88</b>
<b>Benchmark</b>	<b>0.52</b>	<b>0.54</b>	<b>1.98</b>	<b>0.64</b>	<b>3.74</b>
<b>Excess</b>	<b>0.09</b>	<b>0.03</b>	<b>0.03</b>	<b>0.02</b>	<b>0.14</b>
<b>International Fixed Interest</b>	<b>-0.35</b>	<b>1.50</b>	<b>0.74</b>	<b>0.04</b>	<b>1.94</b>
<b>Benchmark</b>	<b>-0.44</b>	<b>1.50</b>	<b>0.70</b>	<b>0.01</b>	<b>1.77</b>
<b>Excess</b>	<b>0.09</b>	<b>0.00</b>	<b>0.04</b>	<b>0.03</b>	<b>0.17</b>
<b>International Equity</b>	<b>11.61</b>	<b>-4.96</b>	<b>6.78</b>	<b>2.57</b>	<b>16.18</b>
<b>Benchmark</b>	<b>11.56</b>	<b>-5.07</b>	<b>6.71</b>	<b>2.49</b>	<b>15.83</b>
<b>Excess</b>	<b>0.04</b>	<b>0.11</b>	<b>0.08</b>	<b>0.08</b>	<b>0.35</b>

## The Fund's Investment Strategy

As discussed in the Petroleum Fund Annual Report 2011, a simple investment strategy was implemented from the outset in 2005, with the Fund mainly being allowed to invest in US Dollar denominated high rated bonds issued or guaranteed by Governments. This was deemed necessary to avoid exposure to risk and volatility while building capacity. It was also considered important to take time to build public support and to avoid turbulence in terms of market losses before the management had received a certain degree of integrity, credibility and reputation for professionalism.

The Petroleum Fund Law amendments in 2011, which followed a long and thorough process involving all stakeholders, allowed for up to 50% allocation to public equities, not less than 50% in fixed income, and not more than 5% in alternative instruments. The Government emphasized the need to diversify the Fund's investments, both across different asset classes and within asset classes. The rationale for greater diversification is to bolster capital preservation by avoiding being concentrated in any one asset class, which may, in the current uncertain environment, experience unexpected deterioration.

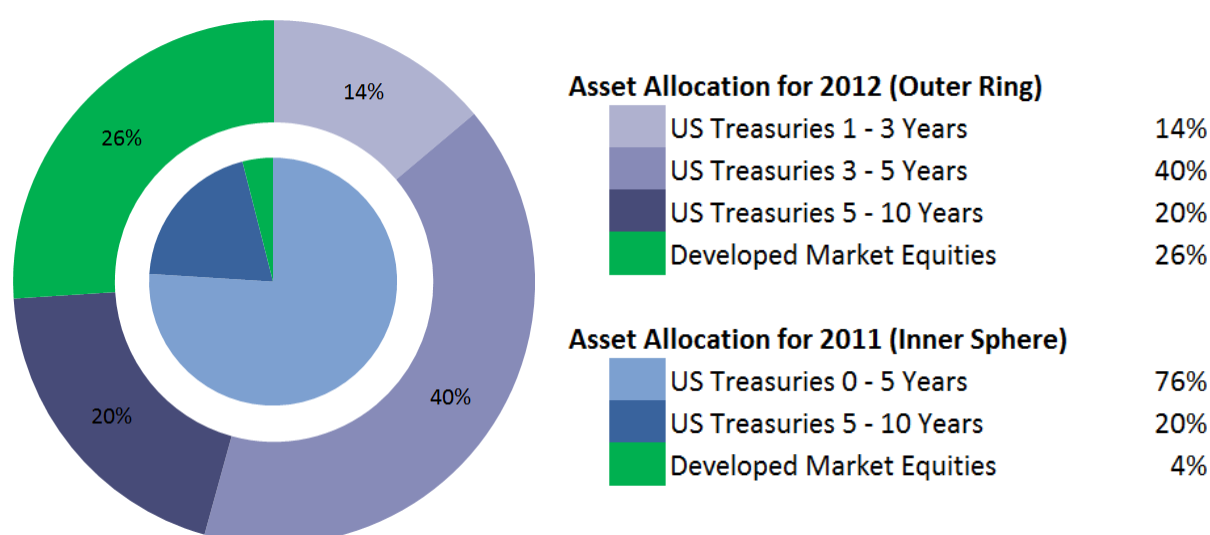
The Government notes at the same time that the higher allocation to the traditionally more volatile asset class of public equities will involve more short-term fluctuations

<sup>2</sup> The benchmarks and manager performance are described in more detail in the BCTL quarterly reports, see <http://www.bancocentral.tl/en/main.asp>

in the Fund's investment returns. Having a long-term investment horizon, the Government is ready to accept this increased short-term risk to pursue its belief that equities will perform better than bonds in the long term. It is believed that an equity target exposure of 40% will enable the Fund to achieve a 3% real return with reasonable probability over time. This would safeguard the sustainability of public spending, which over time is guided by the Estimated Sustainable Income, set at 3% of Petroleum Wealth.

The Ministry of Finance has been working with the Investment Advisory Board and Towers Watson, the external consultant on Petroleum Fund issues, to efficiently implement the new investment strategy. The first priority has been to gradually increase the equity allocation from 5% at the end of 2011 to 40% by June 2014 aiming, among other things, to buttress any adverse effects that bad market timing would incur. Figure 7 shows the Fund's asset allocation as of end 2011 and 2012.

**Figure 7 - Diversifying the Fund - Asset Allocation in 2011 and 2012**



Increasing the number of asset classes and sub asset classes requires a more sophisticated monitoring framework to ensure that each manager is performing well and in accordance with their guidelines. In general, a gradual development of the governance structure is a prerequisite for a successful development of the investment strategy.

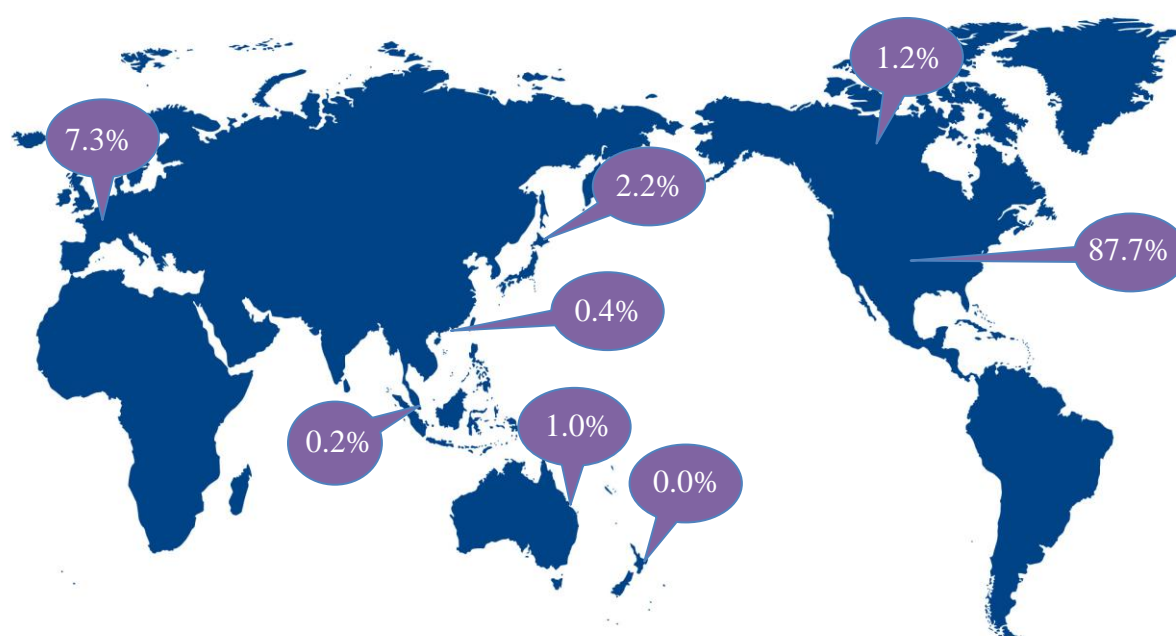
Having decided upon the first order priority as increasing the equity exposure, the Government is currently exploring ways to diversify the bond portfolio. This involves a potential allocation to other investment grade sovereign bonds from developed markets (outside US), and possibly emerging markets as well. Also, the

equity portfolio, which is currently only invested in developed markets, may benefit in terms of an improved risk-return profile by including other public equity approaches.

### Where We Invest<sup>3</sup>

Detail information can be found in Annex I Statement by Director of Treasury; Financial Statements for the year ended 31 December 2012.

Country	Allocation
Australia	1.0%
Canada	1.2%
Europe <sup>4</sup>	7.3%
Hong Kong	0.4%
Japan	2.2%
New Zealand	0.0%
Singapore	0.2%
US	87.7%



<sup>3</sup> Figures exclude derivatives foreign currency forwards

<sup>4</sup> Europe includes Eurozone, Denmark, Israel, Norway, Sweden, Switzerland, and the UK.



## **Advice from the Investment Advisory Board**

The Investment Advisory Board (IAB) of the Petroleum Fund held eight meetings and three workshops during 2012. The minutes from the meetings are available on [www.bancocentral.tl](http://www.bancocentral.tl). The IAB provided two recommendations (see Annex X) to the Minister of Finance in accordance with the requirements of Article 16 in the Petroleum Fund Law:

### **1) Advice on Appointing an Equity Manager for the Petroleum Fund**

The IAB agreed in its meeting on 30 March 2012 to advise the Minister to approve the BCTL's proposal to engage BlackRock Investment Management Limited as the external manager for the indexed global equity mandate described in the Board's letter of advice dated 14 March 2011 and 12 December 2011.

In its recommendation, the IAB concluded that BlackRock meets the stipulations in Article 12.2 of the Petroleum Fund Law. The Board also noted that the BCTL had completed a due process undertaken in accordance with Article 12.4 of the Petroleum Fund Law.

The Minister of Finance accepted the IAB's recommendation and instructed the BCTL to operationalize it.

### **2) Review of Strategic Asset Allocation – Plan to Increase the Share of Equities in the Petroleum Fund**

In its letter dated 10 July 2012, the IAB advised the Minister to increase the public equity exposure by 0.83% a month over a period of two years to 30 June 2014 as a prudent means of achieving the first order priority of obtaining a 40% equity exposure. The Board considered the risks and rewards associated with implementing the new strategic allocation and were satisfied that the higher expected returns would justify an increased level of short-term volatility. The Board further highlighted that it was researching other equity approaches to improve the diversification of the equity allocation.

The Minister of Finance accepted the IAB's recommendation and instructed the BCTL to operationalize it.



# **Annex**



**Statement by Director of Treasury**

**Petroleum Fund of Timor-Leste**  
**General Information**  
**31 December 2012**

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<b>Minister of Finance</b>	Her Excellency Emilia Pires
<b>Director General of Treasury</b>	Agostinho Castro (from 1 May 2013)
<b>Director of Treasury</b>	Sara Lobo Brites (to 15 November 2012) Jose Alexandre de Carvalho (from 16 November 2012)
<b>Members of Investment Advisory Board</b>	Olgario de Castro Gualdino da Silva Francisco Monteiro Torres Trovik Kevin Bailey
<b>Ex Officio (non-voting)</b>	Abraão de Vasconcelos Sara Lobo Brites (to 15 November 2012)
<b>Governor of Central Bank of Timor-Leste</b>	Abraão de Vasconcelos
<b>Executive Director of the Petroleum Fund</b>	Venancio Alves Maria
<b>Operational Manager</b>	Banco Central de Timor-Leste Avenida Bisopo Medeiros Dili Timor-Leste
<b>Investment Managers</b>	Banco Central de Timor-Leste Bank for International Settlements Schroder Investment Management Limited State Street Global Advisors
<b>Members of Petroleum Fund Consultative Council</b>	Francisco M. de Vasconcelos Joãozito Viana Aurelio Guterres Oscar Lima Maria de Fatima X. Dias Nuno Rodrigues Antero Benedito da Silva
<b>Custodian</b>	J P Morgan Chase Bank N.A.
<b>Independent Auditor</b>	Deloitte Touche Tohmatsu

**Petroleum Fund of Timor-Leste**  
**Statement by the Director General of Treasury**  
**31 December 2012**

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## 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 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 2012.

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

## PETROLEUM FUND CAPITAL

The Petroleum Fund had capital of US\$9.3 billion on 1 January 2012. During the period, taxes and other petroleum revenue under Article 6 of the Petroleum Fund were US\$3.6 billion. The Fund earned an income of US\$401 million during the period. A summary of transactions for the income is given in the "Statement of profit or loss and other comprehensive income".

US\$1.49 billion was transferred from the Petroleum Fund to the Consolidated Fund during the year. The capital of Petroleum Fund as at 31 December 2012 was US\$11.8 billion. A summary of the transactions is given in the "Statement of changes in capital".

## BENCHMARKS AND PERFORMANCE

At the Investment Advisory Board meeting held on 28 June 2012 the decision was made by the Minister under advice from the Board to expand the public equity exposure by 0.83% a month over a period of two years to 30 June 2014 to achieve 40% equity exposure.

The Board believes this takes into account current market conditions and the long-term investment horizon of the Fund, believing the long-term strategic asset allocation to public equities should be increased to 40% and that the range of equity investments be diversified further to achieve a level of expected returns in alignment with the Estimated Sustainable Income.

### Benchmarks as at 31 May

TOTAL FUND	<u>Fixed Interest</u>			<u>Equities</u>	
	Merrill Lynch 0-5 Years US Treasury Bond Index	Merrill Lynch 1-3 Years US Treasury Bond Index	Merrill Lynch 3-5 Years US Treasury Bond Index	Merrill Lynch 5-10 Years US Treasury Notes & Bond Index	MSCI World Index Net Dividends Reinvested
31-May-2013		10.8300%	40.0000%	20.0000%	29.1700%
30-April-2013		11.6700%	40.0000%	20.0000%	28.3300%
31-March-2013		12.5000%	40.0000%	20.0000%	27.5000%
28-February-2013		13.3000%	40.0000%	20.0000%	26.7000%
31-January-2013		14.2000%	40.0000%	20.0000%	25.8000%
31-December-2012		15.0000%	40.0000%	20.0000%	25.0000%
30-November-2012		15.8300%	40.0000%	20.0000%	24.1700%
31-October-2012		16.7000%	40.0000%	20.0000%	23.3000%
30-September-2012		17.5000%	40.0000%	20.0000%	22.5000%
31-August-2012		18.3333%	40.0000%	20.0000%	21.6667%
31-July-2012		19.1667%	40.0000%	20.0000%	20.8333%
20-June-2012		20.0000%	40.0000%	20.0000%	20.0000%
25-May-2012		22.0000%	40.0000%	20.0000%	18.0000%
20-April-2012		23.0000%	40.0000%	20.0000%	17.0000%
21-March-2012		26.0000%	40.0000%	20.0000%	14.0000%
09-February-2012		27.5000%	40.0000%	20.0000%	12.5000%
19-January-2012		32.0000%	40.0000%	20.0000%	8.0000%
18-January-2012	72.0000%			20.0000%	8.0000%
15-December-2011	76.0000%			20.0000%	4.0000%

### **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 2012 is given at note 17. The credit exposure by credit rating is given in the note 12(b)(iii) and the credit rating is higher than the minimum credit rating mandated in the Management Agreement. The performance of the Petroleum Fund during the period has been in accordance with the mandate of the Management Agreement.

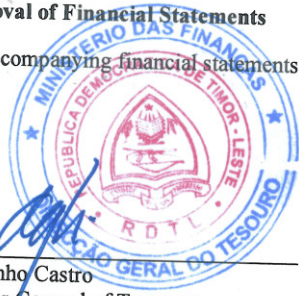
During the period, Ministry of Finance together with the Banco Central de Timor-Leste (BCTL) have been able to accomplish the stewardship and fiduciary role for the Petroleum Fund.

### **Significant Changes in the State of Affairs**

The benchmark changed significantly during the year, as described in the earlier paragraph on benchmarks.

### **Approval of Financial Statements**

The accompanying financial statements for the year ended 31 December 2012 have been approved on behalf of the Ministry of Finance by:



Agostinho Castro  
Director General of Treasury  
Ministry of Finance Government of Timor-Leste  
31 May 2013



## **Annex II**

### **Audited Financial Statements**

# **Independent Auditor's Report to the Ministry of Finance, Democratic Republic of Timor-Leste in respect of the Annual Financial Statements of the Petroleum Fund of Timor-Leste for the year ended 31 December 2012**

We have audited the accompanying financial statements of the Petroleum Fund of Timor-Leste (the 'Petroleum Fund'), which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in capital for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

## *The Government's Responsibility for the Financial Statements*

The Government is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as Government determine is necessary to enable the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error.

## *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Government, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements presents fairly, in all material respects, the financial position of the Petroleum Fund of Timor-Leste as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink, reading "Deloitte Touche Tohmatsu". The signature is written in a cursive, flowing style.

DELOITTE TOUCHE TOHMATSU  
Chartered Accountants  
Dili  
31 May 2013

**Petroleum Fund of Timor-Leste**  
**Statement of profit or loss and other comprehensive income**  
**for the year ended 31 December 2012**

	<i>Note</i>	<i>Year ended 31/12/2012 USD</i>	<i>Year ended 31/12/2011 USD</i>
<b>Investment income</b>			
Interest income	5	167,151,117	236,255,085
Dividend income		56,806,302	9,072,783
Trust income		1,840,949	224,121
Other investment income		2,264	1,259
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	9	184,526,790	(17,177,091)
Net foreign exchange gains/(losses)		<u>724,925</u>	<u>(51,764)</u>
<b>Total investment income</b>		<b><u>411,052,347</u></b>	<b><u>228,324,393</u></b>
<b>Expenses</b>			
External management and custody fees		(4,971,040)	(3,838,452)
BCTL operational management fees		(1,931,815)	(2,429,127)
Other expenses		<u>(616,168)</u>	<u>(161,091)</u>
<b>Total expenses</b>		<b><u>(7,519,023)</u></b>	<b><u>(6,428,670)</u></b>
<b>Profit before tax</b>		<b>403,533,324</b>	<b>221,895,723</b>
Withholding taxes		<u>(2,726,464)</u>	<u>(661,544)</u>
<b>Profit for the year</b>		<b>400,806,860</b>	<b>221,234,179</b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<b><u>400,806,860</u></b>	<b><u>221,234,179</u></b>

The financial statements should be read in conjunction with the policies and notes on pages 10 - 46.

**Petroleum Fund of Timor-Leste**  
**Statement of financial position**  
**as at 31 December 2012**

	<i>Note</i>	<i>As at 31/12/2012 USD</i>	<i>As at 31/12/2011 USD</i>
<b>Assets</b>			
Cash and cash equivalents	8	60,884,289	24,627,157
Other receivables	6	6,477,700	2,218,364
Financial assets at fair value through profit or loss	9	<u>11,711,144,753</u>	<u>9,285,303,671</u>
<b>Total assets</b>		<b><u>11,778,506,742</u></b>	<b><u>9,312,149,192</u></b>
<b>Liabilities</b>			
Payables for securities purchased		811,153	999,993
Accounts payable		<u>2,347,000</u>	<u>828,000</u>
<b>Total liabilities</b>		<b><u>3,158,153</u></b>	<b><u>1,827,993</u></b>
<b>Net assets</b>		<b><u>11,775,348,589</u></b>	<b><u>9,310,321,199</u></b>
<b>Capital</b>			
Capital		<u>11,775,348,589</u>	<u>9,310,321,199</u>

The financial statements should be read in conjunction with the policies and notes on pages 10 - 46.

**Petroleum Fund of Timor-Leste**  
**Statement of changes in capital**  
**for the year ended 31 December 2012**

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	<i>Year ended 31/12/2012 USD</i>	<i>Year ended 31/12/2011 USD</i>
<b>Capital at the beginning of the year</b>	<b>9,310,321,199</b>	<b>6,903,996,295</b>
Petroleum Fund Gross Receipts	<u>3,559,120,530</u>	<u>3,241,640,090</u>
<i>(pursuant to Article 6 of the Petroleum Fund Law)</i>	<b><u>12,869,441,729</u></b>	<b><u>10,145,636,385</u></b>
Transfers to the Consolidated Fund of Timor-Leste	(1,494,900,000)	(1,055,000,000)
<i>(pursuant to Article 7 of the Petroleum Fund Law)</i>		
Transfers for refunds of taxation	-	(1,549,365)
<i>(pursuant to Article 10 of the Petroleum Fund Law)</i>		
Total comprehensive income for the year	<u>400,806,860</u>	<u>221,234,179</u>
<b>Capital at the end of the year</b>	<b><u>11,775,348,589</u></b>	<b><u>9,310,321,199</u></b>

The financial statements should be read in conjunction with the policies and notes on pages 10 - 46.

**Petroleum Fund of Timor-Leste**  
**Statement of cash flows**  
**for the year ended 31 December 2012**

	<i>Note</i>	<i>Year ended 31/12/2012 USD</i>	<i>Year ended 31/12/2011 USD</i>
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial assets at fair value through profit or loss	9	13,825,534,764	6,432,265,322
Purchases of financial assets at fair value through profit or loss	9	(16,082,784,005)	(8,832,419,705)
Interest received		183,293,481	229,616,456
Dividends received		50,040,646	8,061,358
Trust distributions received		1,465,050	194,133
External management and custody fees paid		(3,534,272)	(3,010,452)
Operational management fees paid		(1,897,815)	(2,429,127)
Other operating receipts		2,264	1,259
Other operating payments		<u>(567,936)</u>	<u>(161,091)</u>
<b>Net cash utilised in operating activities</b>	13	<b><u>(2,028,447,823)</u></b>	<b><u>(2,167,881,847)</u></b>
<b>Cash flows from financing activities</b>			
Petroleum Fund Gross Receipts		3,559,120,530	3,241,640,090
Transfer payments to the Consolidated Fund of Timor-Leste		(1,494,900,000)	(1,055,000,000)
Transfer payments for tax refunds		<u>-</u>	<u>(1,549,365)</u>
<b>Net cash flows provided by financing activities</b>		<b><u>2,064,220,530</u></b>	<b><u>2,185,090,725</u></b>
Net increase in cash and cash equivalents		35,772,707	17,208,878
Cash and cash equivalents at the beginning of the year		24,627,157	7,409,687
Effects of foreign currency exchange rate changes on cash and cash equivalents		<u>484,425</u>	<u>8,592</u>
<b>Cash and cash equivalents at 31 December 2012</b>	8	<b><u><u>60,884,289</u></u></b>	<b><u><u>24,627,157</u></u></b>

The financial statements should be read in conjunction with the policies and notes on pages 10 - 46.

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2012**

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## **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.

Pursuant to Article 139 of the Constitution of the Republic, petroleum resources are owned by the State and are to be used in a fair and equitable manner in accordance with national interests, with the income derived there from leading to the establishment of mandatory financial reserves. The Petroleum Fund is a means of contributing to the wise management of petroleum resources for the benefit of both current and future generations, and a tool that contributes to sound fiscal policy where appropriate consideration and weight is given to the long-term interests of Timor-Leste's citizens.

The Banco Central de Timor-Leste (BCTL) having its office at Avenida Bispo Medeiros, 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.

These financial statements were authorised for issue by the Director General of Treasury on 31 May 2013.

## **2. Application of new and revised International Financial Reporting Standards (IFRS)**

### **2.1 New and revised IFRS applied with no material effect on the financial statements**

The following new and revised IFRS have also been adopted in these financial statements. The application of these new and revised IFRS has not had any material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

#### **Amendments to IFRS 7 Disclosures - Transfers of Financial Assets**

The amendments to IFRS 7 provide users of financial statements with information to help them to evaluate:

- (i) the risk exposures related to transfers of financial assets, and
- (ii) the effect of those risks on an entity's financial position.

The amendments do so by requiring disclosures about both:

- (a) transferred financial assets that are not derecognised in their entirety, and
- (b) transferred financial assets that are derecognised in their entirety, but in which the transferor has some continuing involvement.

The amendments also increase the comparability of IFRS and US GAAP disclosure requirements for transferred financial assets.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Fund has not entered into transactions captured by the amendment.



**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2012**

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## **2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

### **Amendments to IAS 1 Presentation of Items of Other Comprehensive Income**

The Fund has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments of IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

### **Amendments to IAS 1 Presentation of Financial Statements (as part of the *Annual Improvements to IFRS 2009-2011 Cycle* issued in May 2012)**

The Fund has applied the amendments to IAS 1 as part of the *Annual Improvements to IFRS 2009-2011 Cycle* in advance of the effective date (annual periods beginning on or after 1 January 2013).

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective statement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Fund has not entered into transactions captured by this amendment.

### **Amendments to IAS 12 Deferred Tax - Recovery of Underlying Assets**

The Fund has applied the amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted.

The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

The exception also applies to investment property acquired in a business combination if the acquirer applies the fair value model in IAS 40 subsequent to the business combination.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Fund has not entered into transactions captured by this amendment.

