

Lusophone Capital

Economics and Finance
Essays of the Portuguese
Speaking World



Comunidade CFA
de Língua Portuguesa

Apoio:



Angola
Brazil
Cape Verde
Equatorial Guinea
Guinea-Bissau
Mozambique
Portugal
São Tomé and Príncipe
Timor-Leste
Goa/India
Macau/China
Lusophone Diasporas

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Community of Portuguese Language Countries (CPLP)

In 2024, CFA Society Portugal became a Consultative Observer of the CPLP. In addition, the CPLP has supported several initiatives of the Portuguese-Speaking CFA Community committee, including this book. We extend our sincere thanks to the CPLP and, in particular, to its Director of Economic and Business Affairs, Ivan da Cunha Njinga.

TECHINICAL NOTE

Publication date

May 1st, 2026.

CFA

The CFA Institute is the world's largest and most prestigious association of investment professionals, offering a set of educational initiatives based on the highest technical and ethical standards – the most iconic of which is the CFA (Chartered Financial Analyst) certification. The CFA Institute is represented locally by the CFA Societies.

Coordination

The coordination of this book was undertaken by the Portuguese-Speaking CFA Community (CFALP) committee, under the leadership of its co-Chairman and Vice-Chairman of CFA Society Portugal, Miguel M. Falcão, CFA.

The CFALP committee, which is focused on the Portuguese-speaking world, is jointly led by CFA Society Brazil and CFA Society Portugal – the only CFA Societies that exist in lusophone countries. In turn, the management of this committee is entrusted to a group of volunteers who, although dispersed around the globe, are united by a strong collaborative spirit grounded in professional and linguistic affinity.

Conceptualization

This book was developed from an idea proposed by the co-Chairman of the CFALP committee and member of the Board of Directors of CFA Society Brazil, Flavio Papelbaum, CFA. In turn, the CFALP committee was created from an idea proposed by Jorge Sousa Teixeira, CFA, Vice-Chairman of CFA Society Portugal.

Objective

The publication of this book fulfills one of the main objectives of the CFALP committee – the promotion of knowledge exchange in and about the Lusophone financial world.

Responsibility

Each essay is the sole responsibility of its author.

Investment Decisions

This publication aims to contribute to a better understanding of the economic and financial landscape of the Lusophone world. However, the essays do not, under any circumstances, constitute investment recommendations and are provided for informational purposes only. Investment decisions should be made on a case-by-case basis, taking into account the circumstances and profile of each investor, and should be supported by an individual analysis.

Translation

This book was fully translated employing an artificial intelligence tool. While care has been taken to ensure accuracy and clarity, the translation may contain minor errors, omissions, or inconsistencies, and may not fully capture all nuances of the original text. Readers are encouraged to consider this when interpreting the content.

Review

This work was not subject to editorial review by specialized professionals; the texts were fully reviewed by their respective contributors, who acted on a voluntary basis. As such, despite the rigorous effort made to ensure the revision of the texts, the possibility of occasional oversights is acknowledged.

Distribution

The book Lusophone Capital is distributed free of charge by the CFA Society Brazil and the CFA Society Portugal. The sale or any other commercial use of this publication is strictly prohibited.

EDITORIAL NOTE

Miguel M. Falcão, CFA, Vice-Chairman of CFA Society Portugal and co-Chairman of the CFALP Committee

Versatility

Lusophone Capital is a book of free-form essays on economic and financial topics from the Portuguese-speaking world.

The freedom given to contributors was total. The result was a compilation of essays with a wide variety of topics, styles, and approaches. Even the issue of regional spelling differences that exist in Portuguese was handled flexibly – each author wrote according to the norm of their preference. Likewise, in numerical nomenclature, some authors used the short scale (1,000,000,000 = billion) and others used the long scale (1,000,000,000 = thousand million). And each author used the financial terminology they preferred.

Globality

Lusophone Capital and the other initiatives of the Portuguese-Speaking CFA Community have a level of global reach that would be impossible to replicate in any other language. Indeed, apart from English – whose scale is too vast to generate a collaborative spirit based on linguistic affinity – no other language has the extraordinary geographic dispersion of Portuguese.

This global reach was maximized in this project by not limiting ourselves to the nine countries where Portuguese is an official language. In fact, we also included Lusophone diasporas, with particular focus on communities residing in the main global financial centers; and included Macau and Goa as well, as contemporary economic and financial links with China and India, respectively.

And this project is not only global. It is also diverse. Based on the Portuguese language, we created a space in which professionals from different cultural and ethnic backgrounds come together to share different economic and financial realities.

Thus, remarkably, this project unites two global and diverse worlds: that of economics and finance, and that of the Portuguese language.

NOTE OF CONDOLENCE AND TRIBUTE

During the preparation of this book, we were profoundly saddened by the news of the passing of Susana Rangel Cerdeira, a staff member of CFA Society Portugal.

Coming from a family born and raised in Angola, Susana had a special fondness for our Lusophone initiative, to which she contributed on several occasions. She would undoubtedly have greatly appreciated seeing this book published.

Susana left a lasting mark on CFA Society Portugal and on all those who had the privilege of working with her. She was distinguished by her kindness, dedication, and professionalism, as well as by the genuine way in which she related to everyone.

With heartfelt tribute to her memory.

PREFACE

Sarah Belenkin-Martin, CFA Institute's Director of Society Relations for Europe, Middle East and Africa

It is a true pleasure to introduce “Lusophone Capital: Economics and Finance Essays from the Portuguese-Speaking World”, an initiative that deserves recognition not only for its ambition, but also for what it represents. Led by CFA Society Portugal and CFA Society Brazil, which spearhead the Portuguese-Speaking CFA Community, this project reflects the strength of a community that is both global and deeply connected.

What stands out most is not simply the number or diversity of contributors, but the fact that professionals spread across the Portuguese-speaking world can come together around shared standards, values, and purpose.

The work carried out by CFA Society Portugal and CFA Society Brazil through this community is a powerful example of how local leadership can have global impact. By supporting the development of CFA candidates and charterholders across Portuguese-speaking markets, and by fostering connections across geographies as diverse as Lusophone Africa, Brazil, Europe, China via Macau and India via Goa, this initiative extends the reach and relevance of the CFA network in a very tangible way.

This approach is closely aligned with the broader work of CFA societies worldwide. Across the globe, societies serve as anchors for professional development, ethical standards, and community building. In this context, the leadership shown by CFA Society Portugal and CFA Society Brazil illustrates how societies can go beyond their national boundaries, helping to strengthen emerging communities and contributing to a more interconnected and inclusive global profession.

The essays in this book reflect that same spirit. They bring together diverse perspectives on the economic and financial realities of the Portuguese-speaking world, highlighting both local specificities and global connections. The topics covered range from the role of Macau and potentially Goa as financial bridges between East and West, to the

analysis of forms of financing, economic development models, financial markets, relevant industries, entrepreneurship, business valuation, investment funds, and wealth management in Portuguese-speaking countries, China, and India.

This initiative is also particularly meaningful in the African context. As the CFA community continues to grow across the continent, especially in Portuguese-speaking countries, efforts such as this help support that momentum, fostering knowledge-sharing, strengthening professional standards, and contributing to the long-term development of investment ecosystems.

As the global association of investment professionals, CFA Institute sets the standards for professional excellence and credentials. We champion ethical behavior in investment markets and serve as the leading source of learning and research for the investment industry. We believe in fostering an environment where investors' interests come first, markets function at their best, and economies grow. With more than 200,000 charterholders worldwide across more than 160 markets, and 157 local societies.

More than a collection of essays, this book reflects a community in action, global in reach, connected by shared values, and committed to advancing the investment profession. It is a privilege to see this initiative come to life.

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THE ECONOMIC DIMENSION OF THE CPLP: INSTITUTIONALIZATION, STRATEGIC AGENDA 2022-2027 AND IMPLEMENTATION DYNAMICS

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1. Introduction

The Community of Portuguese Language Countries (CPLP), created in 1996, was originally conceived as an international organization based on three fundamental pillars: political-diplomatic coordination, multisectoral cooperation, and the promotion and dissemination of the Portuguese language. In this initial phase, the organization prioritized the political-cultural dimension, adopting the common language as a central identity element and as a privileged instrument for the international projection of its Member States.

However, the evolution of the international system over recent decades, characterized by the intensification of economic globalization processes, increasing interdependence between economies, and the centrality of trade, investment, and competitiveness dynamics, led to a progressive reconfiguration of the CPLP's strategic priorities. In this new context, there has been a gradual expansion of its scope of action, with the incorporation of the economic dimension as a structuring vector of its collective action, particularly from the 2010s onwards.

Within this framework, the creation of the Directorate of Economic and Business Affairs (DAEE) within the CPLP Executive Secretariat in 2023 and the adoption of the Strategic Agenda for the Consolidation of Economic Cooperation of the CPLP 2022–2027 constitute decisive milestones in the process of institutionalizing the organization's economic pillar. These instruments aim not only to structure and coordinate dispersed initiatives, but also to provide greater coherence, continuity, and implementation capacity to economic policies developed within the Lusophone space.

This essay seeks to analyze the emergence and consolidation of the

economic dimension of the CPLP, with particular focus on the institutionalization of the economic pillar, the operational role of the DAEE, and the implementation of the Strategic Agenda 2022–2027. It thus aims to identify the main advances achieved, as well as the structural constraints and persistent challenges that condition the affirmation of the CPLP as a relevant economic platform in the contemporary international context.

2. The emergence of the economic pillar in the CPLP

The emergence of the economic pillar in the CPLP constitutes an evolutionary process reflecting the organization’s adaptation to the demands of an international system increasingly oriented by economic dynamics and the need for competitive integration into global markets. The development of the CPLP’s economic dimension represents a fundamental step for its affirmation as a relevant actor in the international system, making it possible to transform historical and cultural affinities into concrete instruments of economic development, regional integration, and global projection.

Thus, initially conceived as a community of a predominantly political-diplomatic and cultural nature, the CPLP progressively incorporated an economic dimension, based on the potential of the Portuguese language as a facilitating instrument for trade relations and business cooperation.

This transformation process gained greater consistency from the 2010s onwards, a period in which debates intensified regarding the need to structure a common economic agenda capable of promoting synergies among Member States and enhancing their integration into global value chains.

At the center of these debates lies the issue of the CPLP’s geographical diversity. Encompassing countries in Europe, Africa, South America, and Asia, the organization has a pluricontinental character which, although it represents a challenge in terms of coordination, also constitutes a strategic advantage as a platform connecting different economic regions.

3. Institutional consolidation of the CPLP's economic pillar

The institutionalization of the economic dimension is materialized through the creation of specialized structures, the definition of multi-annual strategic agendas, and the strengthening of coordination among the different actors involved, including States, public institutions, and the private sector. This process reflects a significant functional transition, as the CPLP progressively incorporates a more structured logic of economic governance, oriented towards the promotion of trade, investment, and sustainable development in the Lusophone space.

3.1. The Strategic Agenda for the Consolidation of Economic Cooperation of the CPLP (2022-2027)

The Strategic Agenda for the Consolidation of Economic Cooperation of the CPLP (2022-2027) – approved during the First Joint Meeting of CPLP Ministers of Economy, Trade and Finance, held in Luanda, Angola, in April 2022 – constitutes the main instrument of intergovernmental coordination for strengthening economic integration in the Lusophone space. The Strategic Agenda is based on a logic of functional – rather than supranational – convergence and is organized into seven complementary strategic axes:

- i. Promotion of trade;
- ii. Promotion of investment;
- iii. Institutional and business capacity building;
- iv. Financing;
- v. Competitiveness;
- vi. Industrial property; and
- vii. Quality infrastructure.

The first axis focuses on the promotion of trade, seeking to reduce tariff and non-tariff barriers, facilitate the movement of economic agents, and strengthen digitalization and customs cooperation, with a view to increasing intra-CPLP flows – which are often identified as below their existing potential.

The second axis concerns the promotion of investment, through the creation of a stable regulatory environment, the conclusion of invest-

ment protection and promotion agreements, and the mitigation of double taxation, aiming to increase the predictability and attractiveness of markets.

The third axis is dedicated to institutional and business capacity building, recognizing structural asymmetries among Member States and promoting technical training, strengthening public institutions, and supporting micro, small and medium-sized enterprises (MSMEs), with a focus on innovation and internationalization.

The fourth axis refers to improving financing mechanisms, providing for the development of financial instruments such as credit lines, guarantees, venture capital funds, and public-private partnerships, essential to support productive investment.

The fifth axis concerns strengthening competitiveness, associated with the modernization of economic justice systems, the promotion of arbitration and mediation mechanisms, and the reinforcement of legal certainty as a condition for market efficiency.

The sixth axis focuses on industrial property, valuing the protection of knowledge, innovation, and brands through the harmonization of practices and the strengthening of technical cooperation among national institutions.

The seventh axis concerns the development of quality infrastructure, integrating standardization, metrology, accreditation, and conformity assessment as fundamental technical pillars for reducing trade barriers and aligning with international standards.

The Action Plan for the Consolidation of Economic Cooperation in the CPLP (2022-2027) constitutes the central operational instrument of the Strategic Agenda, and its implementation is guided by a network governance logic in which policy execution results from coordination among national authorities, multilateral organizations, the private sector, and international partners. The implementation of the Strategic Agenda follows a gradualist and cooperative model, based on coordination among Member States, the sharing of best practices, and the phased execution of initiatives. This model privileges institutional flexibility and adaptation to different national capacities, using mech-

anisms of coordination, technical monitoring, and periodic evaluation. Its intergovernmental nature is based on the principle of consensus and coordination among national focal points, ministerial meetings, and technical cooperation initiatives.

3.2. The Directorate of Economic and Business Affairs

The creation of the DAEE within the CPLP Executive Secretariat – formalized at the XVI Extraordinary Meeting of the CPLP Council of Ministers, held in Luanda on March 27, 2023 – constitutes one of the most significant moments in the process of institutional consolidation of the organization’s economic dimension.

From a functional point of view, the DAEE assumes a structuring role essentially in three dimensions:

- First, it contributes to the technical monitoring of the implementation of the seven strategic axes set out in the Strategic Agenda, ensuring the tracking of progress and the identification of possible constraints.
- Second, it promotes coordination among the different actors involved, including Member States, public institutions, the private sector, and partner international organizations.
- Third, it plays a relevant role in knowledge production and the systematization of economic information, essential for defining evidence-based policies.

In these areas, coordination with Member States assumes a structural dimension, as the implementation of CPLP economic policies depends on their incorporation into national economic policy frameworks. The DAEE performs a technical coordination role, promoting the harmonization of initiatives, the sharing of best practices, and the monitoring of the execution of measures agreed at the intergovernmental level. This function is particularly relevant in a space characterized by different levels of economic development and membership in distinct regional blocs, which requires an additional effort of coordination and policy compatibility.

4. Advances in the implementation of the Strategic Agenda

The institutional practice of the CPLP has been consolidating spaces

for dialogue and cooperation with the private sector, notably through economic forums, business meetings, and initiatives promoted in partnership with organizations representing the Lusophone business fabric – these mechanisms play a relevant role in identifying investment opportunities, promoting business networks, and disseminating economic information among Member States. In this regard, it is important to highlight the role of business organizations in the CPLP's economic integration process, in particular the CPLP Business Confederation, as well as CPLP Consultative Observers in the business and financial fields, such as CFA Society Portugal, as platforms for articulation among the private sectors of different Member States.

In particular, in the field of trade promotion, the progress recorded shows the progressive consolidation of instruments for facilitating and monitoring intra-community trade, with the DAEE providing technical support to initiatives aimed at reducing administrative barriers and digitalizing trade procedures. In this context, the development of digital trade facilitation platforms and the strengthening of coordination among customs administrations of Member States represent structuring instruments for creating a more integrated economic space.

With regard to investment promotion, the progress observed stems mainly from the dynamization of cooperation mechanisms among national investment promotion agencies and the consolidation of technical forums for intra-CPLP dialogue. The DAEE Activity Report highlights the operationalization of initiatives aimed at creating more favorable conditions for capital circulation and business internationalization. In this context, coordination with MSMEs – which constitute the fundamental engine of economic growth and job creation – has been assuming strategic centrality.

It is also noteworthy that the DAEE is called upon to promote initiatives – largely focused on MSMEs – for business capacity building, access to financing, and internationalization, thus contributing to the integration of Lusophone companies into regional and global value chains.

Thus, the advances recorded indicate a progressive institutionalization of economic cooperation in the CPLP, still under construction but

already supported by more consistent operational instruments.

5. Limitations in implementation

Despite the progress recorded in the operationalization of the Strategic Agenda for the Consolidation of Economic Cooperation of the CPLP 2022-2027 and in the functioning of the DAEE, the implementation process has been conditioned by a set of structural, institutional, and exogenous limitations that should be systematically analyzed.

5.1. Institutional and operational constraints

Limitations are observed at the level of institutional capacity, namely with regard to the small size of technical teams, dependence on external administrative structures, and the absence of integrated monitoring and evaluation systems. These weaknesses reduce the capacity for continuous coordination and limit the effectiveness of network governance mechanisms.

5.2. Financial constraints

The financing of Strategic Agenda activities remains heavily dependent on contributions from Member States and ad hoc mechanisms, which limits budget predictability and medium-term sustainability.

The absence of robust autonomous financial instruments reduces the capacity for strategic planning and continuous execution of regional public policies, reinforcing the need to create structured funds and risk-sharing mechanisms.

5.3. Asymmetries among Member States

One of the main limitations arises from organizational and economic asymmetries among CPLP Member States. These disparities condition the capacity for uniform implementation of the measures foreseen in the Agenda, generating differentiated execution rhythms and heterogeneous levels of participation.

5.4. Impact of external factors

The international context has also influenced the execution of the

Strategic Agenda, namely through global economic shocks, financial instability, variations in investment flows, and inflationary pressures.

6. Challenges for consolidating the CPLP's economic pillar

The consolidation of the CPLP's economic pillar in the 2022-2027 horizon depends on the capacity to respond to structural challenges that transcend the strictly technical dimension and require sustained, continuous, and strategically oriented political coordination among Member States. More than the isolated implementation of measures provided for in the Strategic Agenda, the process implies the progressive construction of an institutional architecture capable of ensuring coherence, predictability, and effectiveness in the economic governance of the Lusophone space.

6.1. Theoretical framework

It should be emphasized that the consolidation of a community economic space is not limited to the formal adoption of normative instruments or the creation of administrative structures, but depends above all on the internalization of cooperation practices and the effective convergence of national interests. As argued by Robert O. Keohane, the stability of international regimes results from the ability of institutions to shape behavior, reduce transaction costs, and create lasting incentives for cooperation. Applied to the CPLP case, this means that the success of the Strategic Agenda will depend on its ability to transform into a permanent operational framework, endowed with effective mechanisms for monitoring, evaluation, and adjustment.

At the same time, the complexity of the economic integration process in the Lusophone space should be analyzed in light of the theory of complex interdependence developed by Joseph S. Nye and Keohane. The CPLP is characterized by a network of multilateral relations where different levels of development, political priorities, and economic models coexist, implying governance based on multiple channels of interaction – formal and informal – and the absence of rigid hierarchy. In this sense, the consolidation of the economic pillar requires not only intergovernmental coordination, but also the effective integration of non-state actors, including the private sector, financial institutions, and international organizations.

Furthermore, from a structural perspective, the challenges faced by the CPLP must be understood within the broader framework of international political economy. As Susan Strange emphasizes, contemporary economic power is exercised not only through state decisions, but above all through the capacity to shape structures – financial, productive, technological, and normative – that condition the behavior of economic agents. In this sense, the CPLP faces the challenge of asserting its relevance as an economic space in a global context characterized by high competition among regional blocs and asymmetric power dynamics.

6.2. Effective and ongoing execution of the Strategic Agenda

The main challenge in consolidating the CPLP’s economic pillar lies in transforming the Strategic Agenda into permanent operational mechanisms capable of overcoming the often discontinuous logic of national political cycles and the administrative limitations of Member States. Indeed, the transition from a programmatic framework to a functional institutional architecture requires not only the occasional execution of initiatives, but the creation of administrative routines, technical instruments, and monitoring mechanisms that ensure predictability, continuity, and cumulative results over time.

6.3. Harmonization of policies and standards

The harmonization of policies and standards constitutes one of the most critical challenges for consolidating the CPLP’s economic pillar, as the effectiveness of any integration process depends on the existence of a minimally coherent and predictable regulatory framework. At present, the diversity of legal, administrative, and technical regimes among Member States results in normative fragmentation that hinders the operationalization of joint initiatives and limits the fluidity of intra-community economic relations.

6.4. Public-private cooperation

The consolidation of the CPLP’s economic pillar depends, to a large extent, on strengthening structured and functional coordination among Member States, the private sector, and international organizations. In a context of increasing complexity in global economic gov-

ernance, the isolated action of States proves insufficient to address the challenges associated with promoting trade, attracting investment, and financing development. It therefore becomes necessary to adopt more inclusive and collaborative governance models in which multiple actors actively participate in the definition and implementation of economic policies.

6.5. Economic diversification

The process of consolidating the CPLP's economic pillar depends, to a large extent, on the ability of Member States to promote consistent strategies of economic diversification capable of reducing structural vulnerabilities and increasing resilience to external shocks. In many cases, the economies of the Lusophone space remain excessively dependent on primary sectors or on a limited number of export products, which limits their potential for sustained growth and their capacity for competitive integration into the global economy.

6.6. Globalization

Integration into global value chains is a key vector in this process. More active participation in international production and distribution networks makes it possible not only to increase exports, but also to promote knowledge transfer, access to technology, and improvement of quality standards. To this end, it is necessary to create favorable internal conditions, namely through stable regulatory environments, adequate infrastructure, and public policies oriented toward competitiveness and internationalization.

6.7. Sustainability

It is also important to underline the importance of this process being accompanied by a social and environmental dimension, in line with the principles of sustainable development. The promotion of inclusive economic models that generate qualified employment and respect environmental sustainability criteria constitutes an essential condition for ensuring the legitimacy and durability of the development strategies adopted.

7. Conclusion

The CPLP was conceived in 1996 as an international organization structured around three fundamental pillars – political-diplomatic coordination, multisectoral cooperation, and the promotion of the Portuguese language. However, the evolution of the international system, marked by the intensification of economic globalization and growing interdependence among economies, led to a progressive re-configuration of the CPLP’s strategic priorities, reflected in the expansion of its scope of action and the incorporation of the economic dimension as a structuring axis of its collective action.

In this context, the adoption of the Strategic Agenda for the Consolidation of Economic Cooperation of the CPLP 2022-2027 represents a progressive process of institutionalizing a Lusophone economic space, still under consolidation but already endowed with relevant operational instruments. The operationalization of the DAEE has proven to be a structuring element in this process, translating political commitments into technical capacity for coordination, monitoring, and execution of economic policies within the CPLP space. The accumulated experience shows clear gains in terms of institutional organization, resource mobilization, and coordination among Member States.

Despite the progress achieved, the process of consolidating the CPLP’s economic pillar continues to be conditioned by structural limitations related essentially to institutional capacity, availability of financial resources, asymmetries among Member States, and exposure to external factors. These limitations constitute objective constraints on the pace and effectiveness of the implementation of the Strategic Agenda.

From a forward-looking perspective, the main challenges consist in ensuring the continuous operationalization of policies, promoting regulatory harmonization, strengthening coordination between public and private actors, diversifying productive bases, consolidating competitive integration into the global economy, and ensuring the adoption of sustainable practices.

The success of this process will depend on the ability of Member

States to evolve from a logic of occasional cooperation to a model of shared economic governance, based on institutional trust, regulatory predictability, and the progressive convergence of interests. It is in this balance between national sovereignty and collective action that the future of the CPLP's economic pillar will be determined.

The CPLP is at a moment of institutional transition, in which the consolidation of the economic pillar will depend on the ability to transform strategic agendas into permanent structures of economic governance, supported by effective coordination, adequate resources, and a long-term strategic vision.

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THE ROLE OF MACAU IN CONNECTING EAST AND WEST: A LOOK AT THE FUTURE

Carlos Cid Álvares, CEO of BNU Macau and Strategic Advisor to the CFALP Committee

Two years have passed since the celebration of the 25th anniversary of the transfer of sovereignty of Macau to China – an event that not only marked a new era for this Special Administrative Region, but also reaffirmed Macau’s importance as a vital link between East and West. Media coverage, through outlets such as *Lusa*, *TDM*, and several Portuguese-language newspapers, including *Tribuna de Macau* and *Hoje Macau*, highlighted the significance of this milestone, especially in the context of the 45th anniversary of diplomatic relations between Portugal and China. President Xi Jinping emphasized that the friendly relationship between the two countries made it possible to peacefully resolve the Macau issue, solidifying a Comprehensive Strategic Partnership.

The President of the Portuguese Republic reflected on the nearly five centuries of interaction between the two nations, noting the uniqueness of their relationship, which goes beyond mere territorial and cultural coexistence. This historic connection – marked by coexistence and mutual exchange – provides a solid foundation on which to build a vibrant future. The transfer of sovereignty in 1999 was not merely a political act; it was a commitment to a future of collaboration and prosperity.

With China’s rise as a global power and Portugal’s growing relevance as a strategic partner in Europe, the 25th anniversary of Macau’s transfer of sovereignty has the potential to further deepen cooperation between the two countries. Given that the economic structures of China and Portugal are complementary, we can envision a roadmap for collaboration that benefits both sides. China, one of the world’s largest manufacturing hubs, and Portugal, with its increasing focus on value-added industries, can join forces to boost trade and investment. In 2025, bilateral trade reached approximately USD 8,6 thousand million, with China remaining Portugal’s largest trading partner in Asia. Chinese direct investment in Portugal, which has already reached EUR 13 thousand million, spans key sectors such as energy,

finance, and healthcare, demonstrating the vitality of this relationship.

Macau, with its strategic location and role as a platform for exchange, is a valuable asset in this context. The city not only benefits from its proximity to China, but also serves as a gateway for Chinese companies seeking to expand into the European market, into Africa via Portuguese-speaking countries, and into South America. The joint administration of Hengqin Island by Macau and Guangdong – an area three times the size of Macau – and integration into the Greater Bay Area, which is home to a population of 80 million and a GDP of \$1.5 billion (short scale: trillion), underscore Macau's relevance as an emerging economic hub. This development is not merely a matter of numbers; it is about creating an environment conducive to innovation and collaboration among nations.

Over the past 25 years, Macau has distinguished itself in several areas that reinforce its role as a bridge between cultures and economies. International cooperation has been a priority, with Macau promoting dialogue between China and Portuguese-speaking countries. This exchange is essential for fostering mutual understanding and building partnerships that transcend borders. The autonomy and internal stability that the region has enjoyed since the transfer are fundamental to maintaining its cultural identity and legal system, establishing a model of harmonious coexistence that can serve as an example for other regions around the world.

