PETROLEUM FUND OF TIMOR-LESTE

MEDIA RELEASE

Minister of Finance and General Manager of the BPA announce appointment of
Schroder Investment Management Limited ("Schroders")
as the Petroleum Fund’s first Equity Manager

The Minister of Finance, HE Ms Emilia Pires, and the General Manager of the Banking &
Payments Authority, Mr Abraao de Vasconselos, jointly announced today that the management of
part of the Petroleum Fund has been outsourced to Schroder Investment Management Limited
("Schroders"), an investment manager based in London.

The new arrangements mean that approximately 4% of the Petroleum Fund, or about $260 million,
is now invested in equities. “The appointment of Schroders as the Fund’s first equity manager is a
further important step in the government’s intention to diversify the investment of the Petroleum
Fund to increase its return and better diversify risks”, said Ms. Emilia Pires.

Schroders has been given a mandate to manage a portfolio of global equities in the developed
market. The performance benchmark for the equity portfolio will be the MSCI World Index and
Schroders will manage the portfolio in an enhanced indexing style. The investments will take place
in twenty-three developed countries.

Schroders is a global asset management company founded in 1804 and has over 200 years of
experience. As of June 2010 Schroders managed £164.0 billion (€200.3 billion / $245.4 billion) on
behalf of institutional and retail investors, financial institutions and high net worth clients from
around the world, invested in a broad range of asset classes including equities, fixed income and
alternatives. Schroders employs 2,689 people worldwide, operating from 32 offices in 25 countries
across Europe, the Americas, Asia and the Middle East, close to the markets in which they invest
and close to its clients.

Accordingly, the Timorese management is confident that the Petroleum Fund will benefit from
Schroders’ long experience in asset management. This will enhance the skills of the BPA and
Ministry officials, and other stakeholders for future development of the Petroleum Fund.
Outsourcing the management of part of the portfolio to Schroders does not mean that any funds will be handed over to a foreign organization. “Schroders will provide the BPA with funds management services,” said Mr de Vasconselos, “but all securities and cash will continue to be held by the Petroleum Fund’s global custodian and registered in the name of the BPA as the operational manager of the Petroleum Fund.”

The Minister and the BPA General Manager thanked officials from the Ministry of Finance, the BPA, and members of the Investment Advisory Board who had all worked very hard to achieve this milestone in the Petroleum Fund’s history. “The negotiations with Schroders have been very amicable,” they said, “but although this is the second time we have outsourced the management of part of our nation’s wealth, our officials have had to deal carefully with many complex issues relating to dealing with a commercial funds manager and investing in equities for the first time.”

The experience gained by the officials involved will be invaluable for the future appointment of further commercial fund managers, which will allow the Petroleum Fund investments to be invested in a wider range of assets yielding higher expected returns while at the same time better managing financial risks.

The Minister noted that the Petroleum Fund has performed creditably since being established in 2005 but that a process of further diversification still needed to take place. “Investing in government bonds has proved a good position to take in recent years,” she said, “but having the whole of the Petroleum Fund invested in government bonds is not an optimal long-term strategy. Therefore, the appointment of Schroders to invest in equities demonstrates the Government’s commitment to diversify the Fund into a wider range of assets for a higher expected yield”.

“With the appointment of Schroders, the flexibility provided in the current Petroleum Fund Law to invest up to 10% in mainly non-USD denominated government bonds, is fully exploited and further diversification requires changes in the Law” continued the Minister. “The Petroleum Fund Law called for an investment strategy review after five years which is currently ongoing and proposed amendments to the Petroleum Fund Law will shortly be submitted to Parliament for approval.”

**About Schroders**

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Further information about Schroders is available at [www.schroders.com](http://www.schroders.com)
About the Petroleum Fund of Timor-Leste

The Petroleum Fund is the sovereign wealth fund of Timor-Leste. The Fund was established in 2005 and is the vehicle for managing Timor-Leste’s receipts from the exploitation of its petroleum resources with the twin objectives of preserving intergenerational equity and maintaining fiscal responsibility. As of September 2010 the balance of the Petroleum Fund was USD6.6 billion.

Further information about the Petroleum Fund is available at www.bancocentral.tl.

Contact Information

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Emilia Pires
Minister of Finance
Democratic Republic of Timor-Leste

Abraão de Vasconcelos
General Manager
Banking & Payments Authority of Timor-Leste