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2012**

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## **2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

### **2.2 New and revised IFRS in issue but 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:

<b>Standard/interpretation</b>	<b>Effective date (periods beginning on or after)</b>	<b>Expected to be initially applied in the financial year beginning</b>
Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013	1 January 2013
IFRS 9 Financial Instruments	1 January 2015	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013	1 January 2013
IAS 19 (as revised in 2011) Employee Benefit	1 January 2013	1 January 2013
IAS 27 (as revised in 2011) Separate Financial Statements	1 January 2013	1 January 2013
IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures	1 January 2013	1 January 2013
IAS 32 (as revised) Financial Instruments: offsetting Financial Assets and Financial Liabilities	1 January 2014	1 January 2014
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2015	1 January 2015
Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013	1 January 2013
Amendments to IFRS Annual Improvements to IFRS 2009-2011 Cycle except for the amendment to IAS 1	1 January 2013	1 January 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	1 January 2013

### **3. Significant accounting policies**

#### **Statement of compliance**

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").

#### **Basis of preparation**

The financial statements are presented in United States Dollars. They 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 below.

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. Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

The accounting policies have been consistently applied by the Petroleum Fund. The Petroleum Fund has adopted the IFRS that were effective at balance date.

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

The principal accounting policies are set out below.

#### **(a) Financial assets and liabilities**

##### *(i) Classification*

The Fund's investments are categorised as at fair value through profit or loss which is comprised of:

· *Financial instruments designated at fair value through profit or loss upon 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 upon initial recognition.

The manner in which the Petroleum Fund is managed is set out in Annex 1 to the Management Agreement between the Banco Central de Timor-Leste 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 measured and reported in accordance with documented risk management and investment strategies, has accordingly been designated at fair value through profit or loss for accounting purposes.

##### *Loans and receivables*

Financial assets that are classified as receivables include 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 receivables.

##### *Other financial liabilities*

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.

##### *(ii) Recognition*

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

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 recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

### **3. Significant accounting policies (continued)**

#### *(iii) Initial Measurement*

##### *Financial Assets and Liabilities*

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 recognised 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 recognised in profit or loss.

##### *Loans and receivables and other financial liabilities*

Loans and receivables and financial liabilities (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.

#### *(iv) Impairment of financial assets*

The 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 an 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 reorganisation 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 recognised 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 realised or has been transferred to the 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 recognised, the previously recognised 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 recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### *(v) Fair value measurement*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial instruments is based on their quoted market prices at the balance sheet 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 and expense, are recognised in the profit and loss as part of net gain from financial assets or liabilities at fair value through profit or loss.

#### *(vi) Derecognition*

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

- The rights to receive cash flows from the asset have expired

Or

- The 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 Fund has transferred substantially all the risks and rewards of the asset; or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

### **3. Significant accounting policies (continued)**

When the 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 recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

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

#### *(vii) Offsetting*

The Petroleum Fund offsets financial assets and financial liabilities if the Petroleum Fund has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise 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.

#### *(viii) Specific instruments*

##### *Cash and cash equivalents*

Cash comprises current deposits with banks. 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.

##### *Reverse repurchase transactions*

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 amortised cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognised as interest income or interest expense over the life of each agreement using the effective interest method.

#### *(ix) Encumbrances on the assets of the Petroleum Fund*

In accordance with Article 20 of the amended 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.

### **(b) Foreign currency translation**

#### *(i) Functional and presentation currency*

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

#### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency 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 balance sheet 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 recognised 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)*'.

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2012**

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### **3. Significant accounting policies (continued)**

#### **(c) 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 recognises these and other transactions as follows:

- Payments made as Petroleum Fund receipts in accordance with Article 6.1(a) are recognised 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 recognised 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 recognised 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 paragraphs (a) to (d) are recognised 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 recognised in the statement of profit or loss and other comprehensive income.
- Refunds of taxation made pursuant to Article 10 are recognised as reductions in the statement of changes in capital of the Petroleum Fund.

#### **(d) Transfers to the Consolidated Fund**

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

#### **(e) Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount. It is recognised in the statement of profit or loss and other comprehensive income.

#### **(f) Dividend income**

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

#### **(g) Net gain or loss on financial assets and liabilities at fair value through profit and 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.

#### **(h) 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 recognised in the sale or purchase price, are met by the Banco Central de Timor-Leste (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 recognised as a deduction from the gross receipts of the Petroleum Fund, although it is accounted in the statement of profit or loss and other comprehensive income of the Petroleum Fund. Management and performance fees payable to external fund managers are met from the management fee payable to the BCTL.

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.

#### **(i) Taxation**

The Petroleum Fund is exempt from paying taxes on income, withholding or capital gains under the current system of taxation in the Democratic Republic of Timor-Leste.

Income of the Petroleum Fund earned in foreign jurisdictions is subject to the (withholding) taxes levied in those jurisdictions. Income or gains are 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. For the purpose of the Statement of Cashflows. Cash inflows from investments are presented net of withholding taxes, when applicable.

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
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#### 4. Critical accounting estimates and judgments

Management of the Petroleum Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates use observable data to the extent practicable. However, areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

##### Judgements

In the process of applying the Fund's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

##### (i) Capital

Judgments have been made as to whether certain transactions should be recognised as capital or revenue. The basis for these judgments is outlined in Note 3(c).

##### Estimates and assumptions

The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

##### (ii) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign withholding tax. 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 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 Fund assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

#### 5. Interest income

	<i>Year ended</i> <b>31/12/2012</b>	<i>Year ended</i> <b>31/12/2011</b>
	<b>USD</b>	<b>USD</b>
Interest from debt securities at fair value through profit or loss	166,999,061	236,191,435
Interest from cash and cash equivalents	<u>152,056</u>	<u>63,650</u>
	<b><u>167,151,117</u></b>	<b><u>236,255,085</u></b>

#### 6. Other Receivables

	<i>As at</i> <b>31/12/2012</b>	<i>As at</i> <b>31/12/2011</b>
	<b>USD</b>	<b>USD</b>
Dividends receivable	3,257,223	508,220
Withholding tax receivables	1,472,956	366,538
Trust distributions receivables	405,870	29,997
Due from brokers receivables	1,341,235	-
Interest receivables	<u>416</u>	<u>1,313,609</u>
	<b><u>6,477,700</u></b>	<b><u>2,218,364</u></b>

**Petroleum Fund of Timor-Leste**  
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## 7. Capital receipts and payments of the Petroleum Fund

During the year ended 31 December 2012 the sum of US\$ 1,494,900,000 (31 December 2011 - US\$ 1,055,000,000) was approved for appropriation by Parliament from the Petroleum Fund. A sum of US\$ 1,494,900,000 (31 December 2011 - US\$1,055,000,000) was transferred from the Petroleum Fund to the State Budget account during the year.

During the year ended 31 December 2012 a total of US\$ 1,612,518,978 (31 December 2011 - US\$ 1,332,902,231) was received in Article 6.1(a) receipts. A total of US\$ 1,937,724,527 (31 December 2011 - US\$ 1,900,759,459) was received in Article 6.1(b) receipts. A total of US\$ 8,877,025 (31 December 2011 - US\$7,978,400) was received in Article 6.1(e) receipts.

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

<i>Year ended 31/12/2012</i>						
<i>USD</i>						
<b>Month</b>	<b>Article 6.1(a) receipts</b>	<b>Article 6.1(b) receipts</b>	<b>Article 6.1(e) Other receipts</b>	<b>To Consolidated Fund</b>	<b>Refunds of taxation</b>	<b>TOTAL</b>
January	93,160,865	180,138,301	-	-	-	273,299,166
February	96,038,096	179,140,095	-	-	-	275,178,191
March	121,456,927	174,233,819	-	-	-	295,690,746
April	104,088,156	157,322,078	8,634,400	(263,000,000)	-	7,044,634
May	102,685,660	213,522,442	-	(153,000,000)	-	163,208,102
June	111,075,669	153,706,594	-	(103,000,000)	-	161,782,263
July	83,251,701	26,899,973	242,625	(163,000,000)	-	(52,605,701)
August	118,135,734	97,141,613	-	(113,000,000)	-	102,277,347
September	128,026,264	175,771,530	-	(113,000,000)	-	190,797,794
October	205,514,637	209,082,084	-	(203,000,000)	-	211,596,721
November	145,793,386	189,139,327	-	(153,000,000)	-	181,932,713
December	303,291,883	181,626,671	-	(230,900,000)	-	254,018,554
<b>Totals</b>	<b><u>1,612,518,978</u></b>	<b><u>1,937,724,527</u></b>	<b><u>8,877,025</u></b>	<b><u>(1,494,900,000)</u></b>	<b><u>-</u></b>	<b><u>2,064,220,530</u></b>
<b>Total Article 6.1</b>			<b><u>3,559,120,530</u></b>			



**Petroleum Fund of Timor-Leste**  
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## 7. Capital receipts and payments of the Petroleum Fund (continued)

*Year ended 31/12/2011*

*USD*

<b>Month</b>	<b>Article 6.1(a) receipts</b>	<b>Article 6.1(b) receipts</b>	<b>Article 6.1(e) Other receipts</b>	<b>To Consolidated Fund</b>	<b>Refunds of taxation</b>	<b>TOTAL</b>
January	85,373,762	152,744,500	7,978,400	-	-	246,096,662
February	84,643,256	148,291,198	-	-	-	232,934,454
March	193,148,566	147,049,109	-	-	-	340,197,675
April	84,050,507	125,220,869	-	(300,000,000)	-	(90,728,624)
May	99,944,176	173,597,584	-	-	-	273,541,760
June	120,120,217	151,127,199	-	-	-	271,247,416
July	94,763,334	139,083,903	-	-	-	233,847,237
August	109,383,905	164,677,083	-	(125,000,000)	-	149,060,988
September	119,032,936	178,903,749	-	(125,000,000)	-	172,936,685
October	99,699,516	203,713,576	-	(125,000,000)	-	178,413,092
November	122,092,454	146,887,986	-	(150,000,000)	-	118,980,440
December	120,646,803	169,462,703	-	(230,000,000)	(1,536,566)	58,572,940
<b>Totals</b>	<b><u>1,332,899,432</u></b>	<b><u>1,900,759,459</u></b>	<b><u>7,978,400</u></b>	<b><u>(1,055,000,000)</u></b>	<b><u>(1,536,566)</u></b>	<b><u>2,185,100,725</u></b>
<b>Total Article 6.1</b>			<b><u>3,241,637,291</u></b>			

## 8. Cash and cash equivalents

The Petroleum Fund invests surplus cash in overnight markets with banks or through reverse repurchase agreements. For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with original maturity of less than 90 days:

	<i>As at 31/12/2012</i>	<i>As at 31/12/2011</i>
	<i>USD</i>	<i>USD</i>
Cash at bank	25,784,289	24,627,157
Overnight reverse repurchase agreements	<u>35,100,000</u>	<u>-</u>
	<b><u>60,884,289</u></b>	<b><u>24,627,157</u></b>

The cash at bank includes the balance at the Federal Reserve Bank of New York, in the earmarked receipts account held by the BCTL in accordance with Article 5.2 of the Petroleum Fund Law.

## 9. Financial assets valued through profit or loss

Transactions in financial assets, which arise either from the investment of new funds or the periodic rebalancing of the investment portfolio, are summarised as follows:

	<i>As at 31/12/2012</i>	<i>As at 31/12/2011</i>
	<i>USD</i>	<i>USD</i>
<b>Financial assets at fair value through profit or loss</b>		
<b>Opening fair value</b>	<b>9,285,303,671</b>	<b>6,896,037,830</b>
Purchases at cost	16,082,784,005	8,832,419,705
Proceeds from sales	(13,825,534,764)	(6,432,265,322)
Net gains/(losses) on financial assets at fair value through profit and loss	184,526,790	(17,177,091)
Net gains/(losses) through interest income	<u>(15,934,949)</u>	<u>6,288,549</u>
<b>Closing fair value</b>	<b><u>11,711,144,753</u></b>	<b><u>9,285,303,671</u></b>

There were no impairment losses at balance date. The carrying amount of these assets approximates their fair value.

**Petroleum Fund of Timor-Leste**  
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## 9. Financial assets valued through profit or loss (continued)

A summary of securities is as follows:

	<i>As at 31/12/2012</i>		<i>As at 31/12/2011</i>	
	<i>USD</i>		<i>USD</i>	
<b>Designated as at fair value through profit or loss</b>	<b>Fair Value</b>	<b>% of net assets</b>	<b>Fair Value</b>	<b>% of net assets</b>
<b>Fixed interest securities</b>				
United States treasury notes	8,676,319,344	74	8,930,733,463	96
<b>Total fixed interest securities</b>	<b>8,676,319,344</b>	<b>74</b>	<b>8,930,733,463</b>	<b>96</b>
<b>Equity securities</b>				
United States equities	1,596,913,717	14	183,170,503	2
Japanese equities	260,955,141	2	32,628,226	-
United Kingdom equities	305,523,070	3	45,182,679	1
European equities	365,854,309	3	37,249,291	-
Equities from other countries	505,481,691	4	55,989,619	1
<b>Total equity securities</b>	<b>3,034,727,928</b>	<b>26</b>	<b>354,220,318</b>	<b>4</b>
<b>Held for trading</b>				
<b>Derivatives</b>				
United States equity futures	-	-	349,890	-
Foreign currency forwards	97,481	-	-	-
	<b>97,481</b>	<b>-</b>	<b>349,890</b>	<b>-</b>
<b>Total securities</b>	<b>11,711,144,753</b>		<b>9,285,303,671</b>	

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 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 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).
- Level 3 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).

	<i>As at 31/12/2012</i>			
	<i>USD</i>			
<b>Financial assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial Instruments designated at fair value through profit or loss				
Derivatives	97,481	-	-	97,481
Equity securities	3,034,727,928	-	-	3,034,727,928
Fixed interest securities	8,676,319,344	-	-	8,676,319,344
<b>Total</b>	<b>11,711,144,753</b>	<b>-</b>	<b>-</b>	<b>11,711,144,753</b>

	<i>As at 31/12/2011</i>			
	<i>USD</i>			
<b>Financial assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial Instruments designated at fair value through profit or loss				
Derivatives	349,890	-	-	349,890
Equity securities	354,220,318	-	-	354,220,318
Fixed interest securities	8,930,733,463	-	-	8,930,733,463
<b>Total</b>	<b>9,285,303,671</b>	<b>-</b>	<b>-</b>	<b>9,285,303,671</b>

There were no transfers between levels for the year ended 31 December 2012.

There were no movements in level 3 instruments for the year ended 31 December 2012.

A detailed schedule of financial assets at fair value through profit or loss is at Note 17.

## **10. Derivative contracts**

Typically, derivative contracts serve as components of the Fund's investment strategy and are utilised primarily to structure and hedge investments, to enhance performance and reduce risk to the Fund (the Fund does not designate any derivative as a hedging instrument for hedge accounting purposes). The derivative contracts that the Fund holds include: futures and forward currency contracts.

The Fund primarily 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 Fund. Over the counter ("OTC") derivatives may expose the Fund to the risks associated with the absence of an exchange market on which to close out an open position. The investment manager is instructed to closely monitor the Fund's exposure under derivative contracts as part of the overall management of the Fund's market risk (see also Note 12).

During the year ended 31 December 2012, the Fund had positions in the following types of derivatives:

### **Forwards and futures**

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 customised contracts transacted in the OTC market. Futures contracts are transacted in standardised 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 Fund has credit exposure to the counterparties of forward contracts. The credit risk related to future 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 future contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

## **11. Income tax expense**

As the Fund is exempt from all forms of taxation in Timor-Leste, the 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 and unit trust income received according to the applicable laws. Relief from withholding tax is available on application in some of these jurisdictions. The current average applicable withholding tax rate on dividend and unit trust income is 4.82% (2011: 6.80%) in such jurisdictions. The withholding tax attributable to the Fund in 2012 is \$2,726,464 (2011: \$661,544).

## **12. Financial risk and management objectives and policies**

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

The Petroleum Fund is also exposed to a range of operational risks that may temporarily or permanently impair the ability of the Fund's managers to hold or transfer securities.

The Petroleum Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's performance.

The management of these risks is carried out by the Investment Advisory Board and the Banco Central de Timor-Leste. The Investment Advisory Board develops investment mandates and benchmarks that reflect the Board's understanding of the financial risk tolerance of the Fund's stakeholders and the capacity of the Fund's day-to-day management to implement, and which are in accordance with the Board's published Statement of Investment Beliefs. The mandates and benchmarks are approved by the Minister of Finance prior to implementation. The Central Bank has policies and procedures for managing and monitoring financial and operational risks for its own operations, external managers, global custodian, and the Petroleum Fund's other key service providers.

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

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 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. The individual investment mandates set by the Investment Advisory Board include rules for the use of derivatives within these legal requirements.

### **Investment strategy**

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 investment strategy of the Petroleum Fund is determined by the Minister of Finance based on advice and recommendations from the Investment Advisory Board.

At the Investment Advisory Board meeting held on 28 June 2012 the decision was made by the Board to expand the public equity exposure by 0.83% a month over a period of two years to 30 June 2014 to achieve 40% equity exposure.

The Petroleum Fund 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.

### **(a) Operational risk**

Operational risk is the risk of loss in both financial and non-financial terms resulting from human error and the failure of internal processes and systems.

The Banco Central de Timor-Leste, as the operational manager of the Petroleum Fund, manages the operational risks associated with the operations of the Petroleum Fund. Operational risk management includes policies that describe the standard of conduct required of staff, and specific internal control systems designed around the particular characteristics of the Petroleum Fund. Operational risk management is built into the policies and procedures of the Petroleum Fund Management Department, including periodically identifying and monitoring operational risks at the Banco Central de Timor-Leste, the external managers, the global custodian and other key service providers.

Compliance with policies and departmental internal control systems is managed by an internal audit function, and there is specific provision in the daily management reports prepared by the Risk Management Division for the reporting of all issues that arise in connection with operational matters. The purpose of this section of the reports is to notify senior management promptly of unexpected operational issues, and provide senior management with the opportunity to provide advice or take remedial action.

J.P. Morgan was appointed custodian of the Petroleum Fund in June 2008. As part of the custodial agreement their responsibilities include holding the Petroleum Fund's assets. The Fund relies on the due diligence of the custodian upon appointment. Ongoing operational risks arising from this arrangement are managed through regular monitoring of the custodian against key service level standards including receiving internal audit control reports and existence reports over the assets held.

Specific due diligence on operational risk is also undertaken as part of the external manager appointment process, and audited internal control reports are obtained from external managers that evidence the ongoing effectiveness of their internal control systems.

## **12. Financial risk and management objectives and policies (continued)**

### **(b) Credit risk**

Credit risk is the risk of loss arising from counterparty to a financial contract failing to discharge its obligations.

#### **(i) Credit risk management**

As described under Note 12, "Investment Strategy", the framework for managing credit risk is provided for in Articles 14 and 15 of the Petroleum Fund Law, which state that:

1. Not less than 50% of the Petroleum Fund shall be invested in eligible investments in the form of deposits or debt instruments that bear interest, namely fixed and variable rate obligations and bonds, or other fixed income assets, equivalent to interests, and provided that:
  - (a) Debt instruments are determined to have a quality at least equal to their investment grade; or
  - (b) Deposits are held with financial institutions with a rating corresponding to at least their investment grade.
2. Not more than 50% of the Petroleum Fund shall be invested in eligible investments in the form of variable income titles, namely listed equities, provided that:
  - (a) The variable income applications are traded in a regulated financial market; and
  - (b) No holding shall exceed 5% of the issued capital of the issuing company.
3. No more than 5% of the amounts in the Petroleum Fund may be invested in other eligible investments, provided that:
  - (a) The Minister has included the asset class to which the eligible investments belong in the proposed asset allocation presented to Parliament; and
  - (b) The rules and criteria for selecting, managing and valuing individual financial instruments within the asset class have been approved by the Minister and published.

The mandate in the Operational Management Agreement prescribes that the performance of the Petroleum Fund shall be measured against a benchmark index, 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. 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**

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

	<i>As at</i> <b>31/12/2012</b>	<i>As at</i> <b>31/12/2011</b>
	<b>USD</b>	<b>USD</b>
<b>Fixed interest securities and money market securities</b>		
<b>Sovereign issuers:</b>		
United States Government	<u>8,676,319,344</u>	<u>8,930,733,463</u>
	<b><u>8,676,319,344</u></b>	<b><u>8,930,733,463</u></b>

#### **(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. 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> <b>31/12/2012</b>	<i>As at</i> <b>31/12/2011</b>
	<b>USD</b>	<b>USD</b>
<b>International fixed interest securities and money market securities</b>		
AA+	<u>8,676,319,344</u>	<u>8,930,733,463</u>
<b>Total</b>	<b><u>8,676,319,344</u></b>	<b><u>8,930,733,463</u></b>

## **12. Financial risk and management objectives and policies (continued)**

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

The assets of the Petroleum Fund exposed to the United States Government amounted to 74% (2011: 96%) 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) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Petroleum Fund manages its investment portfolio to a benchmark with the risk limit defined by a maximum tracking error.

#### ***(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 Fund's investments in equity securities and from equity-linked derivatives. The 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 Fund's 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 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.

#### **Summarised sensitivity analysis**

The following table summarises the sensitivity of the 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 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.

	<b>Price risk</b>	
	<b>Impact on operating profit / Net assets</b>	
	<b>(As at 31/12/2012: -10.00%)</b>	<b>(As at 31/12/2012: +10.00%)</b>
	<b>(As at 31/12/2011: -10.00%)</b>	<b>(As at 31/12/2011: +10.00%)</b>
<b>31 December 2012</b>	(303,482,541)	303,482,541
31 December 2011	(35,457,021)	35,457,021

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## 12. Financial risk and management objectives and policies (continued)

### (c) Market risk (continued)

#### (ii) Interest rate risk

Interest rate risk is the risk that an investment's value 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 Petroleum Fund manages this risk by investing according to well-defined industry benchmarks with specified duration target and tracking error limit. The assets and liabilities of the Petroleum Fund will re-price within the following periods:

*As at 31/12/2012*

*USD*

<b>FINANCIAL ASSETS</b>	<b>Statement of financial position</b>	<b>Non-interest sensitive</b>	<b>6 months or less</b>	<b>6 to 12 months</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>5 to 10 years</b>
Cash and cash equivalents	60,884,289	-	60,884,289	-	-	-	-
Other receivables	6,477,700	6,477,700	-	-	-	-	-
Financial assets at fair value through profit or loss	11,711,144,753	3,034,825,409	-	-	1,058,345,114	5,533,535,917	2,084,438,313
<b>Total assets</b>	<b>11,778,506,742</b>	<b>3,041,303,109</b>	<b>60,884,289</b>	<b>-</b>	<b>1,058,345,114</b>	<b>5,533,535,917</b>	<b>2,084,438,313</b>

**Weighted average interest rate**

0.15 %      - %      2.08%      1.39%      2.72%

*As at 31/12/2011*

*USD*

<b>FINANCIAL ASSETS</b>	<b>Statement of financial position</b>	<b>Non-interest sensitive</b>	<b>6 months or less</b>	<b>6 to 12 months</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>5 to 10 years</b>
Cash and cash equivalents	24,627,157	-	24,627,157	-	-	-	-
Other receivables	2,218,364	2,218,364	-	-	-	-	-
Financial assets at fair value through profit or loss	9,285,303,671	354,570,208	1,004,294,663	878,039,511	3,166,231,852	2,624,481,746	1,257,685,691
<b>Total assets</b>	<b>9,312,149,192</b>	<b>356,788,572</b>	<b>1,028,921,820</b>	<b>878,039,511</b>	<b>3,166,231,852</b>	<b>2,624,481,746</b>	<b>1,257,685,691</b>

**Weighted average interest rate**

4.50%      3.88%      3.60%      1.88%      3.42%

#### Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders 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 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.

#### Interest rate risk

##### Impact on operating profit / Net assets

	(As at 31/12/2012: -1.00%)	(As at 31/12/2012: +1.00%)
<b>31 December 2012</b>	384,848,370	(384,848,370)
31 December 2011	268,363,000	(268,363,000)

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2012**

## 12. Financial risk and management objectives and policies (continued)

### (c) Market risk (continued)

#### Summarised sensitivity analysis (continued)

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

#### (iii) Currency risk

Currency risk is the risk of losses arising from changes in foreign exchange rates.