Macau's economic growth has been remarkable, transforming the region into one of the most prosperous places in the world. This success has been accompanied by significant social achievements, including improvements in quality of life and expanded access to education and healthcare services. Infrastructure development – an essential pillar of sustainable growth – has advanced rapidly, enabling Macau to position itself as a center of excellence in various industries.

Macau's cultural diversity, shaped by Chinese, Portuguese, and other Asian influences, contributes to an environment of harmony and creativity. The cultural melting pot that is Macau is reflected not only in its cuisine, architecture, and festivals, but also in the way traditions intertwine to create a unique identity. Investment in education and

the pursuit of environmental sustainability are also areas in which Macau has strived for excellence, recognizing that the future depends on the ability to adapt and innovate. Education, in particular, has been a priority, with initiatives aimed at improving quality and access at all levels of schooling, thereby preparing new generations for global challenges.

Moreover, Macau has proactively addressed the challenge of environmental sustainability, balancing economic growth with environmental preservation. The implementation of green policies and sustainable development initiatives is essential to ensure that the region not only prospers, but also preserves its rich biodiversity and natural resources for future generations.

The celebration of the 25th anniversary of Macau's transfer of sovereignty was a moment to reflect on the past, but also an opportunity to set goals for a prosperous and sustainable future. As Macau continues to evolve as a point of convergence between East and West, the possibilities for strengthening this connection are limitless. Macau's role as a facilitator of cultural and economic exchange is more relevant than ever, and its trajectory will continue to inspire future generations. Looking ahead, it is essential that Macau maintain its commitment to international cooperation and sustainable development, ensuring that Sino-Portuguese friendship flourishes for many years to come.

In conclusion, Macau is not only a symbol of the shared history between Portugal and China, but also a beacon of hope and a model of international collaboration. As we celebrate past achievements, we must also focus on the opportunities ahead, reinforcing Macau's role as a bridge between cultures and a driver of economic growth. Through a continued focus on innovation, education, and sustainability, Macau can further solidify its position as a vital link between East and West, contributing to a future of peace, prosperity, and enriching cultural exchange.

FUNDAMENTALS VS MARKET, THE STOCK VALUATION OF COMPANHIA MOÇAMBICANA DE HIDROCARBONETOS (CMH)

Omar Mithá, Chairman of the Board of Directors of BNI, Chairman of the Investment Advisory Council of the Sovereign Fund of Mozambique, and Strategic Advisor to the CFALP Committee

1. Introduction

In an emerging capital market such as Mozambique's, with stock exchange transaction volume around 25% of GDP in 2025, and with only four benchmark listed companies holding minority stakes (CDM, EMOSE, HCB)¹ in the equity market, with a “soft” infrastructure still dominated by commercial banks as the main brokers, and with the investment banking arm operating in somewhat blurred areas alongside commercial banking, skepticism arises regarding the value of share prices set by the market and the expectations of cash flow generation dictated by business fundamentals. This essay aims to assess the “distance” between these two realities through a practical case study: Companhia Moçambicana de Hidrocarbonetos (CMH), which issued 10% of its capital in 2009.

2. The company and the economics of the business

CMH, as a special purpose vehicle, was created by its parent company, Empresa Nacional de Hidrocarbonetos (ENH), with the purpose of participating in a consortium formed with SASOL (South African) to explore and commercially develop the Pande and Temane fields, located in southern Mozambique, with estimated reserves of 5 TCF at the start of operations in 2004, under what is known as the Natural Gas Project (NGP). It should be noted that the overall project also includes another vehicle, namely Companhia Moçambicana de Gasoduto (CMG), responsible for building and managing the cross-border gas pipeline extending 850 km from Pande (southern Mozambique) to Secunda (South Africa). The main assets of the consortium are the gas fields and a Processing Facility (PF), along with other

¹ Cervejas de Moçambique (private, minority state-owned), Empresa Moçambicana de Seguros (majority state-owned), Hidroeléctrica de Cahora Bassa (majority state-owned), alongside Companhia Moçambicana de Hidrocarbonetos (majority state-owned).

related infrastructure². It is worth noting that CMH has 24 employees.

The shareholding structure consists of Empresa Nacional de Hidrocarbonetos (70%), the Government of Mozambique (20%), and National Private Investors (10%). CMH holds a 25% stake in the concession consortium for the exploration and development of the gas fields in Pande and Temane, with the operator, Sasol Petroleum Temane (SPT), acting as the main concessionaire with 70%, and 5% held by the IFC, which entered with the purpose of improving the financing structure and later stimulating the capital market, with the expectation of eventually exiting through the market.

CMH's business model is based on the sale of natural gas to Sasol Gas under a firm take-or-pay agreement for a period of 25 years, representing the first contract (GSA1)³, focused on exports to South Africa, with an annual volume of 120 MJG. Capacity increased in 2007 (+50%, to 183 MJG/year), enabling the signing of a second contract (GSA2) for 26.4 MJG per year, with the remaining volume directed to the domestic market, namely: Enh-Kogas (6MJG)⁴, Ressano Garcia Thermal Power Plant (CTRG, 11 MJG)⁵, and Matola Gas Company (MGC, 8MJG)⁶.

An important aspect in the initial phase concerns the stability of the revenue stream throughout the duration of the concession (30 years from 2004), anchored in the firm off-take commitment by Sasol Gas. From the outset, the model entailed low commercial risk, reinforced by additional mitigating factors: (a) price adjustment rules linked to inflation in USD and ZAR; (b) the take-or-pay clause, which ensures payment for capacity even when delivery does not occur; (c) a controlled value chain, including cross-shareholdings in the pipeline⁷ company; and, for all these reasons, (d) no direct competition from

² The inherent link with the gas pipeline cannot be disregarded.

³ GSA 1 – Gas Supply Agreement 1, starting in February 2004 for a period of 25 years. In addition to gas, sales also include condensate, which is currently sold to PETROMOC, the state-owned fuel retail company.

⁴ Joint venture between the state-owned ENH and South Korea's KOGAS, focused on distribution in the city of Maputo, particularly in the corporate segment.

⁵ CTRG has a capacity of 120 MW. Later, with royalty gas in kind, it became possible to supply the Maputo Thermal Power Plant (CTM, 100 MW) and the Kuvananga thermal power plant (50 MW), contributing about one-third of Mozambique's electricity generation, as well as Auto Gas, a project aimed at replacing fuels in road transport.

⁶ MGC focuses on the Matola geographic segment, with 8 MJG per year.

⁷ From the parent company, ENH.

substitute products. With these commercial risk mitigants in place, success translated into expansion investments in 2007 and subsequently in further phases to meet growing demand in both countries, including upgrades to the Processing Facility⁸.

3. Financial performance⁹

Indicator	2024	2025
Balance Sheet Strength and Quality		
Balance Sheet Strength and Quality	8,4	8,0
General Liquidity	6,4	7,3
Immediate Liquidity	42	39
Average Collection Period (ACP)	83	54
Average Payment Period (APP)	2,32	2,61
Profitability		
Basic Earning Power (EBIT / Assets)	18%	15%
EBIT Margin	57%	56%
ROE (Du Pont Model)		
Profit Margin (Net Revenue / Sales)	45%	43%
Asset Turnover (Sales / Assets)	0,3	0,3
Equity Multiplier (Assets / Equity)	1,4	1,5
ROE	20%	17%
Financial Leverage		
Debt Payback (Debt / EBITDA)	0,2	0,5
Times Interest Earned (EBIT / Interest)	2,6x	2,3x

In the most recent period, after CMH settled the debts associated with its participation interest in the consortium (2019), it was released from the constraints on dividend distribution related to the hierarchy of allocation of available cash flows. It reports revenue (turnover) of approximately USD 111 million in 2025 (-6% compared to FY 2024¹⁰), EBITDA of USD 84 million, and net income of around USD 48 million (-9%), with a robust balance sheet, total assets of approximately USD 407 million, and equity of USD 129 million.

The presented ratios indicate financial balance and strong balance

⁸ In the second expansion in 2015, capacity increased from 183 to 197 MJG/year. Both the first expansion (2009) and the second (2015) were preceded by amendments to the Development Plan.

⁹ Based on CMH FY2025 Annual Report & Accounts (www.cmh.co.mz).

¹⁰ Fiscal year, from June 30, 2023 to July 1, 2024.

sheet quality, with liquidity ratios above 8.0, noting that immediate liquidity was 7.3 in 2025 and above 6.0 in 2024. The coverage of long-term assets by permanent capital increased from 2.3 to 2.6 between 2024 and 2025. From a profitability perspective, operating margins exceed 55%, with an ROE of 17%, driven by a sales margin of 43%¹¹, interest coverage of 2.3x, and the capacity to repay financial liabilities within 6 months based on a cash flow proxy given by EBITDA¹².

4. The logic of fundamentals versus the market

In this context, the business fundamentals that determine value from a medium- and long-term perspective – based on production capacity and market evolution, alongside aspects such as production capability and the regulatory stability of the underlying agreements – should be grounded in the Discounted Cash Flow (DCF) methodology. This involves valuing assets (Asset Value – AV) based on the free cash flow (FCF) available to investors, discounted at the weighted average cost of capital (WACC), assuming a given terminal value (TV) and steady-state growth rate (g), that is:

$$VA = \sum \frac{FCF_t}{\prod_{t=0}^N (1 + WACC_t)} + \frac{VC(1 + sg) / (WACC - sg)}{\prod_{t=0}^N (1 + WACC_t)}$$

Where, in addition to the variables already mentioned, it is important to highlight that, regarding the WACC, due to the nature of the capital market referred to, it is not possible to find an equity index and derive the parameters underlying the CAPM (Capital Asset Pricing Model) from consistent historical data. A WACC of 22% in USD¹³ was used, based on the reference shareholder's assumptions¹⁴ – it is significantly higher than the typical 9%-13%¹⁵ opportunity cost of major

¹¹ See the components of the DuPont model in the adjacent table.

¹² Assuming stable conditions 25 years later, capex (investment in fixed assets) can be approximated to depreciation, while changes in working capital are assumed to be nearly zero.

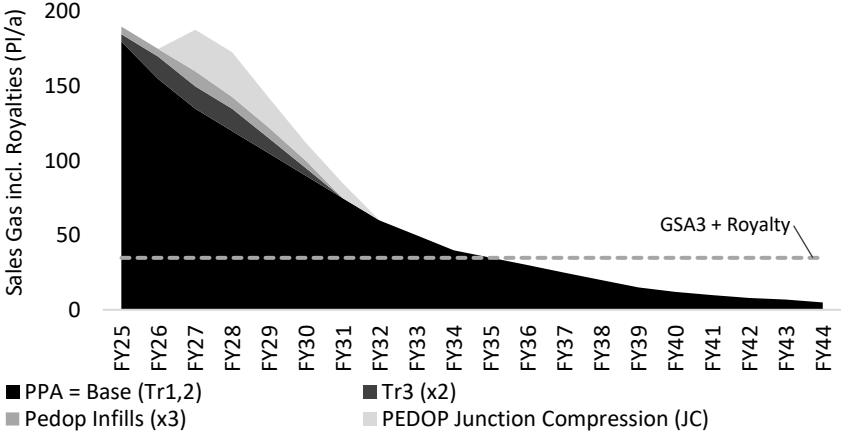
¹³ For the purposes of this essay, the discount rate was kept constant.

¹⁴ ENH, Portfolio Management Department, which considers PwC indices for Sub-Saharan African markets, and the systematic risk indicators ("beta") provided by Aswath Damodaran of New York University.

¹⁵ In line with the financing interest rate charged to ENH by concessionaires related to its participating interest during the development phase (Area 04, Mozambique Floating LNG, operated by Eni, and Area 01, onshore Mozambique LNG, operated by TotalEnergies).

companies operating in the Rovuma Basin.

Reserves depletion 2025-2035



Fonte: Fonte: R&C, CMH FY2025, p.27.

One of PGN’s critical assets is its gas reserves, whose depletion determines the closure of the operation. Therefore, the estimate of the value beyond the explicit period must consider not only the limitations of volume, but also the continuity of the operation itself, since, to a certain extent, it becomes economically inefficient to continue production.

With respect to the terminal value, the specific characteristics of CMH require a very conservative approach, given that the Pande and Temane reserves are in a depletion phase. Therefore, the period from 2029 onwards is designated as the terminal period, and thus associated with a “terminal value.”¹⁶ Indeed, the decline in reserves requires investments aimed at optimization (Plateau Extension and Decline Optimization Programme – PEDOP). Additionally, the approaching end of the concession in 2034¹⁷ must also be taken into account. See the chart below, which illustrates the underlying geological dynamics.

For all these reasons, the cash flow of the year 2029 was considered,

¹⁶ It would not be realistic to assume a “perpetuity,” since fossil resources are non-renewable – especially given declining reserves and the proximity to the end of the concession.

¹⁷ A topic open to debate, as it is unclear whether the relevant criterion is the start of the concession or the entry into force of the first sales contract (GSA1). Concessionaires would argue for an extension, while the State would argue for the end of the concession and the takeover of assets to exploit the remainder, with limited gas and no exports. I assumed a scenario closer to the end, with declining cash flows up to five years after 2029.

applying a reduction/decline rate based on a linear approximation over the five-year period up to 2034, when reserves reach the level of royalty gas, thereby jeopardizing the thermal power plants supplied by the Natural Gas Project (NGP) for energy generation.

On the other hand, estimating value through the market does not present significant difficulties, given the market quotation on the Mozambique Stock Exchange, although the price curve shows behavior indicative of low trading activity. Furthermore, the shares available for trading on the exchange are Class C shares, distributed among 1,292 shareholders, representing 593,412 ordinary shares. The remaining shares – Class A (4,153,880 shares held by ENH) and Class B (1,183,823 shares held by the Government) – are not freely tradable. This characteristic implies the need to consider discounts and market premiums associated with a minority position.

5. Valuation and final considerations

Management and the main shareholder's business outlooks were considered for the explicit period from 2026 to 2029, along with the assumptions outlined below (see Table 1). The terminal value was calculated based on the stated rationale (see Table 2). The explicit period value was then adjusted for cash holdings, and the terminal value was added to determine the Enterprise Value (EV). By deducting debt from the EV, the equity value was obtained.

The resulting valuation indicates that the market price of 4,500 MT, or USD 70 (at 64 MT/USD), is overvalued¹⁸. The reasons are mainly two: (i) a lack of awareness that the reserves are nearing depletion, including the end of the concession, and therefore have a very limited continuation value; and (ii) the discount associated with a stock exchange segment that lacks liquidity and depth, with nearly flat price curves, making it entirely reasonable to apply discounts (minority shareholding and liquidity discounts)¹⁹.

¹⁸ The rehabilitation liability relates to the costs of closure and site restoration at the end of the project, estimated as provisions in the balance sheet and updated at a rate of 9.65%.

¹⁹ Estimated at 24% (ENH).

Quadro 1 – Financial projections

Indicator	June 2026E	June 2027P	June 2028P	June 2029P	June 2030P
EBITDA	109.593	105.734	68.300	68.300	68.300
Depreciation & Amortization	48.086	52.593	57.083	1.988	1.988
EBIT	61.507	53.141	11.217	66.312	66.312
Taxes (32%)	19.682	17.005	3.589	21.220	21.220
NOPLAT	41.825	36.136	7.627	45.092	45.092
(+) Depreciation & Amortization	48.086	52.593	57.083	1.988	1.988
(-) Investments	40.405	19.713	19.065	7.927	0
(-) Change in Working Capital	2.526	2.437	1.574	1.574	1.574
Free Cash Flow	46.980	66.578	44.071	37.579	45.506
Discount Rate	0,22	0,22	0,22	0,22	0,22
Discounted Cash Flow	42.534	54.572	32.705	25.248	27.680

Unit: Thousand USD.

E = Estimated, **P** = Projected.

Note: Unincorporated Joint Venture (UIJV), proportional to 25% of total value, corresponding to CMH's participation.

Quadro 2 – Terminal Value (cash flow with reserve depletion)

Item	2031	2032	2033	2034	2035
Linear Adjustment	36.405	27.304	18.202	9.101	0
Annual CF during decline	29.840	18.344	10.024	4.108	0
Discounted CF during the decline period	62.317				
Value at end of 2030	23.057				
Present Value in 2026	8531				

Unit: Thousand USD

Quadro 3 – Valuation

Indicator	Valor
Value in Explicit Period	240.715
Terminal Value	8.531
Operating Value	249.246
Excess Cash	240.266
Other Financial Assets	0
Enterprise Value (EV)	489.512
Financial Debt	22.715
Liabilities (Rehabilitation)	16.253
Discount	108.131
Equity Value	342.414
Shares	5.934.115
Value per Share (USD)	58

Unit: Thousand USD

Note 1: Actual value of provisions.

Note 2: Marketability and minority discount of 24%.

PORTUGAL: FROM A COUNTRY OF TALENT TO A VALUE ECONOMY

Marcos Soares Ribeiro, CFA, Chairman of CFA Society Portugal

Higher education in Portugal constitutes one of the deepest and most silent structural transformations of the country in recent decades. In a relatively short period, Portugal has moved from an economy with low levels of schooling to a system in which access to higher education has become widespread and, more importantly, in which the quality and international relevance of that education have reached unexpected levels for a small country.

Today, with more than 450,000 students enrolled in higher education, Portugal shows enrollment rates above 40% and a young generation that, in terms of qualifications, already converges with European standards. This progress should not be read merely as a social indicator. It is a transformation with profound economic implications, which has contributed to the modernization of the country, to its integration into global value chains, and to the construction of a competitiveness base grounded in knowledge.

At the same time, this success reveals new challenges. The Portuguese economy has not been able to fully absorb the human capital it produces, and it faces a persistent productivity gap compared to its European peers. It is in this context that a new strategic opportunity emerges: the possibility of transforming human capital and Portugal's international attractiveness into a more sophisticated engine of economic development, particularly through the strengthening of the financial sector, investment, and wealth management.

From expansion to excellence: a structural evolution

The evolution of higher education in Portugal is closely linked to the democratization of access to education and European integration. From the final decades of the 20th century onward, the country consistently invested in expanding the network of universities and polytechnic institutes, creating conditions for an increasing number of young people to access higher education.

This quantitative growth was accompanied by an effort toward quali-

fication and internationalization. The adoption of the Bologna Process, participation in programs such as Erasmus, and the strengthening of scientific research helped align the Portuguese system with international standards.

The results are evident. The number of graduates has increased significantly, and the quality of higher education has steadily improved. Portugal has moved from being an academic periphery to establishing itself as an active participant in the European and global higher education space.

More importantly, this evolution has had direct impacts on the economy. The improvement in human capital has increased technological adaptability, enabled the development of new sectors, and attracted foreign investment. Higher education has thus become one of the main drivers of economic development.

Internationalization: from the periphery to the center of global networks

One of the most striking features of contemporary Portuguese higher education is its growing internationalization. Portugal has shifted from a predominantly domestic system to one that attracts students from all over the world.

This internationalization takes different forms depending on the level of education. At the undergraduate level, the presence of international students averages between 10% and 15%, strongly shaped by the Portuguese-speaking world. Students from Brazil, Portuguese-speaking African countries, and Timor-Leste represent a significant portion of this group. Language remains a determining factor.

At the master's level, however, the picture is substantially different. Master's programs represent the true "export product" of Portuguese higher education. It is estimated that between 20% and 30% of master's students are international, with significantly higher percentages in leading schools. In institutions such as the Nova School of Business and Economics, international students can represent around 60% of the total in master's programs.

This difference between undergraduate and master's levels reflects a

structural transformation. Master's programs are often taught in English, oriented toward the global market, and designed to attract students from multiple geographies. Portugal positions itself here as a competitive destination, offering academic quality, relatively low costs, and a high quality of life.

This phenomenon has relevant economic implications. The attraction of international students not only generates direct revenue but also contributes to the creation of global talent networks and strengthens the country's international reputation.

Economics and business schools: a case of international success

Within the higher education system, the fields of economics, management, and finance stand out for their relevance and level of internationalization. These areas not only account for a significant share of students but also have a direct link to the functioning of the economy.

Portugal today has a group of business schools with international recognition. Institutions such as Nova SBE, Católica Lisbon School of Business and Economics, Católica Porto Business School, ISEG, Iscte Business School, and the Faculty of Economics of the University of Porto have achieved prominent positions in international rankings and obtained demanding accreditations such as AACSB, EQUIS, and AMBA. Some belong to the restricted group of schools with "triple crown accreditation," a quality seal awarded to less than 1% of business schools worldwide.

This recognition translates into a strong ability to attract international students and high employability of graduates. In areas such as finance and management, Portuguese programs regularly rank among the best in the world, reflecting the quality of education, market connection, and internationalization.

The importance of these schools goes beyond the academic domain. They play a central role in training managers, analysts, and decision-makers, directly contributing to improving the quality of business management – a critical factor for increasing productivity and competitiveness.

At the same time, and perhaps one of the most interesting signs of the system's maturity, is the shift in students' own ambitions. Today, Portuguese students think about international careers early on, seek experiences abroad, value global certifications, and compete in international contexts.

A particularly relevant example is the growing participation of Portuguese universities in international initiatives such as the CFA Institute Research Challenge. As a result, we observe increasing demand from Portuguese professionals for international certifications such as the CFA Charter.

Competitiveness, quality of life, and inequality: the economic impact of higher education

The impact of higher education on the Portuguese economy can be analyzed through various international indicators. In competitiveness rankings, such as the IMD World Competitiveness Ranking or the World Economic Forum's Global Competitiveness Index, Portugal typically ranks between 30th and 40th place worldwide. This positioning reflects a mid-level performance, with clear strengths and persistent weaknesses.

Among the strengths, education and human capital stand out. Portugal shows qualification levels and educational outcomes that exceed its overall competitiveness ranking. In contrast, indicators such as productivity, business efficiency, and innovation reveal a more modest performance.

This disconnect is central to understanding the Portuguese economy. The country has already managed to raise its human capital but has not yet fully translated that progress into productivity gains.

At the same time, Portugal shows strong quality-of-life indicators. International indices rank the country among the safest in the world, with high levels of well-being and a recognized quality of life. In terms of inequality, measures such as the Gini coefficient show a gradual reduction over recent decades, reflecting some success in social cohesion.

However, productivity remains the main structural challenge. Output

per worker remains below the European average, limiting economic growth and the ability to retain talent.

The human capital paradox: emigration and immigration

This challenge is particularly evident in migration flows. Portugal continues to export a significant portion of its qualified human capital. Young graduates seek opportunities abroad, attracted by higher salaries and better career prospects.

At the same time, the country has experienced an increase in immigration, often concentrated in lower-skilled and lower value-added sectors. This pattern creates an imbalance: Portugal produces high-level talent but does not retain it in the same proportion, while importing labor for less qualified roles.

This phenomenon does not result from failures in the education system but from the structure of the economy. The supply of talent exists; the challenge lies in creating opportunities that allow it to be fully utilized.

A new reality: attracting talent, innovation, and capital

In recent years, Portugal has witnessed a quiet transformation in its economic and social base. Beyond traditional flows, the country has begun to attract new types of residents: entrepreneurs, innovation professionals, remote workers, and high-net-worth individuals.

This movement results from a combination of factors: security, institutional stability, quality of life, integration into the European Union, and a growing positioning as a global destination. Portugal has become not only a place to visit but a place to live and invest.

At the same time, multinational companies, especially in the financial and technology sectors, have begun establishing operational bases in the country. Initially focused on support functions, these operations have been moving up the value chain, incorporating more complex and strategic activities. This movement is facilitated by the availability of qualified talent from Portuguese universities.

This process is still at an early stage but reveals significant potential. Portugal is beginning to position itself as a hub for talent and opera-

tions for global companies, benefiting from its unique combination of factors.

The opportunity in the financial and investment sector

In this context, a particularly relevant opportunity emerges: the development of a high value-added financial services ecosystem.

The growing presence of high-net-worth individuals in Portugal creates conditions for the development of activities such as wealth management, family offices, and structured investment. Currently, a large share of these assets is managed outside the country, limiting the local economic impact.

Portugal, however, has several favorable conditions: qualified talent, competitive costs, a European institutional framework, and a growing base of international clients. The development of this sector could create highly skilled jobs, retain talent, and increase the added value of the economy.

The establishment of family offices and the expansion of sophisticated financial services can transform Portugal into a relevant hub in this domain. At the same time, strengthening its profile as a destination for international capital can help stimulate investment and innovation.

Philanthropy, culture, and a new creative economy

Associated with increasing wealth and internationalization is also the potential for developing philanthropy and cultural and creative activities. Portugal has the conditions to establish itself as a space for cultural experimentation, design, and social innovation.

The creation of foundations, impact funds, and cultural initiatives can complement economic development, strengthening the country's identity and contributing to its attractiveness.

The challenge of relevance in a changing world

On a broader level, universities face the challenge of remaining relevant in a context of rapid technological transformation. The emergence of artificial intelligence and new forms of learning requires

adaptation of educational models, with greater focus on transversal skills and lifelong learning.

This challenge is real, but it does not diminish the central role of higher education. On the contrary, it reinforces the need for institutions capable of training individuals with critical thinking, adaptability, and strategic vision. Portugal is in a position to be a highly relevant player in what is already a challenge for humanity.

Conclusion: a solid foundation for a new ambition

Higher education in Portugal is a success story. It has transformed the country, raised its human capital, and created the conditions for a more sophisticated economy. But its potential has not yet been fully realized.

Portugal now finds itself at an inflection point. It has talent, attracts capital, and benefits from a positive international reputation. The combination of these factors creates a unique opportunity to make a qualitative leap in economic development.

The challenge is not to continue expanding higher education, but to use it as the foundation for a new economic ambition. It is about transforming knowledge into value, talent into productivity, and attractiveness into investment.

If it succeeds, Portugal will be able to establish itself not only as a well-educated country but as an economy capable of competing and thriving in a globalized world.

The country has already demonstrated that it can train talent at the highest level. The future will depend on its ability to retain, value, and transform that talent into sustainable growth.

THE FIXED INCOME MARKET IN ANGOLA

João Ebo, member of the CFA Institute and Member of the CFALP Committee

1. Conceptual Introduction

Fixed income encompasses financial instruments that provide predictable returns, generally through periodic interest payments (coupons) and repayment of principal at maturity. It differs from equities in its lower volatility and the existence of contractually defined cash flows. In the context of asset allocation, it plays an essential role in portfolio diversification, acting as a hedge against market risks and inflation, while preserving capital in risk-averse scenarios. In professional asset management, in line with core investment principles, this asset class is incorporated into immunization and duration-matching strategies to align assets with long-term liabilities.

In emerging markets such as Angola, fixed income assumes heightened relevance due to macroeconomic instability, currency fluctuations, and commodity dependence. It facilitates government financing – reducing exposure to external credit lines – and promotes financial inclusion by attracting local investors. The Angolan market, structured following post-2014 reforms with the creation of BODIVA (Angola Debt and Securities Exchange), reflects progress in liquidity and financial sophistication on the African continent.

2. Characteristics of Fixed Income Instruments

In Angola, the market is dominated by public debt issuances (Treasury Bonds), with increasing participation from banks and corporations, which list their securities for trading on BODIVA.