The assets of the Petroleum Fund in United States Dollar equivalents are set out in the following table:

*As at 31/12/2012*

	USD	EUR	AUD	GBP	JPY	Other Currencies	Total
Cash and cash equivalents	51,798,633	1,188,297	999,083	2,077,287	1,868,318	2,952,671	60,884,289
Equity securities	1,597,055,893	365,700,839	114,973,957	305,523,070	260,955,141	390,519,028	3,034,727,928
Interest bearing securities	8,676,319,344	-	-	-	-	-	8,676,319,344
Receivables	1,923,694	994,919	338,187	2,165,112	341,917	713,871	6,477,700
Payables	(2,726,118)	-	-	(19,309)	-	(412,726)	(3,158,153)
<b>Total physical exposure</b>	<b>10,324,371,446</b>	<b>367,884,055</b>	<b>116,311,227</b>	<b>309,746,160</b>	<b>263,165,376</b>	<b>393,772,844</b>	<b>11,775,251,108</b>
Forward exchange contracts							
- buy foreign currency	4,307,942	-	-	-	-	340,772	4,648,714
- sell foreign currency	(340,751)	-	-	(1,321,927)	(2,888,555)	-	(4,551,233)
Index futures	-	-	-	-	-	-	-
<b>Total derivative exposure</b>	<b>3,967,191</b>	<b>-</b>	<b>-</b>	<b>(1,321,927)</b>	<b>(2,888,555)</b>	<b>340,772</b>	<b>97,481</b>
<b>Total net exposure</b>	<b>10,328,338,637</b>	<b>367,884,055</b>	<b>116,311,227</b>	<b>308,424,233</b>	<b>260,276,821</b>	<b>394,113,616</b>	<b>11,775,348,589</b>

*As at 31/12/2011*

	USD	EUR	AUD	GBP	JPY	Other Currencies	Total
Cash and cash equivalents	23,531,754	123,595	75,414	252,239	253,748	390,407	24,627,157
Equity securities	183,170,503	37,249,291	10,694,237	45,182,679	32,628,226	45,295,382	354,220,318
Interest bearing securities	8,930,733,463	-	-	-	-	-	8,930,733,463
Receivables	1,581,977	84,066	202,134	167,937	56,903	125,347	2,218,364
Payables	(1,827,993)	-	-	-	-	-	(1,827,993)
<b>Total physical exposure</b>	<b>9,137,189,704</b>	<b>37,456,952</b>	<b>10,971,785</b>	<b>45,602,855</b>	<b>32,938,877</b>	<b>45,811,136</b>	<b>9,309,971,309</b>
Forward exchange contracts	-	-	-	-	-	-	-
Index futures							
- buy	(13,054,535)	-	-	-	-	-	(13,054,535)
- sell	13,404,425	-	-	-	-	-	13,404,425
<b>Total derivative exposure</b>	<b>349,890</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>349,890</b>
<b>Total net exposure</b>	<b>9,137,539,594</b>	<b>37,456,952</b>	<b>10,971,785</b>	<b>45,602,855</b>	<b>32,938,877</b>	<b>45,811,136</b>	<b>9,310,321,199</b>



**Petroleum Fund of Timor-Leste**  
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## 12. Financial risk and management objectives and policies (continued)

### (c) Market risk (continued)

#### (iii) Currency risk (continued)

##### Summarised sensitivity analysis

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.

	<i>As at 31/12/2012</i>	<i>As at 31/12/2011</i>
	<i>USD</i>	<i>USD</i>
EUR impact	(36,788,405)	(3,745,695)
AUD impact	(11,631,123)	(1,097,179)
GBP impact	(30,842,423)	(4,560,286)
JPY impact	(26,027,682)	(3,293,888)
Other currencies impact	<u>(39,411,362)</u>	<u>(4,581,114)</u>
Total currency impact	<u><u>(144,700,995)</u></u>	<u><u>(17,278,161)</u></u>

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.

### (d) Liquidity risk

Liquidity risk is the risk that the Petroleum Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity may result from an inability to sell a financial asset quickly at close to its fair value. The Fund invests primarily in marketable securities and other financial instruments which, under normal market conditions are readily convertible to cash. In addition, the Fund may also be impacted by cash calls on derivatives, depending on the terms of its trade.

### (e) Capital risk

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 Fund's capital structure consists solely of paid in capital derived from petroleum receipts and other sources as described in Note 3(c). Each year the Government calculates Estimated Sustainable Income (ESI) which is defined in the Petroleum Fund Law 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.

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.

## 13. Reconciliation of net cash flows from operating activities with profit for the year

	<i>Year ended</i>	<i>Year ended</i>
	<i>31/12/2012</i>	<i>31/12/2011</i>
	<i>USD</i>	<i>USD</i>
<b>Profit for the year</b>	<b>400,806,860</b>	<b>221,234,179</b>
Increase in financial assets at fair value through profit or loss	(2,425,841,082)	(2,389,265,840)
Increase in receivables	(4,743,761)	(1,678,179)
Increase in accounts payable	1,519,000	828,000
(Decrease)/increase in payables for securities purchased	<u>(188,840)</u>	<u>999,993</u>
<b>Net cash flow from operating activities</b>	<u><b>(2,028,447,823)</b></u>	<u><b>(2,167,881,847)</b></u>

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**for the year ended 31 December 2012**

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## **14. Personnel**

The Fund did not employ any personnel during the year (2011: the same).

## **15. Contingent assets, contingent liabilities and commitments**

There are no contingent assets, contingent liabilities or commitments as at 31 December 2012.

## **16. 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, 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 3(c). The Government, though 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 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</i> <i>31/12/2012</i>	<i>Year ended</i> <i>31/12/2011</i>
	<i>USD</i>	<i>USD</i>
Custody and external management services	4,971,040	3,838,452
IAB expenses	48,232	35,345
BCTL operating expenses	<u>1,931,815</u>	<u>2,429,127</u>
<b>Total</b>	<u>6,951,087</u>	<u>6,302,924</u>

BCTL is entitled to receive a management fee for its respective services in terms of the agreement dated 12 December 2012. These fees amount to an aggregate of 0.06% per annum of the net assets of the Fund. Management fees are payable monthly in arrears. Total management fees for the year amounted to \$6,951,087 (2011: \$6,302,924).

The management fees payable as at 31 December 2012 are \$2,347,000 (31 December 2011: \$828,000).

### **The Autoridade Nacional do Petroleo (ANP)**

The ANP 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 3(c).

**Petroleum Fund of Timor-Leste**  
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**Note 17 Schedule of financial assets valued through profit or loss**

**(a) Fixed interest securities**

<b>Security</b>	<b>Unit holding</b>	<b>Fair Value (USD)</b>
US Treasury 0.25% 15Sep15	19,450,000	19,421,682
US Treasury 0.75% 31Oct 17	573,900,000	576,520,158
US Treasury 0.87% 30Apr17	1,267,600,000	1,285,048,031
US Treasury 1.00% 30Jun19	30,000,000	29,911,745
US Treasury 1.00% 31Oct16	1,235,700,000	1,261,371,306
US Treasury 1.12% 31May19	20,000,000	20,146,340
US Treasury 1.25% 30Apr19	40,000,000	40,688,755
US Treasury 1.25% 31Jan19	50,000,000	51,167,799
US Treasury 1.25% 31Oct15	194,200,000	199,546,692
US Treasury 1.37% 28Feb19	35,000,000	36,030,329
US Treasury 1.37% 30Nov18	45,000,000	46,249,686
US Treasury 1.37% 30Sep18	60,000,000	61,888,923
US Treasury 1.37% 31Dec18	19,000,000	19,495,014
US Treasury 1.50% 31Mar19	10,000,000	10,352,384
US Treasury 1.75% 15May22	70,000,000	70,766,087
US Treasury 1.75% 31Oct18	15,000,000	15,776,209
US Treasury 1.87% 30Apr14	602,100,000	617,227,959
US Treasury 1.87% 30Sep17	80,000,000	84,858,282
US Treasury 1.87% 31Aug17	15,000,000	15,938,143
US Treasury 1.87% 31Oct17	49,000,000	51,917,427
US Treasury 2.00% 15Feb22	115,000,000	119,794,965
US Treasury 2.00% 15Nov21	22,000,000	22,890,729
US Treasury 2.00% 30Apr16	1,545,000,000	1,630,800,670
US Treasury 2.12% 15Aug21	41,000,000	43,430,336
US Treasury 2.37% 30Jun18	20,000,000	21,676,291
US Treasury 2.37% 31May18	20,000,000	21,710,518
US Treasury 2.37% 31Oct14	423,100,000	441,117,155
US Treasury 2.50% 30Apr15	331,300,000	349,594,309
US Treasury 2.50% 30Jun17	19,000,000	20,585,112
US Treasury 2.62% 15Aug20	157,000,000	173,962,293
US Treasury 2.62% 15Nov20	72,000,000	79,265,387
US Treasury 2.62% 31Jan18	10,000,000	11,053,601
US Treasury 2.75% 15Feb19	40,000,000	44,706,129
US Treasury 2.75% 31Dec17	15,000,000	16,505,801
US Treasury 2.87% 31Mar18	10,000,000	11,159,395
US Treasury 3.12% 15May19	92,000,000	104,563,273
US Treasury 3.12% 15May21	36,000,000	40,969,488
US Treasury 3.37% 15Nov19	82,000,000	94,640,128
US Treasury 3.50% 15Feb18	18,000,000	20,734,058
US Treasury 3.50% 15May20	83,000,000	96,741,497
US Treasury 3.62% 15Aug19	64,000,000	75,401,296
US Treasury 3.62% 15Feb20	50,000,000	59,106,513
US Treasury 3.62% 15Feb21	175,000,000	207,816,045
US Treasury 3.75% 15Nov18	75,000,000	87,699,134
US Treasury 3.87% 15May18	29,000,000	33,847,062
US Treasury 4.00% 15Aug18	122,000,000	145,193,261
US Treasury 4.25% 15Nov17	22,000,000	25,882,031
US Treasury 4.75% 15Aug17	10,000,000	12,052,076
US Treasury 8.00% 15Nov21	3,000,000	4,663,583
US Treasury 1.625% 15Aug22	85,000,000	84,963,952
US Treasury 1.62% 15Nov22	60,000,000	59,470,308
<b>Total fixed interest securities</b>		<b>\$8,676,319,344</b>

**Petroleum Fund of Timor-Leste**  
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**Note 17 Schedule of financial assets valued through profit or loss**

**(b) Equity securities**

Security	Unit holding	Fair Value (USD)	Security	Unit holding	Fair Value (USD)
<b>Australia</b>			National Aust Bank	238,842	6,196,664
Adelaide Brighton	36,028	116,327	Navitas Ltd	54,945	268,106
AGL Energy Ltd	55,633	887,166	Newcrest Mining	73,982	1,703,604
ALS Ltd	84,102	936,887	NRW Hldings Ltd	45,079	87,752
Alumina Ltd	203,838	190,462	Orica Ltd	37,316	970,861
Amcor Ltd	117,189	981,842	Origin Energy Ltd	96,919	1,169,220
AMP Limited	398,474	1,989,876	Oz Minerals Ltd	54,943	382,180
ANZ Banking Group	333,014	8,643,378	Panoramic Resources	44,016	21,935
APA Group	73,276	419,174	Platinum Asset Mgt	22,681	93,483
Asciano Ltd	110,023	532,293	Qantas Airways Ltd	98,993	153,134
Aurizon Holdings Ltd	180,728	699,867	QBE Insurance Group	104,921	1,185,147
Ausdrill Limited	43,903	127,624	Ramsay Health Care	12,705	358,249
Aust Stock Exchange	15,646	506,803	RCR Tomlinson Ltd	38,171	72,918
Aust Worldwide Expl	97,643	123,168	Resolute Mining Ltd	53,253	90,118
Bendigo Bank	46,647	411,646	Rio Tinto Limited	41,998	2,877,753
BHP Billiton Ltd	401,263	15,455,535	Santos	84,983	975,817
Boral Ltd	62,919	284,153	Seek Ltd	24,185	175,762
Bradken Ltd	18,729	106,556	Seven West Media	71,174	121,184
Brambles Ltd	138,118	1,076,890	Shopping Centres	9,165	14,273
Breville Group Ltd	18,004	124,300	Sims Metal Managemen	13,021	124,369
Cabcharge Aust Ltd	17,688	79,698	Skilled Group Ltd	39,389	105,506
Caltex Australia	11,187	222,879	SMS Mgt And Tech	3,647	17,531
Cardno Ltd	29,067	210,336	Sonic Healthcare Ltd	34,054	471,280
Carsales.Com.Au Ltd	29,567	225,312	SP Ausnet	159,460	180,451
Centro Retail Austr	131,003	308,737	St Barbara Ltd	107,425	161,159
CFS Retail Property	273,152	543,068	Stockland	290,739	1,065,514
Coca-Cola Amatil Ltd	99,277	1,385,252	Suncorp Group Ltd	127,330	1,344,413
Cochlear	6,385	524,015	Super Retail Group	32,344	332,437
Codan Limited	32,740	81,578	Sydney Airport	28,762	100,929
Commonwealth Bank	178,965	11,553,135	Tabcorp Hldgs Ltd	72,449	228,658
Computershare Ltd	40,449	375,848	Tatts Group Ltd	208,186	650,578
Credit Corp Group	9,378	78,864	Telstra Corp	678,751	3,072,402
Crown Ltd	47,167	521,028	The Reject Shop Ltd	8,545	132,362
CSL Limited	48,181	2,693,659	Toll Holdings Ltd	58,925	277,739
CSR Limited	64,067	130,036	TPG Telecom Ltd	89,909	240,826
Decimil Grp Ltd.	25,595	66,963	Transurban Group	120,759	763,515
Dexus Property Grp	405,209	424,895	Treasury Wine Estate	57,378	278,787
Echo Entertainment G	64,027	226,672	Troy Resources Ltd	16,917	63,579
Fleetwood Corp Ltd	13,267	134,846	Wesfarmers Limited	94,781	3,625,116
Flight Centre Ltd	18,168	509,274	Westfield Group	196,449	2,151,708
Forge Group Ltd.	15,443	78,561	Westfield Retail Tru	283,151	887,781
Fortescue Metals Ltd	129,856	624,200	Westpac Banking Corp	346,009	9,350,667
Goodman Group	170,562	764,975	Whitehaven Coal Ltd	38,141	138,593
GPT Group	129,190	492,239	Woodside Petroleum	63,144	2,221,041
Grange Resources Ltd	295,750	107,467	Woolworths Limited	162,217	4,937,889
GUD Hldgs Ltd	11,533	103,571	Worleyparsons Ltd	30,552	740,958
Harvey Norman Hldgs	40,518	79,715	Wotif.Com Holdings	43,247	236,618
Iinet Limited	16,436	78,152			<b>\$114,973,957</b>
Iluka Resources Ltd	76,305	714,563	<b>Canada</b>		
Incitec Pivot Ltd	260,257	870,040	Agnico Eagle Mines	17,200	898,609
Insurance Australia	184,177	894,875	Agrium Inc	25,600	2,548,946
Iress Ltd	22,427	191,392	Alacer Gold Corp	29,500	153,470
James Hardie Industr	39,000	369,267	Alamos Gold Inc	6,000	104,911
JB Hi-Fi Ltd	13,773	147,853	Alimentation Couche	11,500	563,047
Kingsgate Consol Ltd	35,093	160,308	Allied Properties Re	8,000	264,739
Leighton Holdings	33,972	629,917	Arc Resources Ltd	26,700	651,881
Lend Lease	47,724	458,310	Athabasca Oil Corp	28,200	295,396
M2 Telecommunication	64,936	281,801	Aurizon Mines Ltd	20,200	69,180
Macmahon Holdings	123,617	28,876	Bank Of Montreal	71,500	4,366,695
Macquarie Group Ltd	40,019	1,472,451	Bank Of Nova Scotia	119,600	6,897,094
Mermaid Marine Aust	24,852	87,983	Barrick Gold Crp	107,000	3,730,012
Metcash Ltd	80,276	276,697	Baytex Energy Corp C	20,800	895,548
Mineral Resources	31,330	315,510	BCE Inc.	22,700	971,197
Mirvac Group	365,314	561,318	Bell Aliant Inc	6,200	163,889
Monadelphous Group	13,426	340,109	Bombardier Inc B	130,500	492,799
Mount Gibson Iron	131,366	113,199	Bonavista Energy Tru	16,000	237,341

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**Note 17 Schedule of financial assets valued through profit or loss**

Security	Unit holding	Fair Value (USD)	Security	Unit holding	Fair Value (USD)
Brookfield Asset Man	52,300	1,909,842	Petrominerals Ltd	19,100	163,819
Brookfield Prop Corp	43,900	744,233	Potash Co Of Saskatc	107,900	4,375,821
CAE Inds	21,900	221,486	Power Corp Canada	65,300	1,659,882
Calfrac Well Service	7,900	197,639	Power Financial Corp	41,900	1,144,603
Cameco Corporation	36,200	710,767	Research In Motion	70,600	835,260
Canadian Imp Bank	37,200	2,987,733	Riocan Real Estate	16,000	441,900
Canadian Natl Rail	53,400	4,844,457	Ritchie Bros. Auctio	7,800	162,001
Canadian Oil Sands T	85,100	1,723,026	Rogers Communication	36,400	1,650,193
Canadian Pacific Rai	16,400	1,660,919	Royal Bank Canada	156,000	9,373,794
Canadian Tire Corp	7,000	487,687	Saputo Inc	27,400	1,381,421
Canadian Utilities	6,600	475,529	Semafo Inc	39,300	134,197
Canyon Services Grou	8,900	100,915	Shaw Communication-B	38,500	881,978
Catamaran Corp Com	18,000	844,592	Sherritt Int Corp	31,500	180,642
CDN Natural Resource	106,700	3,068,016	Shoppers Drug Mart	20,700	887,916
Celestica Inc	15,600	126,436	Silver Wheaton Corp	31,400	1,128,345
Cenovus Energy Inc	73,400	2,454,040	Snc-Lavalin Group	15,600	631,395
Centerra Gold Inc	15,800	147,257	Sun Life Financial	58,200	1,539,609
CGI Grp Inc 'A'	19,700	453,870	Suncor Energy Inc	212,100	6,967,757
CI Financial Corp	14,000	349,684	Talisman Energy Inc	91,600	1,033,111
Cogeco Cable Inc	2,300	87,685	Teck Resources Ltd	74,000	2,679,223
Constellation Softwa	1,100	131,742	Telus Corporation-No	15,500	1,005,469
Crescent Point Energ	30,900	1,163,755	Thomson Reuters Corp	33,000	953,842
Dollarama Inc	6,200	367,069	Tim Hortons Inc	14,100	690,910
Dorel Industries	1,900	68,505	Toronto-Dominion Ban	92,200	7,745,843
Dundee Corporation	3,200	98,472	Tourmaline Oil Corp	11,300	353,288
Eldorado Gold Corp	68,500	878,523	Transalta Corp	21,500	325,836
Empire Co Class A	2,400	141,609	Transcanada Corp	66,700	3,146,431
Enbridge Inc	72,200	3,118,010	Transglobe Energy Co	19,400	181,394
Encana Corp	73,500	1,446,822	Turquoise Hill Resou	33,400	252,924
Enerplus Corp	28,700	370,676	Valeant Pharmaceuti	27,800	1,653,985
Ensign Energy Servi	15,900	244,480	Vermilion Energy	24,900	1,295,891
Finning Intl Inc	14,800	365,058	Wajax Corp	3,700	150,869
First Quantum Minera	42,200	927,748	Weston (George)	4,900	347,483
Fortis Inc	19,600	671,837	Yamana Gold Inc	90,400	1,547,977
Franco-Nevada Corp	13,300	757,902			<b>\$140,312,116</b>
Freehold Royalties L	8,700	194,586			
Genworth Mi Canada I	10,100	229,144	<b>Denmark</b>		
Gildan Activewear	12,700	463,001	A P Moller - Maeksk	48	339,616
Goldcorp Inc	84,900	3,102,003	Ap Moeller-Maersk A/	260	1,957,203
Great West Lifeco	30,300	739,775	Carlsberg B Dkk20	9,464	925,647
H&R Real Estate Inv	9,000	217,837	Coloplast A/S	13,130	641,524
Hudbay Minerals Inc	20,700	207,894	Danske Bank A/S	59,820	1,010,548
Husky Energy Inc	34,800	1,027,190	DSV A/S	20,237	520,667
Iamgold Corp	73,300	836,285	H Lundbeck As	16,215	236,960
IGM Financial Inc	15,300	639,075	Novo Nordisk As B	47,836	7,738,665
Imperial Oil	37,800	1,622,170	Novozymes A/S	20,725	583,029
Industrial Alliance	8,800	276,895	Simcorp A/S	425	94,777
Inmet Mining Corp	4,600	341,870	TDC	46,200	326,717
Intact Financial Cor	13,100	851,099	Tryg A/S	2,090	157,329
Kinross Gold Corp	101,100	977,798	William Demant Hldgs	2,335	199,662
Loblaw Companies Ltd	11,400	479,265			<b>\$14,732,343</b>
Macdonald Dettwiler	4,000	224,767			
Magna Intl Inc	26,200	1,304,607	<b>Europe</b>		
Manulife Financial	173,300	2,346,174	Abertis Infraestrucu	30,826	503,949
Medical Facilities C	4,000	55,278	Acconia Sa Esp167	2,443	181,012
Meg Energy Corporati	11,800	360,506	Accor Sa	16,818	590,907
Metro-Inc	17,000	1,079,894	ACS Actividades Cons	13,467	328,466
Natl Bk Of Canada	16,800	1,301,718	Adidas Ag	19,778	1,754,088
Nevsun Resources	36,800	155,967	Adva Optical Network	10,301	54,174
New Gold Inc	42,600	468,913	Aegon Nv	250,416	1,583,063
Nexen Inc	51,700	1,379,602	Aeroports De Paris	2,962	227,316
Onex Corp	8,100	340,449	Ageas	39,481	1,154,769
Open Text Co	5,100	283,658	Ahold (Kon) Nv	145,862	1,949,007
Osisko Mining Corp	35,900	286,638	Air Liquide	30,139	3,774,853
Pacific Rubiales	53,400	1,239,404	Akzo Nobel Nv Nlg5	23,511	1,537,293
Pan American Silver	26,300	491,029	Allianz Ag	51,687	7,127,883
Pason Systems Inc	3,100	53,208	Alstom - New	18,796	746,146
Pembina Pipeline Co	30,000	856,885	Amadeus It Holdings	28,468	711,424
Pengrowth Energy Cor	77,600	383,441	Amag Austria Metall	4,428	135,643
Penn West Petroleum	74,000	800,422	Andritz Ag	7,633	488,928
Petrobank Energy & R	11,000	135,884	Anheuser-Busch Inbev	76,179	6,589,506

**Petroleum Fund of Timor-Leste**  
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**Note 17 Schedule of financial assets valued through profit or loss**