2.1. Issuers and Relevant Offerings

- i. Government: Treasury Securities (TT) form the backbone of the market, including Treasury Bills (BT, short term) and Treasury Bonds (OT, medium- to long-term). A major recent highlight occurred in October 2025, when Angola issued USD 1.5 thousand million in eurobonds (5- and 10-year tranches, with initial yields of 9.75% and 10.5%) to refinance debt and

fund budgetary needs. For 2026, a new international issuance of USD 1.7 thousand million is planned. It should be noted that the total outstanding stock of government securities reached Kz 64.3 billion (short scale: trillion) (approximately USD 66.02 thousand million) in December 2026 (estimate contained in the 2026 – 2028 Debt Strategy and the 2026 Annual Borrowing Plan).

- ii. Banks: The most significant transaction to date was conducted by Banco Angolano de Investimentos (BAI), which launched the “BAI 2026 – 2031 Bonds” in January 2026, offering a fixed annual rate of 20%, a nominal value of Kz 25,000 per unit, and a maximum issuance of Kz 50 thousand million (approximately USD 54.81 million). These bonds were admitted to trading on BODIVA as of January 30, 2026.
- iii. Corporations: Corporate bonds are emerging in strategic sectors. Notable issuances include those by Sonangol, Angola’s state-owned oil company, which in 2023 issued bonds totaling Kz 75 thousand million (Sonangol 2023 – 2028 Bonds, with an annual interest rate of 17.5%). Subsequent issuances included Etu Energias, amounting to Kz 73 thousand million (ETU 2025 – 2030 Bonds), and Griner Engenharia, totaling Kz 20 thousand million (GRINER 2025 – 2028 Bonds). All were placed via BODIVA to finance supplier debt payments and the development of energy and infrastructure projects, respectively.

2.2. Maturities

- i. Short term (up to 1 year): Treasury Bills (BT).
- ii. Medium term (1 to 5 years): Standard Treasury Bonds (OT) and corporate bonds.
- iii. Long term (over 5 years): Sovereign eurobonds maturing up to 2035, as well as corporate bonds extending to 2031.

2.3. Trading

Trading takes place in the money market (short-term instruments and repo transactions) and in the capital market via BODIVA. Annual trading volume reached Kz 5.7 billion (short scale: trillion) (USD 6 thousand million) in 2025, representing about 7.5% of Angola’s GDP.

On the Treasury Securities Exchange Market (MBTT), instruments traded include repos, BT, OT-NR (non-adjustable Treasury Bonds), OT-TXC (exchange-rate-indexed Treasury Bonds), and OT-ME (foreign-currency-denominated Treasury Bonds). Sovereign eurobonds are typically traded in the international over-the-counter (OTC) market and are regulatorily listed on exchanges such as the Euronext Dublin and the Luxembourg Stock Exchange, among others.

2.4. Technical Characteristics

- i. **Face Value:** The nominal value of Treasury Securities is generally set in multiples ranging from 1,000 to 100,000 kwanzas, while corporate bonds typically have face values between 10,000 and 25,000 kwanzas. Retail investors primarily access these securities through distributing firms and branches of banks.
- ii. **Repayment:** The predominant structure is bullet repayment (full principal repayment at maturity), although some structured issuances include scheduled amortizations.
- iii. **Coupons:** Most Treasury Bonds offer fixed coupons, generally ranging between 15% and 20% per year, paid semiannually or annually. Variable-rate bonds also exist, notably exchange-rate-indexed Treasury Bonds (OT-TXC), whose returns are linked to currency fluctuations and may be settled in kwanzas or U.S. dollars. Treasury Bills (BT), by contrast, are issued as zero-coupon instruments, sold at a discount and redeemed at face value at maturity, with typical maturities of 28, 91, 182, and 364 days.

3. Metrics and Investor Framework

- i. **Yield:** The Yield to Maturity (YTM) of Treasury Bonds (OT) denominated in local currency typically ranges between 10% and 25%, depending on tenor and prevailing macroeconomic conditions – note that the benchmark rate of the Banco Nacional de Angola (BNA) currently stands at 17.5%. For foreign-currency issuances – namely sovereign eurobonds and foreign-currency Treasury Bonds (OT-ME) – YTM incorporates international market conditions as well as Angola’s sovereign risk premium, reflected in credit ratings assigned by

- agencies such as Standard & Poor's and Fitch Ratings, currently rated in the B- category.
- ii. Liquidity: Liquidity on BODIVA remains limited, with wide bid-ask spreads. Treasury Securities, however, exhibit greater market depth.
 - iii. Access: Investors may access the market through the BODIVA Investor Portal or authorized intermediaries, with a minimum investment amount of Kz 100,000. Coupon income earned by resident investors is subject to a 10% Capital Income Tax (IAC) across all maturities, effective as of 2026.

Table: Comparison of SADC Countries (2025 – 2026)

Indicator	AO	NA	BW	AS	ZM	MZ
Fixed Income Market						
Securitized debt (% of GDP)	51%	68%	28%	72%	52%	38%
Annual trading volume (% of GDP)	7,5%	22%	18%	45%	9%	6%
Liquidity (turnover ratio)	0,17x	0,45x	0,65x	1,2x	0,22x	0,15x
Sovereign rating (S&P)	B-	BB	A-	BB+	CCC+	B
Macroeconomic Context						
Inflation (2025 est.)	15,7%	5,2%	3,8%	5,5%	12%	8%
Policy interest rate	17,5%	7,0%	2,75%	8,25%	12,5%	14%
Public debt (% of GDP)	45%	38%	18%	74%	105%	110%

Legend: AO – Angola; NA – Namibia; BW – Botswana; SA – South Africa; ZM – Zambia; MZ – Mozambique.

Sources: Banco Nacional de Angola (BNA), ARSEG, Cbonds, SADC Secretariat, World Bank, Bloomberg (2025 – 2026 estimates). Foreign exchange rate used in the case of Angola: 950 AOA/USD.

4. Conclusion

Angola's fixed income market demonstrates structural progress, driven by BODIVA and regulatory reforms, with an outstanding debt stock of Kz 64.3 billion (short scale: trillion) and annual trading volume exceeding Kz 5.7 billion (short scale: trillion), gradually gaining regional relevance. Nonetheless, challenges persist: limited liquidity in the secondary market, dependence on the oil and gas sector, and

currency volatility constrain the appetite of foreign institutional investors. Growth potential lies in greater sophistication through green bond issuances, diversification of private-sector issuers, and integration into the financial architecture of the Southern African Development Community (SADC). For investment professionals, monitoring yields, sovereign risk, and regulatory developments will be essential to optimizing allocations in emerging market contexts.

VENTURE CAPITAL IN BRAZIL

Andréa Nogueira Ventura, CFA, Founder and Managing Partner of Flame Ventures

The trajectory of venture capital in Brazil over the past two decades can be read as an exemplary case study on the effects of global liquidity cycles on promising emerging markets. Between 2019 and 2021, the ecosystem experienced unprecedented expansion, driven by near-zero global interest rates and abundant liquidity. The correction that followed marks the end of a formative phase. What now emerges is a more sober market, with more disciplined founders and more selective managers. But a structural contradiction remains: Brazil produces relevant innovation, yet has not built the mechanisms necessary to convert this innovation into consistent liquidity. This is the main challenge – and the main opportunity – of the next decade.

The history of venture capital in Brazil begins less with private initiative and more with institutional stimulus. Since the early 2000s, initiatives linked to BNDES and FINEP helped structure the first funds and reduce the risk of investing in technology in an environment marked by recent inflation, high interest rates, and legal uncertainty. The creation of Private Equity Investment Funds (FIPs) by the CVM provided a regulatory vehicle that enabled the professionalization of the sector and the emergence of independent managers.

During the 2010s, the ecosystem gained density. Accelerators, angel investors, and new funds emerged alongside the expansion of mobile internet and financial digitalization. In 2017, the CVM updated equity crowdfunding regulation (Instruction 588), opening a new fundraising path for early-stage companies. The Startup Legal Framework (LC 182/2021) later formalized concepts such as angel investors, the possibility of regulatory sandboxes, and investor asset protection. Even so, capital remained scarce. The inflection point came in 2018, when the macroeconomic environment – both local and global – created the conditions for a leap in scale.

Between 2019 and 2021, the volume of capital invested in Brazilian startups jumped from just over US\$2 billion to nearly US\$10 billion, according to ABVCAP data. Unicorns emerged quarterly – Nubank,

iFood, Creditas, QuintoAndar, Loft, VTEX – and Brazil came to account for more than half of all unicorns in Latin America. For context: during the same period, India, with a population six times larger, recorded VC investments of around US\$36 billion in 2021; Southeast Asia, with over 600 million inhabitants, received about US\$25 billion. In absolute terms, Brazil lagged behind, but relative to the size of its economy and the maturity of its ecosystem, the growth rate was remarkable.

The fuel for this expansion was a combination of global and local factors. Globally, near-zero interest rates in the United States pushed capital into risk assets, including venture capital in emerging markets. Locally, Brazil offered a generation of experienced entrepreneurs, many from companies such as Nubank, Movile, and Resultados Digitais, a still-primitive credit market, and 215 million underbanked inhabitants.

The problem was not the thesis; it was the price.

Global funds accustomed to competing for deals in San Francisco arrived in Brazil willing to pay multiples that made no sense for the maturity of the local market. Series A rounds closed at 50 times ARR. Series B rounds with valuations of US\$500 million for companies with US\$5 million in revenue. Cheap money compressed diligence standards and inflated expectations that the real market could not sustain.

When the Federal Reserve began its interest rate hike cycle in March 2022, the reversal was swift. Global funds pulled back. Startups that had hired aggressively, betting on growth at any cost, found themselves with structures incompatible with scarce capital. Layoffs came in waves: Loft, QuintoAndar, Creditas, Ebanx – all made significant cuts between 2022 and 2023.

The venture capital market in Brazil fell by more than 60% in volume between 2021 and 2023. The combination of persistent global inflation, monetary normalization in the U.S., and rising Selic rates redefined the opportunity cost. In 2025, total invested volume hovered around US\$4.5 billion, spread across roughly 450 rounds – a level marked by greater selectivity, with investments favoring companies

closer to profitability.

The hangover, however, had a cleansing effect. The companies that survived the squeeze are not just the best capitalized; they are those with working business models. Nubank went public on the NYSE in December 2021 and saw its share price drop by more than 80% in 2022. But it continued to grow, expanded into Mexico and Colombia, and in the first quarter of 2024 reported net income of US\$379 million. Beyond the spotlight, early-stage fund managers describe portfolios of seed and Series A companies that spent two years adjusting unit economics, extending runway, and building real recurring revenue. Founders who learned to operate under capital constraints.

The cycle shift exposed a fragility that already existed before the boom: the difficulty of converting growth into liquidity. The main obstacle for venture capital in Brazil is not company creation, but the absence of exit routes. IPOs remain dependent on international windows and global market sentiment. The secondary market remains incipient. Mergers and acquisitions occur, but at limited scale.

The Brazilian IPO market for tech companies essentially shut down after 2021. The window that briefly opened with LWSA, Méliuz, Westwing, and Mobly closed when valuations collapsed. On the M&A side, major strategic buyers such as Itaú, Bradesco, Magazine Luiza, and Mercado Livre were selective, taking advantage of lower valuations to negotiate far more favorable terms. What was once a Series B at US\$200 million became a strategic acquisition at US\$50 million. The result is a liquidity problem that affects the entire chain: funds that have not achieved exits struggle to show DPI (Distributed to Paid-In) to LPs, which complicates fundraising for new vehicles and reduces available capital.

There are paths forward. The market for secondary funds – where LPs and GPs sell positions before a natural exit – is developing in Brazil. There is also an underexplored opportunity: the consolidation of mid-sized technology companies through private capital. In mature markets, the boundaries between private equity and venture capital are porous. In Brazil, that boundary is still too rigid. Breaking it would create new exit routes.

Although some Brazilian funds operate through FIPs, a significant portion of investments is made through offshore vehicles in Delaware or the Cayman Islands. This choice reflects the mitigation of institutional risks: legal predictability, stable governance, and strong contractual protection. Capital believes in the Brazilian entrepreneur, but not in the Brazilian institutional framework.

Another factor affecting this dynamic is exchange rates. The Brazilian real has a history of depreciation against the dollar, which directly impacts returns in hard currency for foreign investors. A startup that triples its valuation in reais may deliver modest returns in dollars if the exchange rate depreciates 30% over the period. For international LPs, currency risk is not a detail – it is a central variable in allocation decisions. This reality reinforces the preference for dollarized structures and, paradoxically, feeds the externalization of capital.

When the investment structure shifts abroad, part of the value creation shifts as well. The domestic capital market develops less, the formation of local institutional investors remains limited, and the reinvestment cycle depends more on international flows. Brazil builds companies, but does not fully capture the capitalization associated with their growth.

There are structural reasons to believe that the next phase of Brazilian venture capital will be more sustainable than the previous one.

Unit economics from the first check. It is no longer acceptable to invest in a Series A company that cannot clearly articulate its LTV, CAC, churn, and payback period. Founders who arrive at pitch meetings with slides showing user growth but no clarity on margins are quickly dismissed.

Sector specialization. Generalist funds that tried to cover fintech, edtech, healthtech, marketplaces, and B2B SaaS simultaneously lost the ability to add real value. The best-performing funds in recent years have focused on these: agritech and supply chain in agribusiness, digital health focused on the public system, financial infrastructure for capital markets. Added to this is the growth of corporate venture capital (CVC): Itaú, Bradesco, Votorantim, Embraer, and other groups have established investment arms operating with their own theses and

privileged access to regulated verticals.

Patience with exit timing. The era of expecting IPOs or M&A within six or seven years is being replaced by longer horizons. Funds are structuring ten- or twelve-year vehicles, recognizing that Brazil's tech capital market is still narrow and that building quality companies takes time.

More demanding LPs. Family offices, pension funds, and funds of funds such as BNDESPAR want real track records, portfolio companies with growing revenue, and GPs with genuine operational experience.

Untapped addressable market. Brazil still has 215 million inhabitants. The penetration of financial services, healthcare, education, and logistics through technology is still in early stages outside major urban centers. The digitalization of agribusiness, which accounts for nearly 30% of GDP, has barely begun. None of this disappeared with rising U.S. interest rates.

Artificial intelligence as an asymmetric lever. The arrival of large language models has drastically reduced the cost of building software. For Brazilian founders, the impact is disproportionate: the initial capital required to validate a thesis has fallen, favoring seed and Series A funds. More relevant than generic productivity gains are the opportunities in verticals where Brazil has real comparative advantage: agritech with models trained on cerrado data, healthtech with expertise in tropical diseases, legaltech adapted to tax complexity. Startups such as Agrosmart (AI-powered crop monitoring), Alice (corporate healthcare with predictive models), and Escritório Online (accounting automation) illustrate this thesis at different stages of maturity.

High Selic filters out casual capital. With Selic at elevated levels, investors have attractive fixed-income alternatives. In the short term, this is an obstacle for VC. In the medium term, the effect is the opposite: LPs who had entered simply due to lack of reasonable return alternatives have exited. Those who remain are committed to the asset class. When interest rates eventually decline, capital migration will benefit the sector.

An unprecedented talent pipeline. The generation that built Brazil's first major startups is now founding a second generation of companies or joining the funds that finance them. Former executives from Nubank, Totvs, Movile, iFood. This flywheel – where success generates human capital, which generates new companies, which generate new successes – is finally operating consistently in Brazil.

Venture capital in Brazil is not for the impatient. Between cycles of abundance and scarcity, what distinguishes the current moment is the ability to navigate complexity with more experience, more tools, and more human capital than at any previous point.

But Brazil offers something that few emerging markets combine: real market scale, increasing sophistication of consumers and entrepreneurs, and genuine urgency for technological solutions in sectors where the state has historically failed – healthcare, education, financial infrastructure, logistics, public security. In all these sectors, there is pent-up demand waiting for solutions that technology can deliver at near-zero marginal cost.

For investors evaluating the asset class, three variables deserve close attention. The first is exit flow: market normalization depends on real IPOs and M&As that demonstrate returns to LPs. As long as the average DPI of Brazilian funds remains compressed, fundraising for new vehicles will remain constrained. The second is the trajectory of the Selic rate and exchange rates: a consistent reduction in domestic interest rates, combined with currency stability, would reopen the appetite of local LPs and reduce dollar-return erosion for foreign investors. The third is the adoption of AI by Brazilian startups in vertically advantaged sectors: if the asymmetric productivity thesis is confirmed with concrete results, capital will return on a more solid basis than in the previous cycle.

The hangover of 2022-2023 was not the end of venture capital in Brazil. It marked the end of a formative phase. What is being built now – under forced discipline and scarce capital – is the foundation for a more resilient and, paradoxically, more ambitious ecosystem than the one that existed when money was easy.

THE ROLE OF ENTREPRENEURSHIP AND MICRO AND SMALL ENTERPRISES IN THE ECONOMIC DEVELOPMENT OF CPLP

Higor Ferro Esteves, Vice President of the Executive Committee of the CPLP Business Confederation

1. Introduction

The Community of Portuguese Language Countries (CPLP) constitutes a unique geopolitical space: it brings together States spread across four continents, with heterogeneous levels of development, productive structures, and institutional frameworks, yet connected by a common language and by relevant historical, cultural, and legal ties.

This mosaic includes mature economies integrated into regional blocs such as Portugal, large-scale economies with significant demographic weight such as Brazil, African countries with production profiles anchored in natural resources such as Angola and Mozambique, and small island States with specific structural constraints such as Cape Verde and São Tomé and Príncipe.

In this context, entrepreneurship and micro, small, and medium-sized enterprises (MSMEs) play a strategic role in economic development. In virtually all member States, MSMEs represent the overwhelming majority of the business fabric, account for a significant share of both formal and informal employment, and function as a mechanism for social mobility, productive inclusion, and territorial dynamism.

This essay analyzes, from a comparative and systemic perspective, the contribution of entrepreneurship and micro and small enterprises to economic development in the CPLP, addressing: (i) theoretical foundations; (ii) structural specificities of member countries; (iii) impact on employment, innovation, and productive diversification; (iv) institutional and financial challenges; and (v) opportunities for economic cooperation within the Lusophone space.

2. Conceptual framework – entrepreneurship and development

Entrepreneurship is often analyzed in light of the Schumpeterian tradition, as a process of “creative destruction”: the introduction of new productive combinations (new products, processes, markets, or organizational models) that reshape sectors and raise aggregate productivity. In emerging economies, however, it also assumes a subsistence and labor-absorption function, especially in contexts of high informality.

Micro and small enterprises are characterized by:

- Simple organizational structures;
- Low initial capital;
- High operational flexibility;
- Strong local roots;
- Critical dependence on external financing and trust networks.

From a macroeconomic perspective, their impact manifests in four main dimensions:

- i. Job creation, especially for youth and women;
- ii. Territorial capillarity, energizing regional and rural economies;
- iii. Diversification of the productive base, reducing dependence on primary sectors;
- iv. Progressive formalization of the economy, expanding the tax base.

In the CPLP, these dimensions are particularly relevant given the co-existence of economies heavily dependent on commodities with others based on advanced services.

3. Economic structure of the CPLP: heterogeneity and complementarity

The Community of Portuguese Language Countries (CPLP) brings together economies with very different levels of development, productive structures, and degrees of international integration. This diversity reflects distinct historical, institutional, and goeconomic trajec-

tories among its member States.

Brazil presents the most diversified economy in the Lusophone space, with a strong agro-industrial base, a relatively developed manufacturing sector, and a services sector that dominates GDP. The country also has high export capacity in agricultural, mineral, and industrial products.

Portugal, in turn, is characterized by an open economy strongly integrated into the European Union, with a predominance of the services sector – particularly tourism, transport, and business services – complemented by industrial exports specialized in sectors such as automotive components, textiles and apparel, footwear, and metalworking.

Among the African countries with greater economic scale, **Angola** and **Mozambique** have productive structures strongly anchored in the exploitation of natural resources. In Angola, oil continues to play a central role in exports and public revenues, while Mozambique combines mineral and energy megaprojects, including natural gas, with a broad-based agricultural sector.

Equatorial Guinea, which joined the CPLP in 2014, also has an economy supported by hydrocarbon exploitation, with oil as the main driver of exports and fiscal revenues. Despite the high per capita income recorded during the oil cycle, the productive structure remains poorly diversified, and the country has been developing economic policies to change this scenario.

Guinea-Bissau has a small-scale economy with high specialization in the export of cashew nuts, a product that represents the bulk of its exports and is a central element of rural income.

Timor-Leste is characterized by an economy heavily dependent on revenues from oil and gas, channeled through the Petroleum Fund, as well as by a significant weight of the public sector in economic activity.

Cape Verde and **São Tomé and Príncipe** are small island economies whose productive structure is predominantly based on services, particularly tourism, transport, and activities linked to the blue economy.

This structural heterogeneity constitutes both a challenge and an opportunity for economic cooperation within the Lusophone space. On the one hand, institutional, currency, infrastructure, and regulatory asymmetries limit the depth of economic integration. On the other, the diversity of natural resources, productive capacities, and levels of development creates conditions for the formation of complementary value chains among CPLP countries, fostering opportunities for investment, trade, and business cooperation.

4. Micro and small enterprises as a driver of employment and inclusion

In virtually all member States, more than 90% of registered companies fall into the category of micro or small enterprises. Their contribution to employment is particularly relevant in:

- Trade and service sectors;
- Family farming and agro-processing;
- Construction;
- Tourism and hospitality;
- Creative and cultural activities.

In African CPLP countries, the informal economy carries significant weight. Entrepreneurship often emerges as a survival strategy. The gradual formalization of these activities, through simplified taxation and business registration regimes, is a fundamental step to increase productivity, access to credit, and social protection.

In Portugal and Brazil, micro and small enterprises play an essential role in absorbing young and skilled labor, especially in digital and creative sectors.

5. Entrepreneurship and economic diversification

In economies dependent on natural resources, such as Angola and Mozambique, the development of a robust MSME sector is a necessary condition to reduce external vulnerabilities.

Economic diversification implies:

- Development of local value chains;

- Competitive import substitution;
- Integration of small enterprises into contracts with large operators (local content);
- Promotion of agribusiness and light industrial transformation.

In island States such as Cape Verde, entrepreneurship oriented toward digital services and the blue economy constitutes a strategic opportunity to overcome constraints of scale and insularity – an approach the country has been successfully developing.

6. Innovation, digitalization, and the knowledge economy

Innovative entrepreneurship has been gaining prominence in the Lusophone space. Urban ecosystems such as Lisbon, São Paulo, Praia, Maputo, and Luanda are witnessing the emergence of technology startups.

Digitalization offers multiple advantages:

- Reduction of transaction costs;
- Access to international markets;
- Financial inclusion via fintech;
- Simplified business formalization.

However, structural obstacles persist:

- Lack of venture capital;
- Weak intellectual property systems;
- Insufficient digital infrastructure in rural areas;
- Administrative bureaucracy.

7. Access to financing: the structural bottleneck

Access to credit is one of the main constraints faced by MSMEs in the CPLP. Limitations include:

- High interest rates;
- Requirements for collateral;
- Low financial literacy;
- Weak banking systems in some countries.

Priority instruments include:

- Mutual guarantee funds;
- Structured microcredit;
- Seed capital;
- Partnerships with multilateral banks.

Intra-community cooperation could foster the creation of specific financial instruments for the CPLP space.

8. Human capital and business training

The qualification of entrepreneurs is a critical variable. Deficiencies in financial management, marketing, and strategic planning limit the scalability of micro and small enterprises.

Technical and business training programs, developed in coordination between universities, business associations, and public agencies, can increase business survival rates.

Academic and professional mobility within the Lusophone space represents underutilized assets.

9. Economic integration within the Lusophone space

Despite its potential, intra-CPLP trade remains relatively low compared to the total trade of its members. Barriers include:

- High logistical costs;
- Lack of regulatory harmonization;
- Absence of specific trade agreements;
- Limitations in maritime and air connectivity.

Strengthening business platforms, sectoral fairs, and trade missions can stimulate transnational business networks.

10. Sustainability and inclusive development

MSMEs can play a decisive role in the transition toward sustainable growth models:

- Sustainable agriculture;

- Decentralized renewable energy;
- Circular economy;
- Responsible tourism.

The adoption of ESG (Environmental, Social, and Governance) practices can increase international competitiveness and access to green financing.

11. Structural challenges

Among the main challenges are:

- Macroeconomic instability in some States;
- Excessive dependence on primary revenues;
- Institutional fragility;
- Bureaucracy and legal uncertainty;
- Infrastructure deficits.

Without structural reforms, the transformative potential of entrepreneurship remains limited.

12. Strategic perspectives for the CPLP

An integrated strategy could include:

- i. Creation of a Lusophone fund to support MSMEs;
- ii. A digital platform for intra-CPLP business;
- iii. Joint startup acceleration programs;
- iv. Progressive harmonization of technical standards;
- v. Promotion of transnational value chains.

The Portuguese language constitutes an intangible competitive advantage, reducing transaction costs and facilitating business trust.

13. Conclusion

Entrepreneurship and micro and small enterprises constitute a structural pillar of economic development in the Community of Portuguese Language Countries. Beyond their direct impact on job and income generation, they play a strategic role in productive diversification, social inclusion, and territorial cohesion.

However, their full potential depends on institutional reforms, access to adequate financing, entrepreneurial qualification, and the deepening of intra-Lusophone economic cooperation.

In a space marked by structural diversity but united by a common linguistic heritage, strengthening MSMEs may represent the most effective path to transforming cultural proximity into effective economic integration and shared sustainable development.

WHY MACAU IS THE NEXT "SMALL BUT BEAUTIFUL" FINANCIAL HUB

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1. Introduction

For a long time, when people thought of Macau, they thought of one thing: gaming. It has been the "Las Vegas of Asia," a city built on tourism and entertainment. But today, a quiet revolution is happening. The Macau government is working hard to change the city's image and economy. With the passing of the new Law No. 11/2025 (Investment Fund Law), Macau is opening its doors to the world of asset management.

For global investors and fund managers, the question is simple: Why Macau? Why choose this city over established giants like Hong Kong or Singapore? The answer lies in Macau's unique strategy. It is not trying to be everything to everyone. Instead, it is positioning itself as a "small but beautiful" boutique hub, a specialized connector between China and Portuguese-speaking countries, and a safe, flexible home for niche capital.

2. The "1+4" strategy: policy certainty and concrete action

The first reason to look at Macau is policy certainty. In the past, the city relied too much on one industry. Now, the government has a clear roadmap called the "1+4" strategy for economic diversification.

What does "1+4" mean? The "1" stands for Macau's traditional strength: tourism and leisure. The "4" represents four new key industries the government is determined to build: Health & Wellness, High

Technology, MICE (Meetings, Incentives, Conferences, and Exhibitions), and most importantly for us – Modern Finance.