Security	Unit holding	Fair Value (USD)	Security	Unit holding	Fair Value (USD)
Arcelormittal	122,440	2,082,383	Deutsche Telecom Ag	267,840	3,039,309
Arkema	5,606	585,438	Diasorin Spa	7,293	291,145
Asml Holding Nv	33,236	2,100,215	Distribuidora Intern	56,270	356,169
Assic Generali	111,648	2,021,013	Draegerwerk Ag	2,004	201,458
Atlantia Spa	57,323	1,033,106	Drillisch Ag	13,156	191,748
Atos	4,955	344,337	E.On Se	171,708	3,187,431
Autost To-Mi Spa	6,791	69,925	Edenred	17,639	540,685
AXA	204,199	3,591,344	Elan Corp	16,395	164,513
Axel Springer Ag	13,391	569,364	Elan Corp Plc	28,404	285,016
Azimut Holding Spa	9,772	139,656	Electricite De Franc	22,146	407,448
Banca Intesa Spa	1,325,870	2,272,437	Elisa Corporation	51,490	1,133,671
Banca Monte Dei Pasc	683,277	203,138	Enagas Sa	46,891	987,902
Banca Popol Emilia	23,006	158,480	Enel Green Power Spa	149,665	277,233
Banca Popolare	234,938	140,000	Enel Spa	832,720	3,445,081
Banco Bilbao Vizcaya	628,477	5,719,721	Energias De Portugal	159,645	480,096
Banco De Sabadell Sa	239,866	621,411	ENI Spa	348,217	8,419,705
Banco Popolare Spa	195,836	324,545	Erg Spa	9,355	93,982
Banco Popular Espano	773,801	594,765	Erste Bank Der Ost	30,419	962,908
Banco Santander Cent	1,242,500	9,828,680	Essilor Intl	19,044	1,908,180
Bankia Sau	80,057	41,163	Euler Hermes Sa	2,562	218,878
BASF Se	117,099	11,004,452	Eurazeo	2,763	131,011
Bayer Ag Dem	82,026	7,775,494	Euro Aero Defense	39,762	1,541,215
Bayer Motoren Werk	31,554	3,040,189	Eutelsat Communicati	11,435	378,104
Bayerische Motoren	4,481	288,033	Exor Spa	10,478	262,056
Bco Com Potugues	247,855	24,508	Faurecia	2,098	32,252
Bco Esp De Credito	8,735	39,731	Ferrovial Sa	33,912	499,854
Bco Espir Santo	414,851	487,871	Fiat Industrial	131,250	1,427,581
Bco Intesa Spa	146,116	204,968	Fiat Spa	93,995	469,669
Bechtle Ag	3,599	144,293	Fielmann Ag	887	85,543
Befimmo S.C.A	520	33,476	Finmeccanica Spa	33,043	189,503
Beiersdorf Ag	9,110	741,416	Fonciere Des Regions	3,607	301,021
Bekaert Nv	6,779	193,674	Fortum Oyj	44,832	835,767
Belgacom Sa	35,846	1,046,796	France Telecom Sa	179,439	1,968,284
Bertrandt Ag	1,394	138,574	Fraport Ag	4,870	281,383
BIC	5,857	695,355	Freenet Ag	13,236	244,480
Biomerieux	974	92,136	Fresenius Medical	20,520	1,413,821
Bnp Paribas	124,860	6,996,161	Fresenius Se	12,060	1,387,268
Boskalis Westminster	6,343	284,329	Fuchs Petrolub Ag -P	1,361	100,824
Bouygues	17,665	519,823	Fugro Nv-Cva	6,031	352,639
Brenntag Ag	4,715	615,223	Galp Energia Sgps Sa	32,248	499,561
Bureau Veritas Sa	5,500	611,712	Gas Natural Sdg	75,349	1,336,126
Buzzi Unicem Spa	8,015	111,376	GDF Suez	127,010	2,605,524
Caixabank	113,591	378,889	Gea Group Ag	15,801	509,760
Caixabank-Rts	65,486	4,921	Gecina Sa	1,762	196,714
Cap Gemini	15,311	663,212	Gemalto Nv	7,320	654,703
Carrefour Supermarch	58,877	1,500,850	Gerry Weber Internat	1,833	88,243
Casino Guich-Perr	5,064	481,234	Gpe Bruxelles Lamb	12,279	971,157
Celezio Ag	6,611	113,482	Greek Org Of Footbal	21,825	155,380
Christian Dior	5,333	901,378	Grifols S.A.	14,884	517,264
Cie Gen Geophysiqu	17,055	507,944	Groupe Eurotunnel	60,531	465,817
CNP Assurances	42,451	646,144	Hannover Rueckvers	11,942	926,240
Colruyt Sa	17,765	878,185	Heidelbergcement Ag	12,779	769,610
Commerzbank Ag Dem5	481,540	911,028	Heineken Holding Nv	10,883	593,153
Compagnie De Gobain	38,738	1,641,206	Heineken Nv	22,656	1,502,744
Construcc Y Aux De	420	191,036	Hellenic Bottling	16,991	396,497
Continental Ag	16,016	1,846,763	Henkel Kgaa Dem5	10,972	746,854
Corio Nv	7,863	355,159	Henkel Kgaa Non Vtg	19,284	1,577,816
Corporacion Mapfre	210,284	638,203	Hera Spa	66,621	107,508
Credit Agricole Sa	132,658	1,063,720	Hochtief Ag	2,581	148,787
CRH Plc	71,637	1,438,417	Hugo Boss Ag	2,273	239,139
Daimler Ag	92,838	5,064,206	Iberdrola Sa	385,770	2,095,430
Danieli & Co	7,072	202,791	Icade	1,989	175,484
Danone	55,471	3,641,293	Iliad Sa	1,972	336,685
Dassault Systems	7,942	881,951	Imerys Sa	5,874	371,803
De Longhi Spa	5,045	72,633	Immobfinanz Immobil	100,377	419,641
De Master Blenders	53,926	618,536	Inditex	20,736	2,870,528
Delhaize Group	9,034	360,231	Indra Sistemas Sa	14,723	194,108
Delta Lloyd Nv	11,879	193,104	Infineon Technology	98,581	798,921
Deutsche Bank Ag	111,266	4,836,475	Ing Groep	463,753	4,311,681
Deutsche Boerse Ag	17,129	1,040,281	International Consol	85,789	249,961
Deutsche Post Ag	86,008	1,878,356	JC Decaux Intl	4,651	109,086

**Petroleum Fund of Timor-Leste**  
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**Note 17 Schedule of financial assets valued through profit or loss**

Security	Unit holding	Fair Value (USD)	Security	Unit holding	Fair Value (USD)
Jeronimo Martins	20,413	392,923	RWE Ag	67,775	2,789,205
K + S Ag	27,656	1,269,596	RWE Ag - Non Vtg Prf	4,137	155,173
Kabel Deutschland Ho	8,154	606,421	Ryanair Holdings Plc	20,781	128,523
Kbc Groep Nv	39,106	1,342,297	Safran Sa	22,209	951,612
Kerry Group	12,769	669,262	Saipem Sca	23,528	908,867
Kesko Oyj	5,374	175,073	Salzgitter Ag	7,320	381,154
Kinopolis	672	71,763	Sampo Oyj - A Shs	37,715	1,209,773
Klepierre	8,943	352,063	Sanofi	151,978	14,272,210
Kon Kpn Nv	152,489	746,669	Sanoma Oyj	3,686	36,010
Kone Corp New	17,037	1,253,357	SAP Ag Npv	111,322	8,919,034
Koninklijke Dsm Nv	15,817	952,676	SBM Offshore Nv	22,515	311,680
Lafarge Sa	16,577	1,052,434	Schneider Electric	50,584	3,653,278
Lagardere Groupe	10,189	337,912	Schroders Euro Prop	1,256	49,793
Lanxess	7,099	620,430	Scor Regroupe	28,532	767,379
Legrand Sa	23,517	986,884	SEB Sa	4,644	339,256
Lenzing Ag	2,423	217,001	Semperit Ag Holding	565	23,300
Leoni Ag	2,942	110,680	SES	29,990	855,818
Linde Ag Npv	17,485	3,040,591	Sias Spa	12,804	119,347
L'Oreal	22,722	3,139,463	Siemens Ag	88,495	9,582,264
Lottomatica Spa	10,412	236,108	Sligro Food Group	575	16,329
Lufthansa Ag	40,536	762,627	SMA Solar Technology	2,513	62,486
Luxottica Group Spa	15,825	648,235	Snam Spa	167,890	777,811
LVMH Moet-Hennessy	24,341	4,452,654	Societe Generale A	94,418	3,527,786
M6-Metropole Tv	9,235	143,000	Sodexo Alliance	9,331	783,268
Man Ag	4,471	475,397	Sofina	637	57,528
Mayr-Melnhof Karto	335	35,748	Solvay Sa	5,421	781,530
Mediobanca Spa	111,706	686,294	Stmicroelectronics	59,737	421,430
Mercialys Promesse	4,342	98,175	STO Ag - Pfd	111	16,390
Merck Kgaa	6,492	852,654	Stora Enso Oyj-R Shs	71,219	492,011
Metro Ag	13,916	384,550	Suedzucker Ag	19,122	780,894
Metso Oyj	14,343	605,682	Suez Environnement S	24,327	291,060
Michelin(Cgde)	30,083	2,839,364	Technip Sa	9,035	1,033,226
Mobistar Sa	9,686	246,079	Tecnicas Reunidas Sa	6,592	304,616
Muenchener Rueckver	22,491	4,034,176	Telecom Italia S.P.A	929,818	837,271
Natexis Banques	116,136	389,675	Telecom Italia Spa	577,526	454,943
Neopost	5,173	272,122	Telefonica S.A.	420,283	5,596,426
Neste Oil Oyj	12,215	157,258	Telekom Austria Ag	21,401	161,249
Nokia Oyj	360,933	1,392,350	Telenet Group Holdin	4,522	211,674
Nokian Renkaat Oyj	19,175	759,674	Tenaris Sa	45,712	938,353
Norddeutsche Affiner	4,685	332,554	Terna Spa	120,289	479,256
Norma Group	2,647	73,146	Thales	10,454	359,587
Oesterreichische Pos	8,324	342,126	Thyssenkrupp Ag	34,987	821,751
OMV Ag	39,572	1,427,159	Tietoenator Oyj	14,757	289,695
Orion Oyj	40,299	1,177,898	Tnt Express Nv	27,821	309,206
Paddy Power Plc	1,090	89,299	TOD'S S.P.A	3,379	425,886
Pernod Ricard	19,968	2,294,560	Total Sa	265,224	13,637,193
Peugeot Sa	24,035	173,332	UCB	10,629	605,654
Philips Elec (Kon)	99,897	2,615,648	Umicore	12,251	673,366
Pirelli & Co	35,104	400,563	Unibail-Rodamco	8,599	2,062,755
PKC Group Oyj	5,260	107,004	Unicredit Spa	527,237	2,574,687
Plastic Omnium Sa	7,894	236,249	Unilever Nv-Cva	204,109	7,740,590
Pohjola Bank Plc	11,138	164,612	Unione Di Banche Itl	90,995	420,368
Porsche Ag	13,648	1,106,962	United Internet Ag	8,304	178,069
Portugal Telecom Sg	54,327	267,304	Upm-Kymmene Oy	75,158	871,978
PPR	7,402	1,370,136	Valeo	2,343	116,193
Prosieben Sat.1	14,481	405,700	Vallourec	8,651	450,403
Prysmian Spa	18,954	374,835	Veolia Environment	29,632	357,657
Publicis Groupe	15,777	939,971	Verbund Ag	6,196	154,391
Qiagen Nv	26,125	471,872	Vienna Insurance Gro	3,978	211,803
Raiffeisen Bank Inte	4,207	174,604	Vinci Sa	53,102	2,512,299
Randstad Hldgs Nv	11,128	405,731	Viscofan Env Cell	5,937	322,643
Recordati Spa	63,504	576,438	Vivendi Universal	162,263	3,625,005
Red Electrica De Esp	26,224	1,280,957	Voestalpine Ag	12,194	444,196
Reed Elsevier Nv	60,956	896,064	Volkswagen	2,501	537,628
Remy Cointreau	1,793	194,099	Volkswagen Non Vtg	19,531	4,443,109
Renault(Regie Natl)	25,247	1,354,061	Vopak - Kon	6,451	451,701
Repsol Sa	111,314	2,245,374	Wacker Chemie Ag	2,480	161,667
Repsol Sa-Rts	111,314	67,655	Wartsila Oyj-B	15,606	671,361
Rexel Sa	22,574	457,287	Wendel Investisemen	2,936	300,028
Rheinmetall Ag	4,253	203,568	Wolters Kluwer - Cva	37,247	759,677
Royal Dutch Shell-A	13,820	473,272	Zardoya Otis Sa	12,720	177,260

**Petroleum Fund of Timor-Leste**  
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**Note 17 Schedule of financial assets valued through profit or loss**

Security	Unit holding	Fair Value (USD)	Security	Unit holding	Fair Value (USD)
Ziggo Nv	10,638	345,860	Delek Group Limited	1,016	237,587
Zodiac Sa	3,112	341,071	Israel Chemicals Ltd	109,125	1,305,020
		<b>\$365,700,839</b>	Israel Corp Ltd	198	129,166
			Israel Discount Bank	150,299	246,974
<b>Hong Kong</b>			Mellanox Technologie	3,227	194,341
AIA Group Ltd	1,038,200	4,051,886	Nice Systems	6,051	198,992
ASM Pacific Tech	17,900	216,740	Teva Pharm Inds	90,313	3,357,299
Bank Of East Asia	115,600	442,961	United Mizrahi Bank	13,863	142,936
BOC Hong Kong Hldg	387,500	1,202,369			<b>\$8,215,051</b>
Cathay Pacific Air	94,000	172,456			
Champion Reit	130,000	61,722	<b>Japan</b>		
Cheung Kong (Hldgs)	167,000	2,553,205	77th Bank	15,000	59,677
Cheung Kong Infrastr	58,000	354,697	ABC-Mart Inc	2,200	95,669
China Rare Earth Hld	230,000	50,743	Acom Co	3,540	100,921
CLP Holdings	180,000	1,504,868	Advantest	14,200	221,380
Dah Sing Financial	14,000	62,858	Aeon Co Ltd	59,800	681,236
Emperor Intl Holding	214,000	58,809	Aeon Credit Service	5,000	100,561
Enric Energy Equip	86,000	76,116	Aeon Delight Co Ltd	6,000	116,995
First Pacific Co	870,000	954,089	Aeon Mall Co Ltd	7,100	173,754
Galaxy Entertainment	210,000	820,943	Ai Holdings Corporat	14,200	100,836
Giordana Intl Ltd	224,000	215,306	Aica Kogyo Co	8,600	138,451
Global Biochem Tech	250,000	28,061	Ain Pharmaciez Inc	3,500	190,858
Great Eagle Hldgs	21,419	70,744	Air Water Inc	12,000	152,524
Hang Lung Properties	204,000	809,331	Aisan Industry Co	7,200	59,455
Hang Seng Bank Ltd	67,800	1,037,445	Aisin Seiki Co	34,600	1,065,632
Henderson Land Dev	88,000	620,474	Ajinomoto Co Inc	65,000	859,250
HK Exchanges & Clear	107,400	1,826,293	Alfresa Holdings	3,100	120,824
HKT Trust And Hkt Lt	199,000	193,587	All Nippon Airways	103,000	215,613
Hong Kong&China Gas	552,300	1,499,954	Alpen Co Ltd	2,500	43,891
Hopewell Holdings	80,000	341,640	Alps Electric Co	7,300	43,564
HSBC Holdings Plc	60,271	631,027	Amada Co	58,000	372,290
Hua Han Bio-Pharmace	268,000	80,218	Aoyama Trading Co	2,600	49,615
Hutchison Whampoa	205,000	2,138,379	Aozora Bank Ltd	123,000	375,551
Hysan Development	55,000	264,681	Arcs Co Ltd	5,300	108,188
K Wah Intl Hldgs	164,000	78,711	Arnest One Corporati	8,000	130,457
Kerry Properties Ltd	119,500	619,790	Asahi Glass Co	143,000	1,032,002
Li & Fung Ltd	572,000	1,009,562	Asahi Group Holdings	52,200	1,109,020
Link Reit	202,500	1,012,389	Asahi Holdings Inc	7,900	132,756
Luk Fook Holdings Lt	55,000	172,433	Asahi Kasei Corp	152,000	891,274
MGM China Holdings	135,200	243,508	Asics Corp	13,800	208,600
MTR Corp	145,000	569,647	Astellas Pharma Inc	42,500	1,902,216
Nagacorp Ltd	274,000	165,796	Autobacs Seven Co	1,600	66,987
New World Devel Co	583,979	902,620	Bank Of Yokohama	198,000	913,688
NWS Holdings Limited	141,781	237,434	Belluna Co Ltd	2,500	17,579
Orient O/Seas Intl	20,500	132,244	Benesse Holdings	5,300	219,748
PCCW Ltd	358,000	157,041	Bk Of Kyoto	28,000	235,101
Ports Design Limited	52,500	41,589	BML Inc	1,100	26,780
Power Assets Holding	123,000	1,047,369	Bridgestone Corp	87,200	2,239,881
Sands China Ltd	214,000	935,975	Brother Industries	42,900	455,470
Shangri-La Asia	148,000	293,294	Calbee Inc	1,400	98,445
Shenzhen Internation	145,000	326,261	Calsonic Kensei Corp	29,000	117,724
Sino Land Co	272,000	486,388	Canon Electronics	2,600	56,772
Sinomedia Holding Lt	120,000	55,117	Canon Inc	139,900	5,404,108
Sjm Holdings Ltd	529,000	1,224,416	Casio Computer Co	19,400	168,949
Smartone Telecom	229,500	415,720	Central Japan Rail	17,900	1,445,002
Sun Hung Kai Propert	215,000	3,223,261	Century Tokyo Leasin	2,500	51,524
Swire Pacific	97,500	1,205,094	Charle Co Ltd	4,700	31,419
Swire Properties	131,723	438,462	Chiba Bank	122,000	711,132
Television Broadct	30,000	222,363	Chiyoda Co Ltd	6,100	152,527
Vtech Holdings	21,800	243,993	Chiyoda Corp	15,000	212,861
Wharf (Hldgs)	255,000	1,980,558	Chogoku Marine Paint	11,000	65,772
Wheelock & Co	104,000	523,298	Chubu Electric Power	57,900	766,063
Wing Hang Bank	17,000	176,232	Chugai Pharm Co	20,800	397,164
Wynn Macau Ltd	216,000	581,046	Chugoku Bank	17,000	235,541
Yue Yuen Indust Hlds	65,500	218,450	Chugoku Elec Power	25,400	396,871
		<b>\$41,281,664</b>	Chuo Mitsui Trust HI	467,000	1,620,310
			Citizen Watch Co	52,400	273,318
<b>Israel</b>			Clarion Co	33,000	56,867
Bezek	556,534	636,917	Cmic Co Ltd	800	11,242
Bk Hapoalim Bm	217,680	929,389	Coca-Cola West Compa	4,700	72,458
Bk Leumi Le Israel	247,290	836,429	Cocokara Fine Inc	2,000	62,291



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**Note 17 Schedule of financial assets valued through profit or loss**

Security	Unit holding	Fair Value (USD)	Security	Unit holding	Fair Value (USD)
Cosmo Oil Company	42,000	92,777	Hitachi Hi-Tech Co	5,100	104,578
Cosmos Pharmaceutica	3,200	317,539	Hitachi Ltd	448,000	2,611,370
Create Sd Holdings C	2,100	59,285	Hitachi Metals	15,000	126,641
Credit Saison Co	14,000	347,146	Hitachi Transport	5,600	81,541
Cyberagent Inc	52	106,448	Hogy Medical Co	2,200	104,193
Daciel Corp	49,000	319,621	Hoketsu Kishu Paper	11,500	66,235
Dai Nippon Printng	69,000	537,061	Hokkaido Elec Pwr	18,100	218,544
Daido Metal Co Ltd	4,000	34,511	Hokkoku Bank	5,000	18,273
Daido Steel Co	29,000	145,226	Hokuriku Elec Pwr	14,600	172,400
Daihatsu Motor Co	39,000	771,295	Honda Motor	163,500	5,947,004
Dai-Ichi Mutual Lif	753	1,044,177	Honeys Co Ltd	4,090	53,736
Daiichi Jitsugyo Co	10,000	46,030	Hoya Corp	79,200	1,547,087
Daiichi Sankyo Co	59,600	910,561	Hulic Co Ltd	18,300	123,178
Daiichikosho Co Ltd	2,000	46,354	Hyakugo Bank	18,000	80,981
Daikin Industries	20,200	687,312	Ibiden Co	11,700	184,705
Daikyo Inc	32,000	86,231	Idemitsu Kosan Co	4,600	396,878
Dainippo Sumitomo	15,300	183,144	IHI Corporation	111,000	283,710
Daishi Bank	6,000	18,736	Inabata & Co	10,000	66,964
Daito Trust Constr	10,700	1,006,084	Impex Corporation	408	2,156,434
Daiwa House Industry	83,000	1,416,851	Isetan Mitsukoshi H	46,900	456,172
Daiwa Securities	143,000	782,271	Ishihara Sangyo	87,000	68,421
DCM Holdings Co Ltd	10,600	69,388	Isuzu Motors	211,000	1,246,991
Dena Co Ltd	21,500	706,679	IT Holdings Corp	4,600	55,382
Denki Kagaku Kogyo	43,000	145,215	Itochu Corp	246,500	2,582,884
Denso Corp	64,900	2,230,763	Itochu Techno-Soluts	2,500	102,498
Dentsu Inc	16,900	450,524	Iyo Bank Ltd	32,000	252,403
Diamond Lease Co	7,760	330,270	J Front Retailing Co	45,000	247,730
Don Quijote Co Ltd	4,800	175,701	J Trust Co Ltd	6,400	108,733
Doshisha Co. Ltd.	1,800	47,006	Japan Airlines Co Lt	5,000	213,960
Drci: Labo Co Ltd	100	311,803	Japan Petroleum Exp	5,100	177,835
Eagle Industry Co Lt	8,000	65,599	Japan Prime Realty	69	198,465
East Japan Railway	32,300	2,080,739	Japan Real Estate	54	528,977
Edion Corp	13,300	58,451	Japan Retail Fund	179	328,334
Eisai Co Ltd	22,300	928,469	Japan Steel Works	27,000	173,932
Electric Power Dev	11,300	267,520	Japan Tobacco Inc	129,800	3,662,894
EPS Corporation	16	41,043	JFE Holdings Inc	49,200	911,565
Exedy Corp	6,300	137,418	JGC Corp	19,000	587,810
Familymart Co	13,200	541,954	Joyo Bank	81,000	383,149
Fanuc Corp	18,300	3,367,295	JSR Corporation	15,900	301,027
FCC Co Ltd	7,000	144,590	Jtekt Corporation	22,600	212,500
Ferrotec Corp	7,300	26,341	Jupiter Teleco Ltd	177	220,265
FR Holding Co Ltd	5,200	1,313,457	JX Holdings Inc	250,800	1,398,088
Fuji Electric Co Ltd	46,000	112,254	Kadokawa Group	5,100	135,367
Fuji Heavy Inds	54,000	670,746	Kajima Corp	79,000	259,481
Fuji Machine Mfg	2,200	20,533	Kaken Pharmaceutical	25,000	366,912
Fuji Media Holdings	52	78,182	Kamei Corp	6,000	53,710
Fuji Seal	2,500	50,252	Kamigumi Co	21,000	166,611
Fujiifilm Holdings	74,700	1,487,694	Kandenko Co	5,000	22,379
Fujitsu Ltd	172,000	714,139	Kaneka Corp	23,000	115,712
Fukuoka Financial Gr	74,000	293,552	Kansai Elec Power	65,300	682,718
Furukawa Electric	48,000	106,587	Kansai Paint Co	21,000	224,657
Furukawa-Sky Alumin	30,000	85,699	Kao Corp	52,400	1,362,952
Fuyo Gen Lease Co	1,000	32,314	Kawasaki Heavy Ind	117,000	313,931
Genky Stores Inc	700	15,341	Kayaba Industry Co	20,000	80,032
Geo Holdings Corp	59	61,412	Kddi Corporation	38,300	2,693,160
Gree Inc	22,300	344,823	Keikyu Corp	44,000	388,782
GS Yuasa Corp	33,000	131,672	Keio Corp	53,000	393,524
Gunma Bank	67,000	325,450	Keisei Elec Railway	27,000	227,017
Hachijuni Bank	91,000	452,553	Keyence Corporation	4,540	1,251,238
Hakuhodo Dy Holdings	2,390	153,685	Kikkoman Corporation	14,000	198,832
Hamamatsu Photonics	6,000	216,504	Kinden Corporation	26,000	168,091
Hankyu Hanshin Hld	115,000	591,858	Kinki Nippon Rlwy	157,000	640,965
Happinet Corp	4,800	38,804	Kintetsu World Expre	6,400	212,581
Higo Bank	22,000	121,876	Kinugawa Rubber	11,000	68,571
Hino Motors Ltd	24,000	214,283	Kirin Brewery Co	77,000	901,221
Hirose Electric Co	2,700	320,696	Kobe Steel	246,000	310,114
Hiroshima Bank	44,000	183,196	Koito Manufacturing	24,000	346,129
Hisamitsu Pharmaceut	7,600	375,759	Komatsu	114,100	2,879,388
Hitachi Chemcial Co	14,300	213,512	Konami Corporation	8,300	185,458
Hitachi Const Mach	8,100	167,874	Konica Minolta Hldgs	44,000	313,468
Hitachi Credit Cp	6,300	129,038	Krosaki Harima Corp	18,000	48,089

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
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**Note 17 Schedule of financial assets valued through profit or loss**

Security	Unit holding	Fair Value (USD)	Security	Unit holding	Fair Value (USD)
Kubota Corp	97,000	1,105,014	Nippon Carbon Co	30,000	61,412
Kuraray Co	70,100	911,264	Nippon Coke & Eng	52,000	66,755
Kureha Corp	14,000	50,518	Nippon Elec Glass	69,000	388,631
Kurita Water Ind	20,700	452,472	Nippon Express	77,000	315,249
Kuroda Electric	7,300	85,778	Nippon Hodo Co	5,000	68,641
Kusuri No Aoki Co Lt	1,700	91,818	Nippon Meat Packer	17,000	234,754
Kyocera Corp	15,600	1,401,863	Nippon Paint Co Ltd	36,000	307,685
Kyorin Holdings Inc	10,000	193,836	Nippon Paper Group	8,300	114,039
Kyowa Hakko Kirin Co	22,000	216,018	Nippon Shokubai Co	22,000	224,160
Kyushu Elec Power	36,000	408,859	Nippon Steel Sumitom	740,245	1,797,855
Lawson Inc	10,900	739,988	Nippon Synth Chem	9,000	65,055
Lintec Corp	9,800	181,118	Nippon Tel & Tel Cp	55,700	2,335,195
Lixil Group Corporat	23,200	514,363	Nippon Thompson Co	13,000	57,434
M3 Inc	56	89,053	Nippon Yusen Kk	143,000	330,770
Mabuchi Motor Co	2,000	84,543	Nishi-Nippon City Bk	79,000	193,697
Macnica Inc	2,700	53,241	Nissan Motor Co	260,000	2,438,676
Maeda Road Constr	11,000	167,420	Nisshin Fuddsan Co	5,600	34,715
Makita Corp	9,800	449,396	Nisshin Seifun Group	18,000	224,206
Marubeni Corp	233,000	1,649,177	Nissin Foods Holding	5,700	215,237
Marui Group Co Ltd	22,800	180,892	Nissin Kogyo Co Ltd	6,700	102,517
Maruichi Steel Tube	3,700	84,642	Nitori Holdings Co	8,050	588,400
Matsumotokiyoshi Hol	5,200	122,445	Nitto Denko Corp	14,900	725,485
Mazda Motor Corp	250,000	500,203	Nittoku Engineering	5,100	55,680
Mcdonald's Holdings	6,800	179,467	NKSJ Holdings Inc	34,000	719,598
Medipal Holdings Cor	13,600	149,897	NOK Corp	8,100	125,343
Megane Top Co. Ltd.	7,200	84,853	Nomura Holdings	453,200	2,636,439
Meiji Holdings Co	5,500	237,900	Nomura Real Estate	7,200	136,314
Meiko Network Japan	9,100	101,561	Nomura Real Estate O	32	183,566
Meittec Corp	4,800	105,310	Nomura Research Inst	28,100	582,052
Mimasu Semiconductor	3,000	24,391	Noritake Co	21,000	50,518
Ministop	4,400	73,736	NSK	37,000	260,175
Miraca Holdings Inc	15,200	610,004	NTN Corporation	36,000	96,178
Mito Securities	26,000	73,972	NTT Data Corp	206	639,931
Mitsubishi Chemical	149,500	734,835	NTT Docomo Inc	2,294	3,289,841
Mitsubishi Corp	168,900	3,213,331	NTT Urban Developmnt	106	101,875
Mitsubishi Elec Ind	190,000	1,601,921	Nuflare Technology I	25	151,217
Mitsubishi Estate	121,000	2,865,993	Obayashi Corp	55,000	307,870
Mitsubishi Gas Chm	36,000	217,753	Odakyu Elec Rlwy	60,000	623,143
Mitsubishi Heavy Ind	303,000	1,450,784	Oji Holdings Corp	77,000	263,598
Mitsubishi Materials	108,000	363,477	Olympus Corp	19,700	379,350
Mitsubishi Motor	368,000	378,789	Omron Corp	18,200	431,925
Mitsubishi Tanabe	20,900	272,173	Ono Pharmaceutical	9,800	498,132
Mitsubishi Ufj Fin	1,540,100	8,193,446	Oracle Corp Japan	3,100	128,532
Mitsubishi Warehse	13,000	185,081	Oriental Land Co Ltd	4,600	556,480
Mitsui & Co	225,900	3,349,378	Orix Corporation	19,360	2,167,407
Mitsui Chemical Ltd	73,000	188,273	Orix Jreit Inc	13	63,974
Mitsui Fudosan Co	81,000	1,956,029	Osaka Gas Co	170,000	615,394
Mitsui Osk Lines	92,000	269,196	Otsuka Corp	1,600	120,465
Mizuho Financial Grp	2,827,700	5,101,734	Otsuka Holdings Co	61,100	1,717,146
Mochida Pharm Co	4,000	48,945	Pacific Metals Co	13,000	60,591
Moshi Moshi Hotline	6,900	87,462	Pal Co Ltd	1,350	60,501
Ms And Ad Insurance	50,800	999,374	Panasonic Corp	214,900	1,294,893
MTI Ltd	17	15,631	Park 24 Co Ltd	8,700	137,345
Murata Manufacturing	18,000	1,045,048	Press Kogyo Co Ltd	17,000	76,285
Musashi Seimitsu	4,700	98,224	Prima Meat Packers L	84,000	140,866
Nabtesco Corp	10,000	220,667	Rakuten Inc	61,400	476,487
Nagase & Co Ltd	4,000	43,902	Rengo Co	8,000	40,062
Namco Bandai Holding	26,800	346,217	Resona Holdings Inc	191,200	864,618
NEC Corp	222,000	462,153	Ricoh Co	65,000	681,085
NEC Mobiling Ltd	1,400	56,751	Ricoh Leasing Co Ltd	3,400	85,565
Net One Systems Co	19,100	187,322	Rinnai Corp	3,200	216,134
Nexon Co Ltd	10,600	106,043	Riso Kagaku Corp	3,800	71,021
NGK Insulators	26,000	305,210	Rohm Co	7,700	247,836
NGK Spark Plug Co	16,000	210,397	Round One Corp	15,200	86,666
NHK Spring Co	12,100	98,658	Ryohin Keikaku Co	2,700	150,668
Nichiha Corp	4,200	48,429	Saint Marc Holdings	700	24,814
Nidec Corp	9,900	572,486	Saizeriya Co	7,400	101,246
Nihon Parkerizing	2,000	28,520	San-In Godo Bank Ltd	18,000	125,739
Nikon Corp	33,200	969,526	Sankyo Co	4,900	193,813
Nintendo Co	9,400	991,477	Sanrio Co	4,000	126,849
Nippon Building Fund	60	618,285	Santen Pharm Co	9,100	347,835

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
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**Note 17 Schedule of financial assets valued through profit or loss**

Security	Unit holding	Fair Value (USD)	Security	Unit holding	Fair Value (USD)
Sanyo Denki Co Ltd	5,000	26,947	Terumo Corp	16,400	645,834
Sanyo Spec Steel	17,000	60,163	The Kagoshima Bank	5,000	31,284
Sasebo Heavy Inds	42,000	49,060	THK Company Limited	10,100	179,421
SBI Holdings Inc	21,780	191,439	Toagosei Chemical	40,000	155,439
Secom Co	18,500	926,445	Tobu Railway Co	92,000	484,127
Sega Sammy Holdings	33,000	555,312	Tocalo Co. Ltd.	4,400	73,227
Sekisui Chemical	70,000	605,563	Toho Co	10,800	189,607
Sekisui House	77,000	837,993	Toho Gas Co	37,000	197,699
Seria Co Ltd	3,000	47,638	Tohoku Elec Power	38,900	361,264
Seven & I Holdings	95,500	2,691,651	Tokai Corp	1,100	27,543
Seven Bank Ltd	54,900	144,131	Tokai Rubber Inds	6,200	61,738
Sharp Corp	96,000	336,414	Token Corp	2,350	131,001
Shikoku Elec Power	15,000	237,669	Tokyo Elec Power	131,900	312,722
Shimachu Co	3,400	71,055	Tokyo Electron	15,500	704,505
Shimadzu Corp	19,000	128,549	Tokyo Gas Co	217,000	988,817
Shimamura Co	4,600	445,290	Tokyo Marine Holding	66,700	1,834,415
Shimano Inc	7,800	495,253	Tokyo Ohka Kogyo Co	4,300	84,443
Shimizu Corp	45,000	168,103	Tokyo Tatemono Co	19,000	96,247
Shin Etsu Chem Co	39,600	2,395,282	Tokyu Corp	121,000	677,315
Shinko Electric Inds	11,000	86,509	Tokyu Land Corp	38,000	274,678
Shinsei Bank Ltd	234,000	462,777	Tonen General Sekiyu	24,000	206,789
Shionogi & Co	39,200	651,482	Toppa Forms Co Ltd	2,200	19,668
Shiseido Co	32,600	458,470	Toppa Printing Co	66,000	405,320
Shizuoka Bank	97,000	943,469	Toray Inds Inc	155,000	942,925
Showa Corp	6,900	67,831	Toridoll Corp	9,200	97,677
Showa Denko Kk	186,000	279,651	Toshiba Corp	398,000	1,546,615
Showa Shell Sekiyu	15,900	89,554	Toshiba Machine Co	20,000	97,843
Sky Perfect Jsut Hol	338	140,337	Toshiba Plant System	4,000	57,596
Skymark Airlines Inc	17,400	98,606	Tosoh Corp	41,000	97,207
SMC Corporation	5,500	987,857	Toto	25,000	186,492
SNT Corp	7,900	33,532	Toue Housing Corp	6,200	85,544
Softbank Corporation	108,300	3,926,683	Towa Corporation	5,200	32,415
Sogo Medical Co Ltd	600	20,179	Toyo Ink Sc Holdings	9,000	38,305
Sojitz Corporation	174,700	254,579	Toyo Seikan Kaisha	12,500	166,397
Sony Corp	124,200	1,374,654	Toyo Suisan Kaisha	7,000	186,041
Sony Financial Hlds	14,600	260,036	Toyo Tanso Co Ltd	3,900	79,430
Square Enix Holdings	4,100	51,923	Toyoda Gosei	7,000	140,704
Stanley Electric	19,000	267,426	Toyoda Ind Corp	27,700	873,624
Star Micronics Co	7,100	70,700	Toyota Boshoku Corp	21,300	244,125
Studio Alice Co Ltd	4,500	64,587	Toyota Motor Corp	293,000	13,554,624
Sumco Corporation	13,600	131,966	Toyota Tsusho Corp	24,900	608,785
Sumitomo Chemical	195,000	604,407	Trend Micro Inc	18,100	542,173
Sumitomo Corp	141,600	1,799,786	Ts Tech Co Ltd	5,600	99,934
Sumitomo Elec Inds	112,900	1,288,757	Tsubakimoto Chain Co	19,000	106,135
Sumitomo Forestry	7,100	66,841	Tsukui Corp	4,000	74,990
Sumitomo Heavy Ind	119,000	560,146	Tsumura + Co	7,100	214,154
Sumitomo Metal Mng	66,000	920,558	Tsuruha Holdings Inc	2,800	220,529
Sumitomo Mitsui Fin	163,200	5,860,594	Ube Industries	94,000	223,952
Sumitomo Precision	17,000	81,594	Uni Charm Corp	12,100	628,335
Sumitomo Realty Dev	36,000	1,185,359	Unipres Corp	7,000	152,767
Sumitomo Rubber Ind	17,300	206,684	United Arrows Ltd	8,000	183,103
Sumkin Bussan Corp	18,000	46,423	Universal Entertainm	1,600	27,424
Sundrug Co Ltd	4,300	146,607	Ushio Inc	8,900	96,962
Suruga Bank	15,000	183,369	USS Co Ltd	4,800	499,069
Suzuken Co Ltd	7,100	199,373	Valcor Co Ltd	6,300	98,801
Suzuki Motor Corp	36,100	936,058	Wakita And Co Ltd	7,000	56,994
Sysmex Corp	6,800	311,433	Warabeya Nichiyo Co	3,800	70,318
T & D Holdings Inc	59,800	718,582	Weathernews Inc	3,000	82,299
Tachi-S Co Ltd	5,300	90,106	Welcia Holdings Co	2,400	83,271
Taihei Kogyo Co Ltd	15,000	61,239	West Japan Railway	28,200	1,108,889
Taiheiyu Cement Corp	96,000	260,915	Xebio Co	3,100	62,886
Taikisha	4,800	90,432	Yahoo Japan Corp	1,550	498,890
Taisei Corp	89,000	294,385	Yakult Honsha Co	8,400	366,252
Taisho Pharmaceutica	2,900	198,554	Yamada Denki	12,290	471,900
Taiyo Nippon Sanso	24,000	137,119	Yamaguchi Financial	19,000	166,565
Takashimaya Co.	21,000	148,395	Yamaha Corp	13,000	136,367
Takata Corp	5,200	105,365	Yamaha Motor Co	22,800	249,715
Takeda Chemical Inds	75,000	3,343,840	Yamato Holdings Co	40,500	612,196
Tdk Corp	11,200	402,198	Yamato Kogyo Co	3,900	113,078
Teijin	80,000	196,149	Yamazaki Baking Co	14,000	155,601
Teikoku Electric Mfg	1,100	17,251	Yamazen Co	13,300	99,214

**Petroleum Fund of Timor-Leste**  
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**Note 17 Schedule of financial assets valued through profit or loss**

Security	Unit holding	Fair Value (USD)	Security	Unit holding	Fair Value (USD)
Yaskawa Electric Co	20,000	190,135	SKF Ab-B Shares	55,430	1,389,702
Yokogawa Electric	15,800	171,769	Svenska Cellulosa Ab	51,384	1,113,704
Yokohama Rubber Co	9,000	64,431	Svenska Handelsbank	45,949	1,641,478
Yorozu Corporation	5,600	81,929	Swedbank	80,540	1,571,072
Yuasa Trading Co	56,000	99,740	Swedish Match Co	18,915	634,430
Yusen Logistics Co L	3,600	35,723	Tele2 AB -B Shs	48,965	881,385
Zappallas Inc	28	26,975	Teliasonera Ab	311,065	2,106,777
		<b>\$260,955,141</b>	Unibet Group Plc-Sdr	3,244	101,726
			Volvo AB-B Shs	131,175	1,790,552
					<b>\$40,168,728</b>
<b>New Zealand</b>			<b>Singapore</b>		
Auckland Intl Airport	76,888	169,365	Ascendas	173,000	335,661
Contact Energy	31,443	134,891	Ausgroup Ltd	147,000	61,375
Fletcher Building	62,338	429,946	Biosensors Internati	334,000	329,488
Sky City Group Ltd	55,367	171,749	Capital Commercial	176,000	242,063
Telecom Corp Of NZ.	330,464	616,151	Capitaland Ltd	218,000	660,336
		<b>\$1,522,101</b>	Capitamall Trust	205,000	357,470
			Capitamalls Asia Ltd	179,000	283,557
<b>Norway</b>			City Developments	55,000	578,592
Aker Kvaerner	13,995	283,660	Confortdelgro Group	516,000	749,816
Atea Asa	13,927	148,273	Dbs Group Hlds Ltd	174,000	2,111,077
DNB Asa	105,595	1,333,872	Fraser And Neave	80,000	633,975
Fred Olsen Energy	8,174	354,558	Genting Singapore	567,000	640,573
Gjensidige Forsikrin	17,655	251,727	Global Logistic Prop	180,000	409,660
Kongsberg Gruppen	1,928	42,612	Golden Agri (Sgd)	627,000	331,081
Norsk Hydro Asa	105,810	527,220	Ho Bee Investment Lt	65,000	101,903
Orkla Asa	79,938	695,207	Jardine Cycle & Car	25,000	984,446
Seadrill Ltd	31,403	1,147,160	Keppel Corp Ltd	250,100	2,250,184
Songa Offshore Se	29,831	39,666	Keppel Land Limited	73,000	240,843
Statoilhydro Asa	174,593	4,360,709	M1 Ltd	15,000	33,156
Subsea 7 Sa	24,112	572,337	Noble Group Ltd	370,000	349,857
Telenor Asa	110,704	2,227,906	Olam International	139,000	176,382
Tgs Nopec Geophysica	10,792	351,961	Olam International-Rts	43,507	2,743
Yara International	33,850	1,662,317	OS-Chinese Banking	245,000	1,951,576
		<b>\$13,999,184</b>	Sembcorp Industries	196,000	842,407
<b>Sweden</b>			Sembcorp Marine Ltd	80,000	301,269
Alfa Laval Ab	33,547	697,709	Singapore Airlines N	61,000	536,341
Angler Gaming Plc	2,387	782	Singapore Exchange	76,000	435,530
Assa Abloy	29,562	1,103,784	Singapore Post Ltd	138,000	129,357
Atlas Copco Ab-A Shs	114,303	3,132,794	Singapore Press Hld	145,000	477,200
Atlas Copco Ab-B Shs	32,542	790,858.84	Singapore Tech Engin	180,000	561,441
Axfood Ab	7,355	276,995	Singapore Telecomm	747,000	2,018,093
Betsson Ab	5,251	161,838	Starhub Ltd	234,000	722,211
Bilia Ab -A Shs	4,736	67,158	Sunvic Chemical Hold	140,000	49,857
Billerudkorsnas Ab	14,033	131,584	United Overseas Bank	122,000	1,978,568
Boliden Ab	31,298	586,948	UOL Group Limited	43,000	210,160
Electrolux Ab-B	24,546	642,944	Wilmar International	175,000	477,077
Elekta Ab-B Shs	34,293	533,469	Yangzijiang Shipbuil	606,000	473,786
Ericsson Lm-B Shs	289,106	2,890,861			<b>\$23,029,112</b>
Gettinge Industrier	36,229	1,225,186	<b>Switzerland</b>		
Hennes & Maritz Ab-B	117,066	4,038,095	ABB Ltd	209,328	4,287,870
Hexagon Ab-B	22,026	552,220	Abnque Cantonale Vau	273	144,351
Hexpol Ab	5,926	311,993	Actelion Ltd.	10,968	521,590
Hoganas Ab	4,785	182,413	Adecco Sa	11,230	589,380
Husqvarna Ab-B Shs	40,098	241,558	AMS Ag	1,889	200,178
Industrivarden Ab	20,907	346,123	Aryzta Ag	7,649	391,496
Intrum Justitia Ab	14,351	213,982	Baloise- Holding Ag	5,763	492,973
Investor Ab 'B'	40,398	1,055,057	Barry Callebaut Ag	159	152,860
JM Ab	7,210	128,009	BB Biotech Ag	535	51,609
Kinnevik Investmt Ab	38,016	790,655	Bossard Holding Ag-B	315	45,253
Kungsleden Ab	13,258	72,145	Cie Financiere Rich	49,816	3,883,075
Lundin Petroleum Ab	25,038	575,007	Credit Suisse Group	148,045	3,600,244
Millicom Intl Cellur	8,541	738,506	Emmi Ag-Reg	70	17,566
Nordea Bank Ab	246,332	2,351,448	EMS-Chemie Holding	1,253	293,076
Oriflame Cosmet-Rts	13,889	441,087	Fischer Ag CHF100	321	128,965
Ratos Ab - B Shares	15,228	146,300	Geberit Ag	5,218	1,147,522
Saab Sa-B	12,710	263,951	Givaudan Req	800	841,646
Sandvik Ab	101,460	1,614,203	Helvetia Holdings Ag	687	260,060
Scania Ab - B Shs	31,515	650,603	Holcim Ltd - Reg	21,553	1,572,886
Securitas Ser B	27,993	243,120			
Skand Enskilda Bkn	124,881	1,060,600			
Skanska Ab Ser B	41,566	677,917			

**Petroleum Fund of Timor-Leste**  
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**Note 17 Schedule of financial assets valued through profit or loss**

Security	Unit holding	Fair Value (USD)	Security	Unit holding	Fair Value (USD)
Implenia Ag - Reg	2,416	105,049	Carnival Plc	16,595	635,806
Inficon Holding Ag	582	138,609	Catlin Group Ltd	35,754	292,335
Julius Baer Group	18,792	663,525	Centrica Plc	624,105	3,383,304
Kuehne & Nagel Intl	5,283	634,872	Chemring Group Plc	16,651	62,117
Lindt & Spruengli	94	615,158	Close Brothers Group	21,484	301,205
Logitech Internatnl	14,077	106,421	Cobham Plc	246,447	884,124
Lonza Ag-Reg	4,890	263,585	Compass Group Plc	178,416	2,101,163
Nestle Sa	363,371	23,659,715	Computacenter Plc	21,207	145,437
Nobel Biocare	9,620	80,819	Croda Intl	12,323	475,738
Novartis Ag	280,752	17,620,810	Debenhams Plc	115,131	213,159
Pargesa Holding Sa-B	5,085	348,037	Diageo Plc.	304,216	8,834,309
Partners Group	2,450	563,686	Diploma Plc	6,928	62,389
Roche Holdings	84,979	17,082,146	Domino Printing Scie	9,173	86,855
Schindler Holding	4,607	663,859	Drax Group Plc	26,409	233,528
Schindler Holding Ag	2,126	300,081	Elementis Plc	38,429	145,172
Schmolz+Bickenbach	11,752	36,334	Enquest Plc	132,070	257,401
SGS Holding	492	1,088,974	Eurasian Natural Res	20,423	94,248
Sika Finanz Ag	228	525,321	Evraz Plc	32,779	137,895
Sonova Holding	4,485	496,836	Experian Grp Ltd-W/I	96,953	1,543,666
Sulzer Winterthur Ag	2,224	350,116	Fenner Plc	24,905	160,394
Swatch Group - Regd	3,745	321,783	Fresnillo Plc	25,148	754,610
Swatch Group Ag - Br	3,135	1,579,231	GKN Plc	242,598	901,864
Swiss Life Ascented	4,053	537,094	Glaxosmithkline Plc	609,726	13,226,374
Swiss Prime Site	6,038	503,634	Glencore Internation	361,653	2,064,885
Swiss Re Ltd	44,246	3,185,462	Go-Ahead Group Plc	2,961	61,512
Swisscom Ag	2,548	1,096,196	Greggs Plc	36,330	268,048
Syngenta Ag	9,024	3,614,136	Group 4 Securicor	143,602	598,503
Transocean Ltd	35,036	1,544,057	Halfords Group Plc	38,674	208,899
UBS Ag-Reg	388,274	6,053,064	Halma Plc	26,481	197,705
Zurich Insurance Gro	18,275	4,857,496	Hammerson Plc	64,557	512,305
		<b>\$107,258,708</b>	Hargreaves Lansdown	21,025	232,569
			Highland Gold Mining	73,302	114,684
<b>United Kingdom</b>			Hiscox Plc	32,931	243,184
3i Group Plc	112,731	397,824	HSCB Holdings Plc	2,231,255	23,458,850
Aberdeen Asset Mgmt	219,451	1,309,155	Icap Plc	53,411	266,450
Admiral Group Plc	19,078	359,421	IG Group Holdings Pl	31,527	230,561
Afren Plc	128,207	273,005	IMI	56,708	1,010,281
African Barrick Gold	48,267	345,608	Imperial Tobacco Grp	94,272	3,634,837
Aggreko Plc	24,177	683,423	Inchcape Plc	27,224	190,640
Amec Plc	62,292	1,014,583	Inmarsat Plc	78,591	746,059
Anglo American Plc	168,238	5,178,177	Intercontinental Hot	34,032	943,744
Anglo Pacific Group	19,845	86,936	Intermediate Cap	10,866	55,796
Antofagasta Hldgs	57,453	1,235,549	Intertek Group Plc	15,833	797,319
Arm Holdings Plc	131,651	1,642,442	Invensys Plc	80,481	425,041
Ashmore Group Plc	66,382	387,699	Investec Plc	51,594	355,257
Assoc British Foods	32,783	832,904	ITV Plc	342,664	585,408
Astrazeneca Plc	177,970	8,415,463	Jkx Oil And Gas Plc	23,846	29,943
Aviva Plc	330,247	2,001,791	Johnson Matthey	33,948	1,310,585
Avocet Mining Plc	53,675	60,856	Kazakhmys Plc	50,140	633,683
Babcock Intl Grp Plc	37,836	593,499	Kingfisher Plc	273,318	1,261,752
Bae Systems Plc	420,353	2,301,303	Ladbroke Plc	71,349	229,868
Balfour Beatty Plc	66,442	295,492	Lancashire Holdings	10,627	133,875
Barclays	1,530,646	6,527,447	Land Securities Grp	92,486	1,222,233
Barratt Devel	44,367	149,646	Legal & General Grp	952,772	2,253,406
Beazley Plc	108,019	310,434	Liberty Intl Plc	64,197	365,338
Bellway Plc	6,752	113,376	Lloyds Banking Group	5,537,459	4,312,451
BG Group Plc	396,848	6,528,181	London Stock Exchang	16,973	299,899
BHP Billiton	242,409	8,389,033	Marks & Spencer	222,277	1,380,933
Bodycote Plc	11,707	86,167	Meggitt Plc	72,102	447,946
Bovis Homes Group	8,518	79,545	Melrose Industries P	122,215	443,808
BP Plc	2,331,338	16,096,303	Micro Focus	30,667	289,874
British Amer Tobacco	230,335	11,683,464	Mondi Plc/Wi	33,663	366,072
British Land Co	102,871	938,924	Morgan Crucible Co	23,312	101,782
British Sky Broad	186,774	2,327,106	Morrison (W) Super	378,902	1,619,217
Brown (N) Group Plc	12,141	72,961	National Grid Plc	431,818	4,930,995
BT Group Plc W/I	972,138	3,650,290	Next Plc	27,864	1,679,464
Bunzl Plc	35,293	578,278	Old Mutual Plc	482,730	1,397,513
Burberry Group Plc	62,296	1,240,463	Pearson	79,886	1,541,377
Caim Energy Plc	39,877	171,579	Persimmon Plc	7,816	101,576
Capita Plc	59,314	727,451	Petrofac Ltd - W/I	40,000	1,054,626
Carillion Plc	43,426	223,697	Petropavlovsk Plc	25,028	146,825