This is not just talk; the government is actively building the market. While Macau cannot yet compare to the scale of Hong Kong or Singapore, it is taking concrete steps to build a functional financial infrastructure. The Central Securities Depository (CSD) system and the "Financial Notes and Bonds Trading System" (MTS) have been launched to facilitate issuance and trading. The results are visible: by the end of 2025, the total value of bonds issued or listed in Macau reached MOP 1,063 billion.

The government is also actively upgrading the financial legal framework, moving from the Financial System Act to the new Investment Fund Law, creating a predictable environment for long-term capital.

3. The lusophone connector: Macau's unique edge

Macau has a superpower that no other Chinese city has: its deep connection with the Portuguese-speaking world (Lusophone countries). This includes nations across four continents, such as Portugal, Brazil, Angola, and Mozambique.

Macau is the official platform for commercial and financial services between China and these countries. This role is unique. Macau shares a legal heritage, language, and culture with these nations. For Chinese capital looking to invest in Brazil or Africa, or for international companies looking to enter China, Macau is the perfect bridge.

This advantage allows fund managers to tap into specific cross-border flows. For instance, Macau's RMB clearing infrastructure is increasingly robust, with clearing volumes reaching RMB 7.1 trillion in 2024, an increase of 11.4% year-on-year. This capability makes Macau a critical node for cross-border RMB settlement and trade finance between the Greater Bay Area and Lusophone markets, offering a "geopolitical alpha" that is hard to find elsewhere.

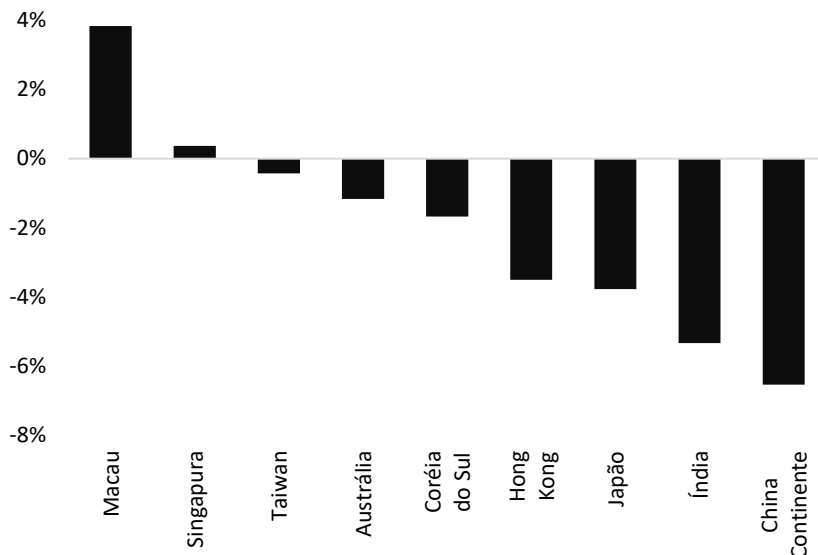
4. A haven for "small but beautiful" and Chinese institutions

Macau knows it cannot compete with the massive scale of New York or London. Instead, it is building a system perfect for two specific

groups: the "small but beautiful" boutique managers and Chinese institutions going global.

4.1. The "small but beautiful" advantage

Fiscal budget in percentage of GDP (average 2023-2025)



Source: Trading Economics.

Many boutique fund managers and family offices find big financial centers too expensive and complicated. Macau offers a fresh alternative with strong macroeconomic fundamentals backing it. This resilience is best demonstrated by recent data.

In 2024, Macau achieved a government budget surplus (e.g., around MOP 15.8 billion for the full year, with ongoing surpluses in 2025 quarters). Macau's surpluses are heavily supported by gaming tax revenue.

In Asia, only a few places maintain large positive fiscal reserves (accumulated government savings/buffers): primarily Singapore (massive past reserves, conservatively US\$1.8 - 2+ trillion), Macau (~US\$83 billion as of late 2025, or MOP 663 billion), Hong Kong (~US\$83 - 90 billion), and Brunei (oil-driven). Larger economies like

China, Japan, South Korea, India, and Australia generally have net negative positions or modest buffers. Macau ranks among the top for fiscal reserves per capita (around US\$120,000 with ~688,900 population), often second in Asia behind Singapore (hundreds of thousands per capita) but ahead of Hong Kong (~US\$11,000 - 12,000).

Country Region	Fiscal Reserve per Capita (US\$)	Population (million)	Notes / Source Context
Singapore	300,000 - 420,000	6	Includes GIC/Te-masek/MAS/CPF pools; exact figure protected, but massive sovereign-level wealth. Very high per capita.
Macau	120,000	0.69	Massive per person due to gaming revenue; extraordinary + basic reserve ~MOP 663 billion (~US\$83B). Tops Asia on this metric.
Hong Kong	11,000 - 12,000	7.4	Healthy but declining slightly from deficits; equivalent to several months of expenditure.
Taiwan	Low (hundreds)	23	Focus on low debt ratio (~24 – 27% of GDP); no Macau/HK-style massive buffer.
Brunei	High (tens of thousands)	0.47	Positive from oil/gas; sovereign wealth-like buffers

For a boutique firm, this means operating in a jurisdiction with a stable currency (pegged to the HKD/USD), no foreign exchange controls, and a government with the fiscal power to support tax incentives.

4.2. The gateway for Chinese institutions

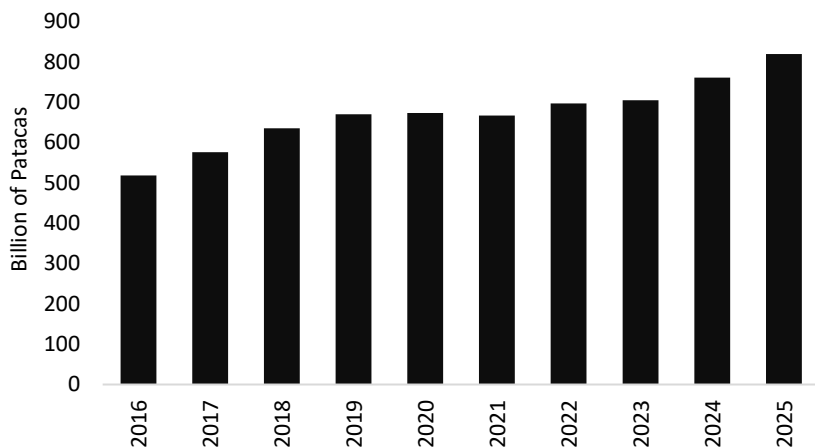
For financial institutions from mainland China, Macau feels familiar yet international. It is also deeply integrated with the neighbouring Hengqin Guangdong-Macau In-Depth Cooperation Zone, creating a massive new space for development.

Data shows this integration is accelerating. By 2024, the added value of the "Four New" industries in Hengqin (which includes modern finance) reached RMB 19.1 billion, and the number of Macau-funded enterprises in the zone reached 6,681. Innovations like the "Multi-

functional Free Trade Account" (EF Account) allow Chinese institutions to manage cross-border funds between Macau and Hengqin with greater ease. For Chinese institutions, setting up a fund in Macau is not just an offshore move; it is a strategic step into a growing "Macau-Hengqin" ecosystem that combines international legal standards with an alternative mainland market access.

5. Resident deposits and the imperative for managed funds

Amount of local resident savings



The financial data for Macau indicates a robust and accelerating growth in local resident deposits, which climbed from MOP 518,919.5 million in 2016 to MOP 819,582.7 million by 2025. This steady accumulation, particularly the significant surge in the final two years, reflects high levels of household liquidity. However, such a heavy concentration in low-yield bank deposits suggests that a vast amount of capital remains underutilized. To protect against inflationary pressure and optimize long-term wealth appreciation, there is a compelling need for residents to transition toward sophisticated investment fund structures. By migrating idle savings into professionally managed funds, investors can achieve greater diversification and market exposure, ensuring that the region's growing capital serves as a dynamic engine for personal finance growth.

6. Key challenges of Macau

While the growth in resident deposits signals significant domestic capital potential, the transition toward a robust investment fund ecosystem is obstructed by several entrenched structural challenges. Despite recent legislative momentum, Macau must navigate a complex landscape of economic concentration and infrastructural gaps that currently limit its competitiveness against established global financial centers.

I. Extreme economic dependence on gaming/tourism (lack of diversification). Macau's economy is highly reliant on gaming (often 80 – 90%+ of government revenue and around 40-50% of nominal GDP). Macau's casinos generated approximately MOP 247 billion (around US\$30.9 billion) in full-year 2025, up ~9.1% from 2024 and the highest post-pandemic annual figure. Efforts under the "1+4" diversification strategy (tech, finance, etc.) are ongoing but have not yet significantly reduced this reliance, limiting appeal as a broad financial base.

II. Limited track record and scale in financial services.

Unlike Hong Kong (global equities/offshore CNY hub) or Singapore (strong fixed income/commodity/wealth management), Macau has virtually no established ecosystem for asset management, hedge funds, or private equity. Only a handful of licensed fund managers exist, with few funds domiciled/operated there historically. The new law aims to change this, but building credibility, talent pools, and networks takes time – investors prefer proven jurisdictions with deep liquidity and service providers.

III. Under-diversified banking system. Macau's banking sector is heavily oriented toward gaming-related lending and retail services, with limited international sophistication or products for investment funds (e.g., custody, prime brokerage, trade finance for alternatives). As of early 2026, the Monetary Authority of Macau (AMCM) regulates only ~33 banks that report results regularly, with a focus on local and main-

land Chinese institutions. This contrasts sharply with more mature hubs, limiting synergies for funds needing robust banking partners for operations, capital flows, or co-investments. Growth is evident (e.g., total assets up amid surpluses), but the system remains under-diversified and less globally integrated.

IV. Talent and human capital shortages. Macau has a strong pool of talent on corporate banking, but lacks a deep pool of experienced fund managers, compliance experts, lawyers, and other professionals in asset management. Attracting international talent is challenging due to competition from Hong Kong/Singapore (better pay, lifestyle, global networks) and language/cultural barriers. The new regime requires qualified management entities, which may necessitate recruitment or retraining.

Macau is transforming. While the structural hurdles of economic concentration, a retail-focused banking sector, and a specialized talent gap are significant, they are not insurmountable. Rather, these challenges define the very problems that the Law No. 11/2025 (Investment Fund Law) is designed to solve. By acknowledging the limitations of its traditional gaming-dependent model, Macau is utilizing this new legislative framework to systematically build the "financial infrastructure" it previously lacked.

The transition from a high-liquidity, deposit-heavy economy to a sophisticated asset management hub requires more than just capital; it requires a robust, modern, and internationally compliant legal anchor. In the following section, we will examine the Key Highlights of the New Investment Fund Law, exploring how its innovative provisions on fund types, management entities, and tax transparency aim to directly address these historical weaknesses and position Macau as a competitive, "small but beautiful" jurisdiction for global investors.

7. Key summary of new investment fund law

The new Investment Funds Law (IFL) launching on January 1, 2026, marks a comprehensive reform of its financial framework originally established in 1999. The updated regulatory regime addresses several

specific operational constraints present in the old law. Under the previous 1999 framework, the establishment of an investment fund legally required a minimum of 30 participating investors and a baseline initial subscription of 10 million MOP. Furthermore, operating funds were subject to an ongoing annual supervisory charge set at 0.1 per mille of their total net asset value. The 2026 legislation repeals these minimum participant and subscription thresholds and abolishes the asset-based supervisory fee, thereby structurally lowering the initial and ongoing capital requirements for fund sponsors.

To align the local financial sector with established international standards, the new legal framework introduces several distinct operational parameters and structural differences from the previous regime:

I. Formal recognition of private funds: The 1999 law primarily foresaw the establishment of public investment funds. The new legislation introduces a dual public-private architecture, legally recognizing private funds restricted to qualified professional investors. These private vehicles bypass the standard public authorization process; they are instead governed by a streamlined prior filing procedure requiring documentation to be submitted to the AMCM at least 15 business days before fundraising activities commence.

II. Diversified organizational structures: Previously, investment funds in Macau were predominantly restricted to contractual trust structures. The new law expands the permitted formats, allowing funds to be legally structured as corporate entities (Joint Stock Limited Companies) and limited partnership funds (LPFs). These additions closely correspond to the legal vehicles commonly utilized in mature financial centers like Hong Kong and Luxembourg.

III. Tiered capital and ownership rules: Fund management companies face revised minimum capital requirements based on their operational scope: 3 million MOP for entities exclusively managing investment funds, and 5 million MOP for those managing other types of assets. Additionally, the legis-

lation grants an exception to the standard Macau Commercial Code, permitting these management companies to be incorporated by a single shareholder instead of the standard three, which facilitates straightforward subsidiary setup for international financial groups.

IV. Global custodian access: Under the preceding regulations, public funds were required to utilize local custodians based within Macau. The updated framework removes this geographic restriction, explicitly allowing asset managers to appoint prudentially supervised foreign financial institutions as custodians.

V. Statutory redomiciliation: The IFL introduces Macau's first legal mechanism for redomiciliation. This provision allows existing offshore corporate or limited-partnership funds to migrate their domicile to Macau without losing their existing legal personality or voiding their historical contractual continuity.

VI. Defined real estate metrics: The law provides specific operational parameters for real estate investment funds. Eligible real estate funds are permitted to borrow up to 50% of the fund's net asset value to leverage investments, and they are subject to an income distribution rule requiring a minimum annual payout of 90% of net income after taxes.

Beyond these structural formats, the legislation broadens the permitted scope of business for asset managers. Fund management entities are no longer restricted solely to collective investment management; they are explicitly authorized to provide discretionary portfolio management, liquidity and hedging services, investment research, and independent valuation. To balance these expanded operational freedoms, the law simultaneously mandates enhanced investor protection protocols. These include the requirement of comprehensive Key Information Documents (KID) detailing risk grading, specified valuation methodologies, and formalized rules for unitholder assemblies.

Currently, Macau functions heavily as a distribution market, with

over 2,000 foreign investment funds officially registered for distribution within the jurisdiction. By mirroring regulatory constructs from the European Union and Hong Kong, the IFL is designed to transition the region into a center for fund origination and domiciliation. To ensure an orderly market adaptation, the government has established a 12-month transition period running from January 1, 2026, to January 1, 2027, during which legacy funds and existing managers can adjust their operations to achieve full compliance. When combined with the region's existing economic attributes – such as the absence of foreign exchange controls and free capital flow – the retooled legislative environment creates a standardized and internationally integrated platform for global asset managers.

Features of the Investment Fund Law

Regulatory Feature	1999 Investment Fund Law	2026 Investment Fund Law (IFL)
Recognized Fund Types	Originally foresaw only public investment funds.	Establishes dual architecture legally recognizing both public and private funds.
Organizational Forms	Strictly limited to contractually established funds (similar to unit trusts).	Expands to include Contractual, Corporate (Joint Stock/SIC), and Limited Partnership (LPF/FPL) forms.
Minimum Investors	Required a minimum of 30 participating investors to launch a fund.	Minimum participant requirement is completely abolished.
Minimum Launch Capital	Required a minimum initial subscription of 10 million MOP.	Minimum initial subscription threshold is completely abolished.
Annual Supervisory Fee	Funds charged an ongoing fee of 0.1 per mille (0.1%) on their total net asset value.	The asset-based supervisory fee is completely abolished.
Private Fund Authorization	Not legally recognized; operations relied on supplementary regulatory guidelines.	Bypasses public authorization; requires only a streamlined prior filing 15 business days before fundraising.
Management Company Ownership	Required a minimum of three shareholders under standard commercial codes.	Grants an exception allowing single-shareholder structures to facilitate international group subsidiaries.

Management Startup Capital	Governed by previous baseline financial regulations.	Introduces tiered requirements: 3 million MOP for managing funds, or 5 million MOP for managing other assets.
Custodian Requirements	Strictly required the use of local custodians based in Macau.	Permits the appointment of prudentially supervised and qualified foreign custodians.
Offshore Redomiciliation	No legal mechanism existed for fund migration.	Introduces a seamless statutory mechanism for offshore corporate and partnership funds to relocate to Macau.
Permitted Business Scope	Restricted predominantly to collective investment management.	Expanded to include discretionary portfolio management, advisory services, risk management, and valuation.
Real Estate Fund Rules	Governed by general fund parameters.	Introduces specific metrics: permits borrowing up to 50% of NAV and mandates a 90% net income annual payout.

8. Strategic tax advantages: Macau's 2026 competitive edge

A cornerstone of Macau's "Small but Beautiful" strategy is its highly competitive and transparent tax environment. With the full implementation of the Investment Funds Law (Law No. 11/2025) and accompanying fiscal measures in 2026, Macau has positioned itself as one of the lowest-tax jurisdictions for asset management in Asia. While traditional giants like Hong Kong and Singapore offer complex exemption schemes that often require significant substance and reporting, Macau provides a straightforward 5% preferential tax rate for qualifying fund managers. Furthermore, the jurisdiction offers a "triple exemption" for the funds themselves: no tax on interest income, no tax on dividend distributions, and a complete exemption on capital gains from domiciled funds. This lean fiscal profile, combined with the absence of foreign exchange controls, creates a "geopolitical alpha" for managers looking to maximize net returns without the high compliance costs associated with larger, more bureaucratic hubs.

The following table illustrates how Macau's 2026 tax regime compares to other major and emerging financial centers across the region.

Comparative Analysis: Investment Fund Taxation in Asia (2026)

City/Region	Effective Tax Rate for Investment Funds/Managers	Key Details/Notes
Macau	5% (preferential rate for qualifying fund managers)	Applies to taxable income from licensed activities under the new Investment Funds Law (effective 2026). Carried interest exempt for private funds. Funds/investors exempt on certain income (e.g., interest, distributions, capital gains from domiciled funds).
Hong Kong	8.25%-16.5% (for managers, two-tiered profits tax) [0% (for qualifying offshore funds)]	Offshore funds exempt from profits tax on qualifying transactions. Managers taxed at 8.25% on first HKD 2M assessable profits, 16.5% thereafter. Proposals in 2025-26 budget to enhance regimes for funds/family offices.
Singapore	5%-10% (enhanced concessionary rates for qualifying funds/managers)	FSI-Fund Management Scheme offers 5% CTR on qualifying income; VCC structures with 5% for 10 years on certain funds. Standard CIT 17%, but rebates/incentives reduce effective rate. 40% rebate for YA 2026 capped at SGD 30,000.
Tokyo (Japan)	15%-23.2% (statutory corporate tax, with deductions for funds)	Base rate 23.2%; reduced for smaller income brackets (15% on first JPY 8M). TMK structures can achieve 10-15% effective via international holdings. No specific fund exemptions; higher than regional hubs.
Seoul (South Korea)	20%-27% (progressive corporate tax)	Statutory rates: 10% on first KRW 200M, up to 27% on excess over KRW 300B. Some incentives for R&D/funds, but global min tax alignment increases effective rates. Higher base with limited fund-specific concessions.

Shanghai/Beijing (China mainland)	5%-25% (statutory 25%, reduced incen- tives for qualifying funds)	Base 25%; preferential 5-15% for certain high-tech/funds in free trade zones. Exemptions/dedu- ctions available, but varies by en- tity/type. Global min tax influ- ences.
Kuala Lumpur (Malaysia)	15%-24% (statutory 24%, incentives re- duce to 15-22%)	SME rates 15-17% on lower brackets; incentives for foreign investors bring effective 15-22%. Fund-specific concessions lim- ited.
Bangkok (Thailand)	20% (statutory rate)	Flat 20%; some exemptions for international business cen- ters/funds. No major reductions for investment funds.

Source: Mayerbrown, PWC.

9. Pioneers of the pre-reform era: existing licensed entities

As of late 2025, while the market prepared for the transition to the new Investment Fund Law, a small group of pioneering entities had already established a presence under the original 1999 regulatory framework. These firms represent the "first wave" of Macau's asset management ecosystem, operating as the only three licensed investment fund management companies at the time:

- **A&P Investment Fund Management Company Limited:** Licensed in early 2024, A&P became a market leader by launching Macau's first localized public money market fund – the A&P Macau Patacas Money Market Fund – in mid-2024, showing the feasibility of retail products under the old law.
- **WI Harper (Macau) Investment Fund Management Limited:** This entity represents the entry of established venture capital expertise into the Macau SAR, focusing on the potential for technology and innovation-linked investments.
- **Macau Funway Investment Fund Management Company Limited:** By the end of 2025, this entity had successfully secured its authorization from the AMCM, though it remained in the pre-operational phase, signaling continued interest in the jurisdiction just ahead of the legal overhaul.

These early participants provide a vital foundation for the new re-

gime, having already navigated the licensing and compliance standards of the AMCM prior to the 2026 reforms.

10. Lessons learned from other countries

To contextualize Macau’s trajectory, this section draws critical lessons from Singapore and Luxembourg, two premier global benchmarks for "small but beautiful" financial hubs. We analyze Singapore for its mastery in transitioning from a regional trading post to an Asian wealth management powerhouse through proactive policy and the "Variable Capital Company" (VCC) framework. Conversely, Luxembourg is examined as the gold standard for cross-border fund distribution, demonstrating how a small jurisdiction can achieve global dominance by specializing in UCITS and alternative investment vehicles. By evaluating these two distinct models – one a dominant regional "1+4" style diversifier and the other a global "connector" – Macau can identify the specific regulatory agility and ecosystem-building strategies required to operationalize its own New Investment Fund Law.

10.1. Singapore – the mastery of "frictionless" efficiency

Factors that make Singapore the best in class within the region

1. Political and economic stability	7. Sound and predictable regulation
2. Low bureaucratic red-tape	8. Governance standards
3. High ease of doing business	9. Lifestyle choices
4. Transparency	10. Efficiency and connectivity
5. Safety and low crime	11. Sound infrastructure
6. Low/no corruption	12. Quality workforce

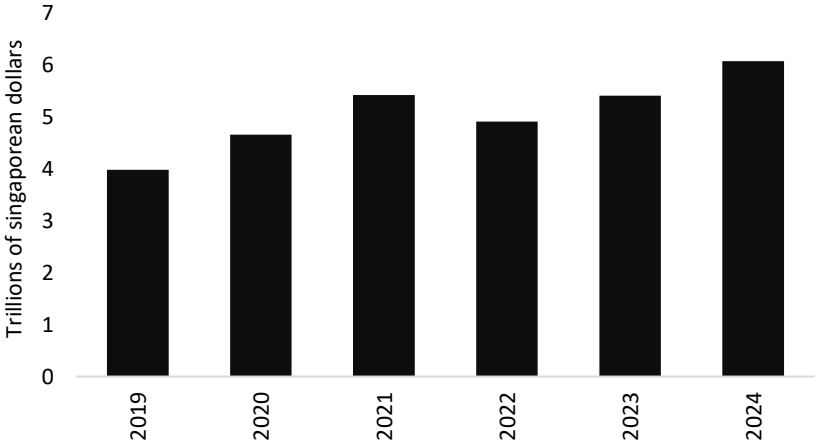
Source: PwC 2022.

Singapore's transformation into "Asia's Switzerland" – a neutral, trusted hub for global wealth – began in earnest from 2000, driven by Prime Ministers Goh Chok Tong and Lee Hsien Loong. The goal was simple: turn a small island into a financial powerhouse by offering low taxes, rock-solid rule of law, and zero red tape. In 2001, PM Goh rolled out the Financial Services Industry Strategy to double assets under

management in five years. He introduced the Financial Sector Incentive (FSI) in 2004 – slashing tax on fund managers' fees to ten percent – and launched the Global Investor Programme (GIP), granting permanent residency to big-money investors. PWC report (2022) stated 10 factors as a choice location for setting up fund management operations focused on investments in Asia, in particular ASEAN and India.

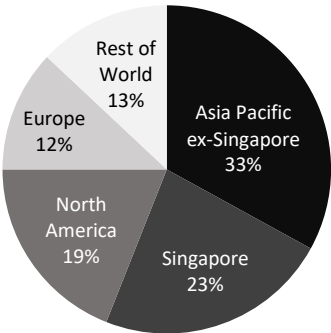
10.1.1. The trajectory of growth: policy as a magnet

Assets under Management (AUM) in Singapore



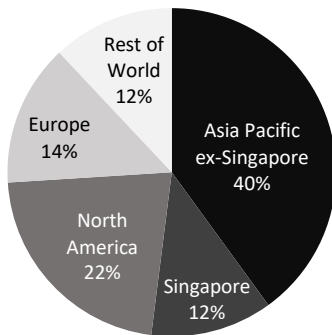
Source: MAS.

Assets under Management (AUM) in Singapore - Origin



77% of funds sourced from outside Singapore

Assets under Management (AUM) in Singapore - Investments



**88% of funds
invested
outside
Singapore**

Singapore's asset management industry has witnessed an extraordinary ascent. In the early 1990s, the city-state's Assets Under Management (AUM) were negligible. Fast-forward to today, and Singapore is a global control center for international capital.

- **AUM Expansion:** According to recent MAS data, Singapore's total AUM reached approximately S\$6.07 trillion (around US\$4.46 trillion) by the end of 2024, reflecting a compound annual growth rate (CAGR) of roughly 8.81% over the last five years.
- **International Appeal:** A defining characteristic of Singapore's industry is its internationality – 77% of its AUM originates from outside Singapore, and 88% of these funds are invested back into global markets.

10.1.2. The "single-window" synergy

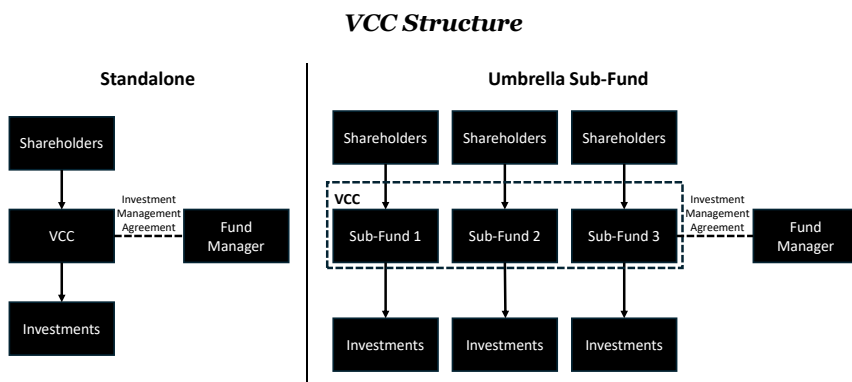
The primary engine behind this growth is the seamless synergy between government departments. In many jurisdictions, fund managers are caught in a bureaucratic tug-of-war between the tax bureau and the monetary regulator. Singapore solved this by creating a "Single-Window" experience.

- **Inter-Departmental Collaboration:** MAS works hand-in-hand with the Accounting and Corporate Regulatory Authority

(ACRA) and the Inland Revenue Authority of Singapore (IRAS). This ensures that the "tone" of policy is consistent. When MAS announces a new incentive, ACRA ensures the registration process is instantaneous, and IRAS provides a clear, 20-year tax roadmap.