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

**Note 17 Schedule of financial assets valued through profit or loss**

Security	Unit holding	Fair Value (USD)	Security	Unit holding	Fair Value (USD)
Playtech Ltd	41,889	290,407	Air Prods & Chemical	19,700	1,655,391
Polo Resources Ltd	778,320	31,186	Aircastle Ltd	5,300	66,409
Premier Farnell Plc	16,169	51,094	Airgas Inc	5,900	538,611
Prudential Plc	243,214	3,419,733	Akamai Technologies	15,300	625,770
Randgold Resources	8,899	859,965	Alaska Air Group Inc	3,300	142,197
Reckitt Benckiser	88,499	5,578,709	Albemarle Corp	8,100	503,172
Reed Elsevier Plc	121,589	1,267,881	Alcoa Inc	113,474	983,820
Resolution Ltd	126,866	510,191	Alexion Pharmaceut	18,700	1,752,751
Restaurant Group Plc	23,238	146,108	Alleghany Corp	2,400	804,984
Rexam Plc	84,454	598,404	Allegheny Tech Inc	8,400	255,024
Rio Tinto Plc	155,184	8,856,564	Allergan Us 0.01	29,100	2,668,470
Rolls-Royce Group Pl	177,764	2,522,584	Alliance Data System	4,600	665,896
Roy Dut Shell -B Shs	318,344	11,252,359	Alliance Res Partner	5,300	307,453
Royal & Sun Alliance	467,015	953,472	Alliant Energy Corp	9,900	434,709
Royal Bank Of Scot	313,247	1,651,792	Allied World Assuran	3,300	259,875
Royal Dutch Shell Pl	456,551	15,744,173	Allstate Us 0.01	67,682	2,718,786
Sabmiller Plc	90,624	4,160,757	Almost Family Inc	2,500	50,475
Sage Group	208,002	994,713	Altera Corp	28,500	981,825
Sainsbury (J) Plc	192,876	1,081,645	Alterra Capital Hold	12,600	354,942
Schroders Plc	10,144	277,841	Altria Group Inc.	215,733	6,780,488
Segro Plc	62,777	251,539	Amazon.Com Inc	36,600	9,196,482
Senior Plc	60,537	196,314	Amer Finl Group Inc	9,400	371,488
Serco Group	55,860	485,329	Amerada Hess Corp	31,200	1,651,728
Severn Trent Plc	20,245	517,647	Amerco	2,000	252,300
Shire Plc	77,229	2,367,607	Ameren Corporation	20,600	633,038
Smith & Nephew	125,371	1,383,740	American Capital Age	42,300	1,224,162
Smiths Group Plc	54,194	1,048,300	American Elec Power	44,871	1,914,646
Spectris Plc	12,848	427,714	American Express Co	115,280	6,626,294
SSE Plc	88,575	2,040,180	American Intl Group	174,367	6,155,155
Standard Chartered	257,878	6,593,720	American Public Educ	3,300	119,097
Standard Life Plc	403,689	2,178,575	American Safety Ins	1,100	20,823
Talktalk Tellecom Gr	112,415	426,676	American Software	6,300	48,762
Tate + Lyle	41,944	519,191	American Tower-Reits	37,100	2,865,975
Taylor Woodrow	197,634	211,225	American Water Works	16,400	608,604
Tesco	1,035,386	5,654,112	Ameriprise Fin W/I	28,500	1,784,955
Tui Travel Plc	42,320	194,266	Amerisourcebergen Cp	51,200	2,210,816
Tullow Oil	88,234	1,807,149	Ametek Inc	24,400	916,952
Ultra Elec Hldgs	9,611	259,806	Amgen Inc	97,881	8,452,024
Unilever Plc	167,015	6,420,578	Amphenol Corp	21,000	1,358,910
United Utilities Plc	61,753	675,555	Amsurg Corp	13,500	404,730
Valiant Petroleum Pl	7,556	49,436	Amtrust Financial Se	7,370	211,298
Vedanta Resources Pl	14,479	272,072	Anadarko Petroleum	48,276	3,587,872
Vodafone Group Plc	5,997,773	15,053,061	Analog Devices Inc	41,500	1,745,075
Weir Group	32,210	983,272	Annaly Mortgage Mgmt	153,643	2,155,611
WH Smith Plc	21,952	238,898	Ansys Inc	9,300	626,262
Whitbread Plc	30,860	1,226,987	Aon Plc Class A	28,500	1,584,600
William Hill Plc	86,558	489,637	Apache Corp	60,900	4,779,432
Wolseley Plc	24,261	1,143,258	Apollo Group Inc	13,300	278,236
WPP Group Plc	118,650	1,711,684	Apple Computer Inc	112,300	59,858,146
Xstrata Plc - Wi	200,269	3,445,816	Applied Materials	143,266	1,637,530
		<b>\$305,523,069</b>	Arbitron Inc	4,300	200,595
<b>United States of America</b>			Arbor Realty Trust	6,000	35,940
3M Co	86,700	8,050,095	Arch Capital Group	29,800	1,311,498
Aaron Rents-A	7,400	209,346	Arch Coal Inc	8,200	60,024
Abbott Labs Com Npv	191,452	12,542,021	Archer Daniels Midld	63,500	1,738,630
Accenture Plc-Cl A	78,500	5,220,250	Arctic Cat Inc	2,600	86,632
Ace Ltd	47,000	3,750,600	Argan Inc	4,500	80,910
Activision Inc	50,280	534,476	Arlington Asset Inve	2,400	49,776-
Actuate Corporation	10,800	60,372	Arrow Electronics	10,100	384,608
Adobe Systems Inc	54,673	2,059,532	Aspen Insurance Hold	6,500	208,455
ADT Corporation	20,550	955,781	Assurant Inc	12,300	426,687
Advance Auto Parts	12,900	933,444	Assured Guaranty Ltd	18,200	258,804
Aes Corp	68,700	735,090	AT&T Comcast Corp	217,346	8,124,393
Aetna Us Healthcare	52,400	2,426,644	AT&T Inc.	641,899	21,644,834
Affiliated Managers	4,400	572,396	Auto Data Process	64,673	3,686,361
Aflac Inc	69,665	3,699,908	Autodesk Inc	20,800	734,864
Agco Corp	18,200	893,802	Autoliv Inc	10,600	714,334
Agilent Technology	30,900	1,265,355	Autozone Inc	4,500	1,595,205
Agree Realty Corp	2,200	58,872	Avago Technologies L	41,700	1,320,222
			Avalonbay Communitie	11,500	1,558,940
			Avery Denn Us 0.01	9,800	342,216

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

**Note 17 Schedule of financial assets valued through profit or loss**

Security	Unit holding	Fair Value (USD)	Security	Unit holding	Fair Value (USD)
Avnet Inc	12,300	376,503	CF Industries Hldgs	10,700	2,173,063
Avon Products Inc	36,551	525,238	CH Robinson World	16,200	1,024,326
Axis Capital Hdg Ltd	10,600	367,078	Charter Communicatio	3,800	290,130
AZZ Inc	6,200	238,080	Check Point Software	3,200	152,448
Baker Hughes Inc	42,500	1,736,125	Cheesecake Factory	7,300	238,783
Ball Corp	14,200	635,450	Chemed Corp	3,300	226,215
Ballantyne Strong In	7,800	25,740	Chesapeake Energy	83,300	1,383,613
Bancfirst Corp	600	25,260	Chevron Corp	242,508	26,244,216
Bank Of America	1,342,387	15,585,113	Chicago Mercantile	29,600	1,500,424
Bank Of Kentucky Fin	700	17,220	Chicos Fas Inc	12,900	238,263
Bank Of New York Mel	111,835	2,875,278	Chimera Invest Corp	118,100	307,060
Bard (Cr) Us 0.25	12,600	1,231,398	Chipotle Mexican	3,100	920,824
Baxter Intl Inc	83,100	5,539,446	Chubb Corp	24,900	1,875,468
BB & T Corporation	66,700	1,941,637	Church & Dwight	12,800	685,824
Beam Inc	14,500	885,660	Cigna Corp Us 0.01	31,400	1,678,016
Becton Dickinson+Co	34,000	2,658,800	Cimarex Energy	8,000	461,840
Bed Bath & Beyond	37,300	2,084,324	Cincinnati Fin Corp	16,200	634,068
Belo (Ah) Corp	8,700	66,729	Cintas Corp	11,900	486,472
Berkley(Wr) Corp	12,800	483,072	Cisco Systems	672,948	13,223,428
Berkshire Hathaway I	93,900	8,430,342	CIT Group Inc	17,400	671,988
Best Buy Company	38,100	451,104	Citigroup Inc.	367,352	14,539,792
Bigs Lots Inc	6,400	182,016	Citrix Systems Inc	16,600	1,091,284
Biogen Idec Inc	25,900	3,796,940	Cliffs Natural Res	23,300	898,448
Blackrock Inc Cls-A	12,500	2,584,000	Clorox Co	21,500	1,574,445
Block (H&R)Inc	55,407	1,028,354	Cloud Peak Energy In	12,900	249,228
BMC Software Inc	33,900	1,344,135	CMS Energy Us 0.01	22,500	548,325
Boeing Co	71,700	5,405,463	CNA Financial Corp	17,600	492,800
Bok Financial Corp	2,500	136,150	CNH Global N.V.	5,000	201,400
Booz Allen Hamilton	20,300	282,373	CNO Financial Group	22,800	212,724
Borg-Warner Inc	11,700	837,954	Coach Inc	41,700	2,315,601
Boston Beer Company	1,000	134,370	Cobalt International	16,000	392,640
Boston Properties	14,900	1,576,569	Coca-Cola Co	483,666	17,542,566
Boston Scientific	129,739	742,107	Coca-Cola Enterprise	31,500	999,810
BP Prudhoe Bay Rt	500	34,270	Cognizant Tech Solut	28,400	2,102,736
Bridgepoint Educatio	8,300	85,490	Coinstar Inc	5,300	275,971
Bristol Myers Squibb	241,803	7,885,196	Colgate Palmolive	58,671	6,134,640
Broadcom Corporation	49,269	1,635,731	Comerica Inc	35,300	1,070,649
Broadridge Financial	13,600	311,032	Commerce Bancshs	11,235	394,011
Brown Forman Corp	12,750	805,928	Communications Syste	1,600	16,608
Buckeye Technologies	4,400	126,368	Community Bank Syste	9,100	248,794
Bunge Ltd	12,900	936,798	Community Trust Bncp	3,500	114,450
C&J Energy Services	8,300	177,869	Computer Programs	1,500	75,495
CA Inc	58,700	1,289,639	Computer Sciences	14,000	560,700
Cablevision Sys Cp	16,800	250,992	Comstat Corp Special	50,300	1,808,788
Cabot Oil & Gas Corp	18,600	925,350	Comtech Telecom Corp	2,800	71,064
Caci Intl Inc	5,300	291,447	Conagra Foods Inc	36,500	1,077,115
Calamos Asset Mgmnt	7,800	82,368	Concho Resources Inc	8,900	717,251
Calpine Corporation	27,912	505,765	Conocophillips Petrol	156,762	9,093,764
Camden Property Tst	7,500	511,800	Consd Edison Co Ny	27,200	1,510,416
Cameron Intl Corp	24,500	1,383,025	Consol Energy Inc	20,600	661,260
Campbell Soup Co	16,200	565,056	Constellation Brand	13,800	488,382
Capella Education Co	2,800	79,044	Contango Oil & Gas	3,300	139,458
Capital One Finl	79,300	4,594,642	Continental Resource	4,300	316,007
Capital Source Inc	22,600	171,082	Cooper Tire& Rubber	5,800	147,088
Capstead Mortgage Co	15,600	178,776	Core Laboratories	4,200	459,102
Cardinal Health Inc	33,000	1,358,940	Corning Inc	234,256	2,953,968
Career Education	16,900	59,488	Costco Wholesale Cor	44,200	4,367,402
Carefusion Corp- W/I	22,000	628,760	Coventry Healthcare	12,900	578,049
Carmax Ltd	20,600	773,324	Covidien Plc	56,373	3,254,413
Carnival Corp	43,000	1,580,680	Crawford & Co-B	3,300	26,301
Cash America Intl	2,700	107,109	Credit Acceptance Co	600	61,002
Caterpillar Inc	74,100	6,640,842	Cree Inc	9,600	326,208
Cato Corp Class A	6,700	183,781	Crexus Investment Co	18,400	225,400
CBOE Holdings Inc	7,600	223,744	Crocs Inc	7,000	100,730
CBRE Group Inc Class	27,600	549,516	Crown Castle Intl	27,900	2,013,822
CBS Corp-Cls B W/I	57,700	2,196,062	Crown Holdings Inc	15,800	581,282
Celanese Corp - A	13,500	601,155	CSG Systems Intl Inc	5,300	96,301
Celgene Corp	54,462	4,285,070	CSX Corp	143,089	2,821,715
Centerpoint Energy	43,700	840,788	Cullen/Frost Bankers	7,800	423,384
Centurylink Inc	59,000	2,308,080	Cummins Inc	27,600	2,990,460
Cerner Corp	12,900	1,001,427	CVB Financial Corp	9,200	95,680

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
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**Note 17 Schedule of financial assets valued through profit or loss**

Security	Unit holding	Fair Value (USD)	Security	Unit holding	Fair Value (USD)
CVS/Caremark Corp	132,177	6,393,401	Express Scripts HI	77,164	4,165,313
Danaher Corp	56,006	3,131,856	Exxon Mobil Corp	558,821	48,393,899
Darden Restaurants	11,800	531,826	Ezcorp Incorporated	4,800	95,328
Darling Intl Inc	7,900	126,637	F5 Networks Inc	7,000	679,560
Davita Healthcare	11,600	1,281,684	Facebook Inc-A	94,500	2,515,590
Deckers Outdoor Corp	6,000	241,620	Family Dollar Stores	10,200	646,782
Deere And Co	35,300	3,050,626	Fastenal	30,500	1,423,740
Dell Inc	257,181	2,605,244	FBL Financial Group	4,900	167,531
Delphi Automotive Pl	35,500	1,357,520	Federal Realty Invs	6,200	644,924
Delta Air Lines Inc	20,800	247,104	Federated Investor	10,800	218,592
Deluxe Corp	5,500	177,210	Fedex Corp	40,807	3,743,634
Denbury Resources	33,300	539,460	Fidelity National	22,600	532,004
Dentsply Intl Inc	12,700	502,920	Fidelity National In	23,600	821,752
Devon Energy Corp	37,500	1,951,500	Fifth Third Bancorp	150,900	2,293,680
Devry Inc	6,500	154,245	First Citizens Bcsbs	400	65,200
Diamond Offshore Dri	15,000	1,019,400	First Financial Banc	5,500	80,300
Dice Holdings Inc	16,100	147,637	First Finl Bankshare	4,000	155,760
Dicks Sporting Goods	8,900	404,950	First Republic Bank	8,500	278,715
Digital Realty Trust	12,100	820,743	Firstenergy Corp	40,000	1,670,000
Directv	91,261	4,578,564	Fiserv Inc	13,900	1,098,517
Discover Financial	82,691	3,187,738	Fleetcor Technologie	6,500	348,400
Discovery Communicat	24,000	1,479,109	Flextronics Intl Ltd	87,455	543,096
Dish Network Corp	19,200	698,880	Flir Systems Inc	26,200	584,522
Dolby Laboratories	10,400	304,928	Flowserve Corp	5,200	763,100
Dollar General Corp	23,300	1,027,763	Fluor Corp	15,200	893,608
Dollar Tree Inc	25,500	1,034,280	FMC Corp	12,500	731,250
Dominion Resources	53,002	2,745,504	FMC Technologies Inc	23,800	1,018,878
Domtar Corp	2,700	225,504	Ford Motor Co W/I	357,356	4,627,760
Dorchester Minerals	6,900	139,587	Forest Labs Us 0.10	26,900	950,108
Dover Corp	29,600	1,946,496	Fossil Inc	4,500	418,950
Dow Chemical Co	114,418	3,699,134	Franklin Electric Co	1,900	117,933
Dr Horton Inc	25,800	509,808	Franklin Resources	17,900	2,250,030
Dr Pepper Snapple Gr	22,000	971,740	Freeport-Mcmor C&G B	119,036	4,071,031
Dsw Inc - Class A	1,700	111,673	Fresh Del Monte Prod	7,100	186,943
Dte Energy Inc	15,300	918,612	Frontire Communicati	88,152	378,172
Du Pont De Nem	92,000	4,138,160	Futurerefuel Corp	6,500	76,830
Duff & Phelps Corp	7,200	112,608	Gallagher (Aj) & Co	3,300	114,279
Duke Energy Corp	66,730	4,256,707	Gamestop Corporation	19,600	491,372
Duke Realty Corp	33,500	464,645	Gannett Co Inc	15,900	286,200
Dunn & Bradstreet	10,200	802,230	Gap Inc	31,000	961,620
Eastman Chemical	15,100	1,028,008	Garmin Ltd	21,300	869,253
Eaton Corp Plc	44,724	2,424,041	Gen Dynamics Corp	46,800	3,241,836
Eaton Vance Corp	23,300	741,639	Generac Holdings Inc	3,700	126,762
Ebay Inc	138,411	7,063,113	General Electric Co	1,177,655	24,707,202
Ebix Inc	8,500	136,595	General Growth Prope	40,900	812,274
Ecolab Inc	27,600	1,984,164	General Mills Inc	60,400	2,440,764
Edison International	27,510	1,242,902	General Motors Co	69,477	2,002,327
Edwards Lifesciences	10,300	928,339	Genuine Parts Co	25,800	1,639,590
Electronic Arts	28,000	406,560	Genworth Financial	15,500	116,405
Emc Corp (Mass)	214,630	5,432,285	Gilead Sciences	97,572	7,170,566
Emerson Electric	97,764	5,179,537	Global Payments Inc	5,600	253,624
Encore Capital	4,100	125,501	Gold Resource Corp	4,700	72,239
Energen Corp	12,500	563,625	Goldman Sachs Group	61,469	7,844,674
Energizer Hldgs	9,800	783,902	Goodyear Tire+Rubber	20,100	277,380
Enersys	7,700	289,597	Google Inc - Cl A	30,900	21,916,134
Enesco Plc-Cl A	23,200	1,374,832	Grainger W W Inc	6,700	1,355,745
Ensign Group Inc/The	5,900	160,244	Grand Canyon Educati	6,300	147,798
Entergy Corp	15,800	1,007,092	Green Dot Corp-Class	8,600	105,006
EOG Resources Inc	26,000	3,140,280	Green Mountain Coffe	18,200	752,570
Epam Systems Inc	4,000	72,320	Green Plains Renewab	8,100	63,990
EPR Pptys	6,200	285,758	GT Advanced Technolo	15,900	48,018
EQT Corp	15,400	907,984	Guess? Inc	5,300	129,956
Equifax Inc	18,600	1,006,632	Halliburton Co	117,100	4,063,370
Equinix Inc	4,400	907,280	Hanmi Financial Corp	5,800	78,764
Equity Residential	30,600	1,733,184	Harley Davidson	22,600	1,104,010
Estee Lauder Co Inc	23,100	1,382,766	Harris Corp	22,700	1,111,392
Everest Re Group	4,800	527,472	Hartford Fin Service	53,800	1,207,272
Exelon Corp	82,331	2,447,701	Hasbro Inc	24,900	893,412
Expedia Inc	8,900	546,905	Hatteras Financial C	5,900	146,202
Expeditors Intl Wash	19,200	759,168	Hawaiian Holdings In	13,600	89,352
Express Inc	7,700	116,193	HCA Holdings Inc	22,000	663,960



**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

**Note 17 Schedule of financial assets valued through profit or loss**

Security	Unit holding	Fair Value (USD)	Security	Unit holding	Fair Value (USD)
Health Care Pptys	41,700	1,883,172	Kemet Corp	9,000	45,090
Health Care Reit	25,300	1,550,637	Kennametal Inc	6,000	240,180
Heinz (H.J.) Co.	29,700	1,713,393	Keycorp	157,034	1,322,226
Helix Energy Solut	10,400	214,552	Kimberly-Clark Cp	52,900	4,465,289
Helmerich & Payne	16,200	907,362	Kimco Realty Corpora	40,000	772,800
Henry Schein Corp	7,600	611,496	Kinder Morgan Inc	61,310	2,166,082
Herbalife Ltd	27,100	893,216	Kinder Morgan Manage	10,518	793,373
Hertz Global Holding	32,294	524,778	KLA Tencor Corp	28,600	1,365,936
Hewlett Packard Co	251,133	3,576,134	Kohls Corp	33,700	1,448,426
Hhgregg Inc	5,100	35,802	Kraft Foods Group In	57,430	2,610,194
Hillenbrand Inc	10,200	230,520	Kroger Co	46,504	1,210,034
Hi-Tech Pharmaca	6,100	213,134	Kronos Worldwide Inc	13,800	269,376
Hollyfrontier Corp	34,900	1,624,595	Kulicke & Soffa Inds	16,800	201,432
Hologic Inc	23,900	478,717	L3 Communications	16,100	1,233,099
Home Depot Inc	153,354	9,484,945	Laboratory Corp New	22,000	1,904,980
Homeowner Choice Inc	2,400	49,848	Lakeland Financial C	4,400	113,608
Honeywell Intl Inc	72,664	4,612,711	Lam Research Corp	17,000	614,040
Hong Kong Land Hldgs	24,000	167,520	Lancaster Colony	1,900	131,347
Horace Mann Educators	8,800	175,384	Landauer Inc	1,900	116,128
Hormel Foods Corp	42,900	1,338,480	Landstar System Inc	7,000	367,010
Hospira Inc	14,500	452,835	Las Vegas Sands Corp	39,600	1,827,540
Host Hotels & Resort	64,248	1,006,766	Leapfrog Enterprises	10,900	93,958
Hubbell Inc	5,000	423,250	Legg Mason Inc	11,000	282,810
Hudson City Bancorp	42,267	342,785	Leggett & Platt Inc	12,800	348,544
Humana Inc	16,000	1,098,240	Lennar Corporation	14,100	545,106
Hunt Jb Trans Svcs	8,300	495,178	Leucadia Natl Corp	19,400	461,332
Huntington Bancshare	47,600	304,164	Level 3 Communicatio	13,000	300,300
Hutchison Port	488,000	383,080	Lexmark Intl Inc	10,000	232,000
ICU Medical Inc	2,900	176,349	Liberty Global Inc-A	14,600	920,092
IHS Inc.	5,700	546,858	Liberty Global Inc-C	9,500	558,125
Illinois Tool Wks	59,900	3,643,118	Liberty Interactive	50,502	993,879
Illumina Inc	12,600	700,434	Liberty Media Corp	9,300	1,078,428
Ingersoll-Rand Plc	30,700	1,472,372	Liberty Ppty Tst	14,000	500,780
Ingram Micro Inc	7,200	121,896	Life Technologies	17,700	869,070
Innophos Holdings In	3,700	172,050	Lilly(Eli)& Co	145,269	7,164,667
Innospec Inc.	1,900	65,398	Limited Brands Inc	37,090	1,745,455
Integrated Silicon	5,600	50,288	Lincoln Electric Hol	8,300	404,044
Integrus Energy Grou	7,200	375,984	Lincoln Natl Corp	46,700	1,209,063
Intel Corp	628,260	12,961,004	Linear Technology	29,100	997,839
Interactive Brokers	11,300	154,471	Linkedin Corp-A	7,900	907,078
Intercontinental Ex	9,700	1,200,569	Littlefuse Inc	4,300	264,751
Interdigital Comms	5,100	209,610	Lkq Corp	26,300	555,193
International Paper	50,900	2,028,365	Lockheed Martin Corp	40,501	3,739,052
Interpublic Grp Co	45,769	504,832	Loews Corp	28,100	1,145,075
Intersections Inc	4,300	40,764	Lorillard Inc	22,500	2,624,625
Intl Bancshares Crp	9,700	175,085	Lowe's Cos Inc	112,446	3,994,082
Intl Business Machin	130,922	25,080,728	LSI Logic Corp	46,702	330,650
Intl Game Tech	25,505	361,406	LTC Properties Inc	5,800	203,870
Intnational Flavours	7,600	505,704	Lululemon Athletica	9,200	701,316
Intuit Inc	27,000	1,606,230	Lyondellbasell Indu	53,600	3,061,096
Intuitive Surgical	3,800	1,862,190	M & T Bank Corp	10,100	994,345
Invesco Limited	39,458	1,029,065	Macerich Co	12,900	751,683
Invesco Mortgage Cap	8,700	171,390	Macys Inc	46,500	1,814,430
Iridium Communicatio	19,300	129,889	Magellan Health Ser	2,000	97,980
Iron Mountain Inc	12,932	401,280	Main Street Capital	6,200	189,038
ITT Educational Svcs	2,600	44,980	Manhattan Assoc Inc	2,500	150,850
Ixys Corporation	5,000	45,700	Manpower Group	6,500	275,860
J2 Global Inc	8,200	250,756	Mantech Internation	4,300	111,499
Jabil Circuit Inc	13,900	267,992	Marathon Oil Corp	68,753	2,107,967
Jack Henry & Associa	5,000	196,350	Marathon Petroleum	55,400	3,489,646
Jacobs Engineering	12,500	532,125	Marriott Intl Cl 'A'	26,700	995,109
Johnson & Johnson	334,668	23,460,227	Marsh & McLennan	65,991	2,274,050
Johnson Controls	64,900	1,990,483	Martin Marietta Mat	4,900	461,972
Jos A Bank Clothiers	1,700	72,369	Marvell Tech Grp	75,682	549,451
Joy Global Inc	16,600	1,058,748	Masco Corp	32,400	540,108
JP Morgan Chase & Co	469,980	20,674,420	Mastercard Inc-Cl A	11,100	5,457,204
Juniper Networks Inc	52,189	1,027,080	Mattel Inc	51,000	1,867,110
Kansas City Southern	10,900	909,932	Maxim Integrated	49,200	1,445,988
Kapstone Paper	11,000	244,090	Maximus Inc	2,700	170,613
KBR Inc	12,600	376,992	McCormick & Co Inc	19,300	1,225,550
Kellogg Company	24,800	1,385,080	McDonalds Corp	120,465	10,629,832

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
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**Note 17 Schedule of financial assets valued through profit or loss**