- **Regulatory Stability:** Singapore is world-renowned for its "no surprises" policy. Unlike other markets where regulations might shift with political cycles, Singapore's financial roadmap is laid out in 10-year Financial Services Industry Transformation Maps (ITMs), giving long-term capital the predictability it craves.

10.1.3. The VCC revolution

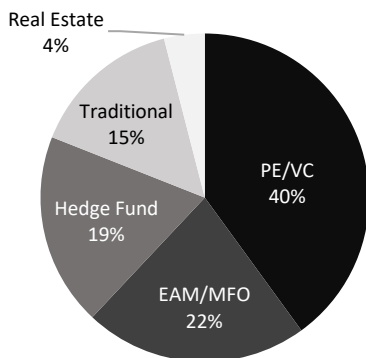


If there is one milestone that defines Singapore's recent dominance, it is the introduction of the Variable Capital Company (VCC) framework in 2020. Before the VCC, fund structures in Singapore were often cumbersome, requiring separate entities for each fund.

- **The VCC Impact:** The VCC allowed for an "umbrella" structure, where sub-funds could share a common board of directors and service providers while maintaining strictly segregated assets and liabilities.
- **Rapid Adoption:** As of 2024, a total of 1,200 VCCs have been incorporated in Singapore, covering everything from traditional mutual funds to complex private equity and hedge fund strategies. This framework is widely recognized for signi-

ificantly enhancing fund domiciliation in Singapore, as many funds previously managed from Singapore were domiciled in other jurisdictions.

VCC Strategies (2024)



1.200 VCCs
(representing 2,695
sub-funds) managed by
628 regulated FMCs.

Supported by > 300
Fund Service Providers,
 including legal and tax
 advisors, fund administrators
 corporate secretaries.

10.1.4. Tax certainty

The Singapore government, through agencies like the Monetary Authority of Singapore (MAS) and the Economic Development Board (EDB), has implemented a range of targeted actions to attract overseas investors to establish funds. And MAS is the key department to drive the various policies to attract investment funds. Among those measures, MAS has implemented both Income Tax Act and Financial Sector Incentive (FSI)-Fund management scheme. Both are regarded as the most effective measures to attract investment funds.

Aspect	Description
Purpose	<p>FSI-FM Scheme: To incentivize fund managers (e.g., fund management companies) to establish, scale, and grow operations in Singapore by reducing tax on their fee income. Supports hiring, local presence, and activities like listings or SG equities focus.</p> <p>Income Tax Act: To attract capital and funds (vehicles) to be domiciled or managed in Singapore by exempting tax on the fund's investment returns, making it a competitive hub for family offices, private equity, hedge funds, etc.</p>

Tax Rate / Incentive	<p>FSI-FM Scheme: Concessionary tax rate on qualifying manager income (fees, advisory/performance fees): • Standard Tier (FSI-FM-ST): 10% • Listing variant (new 2025): 5% • SG Equities variant (new 2025): 0% (exemption) on qualifying income • Basic Tier (new 2025): 15% • Applies to manager's profits (not fund returns).</p> <p>Income Tax Act: Full tax exemption (0% tax) on specified income of the fund vehicle from designated investments (e.g., capital gains, dividends, interest from equities, bonds, derivatives). No tax at fund level on qualifying returns.</p>
Beneficiary	<p>FSI-FM Scheme: The fund management company (Licensed Fund Manager or exempt entity).</p> <p>Income Tax Act: The fund vehicle itself (e.g., VCC, company, limited partnership, unit trust, offshore fund). Manager fees taxed separately.</p>
Eligibility	<p>FSI-FM Scheme: • CMS license (or exemption). • Minimum AUM thresholds (e.g., S\$250m+ for standard, S\$800m+ for Listing variant). • Minimum investment professionals (e.g., 3+ earning ≥ S\$3,500/month). • Often requires economic commitments (e.g., local hiring). • Award tenure: typically 5 years (non-renewable for some variants). • Open applications (e.g., Listing/SG Equities until Dec 2028).</p> <p>Income Tax Act: • Managed by Singapore-based fund manager. • Minimum AUM in designated investments (e.g., S\$5m for 13O/13OA, S\$50m for 13U). • Tiered local business spending (S\$200k - S\$500k+). • Minimum investment professionals (e.g., 2 for 13O, 3 for 13U). • Family office variants have higher thresholds (e.g., S\$20m - S\$50m AUM, Capital Deployment Requirement). • Extended to Dec 31, 2029.</p>
Governance Body	<p>FSI-FM Scheme: Monetary Authority of Singapore (MAS) – designs, approves applications, issues awards, and monitors compliance.</p> <p>Income Tax Act: Monetary Authority of Singapore (MAS) for approval and conditions (except self-administered 13D in some cases); Inland Revenue Authority of Singapore (IRAS) for tax assessment/enforcement. Legislation via Ministry of Finance (MOF).</p>
Other Details	<p>FSI-FM Scheme: • Focuses on manager-level profitability and industry growth. • Often combined with 13 schemes for "double benefit." • Variants target specific goals (e.g., SGX listings, local equities). • Applies to qualifying income from managing incentivized or non-incentivized funds.</p> <p>Income Tax Act: • Core driver for family offices (>2,000 in Singapore) and foreign capital inflows. • Supports various structures (VCCs popular for segregation/re domiciliation). • Economic substance rules strengthened (2025 updates: tiered spending, jobs). • GST remission and withholding tax exemptions often linked.</p>

Singapore introduced the FSI-Fund Management (FSI-FM) scheme in 2004, providing a 10% tax rate on qualifying income from fund management activities. In 2025, MAS launched new variants: FSI-Basic Tier (15% rate on broader income), FSI-Listing (5% rate for fund managers listing on the Singapore Exchange (SGX) and distributing profits to local charities), and FSI-Singapore Equities (targeting managers focused on local markets).

Singapore's fund tax exemption schemes (Sections 13D, 13O, 13OA, and 13U of the Income Tax Act 1947) are legislated by the Ministry of Finance (MOF), which oversees all tax policy and proposes amendments through Parliament (often announced in annual Budget statements). However, the MAS is the department to drive the policy and cooperate with MOF on tax law enactment. Since 2000, MAS has enacted four key tax schemes to attract investors to locate in Singapore.

10.1.5. Singapore Income Tax Act key schemes

Section 13D and then later further expanded to 13O and 13U to exempt non-resident funds from taxes on gains, with ongoing updates to align with global standards like BEPS. Eligibility includes maintaining a minimum AUM (S\$20 million for 13O/13OA, S\$50 million for 13U), employing at least 2-3 investment professionals (who must be Singapore tax residents), and holding a private banking account with a MAS-licensed institution.

Scheme	Description
13D	<p>Year of enactment: Established pre-2000s (older offshore scheme; updated regularly, e.g., 2025 changes)</p> <p>Target audience: Non-resident/offshore funds (not incorporated in Singapore) managed by SG-based managers.</p> <p>Tax incentives: Full exemption on income from designated investments.</p> <p>Other details: Min AUM: S\$5 million in designated investments (DI). Tiered local business spending (LBS): S\$200,000 – S\$500,000 annually (based on AUM). From YA 2028: At least 1 investment professional employed in Singapore. Self-administered with strict compliance; no 30/50 rule for trusts/unit trusts from YA 2025. Suitable for global funds seeking SG management without residency.</p>

13O	<p>Year of enactment: Introduced/expanded ~2010s (onshore focus; amended 2020, 2022, 2024).</p> <p>Target audience: Onshore/resident funds incorporated in Singapore (e.g., companies, trusts, unit trusts); attractive for family offices establishing local presence.</p> <p>Tax incentives: Full exemption on income from designated investments.</p> <p>Other details: Min AUM: S\$5 million in DI (by end of basis period; some grace periods). Tiered LBS: S\$200,000 – S\$500,000 annually - At least 2 investment professionals employed. Tax resident in Singapore; removal of new company setup requirement in 2025 - Family office variant: Higher thresholds (e.g., S\$20 million AUM, CDR of lower of S\$10m/10% AUM in SG equities/green investments).</p>
13OA	<p>Year of enactment: Introduced/expanded 2025 (new extension under 2025 updates).</p> <p>Target audience: Singapore-registered limited partnerships (LPs); supports private equity, venture capital, and family offices</p> <p>Tax incentives: Full exemption on income from designated investments (aligned with 13O).</p> <p>Other details: Min AUM: S\$5 million in DI. Tiered LBS: S\$200,000 – S\$500,000 annually. At least 2 investment professionals. Provides flexibility for LPs; similar to 13O but tailored for partnership structures. Family office use: Often paired with 13O criteria (higher AUM/spending/CDR).</p>
13U	<p>Year of enactment: Introduced April 1, 2009 (enhanced-tier; formerly 13X in parts; updated 2019, 2022, 2024).</p> <p>Target audience: Larger institutional/non-resident funds; high-net-worth/family offices with bigger scale.</p> <p>Tax incentives: Full exemption on income from designated investments (broader flexibility).</p> <p>Other details: Min AUM: S\$50 million in DI (higher threshold). Tiered LBS: S\$200,000 – S\$500,000+ annually (scales with AUM). At least 3 investment professionals (family office: 1 non-family). No pre-approved strategy restriction; for closed-ended funds: Cumulative AUM/LBS in years 6/11, then waived - Family office variant: Higher thresholds (S\$50 million AUM, CDR, tiered spending up to S\$1 million for large AUM).</p>

Source: MAS, Ministry of Finance.

10.2. Luxembourg – the "global passport" specialist

If Singapore is the model for efficiency, Luxembourg is the model for specialization. With a population of roughly 660,000 – almost identical to Macau’s population of ~723,000 – Luxembourg has proven that a small domestic market is no barrier to becoming the world’s

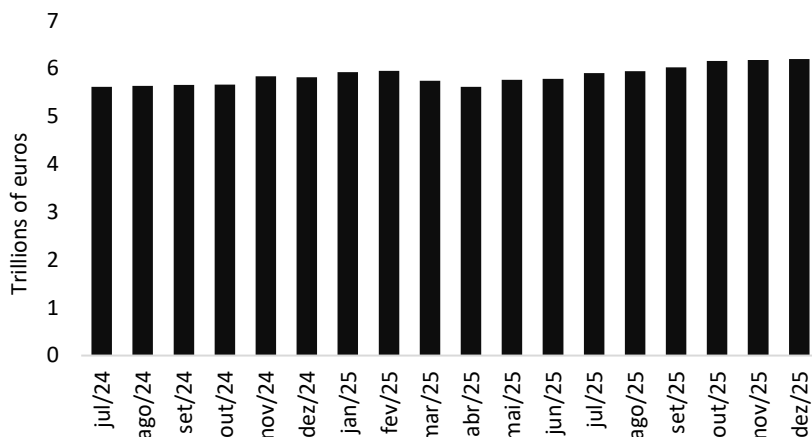
second-largest fund domicile after the United States.

10.2.1. Turning “small” into a global standard

Luxembourg has virtually no large-scale domestic industry or natural resources. Instead, it built its entire economy around the concept of the "Global Passport." It was the first to implement the EU’s UCITS (Undertakings for Collective Investment in Transferable Securities) directive, turning a local regulatory standard into a global brand.

A Global Magnet for Asset Diversification: As of December 2025, Luxembourg has established itself as the definitive global aggregator across 13,319 fund units. The jurisdiction demonstrates its international reach by attracting initiators from across the globe, with the United States (19.7%), Great Britain (16.7%), and Germany (14.4%) serving as the top three drivers of net assets under management, while local Luxembourg initiators account for only 4.5% of the total.

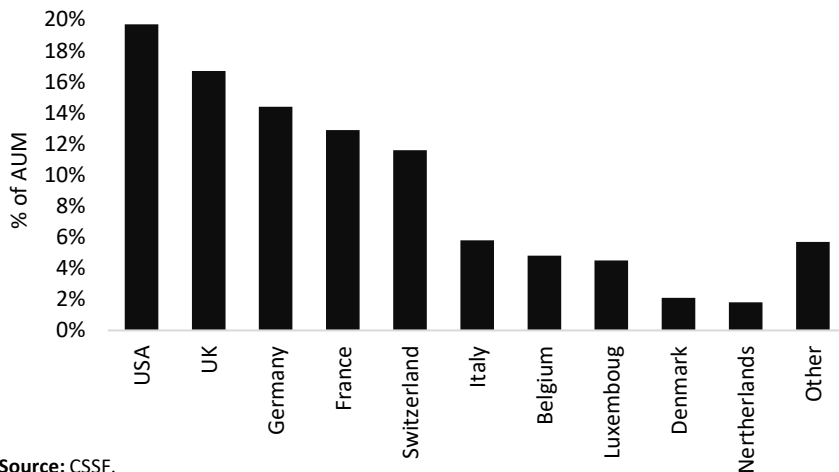
Assets under Management (AUM) in Luxembourg



Source: CSSF/ALFI.

Total AUM: As of December 2025, Luxembourg’s fund industry managed over €6.2 trillion (US\$7.3 trillion). I.e., for every citizen of Luxembourg, the country domiciles roughly US\$110 million in global investment capital.

Origin of UCI initiators in Luxembourg



Source: CSSF.

Investment Policy	Net Assets (EUR bn)	No. of fund units
Fixed-Income Transferable Securities	1.492,1	3.063
Variable-Yield Transferable Securities	2.136,1	4.054
Mixed Transferable Securities	1.107,6	2.967
Funds of Funds	396,0	1.873
Money Market and Other ST Securities	659,3	172
Private Equity	113,4	286
Venture Capital	6,2	33
Real Estate	126,1	278
Futures and/or Options	11,6	64
Other Assets	73,9	247
Public-to-Private	0,2	2
Mezzanine	0,4	8
Venture Capital (SICAR)	5,9	43
Private Equity (SICAR)	70,7	229
TOTAL	6.199,4	13.319

10.2.2. The power of tax neutrality and agility

Luxembourg's growth was fueled by its early adoption of Tax Neutrality. The logic is simple: a fund is a pass-through vehicle. It should not be taxed at the fund level if the investors are already taxed in their home countries.

- **Tax Framework:** Luxembourg funds (SICAVs, SICARs) are generally exempt from corporate income tax, municipal business tax, and withholding tax on dividends. Instead, they pay a modest annual subscription tax (taxe d'abonnement) based on the value of the fund's net assets.
- **Regulatory Responsiveness:** The Luxembourg regulator, the CSSF, is widely regarded as one of the most accessible in the world. They have pioneered "Fast Track" approval processes for specialized investment funds (SIFs) and reserved alternative investment funds (RAIFs), which do not require prior authorization, allowing managers to go from "idea to market" in a matter of weeks.

10.2.3. The "Back Office of the World" strategy

Luxembourg didn't try to compete with London or New York for trading. Instead, it focused on the "nuts and bolts": administration, custody, and transfer agency.

- **Ecosystem Depth:** By the end of 2023, 118 banks were registered in Luxembourg, employing 26,285 people, specializing in fund-related services. This depth of expertise creates a "moat" that is difficult for other small jurisdictions to replicate.

10.2.4. How did Luxembourg differentiate itself from Switzerland

Learning the case of how Luxembourg compete with Switzerland is essential, as the case would be like Macau vs. Hong Kong. How can Macau differentiate itself from the financial hub that has been in the spotlight for decades would be something that policy makers have to care about.

Luxembourg and Switzerland have carved out distinct yet complementary roles in the European financial landscape, demonstrating that proximity need not breed competition. While Switzerland has established itself as the global benchmark for private wealth management – attracting over \$2.4 trillion in cross-border assets through its cultural emphasis on stability, personalized service, and banking expertise – Luxembourg has strategically positioned itself as the world's second-largest fund domicile by pioneering the "Global Passport" concept. Rather than competing head-on in wealth management, Luxembourg leveraged the EU's UCITS directive to create a fund-level tax neutrality regime and regulatory agility that Switzerland could not match, effectively becoming the "back office of the world" for fund administration, custody, and transfer agency services. This symbiotic relationship is captured in the industry adage that clients "deposit their assets in Switzerland and then invest in products domiciled in Luxembourg" – a division of labor that has allowed both centers to thrive, with Luxembourg's fund industry now managing over €6.2 trillion while Switzerland maintains its dominance in private banking.

11. Synthesizing the "Macau Alpha": lessons from global giants and strategic recommendations

As Macau operationalizes Law No. 11/2025, it enters a competitive landscape where the rules of engagement have been refined over decades by Singapore and Luxembourg. To achieve its "Small but Beautiful" vision, Macau must synthesize these two blueprints into a unique "Macau Alpha" – a strategy that blends administrative efficiency with niche geographic specialization.

11.1. Lessons from the Giants: The Luxembourg-Singapore Hybrid

I. Adopting Singapore's "operational tone": Macau's AMCM and the Financial Services Bureau must mirror the inter-agency synergy found in Singapore's MAS/ACRA relationship. While the new 15-day "Communication Regime" for private funds provides the necessary speed, success depends on a consistent, pro-business "tone" that remains stable despite global geopolitical shifts.

II. The "Luxembourg of the East" strategy: Just as Luxembourg utilized the EU passport to become a global hub, Macau should leverage its Lusophone Connector status and Hengqin integration as its own "geopolitical passport." By focusing on fund domicile and back-office clearing for RMB-denominated funds flowing between the Greater Bay Area and Portuguese-speaking markets, Macau can complement – rather than compete with – Hong Kong's deep capital markets.

III. The One-North Talent Blueprint: Beyond tax incentives, Macau should emulate Singapore's One-North model by using government guidance funds as "energy amplifiers." By investing in hard technology and early-stage ventures, these funds can create high-value employment, serve as a training ground for local investment professionals, and guide university discipline construction in the Hengqin cluster to meet market needs.

11.2. Strategic recommendations: a roadmap for implementation

To transform these lessons into reality, Macau should adopt a phased approach that addresses immediate market visibility and long-term ecosystem sustainability.

11.2.1. Near-term: building visibility and product momentum

In the immediate future, Macau must transition from a passive regulator to an active market promoter. The government should organize high-level GBA Investment Conferences and "reverse roadshows," bringing international fund managers to Macau to engage directly with stakeholders. Strategically, Macau should be promoted for inclusion in major global financial rankings to build international credibility. On the product side, the SAR should encourage established Chinese domestic funds to launch dual-currency vehicles: utilizing CNY for mainland projects and USD/HKD for overseas expansion. This "inbound-outbound" flexibility would provide an immediate and practical use-case for the new legal framework.

11.2.2. Long-term: cultivating the "human capital" moat

To build a lasting moat, Macau must secure the world-class talent required to manage complex assets. This includes providing long-term permanent residence status to the top management of newly established funds to ensure professional stability. Furthermore, the SAR should incentivize the Macau Diaspora – citizens currently working in overseas financial centers – to return and establish funds on home soil. Finally, the creation of an Investment Fund Incubation Platform is essential. By providing young fund managers with shared back-office infrastructure and low operating costs, Macau can lower the barrier to entry, fostering a homegrown generation of professionals who can lead the city's transformation into a sustainable global financial contender.

12. Conclusion: the emergence of a specialized financial powerhouse

The transition of Macau from a gaming-centric economy to a "Small but Beautiful" financial hub is not merely a policy ambition but a structured legal and economic evolution. The Investment Fund Law (Law No. 11/2025) serves as the critical catalyst in this transformation, effectively dismantling the rigid regulatory barriers of the past and replacing them with a modern, "frictionless" framework inspired by global leaders like Singapore and Luxembourg. By leveraging its unique "geopolitical alpha" as a Lusophone connector, its massive fiscal reserves, and the deep integration with the Hengqin cooperation zone, Macau is positioning itself as a niche, high-value alternative to traditional financial giants. Ultimately, the synthesis of domestic liquidity – as evidenced by the surge in resident deposits – and a standardized international legal environment confirms that Macau is no longer a peripheral player, but a rising contender for global boutique capital and Chinese institutional wealth.

THE MANAGEMENT OF THE FINANCIAL STABILIZATION FUND OF THE PORTUGUESE SOCIAL SECURITY SYSTEM – FROM THEORY TO PRACTICE

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1. What is the Social Security Financial Stabilization Fund?

In Portugal, the framework law of social security (Law no. 4/2007, of January 16) establishes that the public social security system is fundamentally based on a pay-as-you-go scheme. This system is grounded in intergenerational solidarity, that is, on contributions from active workers and companies to finance pensions and social benefits of current beneficiaries. Although the system is based on redistribution, the law provides for financial stabilization mechanisms aimed at ensuring its long-term sustainability in the face of demographic changes, namely through the Financial Stabilization Fund of Social Security (FEFSS).

This fund was created in 1989²⁰ with approximately €216 million in initial capital²¹, and has been reinforced through transfers mainly originating from positive balances of the Social Security budget. For example, between 2022 and 2025, Social Security injected €15 thousand million into the fund²². At the end of the first half of 2025, the fund recorded a value of €40 thousand million²³.

The inclusion of the word “stabilization” in the name of the fund was particularly appropriate, as it clearly and unequivocally reflects its function: to financially stabilize the social security pension system. In other words, this fund aims to offset potential declines in that system’s revenues. During periods of macroeconomic expansion, it is natural for the system to generate surpluses, and therefore it is not necessary to resort to the FEFSS. However, during periods of eco-

²⁰ Decreto-Lei n.º 259/89, de 14 de agosto

²¹ Conselho das Finanças Públicas (CFP). O Fundo de Estabilização Financeira da Segurança Social.

²² Eco: Segurança Social vai transferir 4 mil milhões de euros para “almofada” das pensões

²³ RTP: Fundo de Estabilização da Segurança Social reforçado em quatro mil milhões

conomic contraction, investment, consumption, and employment levels tend to decline sharply. Under such circumstances, revenues are expected to decrease, and consequently, the FEFSS may be activated. It is precisely to respond to adverse economic shocks that the fund should be used.

2. In theory, how should the FEFSS be managed?

In theory, and abstracting from regulatory, political, or short-term liquidity constraints, the management of the FEFSS should be analyzed in light of modern portfolio theory and capital market equilibrium models. The starting point is simple: a rational investor does not choose assets in isolation; rather, they choose a combination of assets that maximizes expected return for a given level of risk or, equivalently, minimizes risk for a given expected return. From this perspective, what matters is not only the volatility of each asset, but above all how that asset covaries with the rest of the portfolio. Assuming sufficiently efficient markets, the criterion of financial rationality therefore points toward broadly diversified portfolios.

Consider, for this purpose, a universe with n risky assets, a vector of expected returns μ , a variance-covariance matrix Σ and a risk-free asset yielding rate r_f . Let w be the vector of exposures to risky assets and let the remaining wealth be invested in the risk-free asset at rate r_f . Let $\gamma > 0$ be the investor's coefficient of risk aversion. The classic mean-variance problem can be written as

$$\max_w \mathbf{w}'(\mu - r_f \mathbf{1}) - \frac{\gamma}{2} \mathbf{w}'\Sigma\mathbf{w}. \quad (1)$$

The solution to this problem is given by

$$w^* = \frac{1}{\gamma} \Sigma^{-1}(\mu - r_f \mathbf{1}) \quad (2)$$

This expression has a central implication. If all investors share the same expectations regarding expected returns, risks, and correlations between assets, then all will choose risky portfolios proportional to the same vector $\Sigma^{-1}(\mu - r_f \mathbf{1})$. They will differ only in the amount they allocate to this common portfolio and to the risk-free asset. This is the

result of the two-fund separation theorem, which underlies the CAPM developed by Sharpe (1964), Lintner (1965), and Mossin (1966). Since, in equilibrium, aggregate demand for risky assets must equal their supply, this common portfolio can only be the market portfolio. Denoting it by w^M , we can write

$$\mu - r_f \mathbf{1} = \lambda \Sigma w^M \quad (3)$$

where λ represents the market price of risk. It follows that any efficient investor will hold a combination of the market portfolio and the risk-free asset:

$$w^* = \frac{\lambda}{\gamma} w^M \quad (4)$$

The immediate conclusion is the following: the efficient benchmark for the risky component of a portfolio is the market portfolio. In a context of integrated capital markets, the relevant market portfolio is therefore the global portfolio of risky assets. For an investor without other significant exposures outside the financial portfolio, a substantial deviation from this benchmark implies taking on uncompensated specific risk.

It is precisely at this point that the case of the FEFSS differs from that of a conventional investor. The Portuguese pension system already has, outside financial markets, a very significant and non-tradable exposure to the Portuguese economy. This exposure arises from the contribution base itself: when employment, wages, and economic activity grow in Portugal, contributions increase; when the Portuguese economy suffers a negative shock, unemployment tends to rise and contribution revenue tends to decrease. In other words, even before acquiring any financial asset, the social security system is already heavily exposed to the Portuguese economic cycle.

This observation changes the optimization problem. The relevant objective is no longer to choose the efficient financial portfolio in abstraction, but rather to choose the financial portfolio that is efficient when taking into account the system's implicit exposure to domestic macroeconomic conditions. Let Y be a non-tradable component associated with the pension system's exposure to the domestic economy,

expressed in return terms and therefore comparable to $w'\mathbf{x}$, for example, the unexpected change in the present value of future contributions. Let \mathbf{x} represent the vector of excess returns of tradable financial assets. The FEFSS should choose \mathbf{w} to maximize the expected return of total economic wealth, net of risk:

$$\max_{\mathbf{w}} E(\mathbf{w}'\mathbf{x} + Y) - \frac{\gamma}{2} \text{Var}(\mathbf{w}'\mathbf{x} + Y) \quad (5)$$

The first-order condition leads to

$$\mathbf{w}^{\text{FEFSS}} = \frac{1}{\gamma} \Sigma^{-1} \mu_{\mathbf{x}} - \Sigma^{-1} \mathbf{c}, \quad (6)$$

where $\mu_{\mathbf{x}} = E(\mathbf{x})$ e $\mathbf{c} = \text{Cov}(\mathbf{x}, Y)$. Using the notation of the market portfolio, this expression can be rewritten as:

$$\mathbf{w}^{\text{FEFSS}} = \frac{\lambda}{\gamma} \mathbf{w}^M - \Sigma^{-1} \mathbf{c}. \quad (7)$$

This formula is particularly enlightening for the case of the FEFSS. The first term corresponds to the standard investment component in the market portfolio. The second term corresponds to the hedging component associated with non-tradable risk γ . Since the pension system is already exposed to the evolution of the domestic economy through its contribution base, the optimal financial portfolio must take this additional exposure into account. If a given asset has a positive covariance with γ , this means that the asset tends to perform well precisely when the Portuguese contribution base evolves favorably, and tends to lose value when that contribution base weakens. In such a case, holding this asset in excess increases, rather than reduces, the system's overall risk. The optimal response will therefore tend to reduce its weight relative to the weight that asset would have in the market portfolio. Conversely, assets whose returns have a negative covariance with γ – that is, assets that preserve value or appreciate when the Portuguese contribution base deteriorates – tend to play a hedging role and may justify an overweight relative to the market benchmark.