Security	Unit holding	Fair Value (USD)	Security	Unit holding	Fair Value (USD)
McGraw Hill Inc	40,400	2,208,668	Omega Protein	4,300	26,230
McKesson Corp	35,200	3,413,344	Omnicare Inc	12,700	458,470
MDU Res Group Inc	22,800	483,588	Omnicom Group Inc	42,900	2,143,713
Mead Johnson Nutriti	19,900	1,311,211	Oneok Inc	16,900	722,475
Meadwestvaco	19,100	608,717	Oracle Systems Corp	493,532	16,444,486
Medtronic Inc	146,076	5,992,038	Oriental Finl Group	6,900	92,046
Merck & Co Inc	390,991	16,011,081	Orthofix Intl N.V.	1,500	58,950
Meredith Corp	6,800	234,260	Owens-Illinois Inc	13,600	289,000
Meridian Bioscience	4,000	80,920	P G & E Corp	39,700	1,595,146
Metlife Inc	112,274	3,697,183	Paccar Inc	32,900	1,486,751
Metropcs Communicati	68,900	684,866	Pall Corp	10,500	632,625
Mettler-Toledo Inter	400	77,208	Papa John's Intl	1,100	60,445
MGM Resorts Internat	31,300	364,332	Parker Drilling Co	21,400	98,226
Microchip Tech	23,100	752,598	Parker-Hannifin Corp	23,700	2,016,159
Micron Technology	86,400	546,912	Partnerre Ltd	13,300	1,071,315
Microsoft Corp	925,370	24,725,886	Patterson - Uti	13,900	258,957
Mohawk Industries In	6,500	587,730	Patterson Cos Inc	7,300	249,806
Molex Inc	4,900	133,868	Paychex Inc	46,500	1,447,545
Molson Coors Brew	12,700	543,179	PDL Biopharma Inc	19,400	136,576
Mondelez Internation	170,994	4,356,927	Peabody Energy Corp	22,800	606,936
Monsanto Co	53,089	5,024,874	Penney(J.C.)Co.Inc	14,100	278,052
Monster Bev Corp	13,300	703,437	Pentair Ltd	18,613	914,829
Monteplier Re Holdgs	6,500	148,590	People's United Fina	32,900	397,761
Moody's Corp	29,100	1,464,312	Pepco Holdings Inc	28,500	558,885
Morgan Stanley	220,100	4,208,312	Pepsico Inc	190,061	13,007,775
Mosaic Co/The	47,200	2,672,936	Perrigo Co	8,800	915,112
Motorola Solutions I	23,010	1,281,197	Petmed Express Inc	5,800	64,264
MSC Industrial Dir	1,100	82,940	Petsmart Inc	15,600	1,066,260
MTS Systems Corp	3,900	198,627	Pfizer Inc	916,762	23,001,559
Murphy Oil Corp	21,200	1,262,248	Philip Morris Intern	202,122	16,907,505
Mylan Laboratories	35,600	977,932	Phillips 66	73,731	3,914,379
Myriad Genetics Inc	3,900	106,275	Photronics Inc	8,500	50,575
Nabors Industries	43,300	626,118	Pier 1 Imports Inc	7,700	153,846
Nasdaq Omx Group Inc	16,800	420,168	Pinnacle West Cap	13,300	677,768
National Oilwell	41,100	2,810,007	Pioneer Natural Res	10,400	1,108,744
National Western Lif	100	15,750	Pitney Bowes Inc	50,000	532,000
Natural Resource Par	8,400	155,400	Plains All Amer Pipe	5,500	248,655
Netflix Inc	4,700	435,784	Plains Exploration	10,800	506,952
Netgear Inc	3,700	145,780	Plantronics Inc	6,200	228,470
Network Appliance	32,200	1,080,310	Plum Creek Timber	14,700	651,945
Neustar Inc-Class A	7,200	301,824	PNC Finance Serv Gr	75,087	4,378,323
New York Com Bancorp	47,100	616,539	Polaris Industries	5,800	487,780
Newcastle Invst Corp	600	5,202	Popular Inc	7,100	147,609
Newell Rubbermaid	30,103	670,394	Portfolio Recovery	1,200	127,872
Newfield Exploration	25,200	674,856	Portland General Ele	14,800	404,928
Newmarket Corp	400	104,880	Power-One Inc	20,600	84,460
Newmont Mining Cp	68,976	3,203,245	Pozen Inc	8,000	40,000
News Corp - Cl B	51,087	1,340,523	PPG Inds Inc	14,600	1,975,964
News Corp-A	141,014	3,600,087	PPL Corporation	55,104	1,577,076
Nextera Energy Inc	37,100	2,566,207	Praxair Inc	27,900	3,051,981
Nielsen Holdings N V	11,600	354,612	Precision Castparts	13,800	2,613,030
Nike Inc	81,000	4,179,600	Priceline.Com Inc	4,800	2,981,424
Nisource Inc	25,799	641,879	Primoris Services Co	10,900	163,827
Noble Corp	26,000	905,060	Principal Fin Grp	47,700	1,360,404
Noble Energy	17,300	1,760,102	Proassurance Corp	6,400	270,080
Nordstrom Inc	13,900	743,650	Procter & Gamble Co	300,600	20,413,746
Norfolk Sthn Corp	45,800	2,831,356	Progressive Corp	51,300	1,082,430
Northern Trust Corp	19,200	963,072	Prologis Inc	42,700	1,558,123
Northrop Corp	42,300	2,858,634	Protective Life Corp	8,900	254,362
NRG Energy Inc	19,000	436,620	Prothema Corp Plc	1,091	7,353
Ntheast Utilities	27,903	1,090,170	Prudential Finacial	64,871	3,458,922
Nu Skin Enterprise	10,600	392,624	Public Service Ent	51,178	1,565,535
Nuance Communication	21,900	488,589	Public Storage Inc	13,400	1,942,598
Nucor Corp	32,500	1,402,700	Pulte Group Inc	30,600	555,696
Nvidia Corp	56,000	688,240	PVH Corp Com	6,400	710,528
Nyse Euronext	22,000	693,660	QEP Resources Inc-W/	16,100	487,186
O' Reilly Automotive	10,500	939,225	Qlogic Corp	8,800	85,624
Obagi Medical Produc	4,000	54,240	Qualcomm Inc	206,894	12,831,566
Occidental Petrlm	105,188	8,058,453	Quality Systems Inc	19,700	341,795
Oceaneering Intl Inc	12,900	693,891	Quanta Services Inc	19,100	521,048
OGE Energy Corp	11,700	658,827	Quest Diagnostics	33,800	1,968,850

**Petroleum Fund of Timor-Leste**  
**Notes to the financial statements**  
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**Note 17 Schedule of financial assets valued through profit or loss**

Security	Unit holding	Fair Value (USD)	Security	Unit holding	Fair Value (USD)
Questor Pharmaceutic	8,800	234,960	Stancorp Financial	5,200	190,528
Rackspace Hosting In	9,400	698,138	Standard Motor Prd	4,500	100,035
Rait Financial Trust	11,600	65,540	Stanley Black & Deck	14,300	1,057,771
Ralcorp Holdings	5,000	448,250	Staples Inc	102,550	1,168,045
Ralph Lauren Corp	6,500	974,350	Starbucks Corp	74,064	3,972,793
Range Resources Corp	14,400	904,752	Starwood Hotel & Res	17,500	1,003,625
Rayonier Inc	12,500	648,125	Starwood Property Tr	19,600	450,212
Raytheon Company	51,700	2,975,852	State Street Corp	51,378	2,415,280
Reality Income Corp	12,100	486,541	Stericycle Inc	8,700	811,188
Red Hat	17,100	905,445	Steris Corp	13,200	458,568
Regency Centres Corp	8,300	390,681	Sterling Fin Corp	5,800	121,104
Regeneron Pharm	6,700	1,145,700	Strayer Education	2,300	129,007
Regions Financial	201,642	1,435,691	Stryker Corp	42,600	2,334,906
Reliance Steel&Alu	5,600	347,648	Sturm Ruger & Co	1,300	59,020
Renaissancere Hldgs	11,300	918,238	Suntrust Banks	54,089	1,534,505
Rent-A-Center Inc	6,000	206,100	Superior Energy Svs	12,800	265,344
Republic Bancorp Inc	1,600	33,792	Symantec Corp	110,361	2,076,994
Republic Services	30,100	883,134	Symetra Financial Co	22,100	286,858
Resmed Inc	12,700	527,558	Synaptics Inc	3,500	104,930
Reynolds American	66,200	2,742,004	Synnex Corp	5,700	195,852
Robert Half Intl	15,200	483,360	Synopsys Inc	17,600	560,384
Rock-Tenn Co	6,400	447,296	Syntel Inc	2,400	128,568
Rockwell Automation	12,600	1,058,274	Sysco Corp	53,811	1,703,656
Rockwell Collins	19,800	1,151,568	T Rowe Price Gr Inc	30,700	1,999,184
Roper Industries	10,500	1,169,910	Tal International Gr	2,200	79,970
Ross Stores Inc	35,083	1,899,744	Target Corp	59,200	3,502,272
Rowan Companies Plc	11,300	353,238	TD Ameritrade Holdin	24,700	415,454
Royal Caribbean	15,400	523,292	TE Connectivity Ltd	59,800	2,219,776
RPC Inc	19,350	236,844	Tech Data Corp	4,600	209,346
RPX Corporation	10,700	96,621	Techne Corp	800	54,624
Rue21 Inc	3,800	107,844	Telenav Inc	15,500	123,535
Safeway Inc	42,000	759,360	Tempur-Pedic Intl	8,600	270,814
Saic Inc	25,800	291,798	Teradata Corp	14,900	922,012
Salesforce.Com Inc	12,800	2,150,656	Teradyne Inc	7,400	124,986
Sandisk Corporation	23,900	1,040,606	Terra Nitrogen Co	1,600	342,400
SBA Communications C	11,200	795,312	Tessco Technologies	2,400	53,016
Scana Corp New	15,700	716,862	Texas Instruments In	133,109	4,119,724
Schlumberger	137,277	9,511,923	Textainer Group Hold	5,000	157,150
Schnitzer Steel Ind	2,300	69,759	Textron Inc	25,800	639,066
Scholastic Corp	6,300	185,976	TGC Industries	5,900	48,262
Schwab(Charles)Corp	107,880	1,549,157	The Buckle Inc	3,900	173,979
Schweitzer-Mauduit	5,500	214,610	The Finish Line-CI A	4,600	87,078
Sciclone Pharmaceuti	24,000	103,200	The Hershey Co	13,900	1,003,858
Scripps Networks Int	18,300	1,059,936	The Mens Wearhouse	6,500	202,475
Seaboard Corporation	56	141,400	The Walt Disney Co	184,425	9,182,521
Seagate Technology	61,100	1,862,328	Thermo Fisher Scient	34,100	2,175,580
Sealed Air Corp	17,300	302,923	Tiffany & Co	16,600	952,010
Sears Holdings Corp	3,300	136,422	Tim Hortons Inc	14,100	690,910
SEI Investment Co	11,900	277,865	Time Warner Cable-Wi	29,100	2,829,102
Select Medical Holdi	25,200	237,384	Time Warner Inc	93,669	4,480,188
Sempra Energy Corp	21,200	1,503,292	Timken Co	6,800	325,244
Sensata Technologies	7,000	227,430	TJX Cos Inc	97,600	4,143,120
Sherwin Williams Co	8,600	1,322,852	Toll Bros Inc	14,100	455,571
Sigma Aldrich Corp	10,400	765,128	Tompkins Financial C	3,000	118,500
Simon Property Group	30,000	4,742,700	Torchmark Corp	10,700	552,548
Sirus Satellite	339,827	985,498	Toro Co	3,200	137,440
SL Green Realty Corp	9,300	712,845	Total System Service	36,100	772,901
SLM Corporation Sec	47,180	808,665	Tractor Supply Co	8,500	751,230
Smith & Wesson Hld	10,900	91,996	Transdigm Group Inc	4,400	599,720
Smucker (Jm) Co	11,000	948,640	Travelers Cos Inc	36,100	2,592,702
Southern Co	83,303	3,565,368	Travelzoo Inc	3,900	73,905
Southside Bancshares	4,305	90,491	Trimble Navigation	10,900	651,602
Southwest Airlines	20,500	209,920	True Religion Apparel	3,800	96,596
Southwestern Energy	31,000	1,035,400	Trustco Bank Corp Ny	28,500	150,195
Spartan Stores Inc	4,900	75,166	Trustmark Corp	12,200	273,890
Spectra Energy Corp	62,700	1,716,099	TRW Automotive Hold	18,200	975,702
Spectrum Pharmaceuti	4,600	51,382	Tupperware Brands Cp	2,800	179,452
Spirit Airlines Inc	10,700	189,604	Twin Disc Inc	2,600	45,292
Sprint Nextel Corp	286,256	1,620,209	Two Harbors Investme	23,400	259,038
SPX Corp	4,500	315,675	Tyco International L	40,800	1,192,584
St Jude Medical	40,900	1,478,535	Tyson Foods Inc(Del)	26,900	521,860

**Petroleum Fund of Timor-Leste**  
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**Note 17 Schedule of financial assets valued through profit or loss**

Security	Unit holding	Fair Value (USD)
Ubiquiti Networks Inc	13,900	169,024
UDR Inc	22,800	542,184
Ultra Salon	6,300	618,408
Ultra Petroleum Corp	14,000	253,680
Under Armour Cls-A	7,000	339,710
Union Pacific Corp	58,173	7,313,510
Unit Corp	4,700	211,735
United Continental H	6,500	151,905
United States Steel	12,300	293,478
United Therapeutics	4,400	235,048
Unitedhealth Group	131,580	7,136,899
Universal Corp	5,100	254,541
Universal Health	5,900	285,265
Universal Insurance	4,300	18,748
Universal Travel Grp	7,100	3,976
Unum Group	44,905	934,473
Urban Outfitters Inc	12,200	480,314
US Bancorp	186,080	5,943,395
US Physical Therapy	2,400	66,072
USA Mobility Inc	4,300	50,181
Usana Health Science	6,200	204,228
Utd Bancshares Inc	9,800	238,336
Utd Parcel Service	90,261	6,655,846
Utd Technologies	91,605	7,512,526
Vaalco Energy Inc	16,800	145,152
Valassis Comms Inc	2,400	61,896
Valero Energy Co	71,502	2,438,218
Validus Holdings Ltd	10,300	356,174
Valueclick Inc	4,700	91,227
Varian Medical	14,600	1,025,212
Ventas Inc	27,200	1,759,840
Verifone Systems Inc	9,900	293,931
Verisign	16,000	621,120
Verisk Analytics Inc	12,100	617,100
Verizon Comm	331,703	14,349,472
Vertex Pharmaceutical	21,400	897,944
VF Corp	11,200	1,690,864
Viacom Inc-Cls B W/I	72,484	3,823,531
Virgin Media Inc	22,000	808,720
Virginia Comm Bcorp	3,600	32,220
Visa Inc-Class A Shs	55,684	8,435,569
Vishay Intertech	10,000	106,200
Vmware Inc-Class A	7,500	706,050
Volterra Semi	5,100	87,516
Vonage Holdings Corp	33,100	78,447
Vornado Realty Trst	14,900	1,192,894
Vulcan Materials	11,100	577,533
W&T Offshore Inc	13,000	208,260
Waddell & Reed Finan	10,600	369,092
Wal Mart Stores Inc	220,871	15,076,654
Walgreen Co	124,800	4,621,344
Warner Chilcott Plc	69,500	836,780
Washington Federal	5,700	96,159
Waste Management Inc	43,500	1,467,255
Waters Corp	12,500	1,089,000
Watson Pharmaceutical	11,400	980,286
Weatherford Intl Ltd	68,868	770,633
Wellpoint Health Net	39,900	2,431,107
Wells Fargo Co	584,376	19,991,503
Western Refining Inc	11,300	318,434
Western Union Co-W/I	105,500	1,435,855
Westn Digital Corp	41,400	1,759,500
Weyerhaeuser Co	53,091	1,477,523
Whirlpool Corp	6,700	681,993
Whiting Petroleum	10,700	464,059
Whole Foods Market	17,200	1,570,704
Wiley(John) & Sons	1,900	74,081
Williams Cos Inc	66,209	2,167,021
Williams-Sonoma	7,300	319,375
Willis Group Holding	37,300	1,249,923
Wilshire Bancorp Inc	5,000	29,300

Security	Unit holding	Fair Value (USD)
Windstream Corp	50,906	422,520
Wisconsin Energy	21,100	777,324
Wolverine World Wide	2,900	118,842
World Acceptance	2,900	216,224
Wyndham Worldwide Co	12,200	649,040
Wynn Resorts Ltd	7,300	820,520
Xcel Energy Inc	43,373	1,158,059
Xerox Corp	133,697	911,814
Xilinx Inc	33,300	1,195,137
XI Group Plc	40,300	1,009,515
Xylem Inc	17,300	468,484
Yahoo Inc	109,324	2,174,454
Yum Brands Inc	44,700	2,968,974
Zebra Technologies	5,200	204,256
Zimmer Hldgs Inc	25,000	1,665,750
Zygo Corp	2,700	42,390
		<b>1,597,055,914</b>
<b>Total equity securities</b>		<b>\$3,034,727,928</b>

**(c) Derivatives**

Foreign currency forwards	Settlement Date	Fair Value (USD)
BUY USD	02/01/13	1,311,589
SELL GBP	02/01/13	- 1,321,927
BUY SEK	03/01/13	340,772
SELL USD	03/01/13	- 340,751
BUY USD	10/01/13	1,411,436
SELL JPY	10/01/13	- 1,375,574
BUY USD	10/01/13	1,584,917
SELL JPY	10/01/13	- 1,512,981
<b>Total derivatives</b>		<b>97,481</b>

## **Annex III**

### **Statement on Accounting Policies of the Petroleum Fund for the Fiscal Year 2012**



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



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

31<sup>st</sup> May, 2013

Oficio No 10 /DGT/2013

Subject: Statement on Accounting Policies of the Petroleum Fund for the Fiscal Year 2012.

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, 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee(IASC) that remained in effect at the balance sheet date of the Petroleum Fund. The Financial Statements of the Petroleum Fund has adopted IFRS 7 : Transfers of Financial Assets and applied International Accounting Standards ( IAS ) 1 : Presentation of Financial Statements and Presentation of Items of Other Comprehensive Income as well as IAS 12 : Deferred Tax Recovery of Underlying Assets".

Best Regards



Agostinho Castro  
Director General of Treasury

## **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 3<sup>rd</sup> of August as  
amended by the Law No. 12/2011, of 28<sup>th</sup> of September)**

Please refer to the Audited Financial Statements for details.

FY 2012	FY 2011	FY 2010	FY 2009
US\$ 400,806,860	US\$ 221,234,179	US\$ 221,139,322	US\$ 31,465,511



**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 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September)**

*The yield on the fixed interest portfolio in the period is 0.64%. The average coupon for the year of 2012 has been \$US 154.7 million. The average yield to maturity of the fixed interest investments made through the Financial Year of 2012 has been estimated at 0.26%.*

*During 2012 inflation in the USA was 1.74%<sup>1</sup>, of which the investment return of 3.88% minus 1.74% of the inflation resulted in a real return of 2.14% for the year.*

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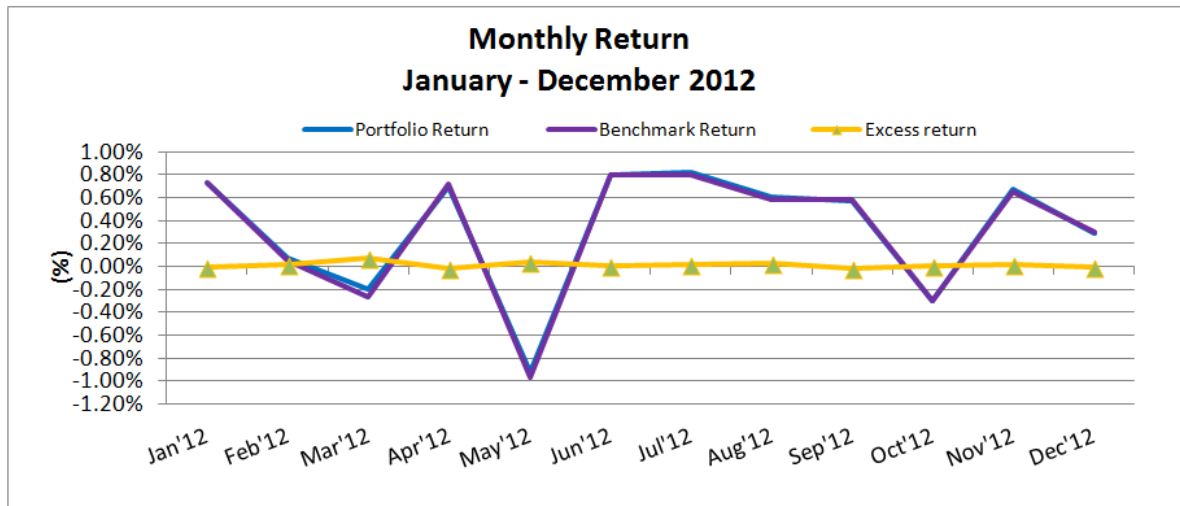
<sup>1</sup> Source: The United States Department of Labor - Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov))

**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 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September)

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



### Petroleum Fund of Timor-Leste Monthly Performance Numbers January - December 2012

Period	Portfolio	Benchmark	Excess return
Jan'12	0.73%	0.73%	0.00%
Feb'12	0.07%	0.05%	0.02%
Mar'12	-0.20%	-0.26%	0.07%
Apr'12	0.69%	0.71%	-0.02%
May'12	-0.92%	-0.96%	0.04%
Jun'12	0.80%	0.80%	0.00%
Jul'12	0.82%	0.80%	0.02%
Aug'12	0.61%	0.58%	0.02%
Sep'12	0.57%	0.58%	-0.02%
Oct'12	-0.30%	-0.30%	0.01%
Nov'12	0.67%	0.65%	0.02%
Dec'12	0.29%	0.30%	-0.01%

## **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 transfers from the Petroleum Fund for the year**

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

The total withdrawal from the Petroleum Fund for the financial Year 2012 has been US\$ 1,494,900,000, which was US\$ 829,600,000 higher than the Estimated Sustainable Income.

Please Refer to Statement of changes in capital and note 6 of the Financial Statements for Further details.

## **Annex VIII**

### **Statement on Borrowings**



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



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

31<sup>st</sup> May, 2013

Oficio No 11 /DGT/2013

Subject: Statement of Borrowings by Government of Timor Leste during Fiscal Year 2012.

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 the JICA and the Asian Development 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.

As at 31<sup>st</sup> December, 2012, the total value of all of Timor Leste's sovereign loans negotiated amounted to US\$108.7 million.



Agostinho Castro  
Director General of Treasury



## **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 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September)**

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

(i) The Minister of Finance

**Ms. Emilia Pires**

(ii) The Director General of Treasury

**Mr. Agostinho Castro (from 1 May 2013)**

(iii) The Director of Treasury

**Ms. Sara Lobo Brites (to 15 November 2012)**

**Mr. Jose Alexandre de Carvalho (from 16 November 2012)**

(iv) The members of the Investment Advisory Board (IAB)

<b>Name</b>	<b>Position</b>
<b>Mr. Abraão Fernandes de Vasconcelos</b>	Governor of the Central Bank of Timor-Leste
<b>Mr. Kevin Bailey</b>	Principal and Private Client Adviser Shadforth Financial Group, Australia
<b>Mr. Olgário de Castro</b>	Special Adviser on Investments, Ministry of Finance
<b>Ms. Sara Lobo Brites</b>	Director of the National Directorate of Treasury (to 15 November 2012)
<b>Mr. Torres Trovik</b>	Adviser of the Petroleum Fund
<b>Mr. Gualdino da Silva</b>	President of National Petroleum Authority
<b>Mr. Francisco Monteiro</b>	President & CEO of Timor GAP, E.P.

(v) The External Investment Managers

- Bank of International Settlements (BIS) – 3 June 2009
- Schroder Investment Management (Schroders) – 08 October 2010
- State Street Global Advisor (SSgA) – 14 September 2011 (implementation commence in January 2012)
- BlackRock International Equity - April 2012 (implementation commence in March 2013)

- (vi) The Governor of the Central Bank  
Mr. Abraão Fernandes de Vasconcelos  
Governor of the Central Bank of Timor-Leste

The Consultative Council was formally constituted 6 November 2006. For the Financial Year 2012 the members of the Consultative Council were:

Name	Representation	Position
<b>Mr. Francisco M. de Vasconcelos</b>	Religious Organizations	Coordinator
<b>Mr. Joãozito Viana</b>	Civil Society	Vice Coordinator
<b>Mr. Aurelio Guterres</b>	Substitution of the Former President of the National Parliament	Member
<b>Mr. Oscar Lima</b>	Private Business Sector	Member
<b>Ms. Maria de Fatima X. Dias</b>	Civil Society	Member
<b>Mr. Nuno Rodrigues</b>	National Parliament	Member
<b>Mr. Antero Bendito Da Silva</b>	National Parliament	Member



**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 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September)**

According to National Parliament Decree 2012 General State Budget Law Article 4 the transfer amount from the Petroleum Fund to the General State Budget for 2012 is not to exceed \$1,494.90 million.