The implication for Portuguese risky assets is direct. If Portuguese

equities, Portuguese corporate bonds, or other assets strongly exposed to the domestic economic cycle are positively correlated with the system's contribution base, then theory does not recommend that the FEFSS overweight them. Quite the opposite: once the system's implicit exposure to the Portuguese economy is recognized, the optimal policy is to underweight these assets relative to their already small weight in the global market portfolio. In the limit, if short positions were allowed and the covariance were sufficiently high, the unconstrained optimum could even imply a negative position. In practice, as this is a public fund subject to prudential constraints and typically no short selling, the implication is simpler: Portuguese risky assets should not be overrepresented and may rationally have a weight below what they would have in a market index.

From this also follows the answer to two central questions. First: should the FEFSS hold Portuguese risky assets? In theory, only to the extent that these assets are part of the market portfolio and do not increase the correlation between the fund's portfolio and domestic macroeconomic shocks that the fund is meant to absorb. Second: should the FEFSS take on additional exposure to the Portuguese economy beyond that implicit in the market portfolio? In theory, no, unless it were possible to identify Portuguese assets whose behavior is genuinely countercyclical relative to social security finances. For most Portuguese risky assets, this condition is unlikely to hold.

Viewed from this angle, a theoretically consistent investment policy for the FEFSS rests on three fundamental ideas. First, broad international diversification, because the market portfolio is global and diversification eliminates uncompensated specific risk. Second, the preservation of liquidity and asset quality, so that the fund can be mobilized during periods of stress without forced losses. Third, prudence regarding any domestic bias ("home bias") in favor of Portuguese risky assets, since such a bias would amount to duplicating, within the financial portfolio, the same Portuguese macroeconomic risk already embedded in the system's contribution base.

3. In practice, how is the FEFSS managed?

In practice, the management of the FEFSS cannot be understood merely as an abstract problem of choosing an efficient portfolio. It is

strongly conditioned by a specific regulatory framework of a markedly prudential nature. The FEFSS Management Regulation, approved by Ministerial Order no. 1273/2004, of October 7, establishes that the investment policy should seek to maximize the value of investments in the medium term, while simultaneously safeguarding stability and liquidity. More than that, the regulation explicitly states that the levels of volatility assumed should be similar to those of the Portuguese government bond portfolio. This point is decisive: the FEFSS is not managed as an institutional investor free to align its portfolio with the global market portfolio; it is managed, from the outset, under a very conservative and constrained risk mandate. The same regulation also imposes relevant quantitative restrictions on the composition of the portfolio: at least 50% of assets must be invested in Portuguese public debt or debt guaranteed by the Portuguese State; private debt may not exceed 40% and must meet a minimum investment-grade requirement; exposure to equities and equivalent instruments is limited to 25%; mixed funds and real estate investment are capped at 10%; and unhedged currency exposure may not exceed 15% of assets. In addition, eligible assets are generally restricted to instruments originating from EU or OECD countries, and the use of derivatives is mainly allowed for hedging purposes or for efficient, non-leveraged portfolio management. In short, the FEFSS portfolio results from a legal mandate that prioritizes prudence, liquidity, and volatility containment, rather than replication of a global market benchmark.

Data available for the end of 2025²⁴ clearly show the practical effect of this regulatory framework. Portuguese public debt represented 50.08% of the portfolio, essentially at the legal minimum threshold. Equity exposure was around 23.56%, also very close to the maximum limit of 25%, and the remainder was mainly distributed between foreign public debt (over 20% of the portfolio) and a small portion of other assets. This composition suggests that the Fund's actual portfolio is largely a direct reflection of the constraints imposed by the regulation.

This framework differs substantially from the benchmark suggested by financial theory discussed in the previous section. Under the

²⁴ Eco: 'Almofada' das pensões ganha 3,9% em 2025 à boleia da valorização de 12% da carteira de ações

CAPM and the separation theorem, the risky component of the efficient portfolio is the market portfolio – that is, a portfolio that aggregates all tradable financial assets weighted by their market value. In his notes on the market portfolio, William Sharpe proposes an operational approximation to this benchmark using four blocks – U.S. bonds, non-U.S. bonds, U.S. equities, and non-U.S. equities – and obtains, for mid-2015, an approximate allocation of 44.96% in bonds and 55.04% in equities. The essential point is not the exact number, which naturally varies over time, but the underlying logic: the relevant market portfolio is global, diversified, and composed of both debt and equity. It therefore does not correspond either to a portfolio heavily concentrated in Portuguese sovereign debt or to a simple international equity index.

The comparison between this benchmark and the FEFSS portfolio reveals three structural differences. First, the Fund is subject to a mandatory domestic bias, since at least half of the portfolio must remain in Portuguese public debt. Second, the equity component is legally constrained by a 25% ceiling, clearly below what would result from an approximation to the global market portfolio as described by Sharpe. Third, the universe of eligible assets is narrower, both due to geographical and currency restrictions and the defensive-only use of derivatives. Thus, the FEFSS portfolio should not be seen as an imperfect attempt to replicate the market portfolio, but rather as a prudential portfolio, with a mandatory core of Portuguese sovereign debt complemented by an internationally diversified component within very precise legal limits.

This does not imply, however, that the FEFSS should mechanically replicate Sharpe's portfolio. As argued in the previous section, the Portuguese pension system already has a non-tradable exposure to the national economy through employment, wages, and the contribution base. This reality may justify some deviations from the market portfolio. But economically, this consideration points toward avoiding duplication of Portuguese macroeconomic risk within the financial portfolio, not reinforcing it. A practical way to frame this point is to distinguish between two components of the Fund's management. The first is the portion of the portfolio rigidly determined by regulation, especially the mandatory minimum of 50% in Portuguese public

debt. The second is the residual portion over which there is some discretion. It is mainly in this second component that it would make sense to align allocation, as far as possible, with a diversified and low-cost global benchmark, using passive instruments and allowing deviations only when justified by transparent reasons of liquidity, implementation, or hedging of the system's implicit risk. Viewed from this angle, the main difference between theory and practice does not lie in any alleged irrationality of the manager, but in the fact that practice is strongly bounded by a regulatory choice that prioritizes prudence and national public debt.

4. Conclusion

In light of modern portfolio theory, the natural benchmark for the risky component of the FEFSS is the global market portfolio, possibly adjusted to reflect the Portuguese pension system's non-tradable exposure to the domestic economy. The current regulation, however, imposes a much more conservative and domestic solution: at least half of the portfolio in Portuguese public debt, a relatively low ceiling for equities, and several additional restrictions on the investable universe and currency exposure. The consequence is that the Fund's observed portfolio structurally deviates from the benchmark suggested by financial theory and is strongly conditioned by a normative choice of prudence.

This does not mean that the FEFSS investment policy is inconsistent with the public objectives underlying it. Rather, it means that its performance should not be evaluated as if the Fund had full freedom to follow the market portfolio. The central public policy question is therefore not whether the FEFSS should invest "more" or "less" in Portugal in abstract terms. The relevant question is whether the current regulation remains the most appropriate to reconcile security, liquidity, diversification, and a very long-term stabilization function. If the Fund's objective is to help stabilize the pension system in adverse scenarios for the Portuguese economy, then there is a strong argument that, at least in the portion of the portfolio not rigidly constrained by regulation, management should be oriented as closely as possible to a diversified global benchmark, avoiding reinforcing within the financial portfolio the same national macroeconomic risk

that already affects the system's contribution base.

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THE CFA® CHARTER IN LUSOPHONE AFRICA AND IN TIMOR-LESTE – HUMAN CAPITAL AS A STRATEGY OF FINANCIAL SOVEREIGNTY

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1. Introduction

Financial markets are not built only by laws, institutions, or flows of capital. They depend above all on the technical quality, professional training, and ethical standards of the people who make decisions within them. In emerging economies, institutional reforms may exist at the formal level without producing the full expected result when there is a lack of professionals with the technical capacity to operate these structures with analytical rigor, methodological discipline, and fiduciary responsibility.

This essay argues that the strengthening of the financial markets of Lusophone Africa – Angola, Mozambique, Cape Verde, Guinea-Bissau, São Tomé and Príncipe, and Equatorial Guinea – as well as Timor-Leste depends, to a large extent, on the development of specialized human capital in finance, risk management, governance, supervision, and investment. The CFA® Program is used as an example of complementary qualification of an international standard, but the central argument is broader: markets in consolidation need greater local technical density.

The purpose of the text is not to replace universities, nor to suggest that an international credential is a single solution for complex institutional realities. The point is another. In countries that are still expanding the sophistication of their financial systems, the combination of university education, practical experience, and complementary professional qualification can improve the quality of decisions, supervision, and dialogue with investors and multilateral institutions.

2. Human capital and financial development

The relevance of a financial system should not be measured only by the size of the market or by the volume traded. A market is also relevant when it is able to finance companies and government, transform

savings into investment, price risk with some degree of efficiency, and engage in technical dialogue with creditors, investors, and external regulators. All of this depends on laws and institutions, but it also depends decisively on the quality of the people who operate these structures.

When qualified professionals are lacking, evaluation errors, governance weaknesses, dependence on external consulting, information asymmetries, and difficulty in absorbing technical knowledge increase. In such cases, the country may even have a central bank, prudential rules, insurers, funds, or a stock exchange, but it continues to operate below its potential. For this reason, treating human capital as a secondary matter is a mistake. In many contexts, training a stronger first generation of specialists simultaneously improves credit analysis, risk management, asset allocation, compliance, and the quality of the regulatory debate.

One advantage of this approach is precisely that it avoids the false contrast between market and education. In countries where the institutional structure is still consolidating, investing in human capital can be one of the most efficient ways of strengthening what already exists. Better qualified professionals tend to improve private decisions, but they also help raise the quality of regulation, supervision, and the way the country presents itself to the international market.

3. Institutional structure and professional density

The countries analyzed in this essay are not identical to one another. Angola and Mozambique bring together larger markets, more developed financial structures, and a greater capacity to influence the direction of the sector in their own countries. Cape Verde and São Tomé and Príncipe show something different: in small markets, only a few qualified professionals can already clearly raise the quality of decisions. Guinea-Bissau and Equatorial Guinea present another type of challenge, because they operate within regional monetary and regulatory structures, which requires professionals capable of understanding not only the domestic environment but also the rules and institutions that come from outside. Timor-Leste adds a particularly important point: the management of public wealth over time. Despite these differences, all of these countries already have, to a greater or

lesser extent, some identifiable financial structure: central banks, regulatory bodies, banking systems, public funds, and, in some cases, a stock exchange or access to regional markets. This matters because it changes the focus of the discussion. The problem is no longer only to create institutions, but to make them function better.

For that reason as well, the low presence of professionals with international qualifications stands out. According to information shared by CFA® Society Portugal, the presence of these professionals in the region remains quite limited when compared to the stage of institutional development described in this essay. In Angola, there is currently only one national charterholder, although at least three foreign professionals with this qualification reside in the country, in addition to several candidates pursuing the CFA® Charter. Mozambique has seven Mozambican charterholders, although about half currently reside abroad, also with a significant presence of candidates. In Cape Verde, there are currently no professionals with this designation, although there are qualified Cape Verdeans living outside the country. In Timor-Leste, as far as I was able to identify, there are no citizens with this credential, although foreign professionals with this profile have already worked in the sovereign fund and at least one is still connected to that structure. In the other countries analyzed, as far as it was possible to verify, there are no citizens or resident foreigners with this certification. This picture reinforces the central thesis of the essay: in several of these markets, institutional structure has advanced more quickly than the training of local professionals in sufficient numbers. Evidently, the presence of CFA® Charterholders is used here only as a proxy for qualification in the international financial market, and not as the sole measure of the human capital existing in these countries.

The purpose of this text is not that of an econometric study, but of a technical-strategic essay based on comparison between countries, reading of public documents, institutional reports, and compiled data. The objective is not to measure causality with statistical precision, but to clearly organize the argument that financial qualification should be seen as both an institutional and a market priority in these contexts.

Another important point is that this qualification effort is not of interest only to the private sector. Central banks, supervisors, ministries in the economic area, public funds, pension institutes, and sovereign debt structures also depend on professionals capable of working with technical language compatible with international standards. In small markets, this is even more true, because often the same professionals need to move between analysis, regulation, management, and institutional dialogue.

For this reason, investment in human capital must be seen as a necessary part of institutional maturation. Legal reforms without prepared people tend to generate underused structures. Qualified professionals, on the other hand, are able to make better use of the institutions the country already has. In the end, it is the combination of rules, incentives, and technical capacity that transforms formal structure into real operating capacity.

4. The countries

Angola

Angola represents the largest-scale financial system among the countries analyzed. The country has an active central bank, a relatively broad banking system, and a developing capital market, with the Angola Debt and Securities Exchange (BODIVA). Despite this structure, the presence of professionals with international financial qualifications is still quite limited. According to information shared by CFA Society Portugal, there is currently only one Angolan charterholder, although at least three foreign professionals with this qualification reside in the country, in addition to several candidates. This difference between institutional capacity and available technical training clearly illustrates the central argument of this essay: the structure of the financial system may evolve more rapidly than the formation of local human capital.

Mozambique

Mozambique has an evolving financial system, with the presence of a consolidated central bank, a relevant banking sector, and the Mozambique Stock Exchange (BVM).

The country also shows signs of growth in interest in international financial qualification. There are currently seven Mozambican charterholders, although about half reside outside the country, in addition to additional candidates. This picture suggests that there is a gradual process of building more specialized professionals, even though part of this capacity is temporarily located abroad.

Cape Verde

Cape Verde offers an interesting example of how smaller markets can benefit from highly qualified professionals. The country has the Cape Verde Stock Exchange (BVC) and a relatively organized financial system for the size of its economy. Even so, there are currently no national professionals with this qualification, although there are Cape Verdeans who have obtained the designation but do not reside in Cape Verde. In markets of this scale, even a small additional number of qualified professionals can produce a significant impact on the quality of financial decisions.

Guinea-Bissau

In Guinea-Bissau, the financial system is integrated into the monetary and regulatory architecture of WAEMU, with participation in the regional market operated by the Bourse Régionale des Valeurs Mobilières (BRVM). This arrangement requires professionals capable of understanding not only the domestic environment, but also the functioning of regional financial institutions. As far as it was possible to identify, there are no national professionals with the CFA® Charter in the country. Nor was it possible to identify candidates for the CFA exams, or for other international financial certifications.

São Tomé and Príncipe

São Tomé and Príncipe has a small-scale financial system, concentrated mainly in the banking sector and in supervision conducted by the central bank. In institutional environments of this size, the impact of a few well-prepared professionals can be particularly relevant, since financial and regulatory decisions tend to depend on a small number of technical staff.

Equatorial Guinea

Equatorial Guinea is part of the monetary architecture of CEMAC and of the regional market associated with BVMAC. The country's economy still shows strong dependence on hydrocarbons, which increases the importance of developing technical capacity in areas such as financial analysis, risk management, and project evaluation. As far as it was possible to identify, there is also no significant presence of local professionals with international financial certifications.

Timor-Leste

Timor-Leste presents a particular case within the group analyzed due to the Petroleum Fund, a sovereign fund of great relevance to the country's economy. The management of public wealth over time requires advanced technical competencies in asset allocation, risk management, and governance. Although no Timorese professionals with this qualification have been identified to date, foreign professionals with this profile have already worked in the fund and at least one still maintains a connection to this structure.

5. Professional qualification and the role of the CFA® Program

The CFA® Program appears in this essay as an example of a desirable qualification because it brings together three useful elements for the countries analyzed: international standardization, technical breadth, and explicit emphasis on professional ethics. In markets that are still consolidating credibility, these three points carry institutional weight, not merely curricular weight. The program covers topics directly linked to the needs of these financial systems, such as financial analysis, fixed income, portfolio management, quantitative methods, economics, corporate issuers, derivatives, alternative investments, in addition to emphasizing professional ethical conduct.

This does not mean ranking credentials or diminishing the importance of local universities. Many of the countries analyzed have competent professors and serious institutions of higher education. However, it is not simple to identify precisely, in a way that is comparable across countries, to what extent local finance courses already

fully reflect the current demands of the global financial market. The central point here is more practical: modern financial markets also require an additional layer of applied preparation, aligned with the concrete demands of investment, risk, governance, supervision, reporting, and fiduciary responsibility. Viewed in this way, complementary qualification does not compete with academia; it reinforces it.

Finally, it is worth noting that the barriers to expanding this qualification are real: cost in hard currency, the requirement of technical English, exam logistics, and, in some contexts, low awareness that financial qualification can be useful far beyond traditional asset management. Even so, these barriers do not invalidate the thesis. On the contrary, they help explain why initiatives involving scholarships, mentoring, introductory pathways, university support, and greater employer engagement can reduce entry obstacles and make this type of training more accessible. In several of these countries, the cost of not investing in human capital may be greater than the cost of building a more prepared local base.

6. Conclusion

This essay sought to show, directly, that the debate on financial development in Lusophone Africa and in Timor-Leste cannot be reduced to physical infrastructure, legal reforms, or the expectation of capital inflows. These elements matter, but solid markets are built above all by people capable of analyzing, deciding, supervising, and investing with technical competence and ethical responsibility.

Angola and Mozambique show the potential of scale. Cape Verde and São Tomé and Príncipe show the strength of marginal impact. Guinea-Bissau and Equatorial Guinea show that local technical capacity is especially valuable in regional projects and in more fragile institutional contexts. Timor-Leste shows that the sound management of public wealth requires long-term specialization. Together, these cases support the conclusion that investing in qualifications is neither a luxury nor a reputational accessory. It is part of the construction of financial sovereignty.

The discussion is not limited to individual career development. It involves institutional capacity. The greater the presence of well-trained

professionals in functions of risk, investment, treasury, supervision, governance, and evaluation, the higher the quality of decisions tends to be and the lower the dependence on occasionally imported expertise. In regions where the density of specialists is still low, this marginal gain may be particularly high.

Appendix - Institutional structure of the financial systems

The table below summarizes the minimum observable financial infrastructure in the countries analyzed.

It helps show that the regional problem is not the complete absence of institutions, but the need to deepen their operational capacity through qualified human capital.

Country	Central Bank	Exchange	Regulator
Angola	BNA	BODIVA	CMC / ARSEG / BNA
Mozambique	Banco de Moçambique	BVM	Banco de Moçambique
Cape Verde	Banco de Cabo Verde	BVC	Banco de Cabo Verde
Guinea Bissau	BCEAO	BRVM	BCEAO / UEMOA
São Tomé and Príncipe	BCSTP	n.d.	BCSTP
Equatorial Guinea	BEAC	BVMAC	COSUMAF / CEMAC
Timor-Leste	BCTL	n.d.	BCTL / Petro Fund

Appendix - Reference macro-financial indicators

The figures below are indicative in nature and serve only as a basic comparative framework among the countries. The objective is to show heterogeneity of scale, not to provide an exhaustive statistical series.

Country	Population	GDP (USD bi)	Notes
Angola	~38M	~101	Largest relative scale
Mozambique	~34M	~23	Market in gradual expansion
Cape Verde	~0,5M	~2,7	Small open economy
Guinea Bissau	~2,2M	~2,2	WAEMU
São Tomé and Príncipe	~0,24M	~0,8	High sensitivity
Equatorial Guinea	~1,9M	~13	Low diversification
Timor-Leste	~1,4M	~1,9	Relevance of the sovereign fund

Appendix - Presence of charterholders and candidates

The information in this table is derived from the author's notes and from information shared by CFA Society Portugal. It should be read as an approximate snapshot of professional density in the region, and not as a definitive census.

Country	CFAs Nationals Residents	CFAs Nationals Diaspora	CFAs Foreigners Residents	Candidates Residents
Angola	1	No known record	At least 3	Several candidates
Mozambique	3	At least 4	At least 1	Several candidates
Cape Verde	0	At least 1	No known record	No known record
Guinea Bissau	0	No known record	No known record	No known record
São Tomé and Príncipe	0	No known record	No known record	No known record
Equatorial Guinea	0	No known record	No known record	No known record
Timor-Leste	0	No known record	At least 1	No known record

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Central Bank of São Tomé and Príncipe. Financial Stability Report 2024 and institutional pages on the banking system, insurance, and financial inclusion.

Central Bank of Timor-Leste; Petroleum Fund. Recent reports and financial statements on governance, investment strategy, and intergenerational responsibility.

BCEAO; BRVM; BEAC; COSUMAF; BODIVA; BVM; BVC. Institutional materials and public reports on the regional and domestic financial architecture.

CFA Institute. Institutional information on the CFA® Program and ethical standards in the financial market.

CFA Society Portugal. Shared information on the presence of CFA® Charterholders and candidates in the Lusophone region analyzed.

World Bank; IMF. Databases and institutional materials for comparative macroeconomic context.

WHERE WORLDS MEET? – COULD GOA BECOME INDIA’S BRIDGE TO THE LUSOPHONE ECONOMIES?

Ashel Gregório Figueiredo, member of the CFALP Committee

“Capital travels fastest where familiarity already exists.”

Intermediary jurisdictions in a global economy

Capital rarely moves simply toward opportunity; it moves toward familiarity. Across the global economy, investment tends to cluster around places that make unfamiliar partners easier to understand. These jurisdictions do not necessarily produce the most goods or host the largest markets. Their value lies elsewhere. They reduce uncertainty between different legal traditions, languages and business cultures. In doing so, they become intermediary platforms where cross-border relationships can gradually take shape. Over time, such environments evolve into quiet bridges between economies that might otherwise remain distant from one another.

History offers many examples of these economic connectors. From the trading republics of the Mediterranean to modern financial centres such as Singapore and Dubai, smaller jurisdictions have often gained influence not through scale alone but through their ability to organise relationships between different commercial worlds. Their importance lies less in the volume of goods they produce than in the networks of trust they help sustain. In this sense, they function as nodes within the global economy, places where different systems meet with a degree of institutional familiarity.

Macau offers a particularly striking contemporary example. Small in territory yet deliberate in its positioning, it has developed into a gateway connecting China with Portuguese-speaking countries. Its institutions, language and legal traditions create a framework of familiarity that allows negotiations, finance and cooperation to occur with greater confidence. Goa presents an intriguing comparison. For centuries it has lived at the intersection of Indian and Lusophone worlds, shaping a society where cultural exchange and commerce have long coexisted. The rhythms of trade and migration have always been part of Goan life, linking the region to distant shores across the Indian

Ocean and beyond. Today Goa remains the only state in India operating under a civil law system derived from the Portuguese Civil Code, while maintaining historical and diasporic ties with Portugal, Brazil, Mozambique and other Lusophone societies. These characteristics do not make Goa a financial centre in scale, but they do raise an interesting question. Could Goa, drawing on this distinctive institutional inheritance, evolve into a modest bridge connecting India with the Portuguese-speaking economies?

Macau: how an economic bridge was built

Macau's role as a bridge between China and the Portuguese-speaking world did not emerge by accident. It reflects a gradual alignment of institutions designed to preserve familiarity between two different economic and cultural systems. Although Portuguese is spoken by only a small minority of the population, it remains an official language of government, legislation and the courts. This continuity ensures that legal processes, commercial documentation and regulatory frameworks remain accessible to partners from Lusophone countries. The territory's legal system, rooted in civil law inherited from Portuguese administration, further reinforces this institutional familiarity. For governments, investors and businesses operating across Portuguese-speaking jurisdictions, Macau therefore provides a legal and administrative environment that feels recognisable in ways that few other Chinese cities can replicate.

Over the past two decades, this institutional compatibility has been reinforced by deliberate policy support from China. One of the most visible examples is Forum Macao, a multilateral platform created to promote economic cooperation between China and Portuguese-speaking countries. Through ministerial meetings, trade fairs and investment promotion initiatives, the forum has helped institutionalise Macau's role as a point of dialogue between these economies. China's interest in cultivating Macau's intermediary role is also shaped by practical economic considerations. Several Portuguese-speaking countries possess natural resources, infrastructure opportunities and growing consumer markets that have become increasingly relevant to Chinese companies operating abroad. By positioning Macau as a platform for engagement, China benefits from a jurisdiction where lin-

guistic familiarity, civil law traditions and historical ties can ease the process of negotiation and cooperation. In this sense, Macau does not simply act as a cultural bridge; it functions as a point of institutional translation between different economic systems.

Financial institutions further reinforce this intermediary role. The presence of Banco Nacional Ultramarino alongside major Chinese institutions such as Bank of China reflects a financial ecosystem where Lusophone familiarity and Chinese capital operate side by side. Macau has also explored positioning itself as a platform for bond issuance linked to projects in Portuguese-speaking countries, reinforcing its ambition to serve as a financial gateway for Lusophone investment. Perhaps most importantly, the territory has consciously embraced its dual identity. Rather than treating its Portuguese heritage as a historical curiosity, Macau incorporates it into a broader strategy of international engagement. In doing so, it presents itself simultaneously as a Chinese city and a Lusophone platform, a place where economic relationships between different worlds can develop with greater confidence.

Goa's latent institutional capital

If Macau demonstrates how institutions can be deliberately aligned to connect different economic worlds, Goa presents a quieter set of structural parallels that invite reflection. For centuries the region existed at the intersection of Indian and Lusophone spheres, shaping a society where cultural exchange, migration and commerce developed side by side. Yet one of Goa's most distinctive characteristics is institutional rather than cultural. The state remains the only jurisdiction in India operating under a civil law system derived from the Portuguese Civil Code, while the rest of the country follows legal traditions shaped largely by British common law.

This distinction is not merely historical curiosity. Within India's overwhelmingly common law environment, Goa represents a rare civil law jurisdiction whose legal foundations resemble those of many Lusophone economies. In this respect, the state occupies a subtle but unusual institutional position between two legal traditions that structure much of the global economy. While Goa does not actively present itself as a Lusophone legal platform, the institutional compatibility

already exists beneath the surface. For businesses, legal professionals and policymakers accustomed to civil law systems across Europe, Latin America and parts of Africa, Goa's legal environment retains elements that feel immediately recognisable.

Beyond the legal system, Goa also maintains historical and diasporic connections with Portuguese-speaking societies. Goan communities have long been present in Portugal, Brazil, Mozambique and Angola, forming networks that have shaped patterns of migration, commerce and cultural exchange for generations. In many of these places, Goa continues to be recognised as a point of familiarity within India. Educational institutions provide another potential channel of engagement. Universities in Goa maintain Lusophone academic links, and these could gradually expand into deeper intellectual exchanges focused on economics, business and public policy.

Taken together, these characteristics suggest that Goa possesses what might be described as latent institutional capital. The legal structures, historical relationships and cultural familiarity that once connected the region to the Lusophone world have not entirely disappeared. Rather, they remain embedded within Goa's institutional landscape, quietly linking it to a broader network of societies shaped by shared legal traditions and historical ties.

Opportunities and constraints

Yet institutional compatibility alone does not automatically produce an economic bridge. If Goa possesses elements of familiarity with the Lusophone world, it has yet to translate these characteristics into a coherent economic platform. Unlike Macau, where intermediary functions have been deliberately cultivated, Goa's connections with Portuguese-speaking economies remain largely informal and dispersed. No multilateral institution comparable to Forum Macao currently operates from Goa, nor does the state regularly host trade or investment forums dedicated specifically to Indo-Lusophone economic cooperation. As a result, many of the relationships that exist between India and Portuguese-speaking countries continue to develop through bilateral channels rather than through a stable intermediary node.