The total transfer amount from the Petroleum Fund to the Consolidated Fund of Timor-Leste for 2012 was \$1,494.90 million.

The total transfer amount from the Petroleum Fund for 2012 was in compliance with Article 7.2 of the Petroleum Fund Law No.9 / 2005.

**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 2012**

On the basis of information provided by management we have compiled the attached list of aggregate amounts of payments made as Petroleum Fund Receipts for each Payer for the year ended 31 December 2012, in accordance with the International Standard on Related Services applicable to compilation engagements. 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) have been made for the year and it is the Petroleum Fund's management that are responsible for the information contained in the attached list. We have not audited or reviewed the attached list and accordingly express no assurance thereon.

Our procedures use accounting expertise to collect, classify and summarise the financial information, which Management provided, in compiling the financial statements. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.



DELOITTE TOUCHE TOHMATSU  
Chartered Accountants  
Dili  
31 May 2013



**STATEMENT OF PETROLEUM FUND RECEIPTS  
FOR THE YEAR 1 JANUARY TO 31 DECEMBER 2012**

Payee	Receipt (US\$)
<b>Article 6.1(a) receipts</b>	
Air Energy Group Singapore Pty Ltd	101,583
Amec Engineering Pty Ltd	394,595
Bluewater Services International Pty Ltd	1,166,563
Brunel Energy Pty Ltd	157,734
Brunel International South APL Asia Pty Ltd	292,732
Caltech Unipessoal Lda	46,481
Geographe Energy Pty Ltd	284,374
Cape East Phillipines Inc	542,843
Caterpillar of Australia Pty Ltd	24,965
Clough Engineering Integrated Solutions Services Pty Ltd & Amec Engineering Pty Ltd	1,420,530
Compass Group (Australia) Pty Ltd & Eurest Servicios de Suporte (Timor-Leste) SA	259,121
ConocoPhillips Timor-Leste Pty Ltd	107,669
ConocoPhillips (03-12) Pty Ltd	401,831,692
ConocoPhillips (03-13) Pty Ltd	65,575,488
ConocoPhillips (Emet) Pty Ltd	11,338,735
ConocoPhillips (Timor Sea) Pty Ltd	107,320,165
ConocoPhillips JPDA Pty Ltd	199,522,726
ConocoPhillips (03-19) Pty Ltd	3,028
ENI Timor-Leste S.P.A (PSC Area 1)	137,441
ENI JPDA 03-13 Ltd	135,818,728
ENI JPDA 06-105 Pty Ltd	113,163,234
Farstad Shipping (Indian Pacific) Pty Ltd	777,658
Finder Care Marine Ltd	196,213
Fircroft Australia Pty Ltd (Code Engineering Services Pty Ltd)	1,534,953
FMC Technologies Australia Pty Ltd	3,264
Fugro Survey Pty Ltd	4,617
Halliburton Australia Pty Ltd	57,504
Inpex Sahul Ltd	139,033,282
Inpex Timor Sea Ltd	86,295,845
Japan Energy E P JPDA Pty Ltd	33,815
Kakivik Asset Management LLC	226,575
Konnekto Unipessoal Lda	121,288
Lloyd Offshore Helicopters Pty Ltd	678,478
Millenium Offshore Services Pty Ltd	1,487,265
Minza Oil & Gas Ltd	96,762
Neptune Asset Integrity Services Pty Ltd	1,049,549
Oilex (JPDA 06-103) Ltd	40,985
Oleochem Project Management Pty Ltd	45,130
Pae Singapore Pty Ltd	17,350
Reliance Exploration & Production DMCC	26,576
Riverwijs Offshore Marine Pty Ltd	30,322
RLG International Inc	375,613
Santos (JPDA 91-12) Pty Ltd	126,083,352
Sedco Forex International Inc (Aust)	1,452
SGS Australia Pty Ltd	219,256
Prosafte Personnel Pty Ltd	321,673
Solar Turbines International Pty Ltd	11,129
Svitzer Asia Pty Ltd	193,998
Talisman Resources (JPDA 06-105) Pty Ltd	71,899,276
TCA Partners Pty Ltd	65,976
Tidewater Marine Australia Pty Ltd	61,047

Tokyo Timor Sea Resources Pty Ltd	116,652,854
Transocean Offshore International Ventures Ltd	25,488
Woodside Petroleum (Timor Sea 19) Pty Ltd	25,268,342
Worleyparsons Services Pty Ltd	71,668
<b>Total Article 6.1(a) receipts</b>	<b>1,612,518,978</b>
<b>Article 6.1(b) receipts</b>	
Autoridade Nacional de Petróleo	1,937,724,527
<b>Total Article 6.1(b) receipts</b>	<b>1,937,724,527</b>
<b>Article 6.1(e) receipts</b>	
Annual Pipeline Fees	8,634,400
Surface Rental Annual Fee	242,625
<b>Total Article 6.1(e) receipts</b>	<b>8,877,025</b>
<b>Total Petroleum Fund Receipts</b>	<b>3,559,120,530</b>

**Advice Provided by the Investment Advisory  
Board**

## Investment Advisory Board

Date: 30 March 2012

To  
H.E. Mrs. Emilia Pires  
Minister of Finance  
Democratic Republic of Timor-Leste

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**Subject: Advice on appointing an equity manager for the Petroleum Fund**

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As requested by Your Excellency's letter dated 16 March 2012, the Investment Advisory Board (IAB) has reviewed the proposal from the Central Bank of Timor-Leste (CBTL) dated 2 March 2012 to engage BlackRock Investment Management (Australia) Limited ("BlackRock") as the external manager for the indexed global equity mandate described in the Board's letter of advice dated 14 March 2011 and 12 December 2011.

The IAB has reviewed the CBTL's proposal and concluded that BlackRock meets the stipulations in Article 12.2 of the Petroleum Fund Law. The Board also notes that the CBTL has completed a due process undertaken in accordance with article 12.4 of the Petroleum Fund Law.

The IAB therefore advises Your Excellency to approve the CBTL's proposal to authorize BlackRock as an external manager to manage the global equity mandate for the Petroleum Fund.

Yours sincerely



Olgario de Castro  
Investment Advisory Board  
Chairman

## Investment Advisory Board

Date: 10 July 2012

To  
H.E. Mrs. Emilia Pires  
Minister of Finance  
Democratic Republic of Timor-Leste

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**Subject:      Review of Strategic Asset Allocation - plan to increase the share of  
                         equities in the Petroleum Fund**

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In accordance with article 16.1(a) of the Petroleum Fund Law, the Investment Advisory Board agreed a new strategic asset allocation.

The current strategic allocation to public equities is 20%, which is invested in global developed markets. Taking current market conditions into account and the long-term investment horizon of the Fund, the Board believes that the long-term strategic asset allocation to public equities should be increased to 40% and that the range of equity investments be diversified further to achieve a level of expected returns in alignment with the Estimated Sustainable Income.

The Board considered the risks and rewards associated with implementing the new strategic allocation and are satisfied that the higher expected returns will justify an increased level of short-term volatility.

Pending the completion of its work on identifying equity benchmarks that incorporate strategic tilts and more diversity, which will be the subject of future advice, the Board advises the new equity exposure should be obtained by gradually increasing the size of the two existing indexed equity mandates using previously approved external managers and reducing the allocation to 1-3 year US Treasuries.

The Board advises increasing the public equity exposure by 0.83% a month over a period of two years to 30 June 2014 would be a prudent means of achieving the first-order priority of obtaining a 40% equity exposure.

Yours sincerely



Olgario de Castro  
Chairman



## **Annex XIII**

### **Implementation of the Santiago Principles**

## TIMOR-LESTE PETROLUEM FUND IMPLEMENTATION OF THE SANTIAGO PRINCIPLES

Based on the “Santiago principles<sup>1</sup>”, the Timor-Leste Petroleum Fund governance model is one of high degree of transparency and disclosure of information. This helps build public support for wise management of petroleum revenues and reduces the risk of bad governance. *Transparency* ensures that information can be used to measure the authorities' performance and also guards against any possible misuse of powers.

One of the fundamental elements of the Fund's governance structure is that no one person or institution is responsible for making and implementing investment decisions, because each party is formally accountable to another for their role in the decision-making process. This degree of transparency serves to encourage *consensus* and enable *accountability*, which means authorities and whoever handles public money can be held responsible for their actions.

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

GAPP Principle 1	Implementation and Reference Material
<p>The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).</p> <p><b>GAPP 1.1 Subprinciple</b> The legal framework for the SWF should ensure legal soundness of the SWF and its transactions.</p> <p><b>GAPP 1.2 Subprinciple</b> 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>	<ul style="list-style-type: none"> <li>• Legal Framework: <ul style="list-style-type: none"> <li>◦ Petroleum Fund Law No. 9/2005, of 3<sup>rd</sup> of August as amended by the Law No. 12/2011, of 28<sup>th</sup> of September (hereinafter called the “Petroleum Fund Law”)</li> <li>◦ Operational Management Agreement (12 October 2005) with later amendments</li> </ul> </li> <li>• Annual Reports: <ul style="list-style-type: none"> <li>◦ Petroleum Fund Annual Report (MoF)</li> </ul> </li> <li>• Quarterly Reports: <ul style="list-style-type: none"> <li>◦ Petroleum Fund Quarterly Reports (BCTL)</li> <li>◦ Petroleum Fund Monthly Reports (BCTL)</li> </ul> </li> <li>• Investment Advisory Board: <ul style="list-style-type: none"> <li>◦ Minutes</li> <li>◦ Statement of Investment Beliefs and Principles</li> </ul> </li> </ul> <p><a href="http://www.mof.gov.tl/budget-spending/petroleum-fund/?lang=en">http://www.mof.gov.tl/budget-spending/petroleum-fund/?lang=en</a></p>
GAPP Principle 2	Implementation and Reference Material

<sup>1</sup> International Working Group's “Sovereign Wealth Funds: Generally Accepted Principles and Practices or GAPP”, otherwise known as the Santiago Principles. The Principles identify a framework of generally accepted principles and practices that properly reflect appropriate governance and accountability arrangements as well as the conduct of investment practices by Sovereign Wealth Funds (SWFs) on a prudent and sound basis.



<p>The policy purpose of the SWF should be clearly defined and publicly disclosed.</p>	<p><b><i>Petroleum Fund Law Preamble:</i></b></p> <p>“The Petroleum Fund shall contribute to a wise management of the petroleum resources for the benefit of both current and future generations. The Petroleum Fund shall be a tool that contributes to sound fiscal policy, where appropriate consideration and weight is given to the long-term interests of Timor-Leste’s citizens.”</p> <p>The Petroleum Fund Law describes the manner in which Petroleum Fund contributes to the achievement of these objectives.</p> <p><a href="http://www.mof.gov.tl/wp-content/uploads/2011/09/Petroleum-Fund-Law-English.pdf">http://www.mof.gov.tl/wp-content/uploads/2011/09/Petroleum-Fund-Law-English.pdf</a></p>
GAPP Principle 3	Implementation and Reference Material
<p>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><b><i>Petroleum Fund Law Preamble, Article 7, 8, 9 and Schedule 1:</i></b></p> <p>The Petroleum Fund is to be coherently integrated into the State Budget, and shall give a good representation of the development of public finances. The Petroleum Fund is required to be prudently managed and operate in an open and transparent fashion, within the constitutional framework.</p> <p>The tool of fund/budget integration is the <i>Estimated Sustainable Income</i> (ESI). This is assumed to be the amount that can be transferred from the Fund to the budget without depleting the long-term real value of petroleum wealth.</p> <p><a href="http://www.mof.gov.tl/budget-spending/budget-treasury-documents/?lang=en">http://www.mof.gov.tl/budget-spending/budget-treasury-documents/?lang=en</a></p>
GAPP Principle 4	Implementation and Reference Material
<p>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><b>GAPP 4.1 Subprinciple</b> The source of SWF funding should be publicly disclosed.</p> <p><b>GAPP 4.2 Subprinciple</b> The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.</p>	<p><b><i>Petroleum Fund Law Articles 6-9, 13, 23:</i></b></p> <p>The legislation defines petroleum fund receipts and requirements for withdrawals. The information is publicly disclosed in the Petroleum Fund annual reports and the General Budgets from the Ministry of Finance as well as in the Petroleum Fund’s quarterly and monthly reports from the BCTL.</p> <p>A complete list of all taxpayers and others depositing money 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>

	<a href="http://www.mof.gov.tl/category/documents-and-forms/petroleum-fund-documents/eiti-documents/?lang=en">http://www.mof.gov.tl/category/documents-and-forms/petroleum-fund-documents/eiti-documents/?lang=en</a>
<b>GAPP Principle 5</b>	<b>Implementation and Reference Material</b>
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>Transparency is a fundamental principle of the Petroleum Fund Law. The Law sets the requirements for publishing information in several areas: quarterly and annual reports as well as the Auditor's report.</p> <p><i>Budget and Financial Management Law, Petroleum Fund Law Articles 13, 23 and 36:</i></p> <ul style="list-style-type: none"> <li>• General Budget statements (MoF)</li> <li>• Annual reports (MoF)</li> <li>• Independent Auditor Report (Deloitte)</li> <li>• Quarterly reports (BCTL)</li> <li>• Monthly reports (BCTL)</li> </ul>
<b>GAPP Principle 6</b>	<b>Implementation and Reference Material</b>
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><i>Petroleum Fund Law Articles 11 and 12, Operational Management Agreement:</i></p> <p>The roles and the responsibilities of the Government, as the asset owner representing by the Ministry of Finance, and the BCTL, as the asset manager, and the Investment Advisory Board (IAB), as the developer of the investment benchmarks, are detailed in the legislation.</p> <p>Further detail is provided by the operational management agreement between MoF and BCTL.</p> <p><a href="http://www.bancocentral.tl/PF/laws.asp">http://www.bancocentral.tl/PF/laws.asp</a></p>
<b>GAPP Principle 7</b>	<b>Implementation and Reference Material</b>
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><i>Petroleum Fund Law Preamble, Articles 11, 12, 14, 16, 17, 25 and 26:</i></p> <p>The objective of the Fund is detailed in the legislation. Parliament is responsible for the overall governance framework through approving relevant legislation in particular Petroleum Fund Law. The Ministry of Finance, representing the Executive, is responsible for the overall management of the Petroleum Fund, setting investment guidelines, including detailed risk limits, and exercise oversight.</p> <p>In addition to mandating the BCTL as operational manager of the Fund, the legislation also defines the IAB and the Petroleum Fund Consultative Committee (PFCC). The responsibility of the IAB is to develop the investment benchmarks and advise the executive (the Government</p>

	<p>represented by the Minister of Finance) in petroleum fund matters. In support of transparency the Board has issued its Investment Beliefs and Principles.</p> <p><a href="http://www.mof.gov.tl/wp-content/uploads/2011/11/IAB_Investment_Beliefs_and_Principles.pdf">http://www.mof.gov.tl/wp-content/uploads/2011/11/IAB_Investment_Beliefs_and_Principles.pdf</a></p> <p>The responsibility of the PFCC is to advise the legislator (Parliament) in petroleum fund matters. Selection and selection procedures of the members of IAB and PFCC are detailed in the legislation.</p> <p>A complete list of persons holding relevant positions for the operation and performance of the Petroleum Fund is given in the Petroleum Fund annual reports.</p>
<b>GAPP Principle 8</b>	<b>Implementation and Reference Material</b>
<p>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><b><i>Petroleum Fund Law Articles 16, 17, 25 and 26:</i></b></p> <p>The Ministry of Finance, representing the Executive, is accountable to the Parliament through reporting requirements. Its mandate and authority is established in the Constitution and the Petroleum Fund Law. The Ministry of Finance needs to seek advice from the IAB before making decisions related to the Petroleum Fund. The composition of the IAB is outlined in the legislation. The Board's secretariat is staffed by officials of the Ministry of Finance and the Central Bank.</p> <p>The composition, role, and authority of the PFCC, laid out in the legislation, and aims to safeguard significant experience in financial management, public finances and policy making.</p>
<b>GAPP Principle 9</b>	<b>Implementation and Reference Material</b>
<p>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><b><i>Petroleum Fund Law Articles 11 and 12, Operational Management Agreement. BCTL founding law:</i></b></p> <p>The role and responsibility of the operational manager is clearly defined in the Law and further detailed in the Management Agreement between Ministry of Finance and the BCTL. The BCTL has statutory "legal, operational, administrative, and financial autonomy from any other person or entity, including the government" to enable it to fulfill its operational management responsibilities</p>

	<p>in an independent manner.</p> <p><a href="http://www.bancocentral.tl/PF/laws.asp">http://www.bancocentral.tl/PF/laws.asp</a></p>
<b>GAPP Principle 10</b>	<b>Implementation and Reference Material</b>
<p>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><b><i>Petroleum Fund Law Articles 11-13, 19, 23,24 Operational Management Agreement:</i></b></p> <p>Accountability arrangements are detailed in the Law. The Minister of Finance, representing the Executive, delegates responsibility to the operational manager. Subject to the Minister of Finance's agreement, the operational manager may further delegate specific operational mandates.</p> <p>The operational manager is statutorily required to report quarterly to the Minister of Finance on performance, decomposed by mandate, with the reports requiring to be published. The Minister of Finance reports to Parliament. When required by Parliament, the Minister of Finance is required to provide Parliament with all advice given by the IAB. The advice given by the IAB is required to be annexed to the Annual Report unedited.</p>
<b>GAPP Principle 11</b>	<b>Implementation and Reference Material</b>
<p>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>	<p><b><i>Petroleum Fund Law Articles 21, 23 and 24:</i></b></p> <p>Legislation requires the Government, representing by the Ministry of Finance to submit an Annual Report for the Petroleum Fund for the Fiscal year to the Parliament, at the same time as the annual financial statements of that year are submitted to Parliament.</p> <p>The Director of Treasury is responsible for maintaining the Petroleum Fund Accounts and records in accordance with the International Accounting Standards.</p>
<b>GAPP Principle 12</b>	<b>Implementation and Reference Material</b>
<p>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>	<p><b><i>Petroleum Fund Law Article 21, 22 and 34:</i></b></p> <p>The accounts, records and other documents relating to the Petroleum Fund are required to be audited every six months by the bodies responsible for internal audits of each of the entities involved. Additionally, an internationally recognized accounting firm is required to audit the annual financial statements. The Independent Auditor's report is presented in accordance with International Auditing Standards.</p>
<b>GAPP Principle 13</b>	<b>Implementation and Reference Material</b>

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><b><i>Petroleum Fund Law Articles 16 and 17:</i></b></p> <p>The Petroleum Fund Law requires the members of the IAB on the occasion of their appointment and as appropriate when providing advice to the Minister of Finance to signify in writing an affirmation that their appointment or advice does not present a conflict with any of their other interests. The Minister of Finance may request members of the Board, as necessary, to submit a declaration concerning their assets to avoid any conflict of interest.</p> <p>In addition, all staff of the Operational Manager is bound by the BCTL's Code of Ethics which forms part of each individual's employment contract, while the staff of the Ministry of Finance are bound by the general code of ethics for civil servants.</p> <p><a href="http://www.bancocentral.tl/en/cconduct.asp">http://www.bancocentral.tl/en/cconduct.asp</a></p>
<b>GAPP Principle 14</b>	<b>Implementation and Reference Material</b>
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><b><i>Petroleum Fund Law Articles 12, 14 and 15:</i></b></p> <p>The legislation provides for the operational manager to appoint external investment managers based on investment mandates set by the Ministry of Finance. The requirements are based on professional and commercial standards and the responsibility of the Investment Manager is to maximize the return of the Petroleum Fund having regard to the appropriate risk as set out in the Law. The investment managers and other service providers are required to be selected and contracted subject to tendering procedures and in compliance with the substantive provisions of Timor-Leste's law.</p>
<b>GAPP Principle 15</b>	<b>Implementation and Reference Material</b>
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><b><i>Petroleum Fund Law Article 14:</i></b></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 investments are made.</p>
<b>GAPP Principle 16</b>	<b>Implementation and Reference Material</b>
The governance framework and objectives, as well as the manner in which the SWF's management is	<p><b><i>Petroleum Fund Law Articles 11-13, 16, 17, 23, 24, 25 and 26, Operational Management Agreement:</i></b></p>

operationally independent from the owner, should be publicly disclosed.	The governance framework and objectives of the Ministry of Finance and Operational Manager, as well as of the IAB and the PFCC, are set out in the legislation and in the Petroleum Fund Annual Report. The framework clearly establishes the roles, independence and accountability arrangements between the entities.
<b>GAPP Principle 17</b>	<b>Implementation and Reference Material</b>
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><b><i>Petroleum Fund Law Articles 13, 23, 24 and 36:</i></b></p> <p>An annual report based on audited financial statements is publicly disclosed by the Owner. The Operational Manager issues quarterly and monthly updates on investment performance.</p>
<b>GAPP Principle 18</b>	<b>Implementation and Reference Material</b>
<p>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><b>GAPP 18.1 Subprinciple</b> The investment policy should guide the SWF's financial risk exposures and the possible use of leverage.</p> <p><b>GAPP 18.2 Subprinciple</b> 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 selected and their performance monitored.</p> <p><b>GAPP 18.3 Subprinciple</b> A description of the investment policy of the SWF should be publicly disclosed.</p>	<p><b><i>Petroleum Fund Law Articles 2, 11-15:</i></b></p> <p>The investment policy is decided by the Ministry of Finance, pursuant to the advice of the IAB, reflecting the risk preference of the Timor-Leste people. The Petroleum Fund Law sets out the principles on which the overall investment policy shall be based. The investment policy is publicly disclosed and a summary of the proposed investment policy shall be presented in the Annual Report to Parliament each year and prior to decisions on major asset allocation changes. The Annual Report is required to also include a statement setting out how the investment policy has been applied during the year.</p> <p>The Petroleum Fund Law defines the investment policy as the risk profile, the allocation of the Fund's assets, investment universe, benchmarks, investment principles, and other issues related with the overall investment policy.</p> <p>The advice of the IAB is based on publicly disclosed Investment Beliefs and Principles. The selection of External Investment Managers is based on professional and commercial criteria. The external managers are measured according to clearly defined mandates, where the goal is to achieve the highest possible risk-adjusted return.</p> <p>The investment policy is summarized into the investment mandate which is annexed to the Management Agreement, a publicly available document.</p>



	<a href="http://www.bancocentral.tl/PF/laws.asp">http://www.bancocentral.tl/PF/laws.asp</a>
<b>GAPP Principle 19</b>	<b>Implementation and Reference Material</b>
<p>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><b>GAPP 19.1 Subprinciple</b> 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><b>GAPP 19.2 Subprinciple</b> The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.</p>	<p><b><i>Petroleum Fund Law Articles 11, 12 and 14:</i></b></p> <p>The Ministry of Finance's obligation to seek to maximize risk-adjusted financial returns is established in the Petroleum Fund Law, including return and risk parameters, subject to an overriding requirement that the Fund be managed prudently. The road map towards this goal is further detailed in the operational management agreement and external investment mandates under the legislation. The overall asset management principles are set out in the Petroleum Fund Law.</p>
<b>GAPP Principle 20</b>	<b>Implementation and Reference Material</b>
<p>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><b><i>Petroleum Fund Law Article 14:</i></b></p> <p>The Petroleum Fund can only invest in instruments issued or situated abroad in an internationally recognized jurisdiction.</p>
<b>GAPP Principle 21</b>	<b>Implementation and Reference Material</b>
<p>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>No policy on shareholder ownership rights is so far established. In the absence of a formal policy being adopted, voting decisions are determined on the basis of the ISS proxy voting guidelines.</p>
<b>GAPP Principle 22</b>	<b>Implementation and Reference Material</b>
<p>The SWF should have a framework that identifies, assesses, and manages the risks of its operations.</p> <p><b>GAPP 22.1 Subprinciple</b> The risk management framework should include reliable information and</p>	<p><b><i>Petroleum Fund Law Article 14:</i></b></p> <p>The Petroleum Fund Law requires the Minister of Finance 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</p>

<p>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><b>GAPP 22.2 Subprinciple</b> The general approach to the SWF's risk management framework should be publicly disclosed.</p>	<p>identified, monitored and managed.</p>
<b>GAPP Principle 23</b>	<b>Implementation and Reference Material</b>
<p>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><b><i>Petroleum Fund Law Article 13:</i></b></p> <p>Legislation requires the Operational Manager, BCTL, to provide the Minister of Finance with quarterly reports on the performance and activities on the Petroleum Fund.</p> <p>The BCTL applies GIPS (Global Investment Performance Standards) as the basis for their performance reporting. GIPS are a set of standardized industry-wide ethical principles that provide investment firms with guidance on how to calculate and report their investment results. The GIPS standards promote transparency, ethics and best practice. The Petroleum Fund Law requires GIPS to be the designated basis for performance reporting.</p>
<b>GAPP Principle 24</b>	<b>Implementation and Reference Material</b>
<p>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 first and second reviews were done in 2010, and 2011 respectively. This third review takes into account changes made to the Petroleum Fund Law and any progress made since last year. The Fund intends review its implementation of the GAPP annually.</p>





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