Financial infrastructure also plays an important role in shaping such bridges. In Macau, institutions such as Banco Nacional Ultramarino operate alongside major Chinese financial institutions like Bank of China, reinforcing the territory's position as a space where Lusophone familiarity and Chinese capital intersect. Goa historically hosted Lusophone banking institutions, yet this presence has largely disappeared over time. Cultural and historical ties therefore remain visible, but the financial intermediaries that once facilitated economic interaction with Lusophone partners are no longer present in the same form.

Language and institutional coordination present additional challenges. Portuguese once functioned as a shared administrative and commercial language in Goa, but today it occupies a more limited cultural role. While this does not erase historical familiarity, it reduces the practical ease with which Lusophone legal and commercial systems can interact locally. More broadly, Goa illustrates a phenomenon familiar in economic development sometimes described as coordination failure. Even when the ingredients for an institutional bridge exist, they may remain inactive if no single actor or coalition mobilises them into a shared strategy. Universities, businesses, government institutions and diaspora networks may each possess relevant connections, yet without deliberate coordination their potential remains fragmented.

At the same time, these constraints do not eliminate the possibility of a more specialised role. Smaller jurisdictions often succeed not by competing directly with major economic centres, but by cultivating niches that allow different systems to interact with greater familiarity. Goa's institutional inheritance therefore represents less a lost opportunity than a latent one. The structures that once connected the region to the Lusophone world have not entirely disappeared; they remain embedded in legal traditions, cultural memory and diaspora networks, waiting to be reinterpreted within a changing global economy.

The possibility of a bridge

Macau's experience illustrates that economic bridges rarely emerge from geography alone. They are the product of institutions that gradually cultivate familiarity between different legal traditions, lan-

guages and commercial cultures. Over time, these institutional arrangements allow trust to accumulate, enabling partnerships that might otherwise remain difficult to sustain. In Macau's case, this process has been supported by deliberate policy coordination and by a willingness to embrace the territory's dual identity as both Chinese and Lusophone. The result is not simply a trading hub, but a place where economic relationships between two very different worlds can develop within a framework of shared institutional reference.

Goa, in its own quieter way, retains elements of a similar inheritance. Its civil law system, Lusophone historical ties and diaspora networks suggest that the foundations for dialogue between India and Portuguese-speaking economies have not entirely disappeared. What exists today is less an organised platform than a set of institutional memories embedded in legal traditions, cultural familiarity and historical connections. These characteristics alone do not create an economic bridge. Yet they represent forms of latent institutional capital that could, under the right circumstances, support deeper engagement between India and Lusophone societies.

In a global economy increasingly shaped by networks of trust rather than sheer scale, smaller jurisdictions sometimes find relevance not by competing with larger financial centres, but by connecting them. Throughout history, certain places have mattered less for the volume of goods they produce than for the relationships they help organise. Whether Goa might eventually assume such a role remains uncertain. Yet the possibility itself reflects a broader truth about economic geography: that some places quietly shape the global economy not by dominating it, but by helping different worlds understand one another. Bridges, after all, are rarely built by accident. They emerge slowly, where institutions, memory and opportunity meet.

THE EVOLUTION OF THE SECONDARY SECURITIES MARKET IN MOZAMBIQUE – TRENDS AND DYNAMICS OF THE MARKET

Edy Paruque, CFA, member of the CFALP Committee

Abstract

The development of the capital market is an internal and fundamental element for deepening the financial system, as well as for diversifying the sources of financing of the economy. In this context, the secondary securities market has significant importance insofar as it allows the trading of securities after their initial issuance, contributing to asset liquidity and to price formation in the market. In the present study, based on institutional performance reports and quotation bulletins published by the Mozambique Securities Exchange (BVM), the development of the secondary market at the BVM is analyzed. The analysis shows gradual growth in the main indicators (number of listed securities, market capitalization, and traded values), reflecting the process of consolidation of the capital market in Mozambique in recent years.

1. Introduction

The advancement of capital markets is a distinctive element of the modernization process of financial systems, particularly in developing economies that seek to diversify their sources of financing. In fact, in addition to systems grounded in traditional banking finance, capital markets provide alternative mechanisms for mobilizing savings and financing productive investment.

Within this market functioning, the secondary securities market plays a prominent role, as it allows securities, once issued through the primary market, to be subsequently traded among investors. The existence of a secondary market contributes to improving the liquidity of financial assets and facilitates price formation through the interaction of supply and demand.

In Mozambique, the development of the capital market is associated with the creation of the BVM. In recent years, the BVM has begun promoting various initiatives to strengthen the securities market, including the promotion of new listings, the creation of the Third

Market segment for smaller or growing companies, the strengthening of trading infrastructure, and the promotion of financial literacy.

Through BVM performance reports and quotation bulletins, the activity of the secondary market will be analyzed using indicators such as the number of listed securities, market capitalization, and traded values.

However, to better understand this trajectory, it is important to first analyze the historical development process of the BVM and the institutional framework that supported its creation and consolidation.

It is worth noting that, for the analysis of traded values and market capitalization, I converted figures into USD in order to remove the effect of exchange rate depreciation of the metical, thus providing a more accurate reading of market dynamics.

2. The History of the Mozambique Securities Exchange

The Mozambique Securities Exchange (BVM) was established in the context of the economic and financial reforms implemented in the country in the 1990s, during a period marked by the transition to a market economy, privatizations, and the need to create alternative financing mechanisms.

The formal creation of the exchange was preceded by the establishment, in 1997, of an Installation Commission tasked with structuring the capital market and preparing the institutional foundations necessary for its operation. On September 22, 1998, the Government approved the initial legal framework for the securities market (Decree no. 48/98) and formally established the BVM (Decree no. 49/98), with the exchange effectively beginning operations on October 14, 1999.

The creation of the BVM aimed not only at establishing an organized market for the issuance and trading of securities, but also at mobilizing domestic savings, diversifying sources of financing for the economy, and reducing dependence on bank credit, in a context characterized by high interest rates and a weak culture of securities market investment.

In its early years of activity, the Mozambican securities market showed limited development, reflecting an incipient stage – in 2000, the market had only 7 listed securities (all of which debt securities). Even so, this period was fundamental for consolidating the institutional foundations of the market.

Throughout the 2000s, there was a gradual expansion in the number of financial instruments, accompanied by important institutional reforms, such as the creation of the Central Securities Depository (CVM) in 2006 and the approval of the Securities Market Code in 2009.

In the 2010s, the market experienced more consistent growth in terms of the number of listed securities, traded values, and market capitalization – as explained in the following sections.

The creation of the Third Market in 2019 contributed to this evolution by facilitating stock market access for small-sized companies (although these companies typically have low market capitalizations and low trading volumes). Such access is enabled by less demanding listing requirements compared to the other BVM segments – the Official Quotations Market (MCO) and the Second Market. The creation of a market of this kind is aligned with the practices of major global exchange groups – for example, Euronext created the Access and Growth markets for start-ups and Small and Medium-sized Enterprises (SMEs).

In general, despite some fluctuations, there has been a gradual process of deepening of the Mozambican exchange, both in terms of public and private securities. In other words, although the size of this exchange remains modest and interest among Mozambicans in securities market investment is still limited, the trajectory of this institution has been marked by steady growth.

3.1. Market evolution

3.1. Equities

In 2001, Cervejas de Moçambique launched the equity segment of the BVM with the listing of ordinary shares (CDM) and specific shares for managers, technicians, and employees (CDM-GTT), marking the

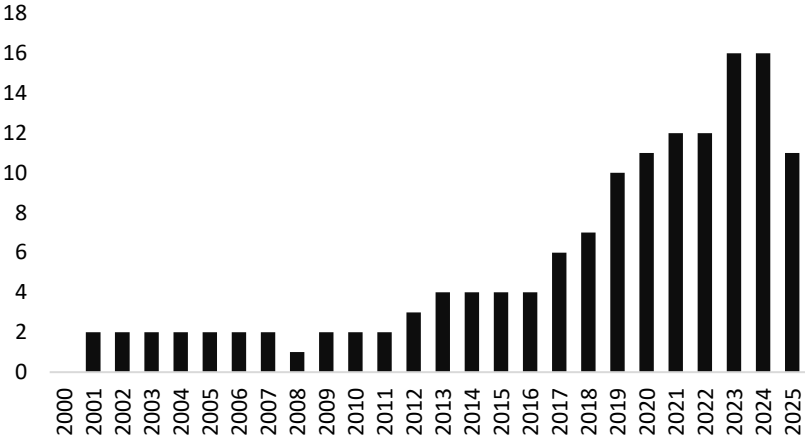
effective beginning of the equity market in the country.

In the following years, between 2001 and around 2016, the number of listed equities remained relatively stable, ranging between 1 and 4 stocks, reflecting an incipient and cautious evolution of the market.

From 2017 onwards, a more dynamic phase began, with a continuous and more accelerated increase in companies admitted to listing. This growth intensified between 2019 and 2024, a period in which the Mozambican equity market reached its highest levels, approaching around 16 listed stocks.

In 2025, however, a reduction in the number of listed stocks was observed, falling to 11, with the securities of the following five companies being excluded or suspended: 2Business, Paytech, RGS Agro, Zaya, and Mozambique Weiyue International Holding.

Number of listed stocks



Source: BVM Quotation Bulletins

These 11 stocks were listed as of March 18, 2026:

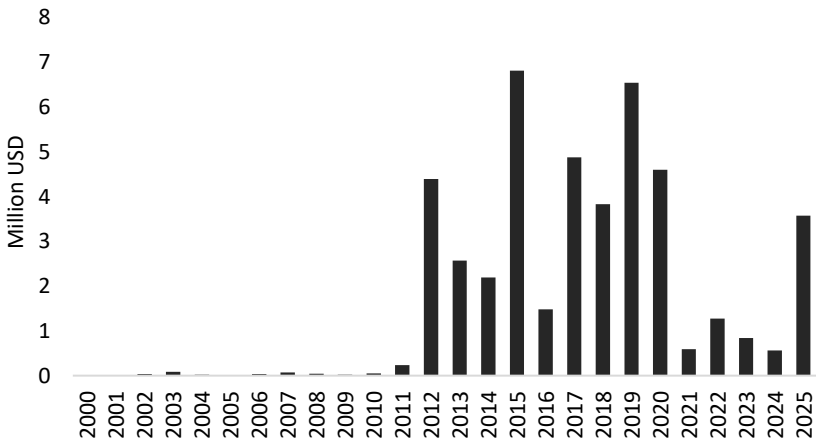
- Cervejas de Moçambique (CDM);
- Companhia Moçambicana de Hidrocarbonetos (CMH);
- Empresa Moçambicana de Seguros (EMOSE);
- Zero Investimento;

- Touch Publicidades;
- Arco Investimento;
- Hidroeléctrica de Cahora Bassa (HCB);
- Arko Seguros;
- Rede Viária de Moçambique (REVIMO);
- Tropigalia;
- Trassus.

The evolution of the values traded in equities on the Mozambique Securities Exchange shows a very low level of activity between 2000 and 2011. However, since 2012, there has been a significant increase in traded values, which can be explained by:

- Strong demand for shares of Cervejas de Moçambique in 2012, the year in which a capital increase was carried out through a Public Subscription Offering;
- A gradual increase in the number of listed equities in the following years;
- Occasional large-scale operations – such as block share transactions – which, in a still relatively small market, have a significant impact on annual volumes.

Value traded in stocks



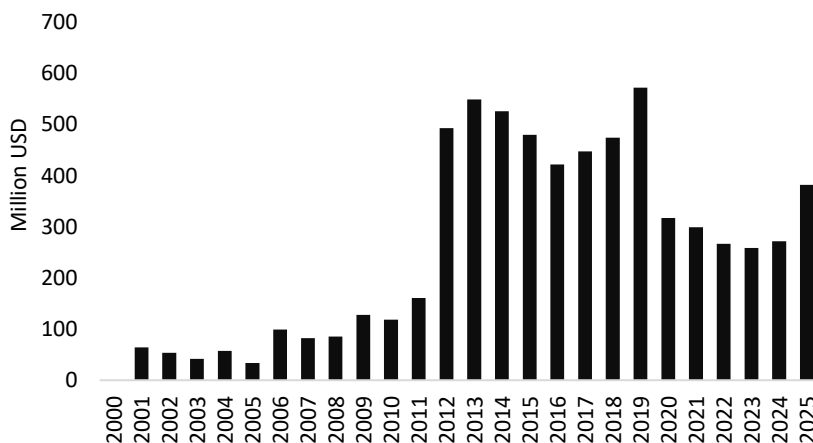
Source: BVM Quotation Bulletins. Converted using the annual average FX rate (investing.com).

In turn, the market capitalization of equities also increased significantly in 2012 – as shown in the chart below – due to the aforementioned demand for shares of Cervejas de Moçambique.

The market capitalization of the 11 listed equities, as of March 18, 2026, amounted to USD 347 million. However, only a few companies have significant market capitalization, namely:

- Cervejas de Moçambique – USD 186 million;
- Hidroeléctrica de Cahora Bassa – USD 97 million;
- Companhia Moçambicana de Hidrocarbonetos – USD 39 million.

Stock market capitalization



Source: BVM Quotation Bulletins. Converted using the annual average FX rate (investing.com).

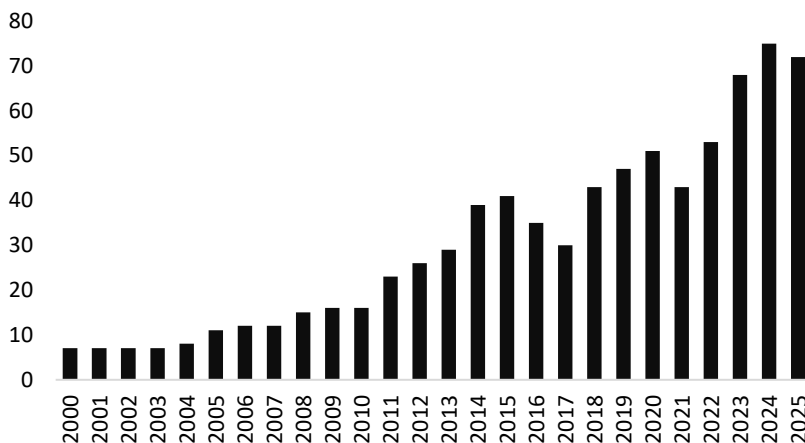
3.2. Fixed Income Securities

The number of fixed income securities (FIS) listed on the Mozambique Securities Exchange (which, since 2000, include both Treasury securities and corporate bonds) has shown a consistent growth trajectory over the years. Despite some occasional fluctuations, the overall trend has been one of expansion, with more pronounced growth in recent years, reflecting the strengthening of the capital market and the increased use of debt instruments in the country.

As of March 18, 2026, 51 Treasury bonds were listed. In turn, on that date, 22 corporate bonds and 2 commercial paper instruments were listed from the following companies:

- Bayport;
- Visabeira;
- BNI;
- Letshego;
- ServCred;
- Moza Banco;
- Dumba.

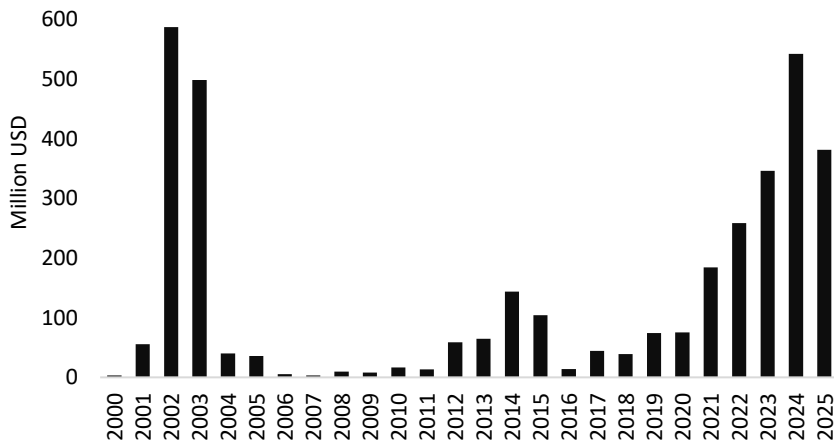
Number of listed debt securities



Source: BVM Quotation Bulletins

Regarding the values traded in fixed income securities, a significant increase has been observed since 2021, with USD 382 million traded in 2025. It should be noted that only 1% of this amount occurred in the segments of private debt securities. Public debt has, since the creation of the BVM, been its main asset class, not only in terms of the number of securities, but also in listed values and traded volumes.

Value traded in debt securities



Source: BVM Quotation Bulletins. Converted using the annual average FX rate (investing.com).

3.3. Market operators

When the Mozambique Stock Exchange (BVM) was established in 1999, there were 6 market operators. This number remained relatively stable until 2011, having increased gradually since then. As of March 18, 2026, there were 20 stockbrokers:

- Standard Bank;
- Moza Banco;
- Absa Bank Moçambique;
- Banco Nacional de Investimento (BNI);
- Banco Comercial e de Investimento (BCI);
- Nedbank Moçambique;
- Millennium bim;
- Banco de Investimento Global (BiG);
- Cooperativa de Poupança e Crédito (CPC);
- First Capital Bank;
- Amaramba Capital Dealer;
- Banco Mais;
- MyBucks Bank Mozambique;
- SL Capitais;

- United Bank for Africa Mozambique;
- Access Bank Mozambique;
- Rovuma Capitais Broker;
- InvestCapital Dealer;
- FNB Moçambique;
- Horizon Capital.

3.4. Institutional development of the market

In addition to the evolution of market indicators, BVM reports highlight several institutional developments relevant to the functioning of the capital market in Mozambique. Among these, the creation of the Central Securities Depository stands out, an infrastructure responsible for the custody, registration, and settlement of financial securities traded in the equity market.

Additionally, the BVM has promoted various initiatives to strengthen the stock market, including financial education programs, events to promote the equity market, and capacity-building activities aimed at investors and market participants.

4. Challenges and outlook

Within the development of the Mozambican stock market, several challenges and prospects stand out. Despite the progress observed, BVM reports indicate that the Mozambican capital market still falls far short of what is desired.

The relatively small size of the market and the limited number of listed companies are among the aspects frequently mentioned. However, the progress observed reveals a gradual process of consolidation of the securities market.

5. Conclusion

The performance analysis of the reports and quotation bulletins of the Mozambique Stock Exchange shows that the secondary securities market has evolved in a gradual but persistent manner in recent years.

Although still in a development phase, the past trajectory and the institutional and operational advances achieved signal a positive future

evolution of the market. These factors suggest that, if the current path of growth and modernization continues, the Mozambican securities market may achieve greater depth in its functioning, greater efficiency, and greater capacity to finance the national economy.

A NEW ERA FOR MACAU: HOW THE 2023 GAMING LAW RESHAPED THE CASINO INDUSTRY

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1. Introduction

For more than twenty years after the handover, Macau SAR has been one of the most famous and successful entertainment and tourism destinations in the world. Since the liberalization of the gaming industry, it sparked a period of incredible economic growth. New resorts were built, millions of tourists from the Chinese mainland and around the globe visited, and the local economy grew at a rate faster than ever before. During this time, the industry relied heavily on VIP guests to generate the majority of its income.

However, as the years passed and the global economy changed, it became clear that Macau needed to open its new chapter. Relying too much on a single type of customer or a single industry can make an economy vulnerable to unexpected changes, such as the COVID-19 pandemic happened in recent years. Therefore, since years ago, the Macau SAR government has emphasized the importance of economic diversification. The goal was to create a more balanced, stable, and sustainable economy that benefits everyone in the community.

To achieve this vision, the government introduced a comprehensive update to its gaming regulations. This updated framework, known as the amended gaming law (Law No. 7/2022), officially went into effect alongside the new 10-year casino licenses starting on January 1, 2023. This new law a fresh start and a clear roadmap for the future development of the city. The updated rules were designed to modernize the industry, improve transparency, and encourage gaming concessionaries to invest heavily in non-gaming attractions like family entertainment, conventions, and cultural events.

In this essay, we explore how the 2023 gaming framework has reshaped Macau's casino industry for the better. Chapter 2 examines

the updated rules and how they create a more organized and transparent system between the government and the casinos. Chapter 3 looks at the natural shift from a VIP-focused business model to one that welcomes everyday tourists and mass-market players. Chapter 4 highlights the exciting new non-gaming investments that operators are making to transform Macau into a world-class leisure and tourism destination. Finally, Chapter 5 offers a conclusion on the industry's future, showing how the 2023 gaming law has successfully laid the groundwork for a more stable, diverse, and prosperous era for Macau.

2. Stronger governance and institutional reform

The foundation of Macau's new era is the updated set of rules that guide how gaming concessionaries operate. As the industry grew over the past two decades, the business models became very complex. The 2023 gaming law was introduced to simplify these systems which ensure that the gaming industry continues to support the healthy development of Macau's society and economy. By updating the institutional framework, the government has created a more transparent and stable environment for both the gaming concessionaries and the public.

2.1. Streamlining the licensing system and timeframes

One of the most important updates in the 2023 law is the way casino licenses are structured. In the past, the system included a mix of primary licenses and secondary licenses, which made the overall management of the industry somewhat complicated. The new law simplifies this by establishing exactly six official licenses, with no secondary licenses allowed. This clear, streamlined approach ensures that all six operators are on an equal playing field and follow the exact same set of standards. Moreover, the timeframe for these licenses was updated. The original licenses granted in 2002 lasted for 20 years. While that long period helped operators feel secure enough to build massive resorts, the new licenses are set for a 10-year period. This shorter timeframe is actually very beneficial for Macau. It allows the government and the gaming concessionaries to adjust their strategies with each other more frequently. For instance, if global tourism trends change dramatically, or if the local community has new needs, a 10-year cycle will give a higher flexibility for both sides to adapt and

update development plans accordingly.

2.2. Restructuring the VIP gaming promoter system

Another major area of reform involves the gaming promoters, often referred to as the VIP junket industry. For many years, these promoters played a critical role in bringing high-spending guests to Macau. They operated their own private rooms inside the casinos and shared the gaming profits with the casino operators. While this system generated significant revenue, it involved complex financial arrangements that were difficult to track and manage. The 2023 law introduced a much clearer and more straightforward way for promoters to do business. Under the updated rules, a gaming promoter is now asked to partner with only one gaming concessionary. Furthermore, instead of sharing in the casino's overall profits or running their own private rooms, promoters now work on a standard commission basis (commissions are capped at 1.25% of net rolling). This means they are paid a clear, set fee for their services. This updated structure promotes excellent financial transparency, makes accounting much simpler, and ensures that all money flowing through the casinos meets the highest international standards for financial security.

2.3. Increasing local leadership and community focus

The new framework also ensures that the casino industry stays deeply connected to the local community. The government wants to make sure that the people making big decisions at these companies truly understand Macau. Because of this, the new law requires that the managing director of any casino company must be a permanent resident of Macau. On top of that, this local managing director must now hold at least 15% of the company's share capital, which is an increase from the previous requirement of 10%. This change improved the alignment of the mutual benefit between the gaming concessionaries and Macau local community.

2.4. Efficient use of space and stable tax contributions

Finally, Macau SAR government introduced new guidelines to help gaming concessionaries use their gaming spaces more efficiently. Rather than just adding more and more tables to increase profits, the

new law sets a clear limit on the total number of gaming tables and slot machines allowed across the entire city. To this end, the government also set a minimum revenue target for each table and machine. If a casino's tables do not reach this revenue target, the gaming concessionary is responsible to make up the difference in their tax contributions. It encourages gaming concessionaries to focus on providing high-quality experiences rather than just expanding the size of their gaming floors. Most importantly, it guarantees that the Macau government will receive a steady and predictable amount of tax. This stable funding is essential because it pays for public services that benefit the local community, such as schools, healthcare, public transportation, and social welfares.

3. Transition from VIP-driven to mass-market gaming

Over the past ten years, Macau's gaming sector has undergone significant structural change, shifting from a model centered on high-stakes VIP play to one focused on mass-market and premium-mass tourism. Regulation, market correction, and long-term policy objectives have all contributed to this shift, which has recast the city's character as a sustainable tourism and leisure center rather than a specialized high-roller destination.

After gaming was liberalized in 2002, Macau's expansion for almost 20 years was dominated by VIP rooms and junket operators that served ultra-high-net-worth players with massive credit lines, exclusive venues, and high-stakes baccarat. Nearly two-thirds of Macau's gross gaming revenue (hereinafter called GGR) came from VIP gaming at its peak in 2013, which fueled the city's rapid growth but also made it susceptible to changes in external policy and financial instability. VIP activity fell precipitously in the mid-2010s due to stricter cross-border financial regulations, anti-corruption initiatives, and regulatory restrictions on junket operations, highlighting the dangers of overconcentration in a single market.

Strengthened governance and a conscious drive for diversification marked the turning point. Mass-market expansion, non-gaming attractions, and more stringent regulation of VIP intermediaries were given priority in new gaming regulations and concession agreements. Private VIP rooms were gradually disappearing, and junket operators

faced restrictions on commissions and credit availability. In response, casinos expanded slot machines and electronic gaming terminals to accommodate casual guests, reduced minimum wagers, and transformed exclusive high-limit areas into public gaming floors. The government's goal to reduce excessive reliance on gambling and create a balanced, family-friendly tourism economy aligned with these modifications.

Data support the magnitude of the change. Mass and premium mass gaming accounted for around 70% of Macau's GGR by 2025, compared with about 40% in 2019. Even while overall GGR increased and rebounded, VIP's share dropped from almost half to less than 30%. Due to consistent visitor arrivals from mainland China, increased spending on lodging, dining, shopping, and entertainment, and the growth of premium-mass travellers – middle-class to upper-class tourists who spend consistently without the extreme volatility of VIP play – mass-market revenue exceeded pre-pandemic levels in 2025. This increased clientele has boosted cash flow, sustained earnings, and lessened the industry's exposure to transient fluctuations in high-stakes betting.

The change has altered Macau's urban and economic landscape, as well as its financial structure. Convention centres, concert spaces, upscale retail, and themed attractions are now given precedence over pure casino floor area in integrated resorts. Concessionaires made unprecedented investments in non-gaming initiatives, promoting small enterprises, job development, and a stronger local economy. The change has also improved Macau's standing abroad as a responsible, well-regulated gambling jurisdiction, bringing it into compliance with international norms for consumer protection and anti-money laundering.

There are still issues, such as capacity limitations, changing visitor preferences, and foreign economic challenges. However, the shift from reliance on VIPs to mass-market leadership has been revolutionary. Macau now cultivates an enduring appeal for regular tourists rather than chasing transient high-roller quantities. By doing this, the city has demonstrated that resilience results from balance, diversification, and alignment with long-term public interest rather than from

concentration, turning a time of disruption into a chance for sustained growth. This shift is a fundamental reinvention of Macau's future as a stable, inclusive, and internationally competitive leisure destination rather than merely a change in economic model.

4. Diversification and non-gaming investment

In anticipation of the upcoming decade, the six concessionaires aim to expand their reach into foreign customer markets and execute ten primary categories of non-gaming investments:

1. Conventions and Exhibitions
2. Entertainment and Performances
3. Sports Events
4. Culture and Art
5. Healthcare and Medical tourism
6. Themed Amusement Facilities
7. International Tourist Market Expansion
8. Gastronomy and Culinary Arts
9. Community Tourism and Revitalization
10. Maritime Tourism and Related Activities

Macau's global reputation and appeal to visitors are bolstered by hosting top-tier events. Following the revised gaming laws, related regulations, and gaming concession contracts, the government of Macau SAR will maintain rigorous oversight of the gaming industry and closely monitor the implementation of concessionaires' investment projects. The objective is twofold: to promote the healthy and orderly development of the gaming industry and to enhance Macau's status as a global hub for tourism and leisure. Additionally, this approach aims to foster diversification and facilitate Macau's transition to a new stage of social, economic, and sustainable livelihood development.

From 2002 to 2020, most of Macau's gaming industry's revenue came from VIP rooms. The new 10-year gaming licenses go into effect on January 1, 2023. To achieve sustainable economic development, the new gaming law requires casinos to develop non-gaming products, which significantly influences the operation of the six casino operators. The gaming industry's efforts to develop non-gaming entertainment products, such as artistic and sports events, have been seen

across Macau throughout 2023.

From an economic perspective, the non-gaming products have enhanced Macau's standing and improved investor confidence in the industry. On the one hand, products like concerts require investment from the hotels and planners who work together to set up the venues and contract musicians. Not only do the concerts require local labor, but they also set the foundation for local businesses to earn money from the visitors. Additionally, non-gaming products can be given away as complimentary or offered at significant discounts to loyal gaming patrons as a reinvestment. Through such processes and strategies, the gaming concessionaires incentivize the target market to make return purchases and visits, thereby boosting the city's economic status. All the six concessionaires can implement all the ten projects that the government has classified. However, large-scale concessions seem less realistic, especially without government support. As such, the government needs to collaborate with gaming concessionaires to determine which concessions can be expanded to reach foreign customer markets and generate the requisite levels of demand and profits.

5. Conclusion and further prospects

Macau's casino industry has entered a new phase, aiming to broaden market appeal and promote sustainable diversification. Looking back at Macau's path, the city established a business model overly dependent on a single customer segment and revenue channel. The 2023 gaming law, effective alongside the start of the new 10-year casino licenses on January 1, 2023, represents Macau's policy response to establish a new strategic blueprint: a roadmap intended to reshape incentives for concessionaires and align the industry's development with broader social and economic goals.

Looking ahead, Macau's future will depend on how effectively the principles of the 2023 gaming law translate into measurable outcomes. Several factors will likely determine whether this "new era" becomes durable rather than temporary.

Sustained shift in revenue mix, with the key question being whether mass-market and premium-mass growth can keep pace. Macau SAR

must also raise the quality and competitiveness of its non-gaming offerings, so that it can compete not only as a gaming destination, but as a credible venue for mega events, exhibitions, and culture that meet schedules and standards capable of attracting repeat/ frequent visitors. More broadly, operational discipline and compliance will matter as rules tighten, since operators with stronger governance and internal controls will be more resilient.

Demand management and product alignment will further shape profitability and long-term relevance, particularly through the integration of resort design, entertainment programming, and visitor expectations. Nevertheless, community-first development is essential, as non-gaming investments and stable tax contributions should translate into tangible social benefits, and maintaining credibility with residents will influence public support for the industry's continued evolution. In conclusion, the 2023 gaming law has laid the groundwork for a more stable, transparent, and diversified Macau gaming industry.

Macau's "new era" is not simply a change in gaming rules; it is a broader effort to build a tourism-and-leisure economy that can withstand shocks, create greater value, and align long-term growth with public interests. If the next decade is managed with discipline and coordination between the government and operators, Macau SAR can turn regulatory reform into a bright and prosperous future.

ANALYSIS OF A CAPE VERDEAN LISTED COMPANY: SOCIEDADE CABOVERDIANA DE TABACOS

Gabriela Mosquera Perez, CFA, Diaspora Advisor to the CFALP Committee

Between stability and change in Cape Verde's capital market

The financial market of Cape Verde is small, illiquid, and still in the process of consolidation. In this context, each company listed on the stock exchange assumes a relevance that goes beyond its simple financial dimension. More than tradable assets, these companies become institutional references, symbols of stability, and milestones in the evolution of the country's capital market itself.

Among the few companies with shares listed on the Cape Verdean stock exchange is Sociedade Caboverdiana de Tabacos (SCT). The history of this company offers an interesting portrait of how a relatively traditional business can survive, adapt, and prosper in a small economy that is open to the outside and deeply influenced by global trends.

By analyzing SCT, therefore, we are not merely examining a tobacco company. We are observing a concrete example of business resilience in a frontier market.

The origins of a Cape Verdean industrial company

SCT was founded in the mid-1990s, during a period of institutional and economic consolidation in Cape Verde. The country was going through a phase of structural reforms, economic liberalization, and strengthening of market institutions. It was in this context that the company emerged, which, over the following decades, would become the main producer and marketer of tobacco products in the archipelago.

From the outset, SCT's strategy was relatively clear: to build a solid industrial base, develop proprietary brands with a local identity, and simultaneously work with recognized international brands.

Production was concentrated in São Vicente, where the company established its industrial unit. From there, it consolidated a business model based on local production, the import of raw materials, and

national distribution. Over time, the portfolio was expanded and adapted to consumer preferences.

Among the brands that gained the most notoriety are products such as SG Gigante, Porto Grande, and Falcões, as well as licensed international brands. This combination allowed the company to reach different market segments, from consumers of more affordable brands to those who prefer premium products.

Over nearly three decades, SCT consolidated a dominant position in the formal tobacco market in Cape Verde. This position was built not only on sales volume but also through a consistent strategy of commercial presence and disciplined management.

Growth, economic cycles, and adaptation

Like any company that spans decades of activity, SCT has gone through different economic cycles.

Annual reports show that, over the years, the company faced periods of expansion, economic slowdown, and regulatory changes. Even so, one element stands out when observing its historical evolution: operational consistency.

Even in adverse contexts, the company managed to preserve margins, maintain positive results, and ensure continuity of operations.

During the years of economic growth that marked part of the 2010s, the company showed expansion in both revenue and net income. Its financial performance indicated a robust capital structure and a relatively predictable business model.

At certain times, financial autonomy exceeded 90%, signaling very low dependence on external financing. In practical terms, this means that most of the company's assets are financed by equity, significantly reducing financial risk.

This type of structure is particularly valuable in small and open economies, where external shocks can quickly affect macroeconomic conditions.

Resilience in difficult times

One of the clearest tests of SCT's robustness occurred during the COVID-19 pandemic.

As is well known, the Cape Verdean economy was deeply affected by the collapse of tourism in 2020. The tourism sector, which represents one of the main drivers of the national economy, experienced an abrupt decline, affecting several sectors of economic activity.

In this context, SCT also faced difficulties. Sales volume declined compared to previous years, reflecting the impact of the economic crisis and social restrictions.

Even so, the company remained profitable.

In the following years, a gradual recovery in economic activity was observed and, consequently, in the company's performance. Revenue grew again and results remained positive.

This episode reinforces a central characteristic of SCT: the ability to navigate adverse economic cycles while maintaining financial stability.

A mature business in a transforming sector

Despite the company's financial stability, it is impossible to ignore the global context in which the tobacco sector operates.

In recent decades, cigarette consumption has gradually declined in many parts of the world. This decline results from several factors: public health campaigns, increases in excise taxes, advertising restrictions, and cultural changes that discourage smoking.

Cape Verde is not isolated from these trends.

In recent years, new regulatory measures have been approved aimed at strengthening control of tobacco consumption and promoting public health policies. Although the impact of these measures is more moderate than in some developed countries, they indicate a clear trend toward increased regulation of the sector.

This scenario creates a structural dilemma for companies like SCT.

On one hand, the gradual reduction in consumption represents a long-term challenge. On the other hand, stricter regulation tends to favor formal and established operators, which have the institutional and financial capacity to comply with legal requirements.

Thus, the sector lives with a constant tension between structural decline in volumes and maintenance of margins.

Dividend policy: one of the pillars of attractiveness

If there is one element that distinguishes SCT within the Cape Verdean market, it is its dividend policy.

Over the years, the company has built a reputation for consistency in distributing profits to shareholders. On several occasions, most of its net income was distributed in the form of dividends.

This track record has created a sense of reliability that is rare in small markets.

For many investors, SCT has become a kind of “income stock.” That is, an investment less oriented toward share price appreciation and more focused on generating regular cash flow through dividends.

This characteristic becomes even more relevant when considering the macroeconomic and monetary context of Cape Verde. The exchange rate stability of the Cape Verdean escudo relative to the euro provides an additional degree of predictability for foreign investors.

Thus, the combination of consistent dividends and exchange rate stability helps reinforce the attractiveness of the investment.

The investor’s dilemma

However, investing in SCT is not a purely financial decision.

As a tobacco company, the investment decision also involves ethical and strategic considerations related to the time horizon.

If you value sustainability and social well-being above all, investing in a cigarette company is not for you. The tobacco sector is inherently associated with negative public health impacts, and many investors who follow environmental, social, and governance (ESG) criteria

choose to exclude such companies from their portfolios.

In addition, the investment time horizon is a crucial factor.

If you intend to make only very long-term investments – for example, with a horizon of 20 or 30 years – investing in SCT may not be appropriate. The traditional tobacco business is structurally threatened by the global trend of increasing health awareness and the gradual abandonment of smoking.

On the other hand, for investors with a short- or medium-term horizon, SCT may represent an interesting opportunity from a dividend perspective.

Although the dividend yield is now clearly lower than it was a few years ago, reflecting the strong appreciation of the share price, it remains at an attractive level. A yield of around 7% continues to be appealing for an investment considered relatively reliable.

The company has never failed to pay dividends, and there are no indications that this will happen.

However, it is important to recognize a relevant risk: the possibility of a correction in the share price.

The value of SCT shares has increased significantly in recent years, which has reduced the dividend yield to historically low levels. In this context, it would not be surprising to observe a correction in the share price over the coming years.

Between tradition and the future

SCT is, in many ways, a reflection of the Cape Verdean economy itself: small on a global scale, but solid, disciplined, and resilient.

Since its founding, it has built a trajectory marked by financial prudence, operational consistency, and regular shareholder remuneration.

The future of the company will depend, to a large extent, on its ability to continue adapting to a changing environment. The challenge will be to balance tradition and innovation, social responsibility and

profitability, stability and change.

For the investor, the decision remains complex.

Between ethics and financial return, between long-term horizons and immediate income, between stability and the risk of correction, SCT offers a clear proposition: predictability in the present, but structural uncertainty in the more distant future.

Perhaps it is precisely this duality that best defines the company.

SCT does not promise unlimited growth or disruptive transformation. What it offers is something rarer in many markets: consistency.

And, in an increasingly volatile economic world, that may be a more valuable quality than it first appears.

THE ARCHITECTURE OF SOCIAL PROTECTION IN BRAZIL: FROM THE MONTEPIOS OF THE EMPIRE TO THE CHALLENGE OF ACTUARIAL SUSTAINABILITY

Mário Amigo, CFA, Head of Sales at SulAmérica Investimentos

1. Introduction to social security in Brazil: foundations, history, and evolution

The **Brazilian social security** system is well structured and consists of **regimes that provide basic social assistance for essential risk coverage** and minimum retirement income, **as well as complementary regimes** that seek to supplement income for professionals whose wages and earnings during their active contribution years exceed the maximum ceiling established by the basic regime.

The origin of social security in Brazil dates back to the imperial period, initially with the objective of protecting public servants. In January 1835, the **Montepio Geral dos Servidores do Estado** was established, functioning as a mutual aid association to pay pensions to widows and orphans of civilian and military public servants. It can be said that this was the pioneer of the concept of basic coverage for Brazilian public servants, that is, the embryo of the Special Social Security Regime, which we will detail throughout this article.

The **origin of supplementary pension provision** emerged at the very beginning of the twentieth century with the creation of **PREVI (Pension Fund of Banco do Brasil Employees)**, founded in April **1904** on the initiative of 52 employees, with the objective of guaranteeing a monthly pension to the heirs of contributors, financed by members' monthly contributions and donations from the Bank itself. By its civil nature and autonomous management, it was the first Closed Supplementary Pension Entity (EFPC), as well as the first Private Pension Entity in Brazil. Today, it is the largest pension fund in Brazil, with more than R\$300 billion in assets under management and approximately 200,000 participants.

But it was effectively in **January 1923**, with the enactment of the **Eloy Chaves Law** (Decree No. 4,682/23), that **social security in Brazil truly began**, when Retirement and Pension Funds (CAPs)

were created for railway workers, guaranteeing benefits such as medical care, sickness benefits, and retirement (subject to the combined condition of a minimum age of 50 and 30 years of service). This law formalized state responsibility for social protection, structuring a company-based capitalization model that evolved into the Retirement and Pension Institutes (IAPs) during the Vargas Era (1930–45). This process of expansion by occupational categories culminated, in 1966, in the unification of these institutes into the **National Social Security Institute (INPS)**, consolidating what we now know as the **General Social Security Regime (RGPS)**, based on solidarity between generations and the resulting pay-as-you-go concept without capital accumulation.

In the **1970s** came the **regulatory milestone** that enabled the expansion of the so-called **Pension Funds** (Closed Supplementary Pension Entities - EFPC) through **Law No. 6,435 of 1977**. The law allowed for institutionalization, whereby companies (sponsors) could create funds to offer specific retirement plans for their employees, thus enabling the expansion of the supplementary pension system. This same law made possible the creation of **Closed Supplementary Pension Entities (EFPCs)**, which qualify as nonprofit institutions and operate to manage benefit plans for participants. Finally, in **2001**, the 1977 law was updated through the enactment of **Complementary Laws 108 and 109**, which introduced greater governance and transparency and more clearly defined the differences between entities sponsored by public bodies and private ones, thereby establishing a governance framework better suited to the reality of each sponsor universe.

During this same period, **in the late 1990s and early 2000s, the open supplementary pension system managed by insurance companies was established**, and it grew with incentives granted to retirement savings, as well as its use as an estate planning instrument through tax incentives. Pension reserves in this open system are managed by **Open Supplementary Pension Entities**, which are companies administered by insurers that, unlike Closed Entities, **operate for profit**. The plan modalities managed are PGBL (Free Benefit Generator Plan), which allows annual contributions to reduce the income tax base (up to 12% of annual gross income) so as to defer tax

payment until retirement income is actually used, and VGBL (Free Benefit Generator Life), which operates as personal insurance with income tax levied only on earnings, but with future deferral conditions depending on how the reserves are used.

2. Regime structure and interconnectivity

The Brazilian pension system is composed of two layers: a basic layer of social protection and assistance up to a ceiling, which in March 2026 is something close to R\$8,500.00 in monthly benefits, and a complementary layer whose objective is to replace income above the ceiling for professionals whose earnings during their working lives exceeded that limit.

The RGPS is known as the basic mandatory affiliation regime for all private-sector workers and is **managed by the National Social Security Institute (INSS)**. It is a **pay-as-you-go system** based on the concept of “**intergenerational solidarity**”, where active workers finance current beneficiaries without the formation of reserves. Funding comes from both employees and employers, and contributions may vary from 7.5% to 20% of payroll. **In the event of a deficit**, with monthly contributions lower than the benefit payroll, **the State must cover the gap**, and this is currently the largest component of the nondiscretionary budget of the Federal Government in Brazil. To give a sense of magnitude, INSS spending represents approximately 50% of the primary expenditures of the Brazilian federal government (excluding refinancing of public debt), which in the 2026 budget bill corresponds to approximately R\$1.15 trillion, something like five times what is spent annually on either education or health in the country.

As an alternative to the RGPS and exclusive to public entities, the Special Social Security Regimes (RPPS) may be established by States and Municipalities that choose to autonomously manage the pensions of their public servants. Unlike the INSS, which is purely pay-as-you-go, the RPPS may coexist with two models, being treated through the **segregation of groups**. **Older servants** and retirees are in a **pay-as-you-go regime**, usually in deficit and funded by the State and Municipality. **Newer public servants**, on the other hand, belong to the **capitalization regime** with reserve

accumulation invested to pay future benefits. Each RPPS is managed by an Institute with its own governance structure, including an executive body, committees, and councils, combined with its own regulation and minimum requirements for administrative, actuarial, and investment qualifications. Additionally, in this segment there are certification incentive programs aimed at improving technical qualification and governance structure, as is the case with the Pro-Gestão program. Data from 2026 indicate that there are more than 2,150 active special regimes in Brazil, with around R\$365 billion in invested reserves, serving approximately 9.3 million people, of whom 5.1 million are active public servants and 4.2 million are retirees and pensioners.

It is worth noting that both regimes, **RGPS and RPPS, are part of the basic social assistance structure**, with benefits that go beyond conventional retirement, such as disability benefits, disability retirement, and death pensions for dependents. **Together, these two regimes** currently represent **an expense to the Brazilian state of approximately 12.5% of gross domestic product (GDP)**, one of the highest in the world, with spending levels similar to countries that have much higher elderly population percentages than Brazil.

The complementary system is optional and may be joined by anyone, regardless of whether they are in the RGPS or RPPS. **It is divided into two major ecosystems** with major differences in their overall structure: institutions, regulation, and economic objectives.

The first complementary system is the **closed supplementary pension system**, managed by **Closed Supplementary Pension Entities (EFPC)**, which are nonprofit institutions with the sole objective of managing benefit plans for specific groups. There are approximately 270 EFPCs managing more than 1,100 pension plans of various modalities (defined benefit, variable contribution, and defined contribution), totaling more than R\$1.3 trillion in assets under management and covering more than 8 million people, including active participants, beneficiaries, and dependents. It is a **system with a high level of governance**, with structures of executive management, councils, support committees, and external controls exercised

by independent auditors, regulators, and trade associations that even promote self-regulation mechanisms.

The second complementary system is the **open supplementary pension system** administered by Open Supplementary Pension Entities (EAPC), which is a **market of pension plans sold by insurers** and accessible to any individual or legal entity. There are currently approximately 80 companies authorized to operate in the Open Supplementary Pension segment in Brazil, but concentration is high, and the **seven largest insurers**, linked to major financial groups, **account for more than 90% of the market**, which totals R\$1.8 trillion and serves 11.2 million people with at least one open pension plan. Compared with closed supplementary pension provision, the final costs of administering the plans tend to be higher, but in return a broader range of investment profiles is offered to participants.

3. Investment offering and degree of flexibility in resource allocation

Here, we must **distinguish** between **pension reserves of a collective nature**, such as RPPS and defined benefit plans, and **reserves of an individual nature**, usually found in the open and closed complementary systems and in defined contribution plans.

For collective reserve systems, the focus is on the actuarial balance of the plans, and investment regulation is designed to make this objective feasible over time. There are levels of investment flexibility for risk-taking, but always under the scrutiny of regulators and governance structures regarding the condition of plan balance. **For the RPPS, the degree of investment flexibility** regarding access to asset classes **increases according to the level of management certification** within a program called Pro-Gestão. This program divides the Institutes into levels on a scale from 1 to 4, with 4 being the highest level and allowing the broadest range of allocation to risky assets. **Defined benefit plans in the closed supplementary pension system** may also invest in a **broad variety of assets** covered by CMN Resolution No. 5202/25, with the possibility of investing in illiquid assets, structured operations, and even investments abroad. In this system, the degree of balance of the plans is also closely monitored, with distribution events in plans showing recur-

ring surpluses and adjustment programs in plans facing deeper deficit conditions.

For **complementary systems based on individual reserves**, the investment offering follows a **market logic**, as a result of greater competition among systems and institutions to retain and attract new participant clients. The **open supplementary pension system** is characterized by **greater flexibility** both in the offering and in the possibility of allocating to certain asset classes, such as foreign assets. The logic of this system is to make available a broad range of investment profile options to participants, so as to enable growth both in reserves and in the number of participants. This system gives **greater autonomy to participants** to decide their allocation, investing in different investment products and different managers. However, it is **usually a higher-cost** system than the closed system because it requires the plan to be linked to an insurer in the form of an EAPC, which operates for profit.

The **closed system** has also evolved in adapting to clients' demand for a broader range of profiles, but structurally it is more limited in this regard than open pension provision. Over time, the closed system sought alternatives for growth and greater flexibility of offering, and it was through the emergence of instituted plans, created by Instituting Entities, that the system managed to increase its attractiveness and competitiveness in the Brazilian market. The Instituting Entity is not an employer, but rather a legal entity of a professional, class-based, or sectoral nature. Therefore, an individual's link to the plan does not need to arise through an employment contract with a company, but rather through membership in an association or entity that instituted the plan. This has enabled EFPCs to offer pension plans to a much broader participant universe than in past years. More recently still, regulatory authorization was granted to extend the offer of instituted plans to relatives of members, greatly widening the scope of coverage offered by the closed system. Some of the **advantages** of this system relative to the open one lie in **lower costs** and a greater willingness to allocate to assets with a **higher liquidity premium**, as a result of more stable liabilities and less flexibility of movement. Additionally, in this system, the offering is directed toward investment profiles with diversified portfolios and not merely specific strategies

or asset classes. This leads to **greater involvement of technical staff** in allocation decisions and the composition of risk factors, combined with curation in the selection and monitoring of managers.

4. Summary and conclusions

Brazil has a well-structured system of social protection composed of regimes that provide basic social coverage and complementary regimes to support benefits for a broad base of beneficiaries. The coexistence of pay-as-you-go and capitalization regimes is important for the balance of the system, given that pension spending currently consumes around **12.5% of GDP** and represents half of the primary expenditures of the Brazilian government. Incentives for the capitalization regime should continue with a view to reducing dependence on government-provided social protection, while also encouraging increased domestic savings in Brazil and thereby making it possible to achieve structurally lower interest rates in the country.

The systems are constantly seeking modernization, exemplified by the expansion of **instituted plans** and the strengthening of governance, which is essential for the architecture of Brazilian social protection to continue evolving in a sustainable and efficient way for future generations.

THE THIRD WAY: REVENUE-BASED FINANCING – MACAU HOSTS THE WORLD'S FIRST LICENSED RBF EXCHANGE

Dickson Lo, CFA, member of CFA Society Hong Kong's Macau Subcommittee and professional of Macau's RBF industry

In the traditional investment landscape, growth capital has long been a binary choice: the rigid obligations of Debt or the permanent dilution of Equity. However, a sophisticated "Third Way" has emerged to fill the gap for modern businesses: Revenue-Based Financing (RBF). RBF offers capital in exchange for a fixed percentage of future gross revenues, aligning investor returns directly with a company's real-time performance. Unlike traditional models, investors do not hold ownership, and there is no interest charged on outstanding balances. Instead, investors receive a regular share of income until a predetermined amount, typically 1.3x to 2.5x the original investment is repaid.

1. From oil wells to MIT: the origins of RBF

RBF is not a new concept but a digital evolution of Royalties. For decades, this model powered capital-intensive projects in film production, oil and gas extraction, and pharmaceutical R&D. In these traditional sectors, investors provided upfront CAPEX in exchange for a slice of future cash flow on a project-by-project basis.

The historical reliance on RBF in these specific fields stems from several structural factors:

- **Absence of Collateral:** These industries are driven by intangible or probabilistic assets – such as a film script, a patent formula, or a potential oil reserve – which traditional banks cannot easily value or seize.
- **High Upfront Risk:** The "all-or-nothing" nature of a movie box office or a drug trial makes fixed-interest debt risky for the borrower, whereas RBF offers a "risk-sharing" cushion where repayments only occur if revenue is generated.
- **Project-Based Lifecycle:** Once the "well" runs dry or the "film" finishes its run, the financing naturally self-liquidates, avoiding the permanent equity loss of venture capital.

The modern architecture of Revenue-Based Financing was formalized in the 1980s by Arthur Fox, an MIT-trained engineer with a background at Westinghouse and Hewlett-Packard (HP). As a successful entrepreneur and business angel, Fox sought an alternative to traditional financing by advancing capital against the future revenues of digital companies without requiring collateral.

This model proved so effective that he launched two specialized funds in 1992 and 1995. The performance of these funds was remarkable: they achieved an internal rate of return (IRR) exceeding 50%, with the initial invested capital typically recovered in just 30 months. This success demonstrated that revenue-sharing could be a high-velocity, self-liquidating investment, laying the groundwork for the tech-enabled RBF platforms we see today.

Today, technology and big data have transformed RBF into a mainstream financial tool for e-commerce, F&B, and retail industries. What once required a human expert to predict an oil well's output is now handled by real-time algorithms analyzing SaaS subscriptions and POS transactions, allowing for a broader application across any "asset-light" but "data-rich" sector.

2. Why RBF? The value proposition

RBF represents a unique risk-reward profile that sits between the "backward-looking" nature of debt and the "forward-looking" speculation of equity. Why RBF? Here below tells you what the pros and cons of RBF.

The Pros:

- **Retained Control:** Founders avoid permanent equity dilution and shareholder interference in daily operations.
- **Risk-Sharing:** There is no fixed repayment obligation; if revenue drops, the payment amount drops accordingly.
- **Asset-Light Access:** No collateral or personal guarantees are required.
- **Strategic Optionality:** It allows early-stage companies to maintain the option of raising VC later or selling the business on their own terms.

The Cons:

- **Revenue Requirement:** The model is only viable for companies with existing or highly predictable income.
- **Capital Limits:** RBF lenders typically cannot provide the massive "checks" associated with late-stage VC.
- **Cash Flow Impact:** Regular monthly (or even daily) payments are required, which necessitates healthy gross margins.

3. Comparison of the capital stack

Feature	Traditional Debt	Revenue-Based Financing	Equity Financing
Primary Security	Hard Assets / Collateral	Future Revenue Streams	Company Ownership
Repayment	Fixed Principal + Interest	Variable % of Revenue	Exit Event / Dividends
Control	Covenants/ Guarantees	Minimal Interference	Board Seats/ Intervention
Dilution	None	None	Permanent Dilution

4. Technology: the great enabler

Modern RBF is powered by Embedded Finance. By integrating with SaaS systems, e-commerce platforms, and payment gateways, lenders can use real-time data to monitor and project cash flows with surgical precision. This "Digital Due Diligence" allows RBF to be used for diverse purposes:

- **Inventory & Marketing:** For example, Clearco provides "Marketing Capital" where advances are spent like a virtual VISA card for marketing expenses, repaid via a percentage of daily revenues.
- **CAPEX:** Businesses use funds for store renovations, upgrades, or new shop openings.
- **Production:** Purely Capital (acquired by Pipe in 2022) provides immediate cash flow to film and TV producers by financ-

ing long-term, high-value licensing contracts with streaming platforms like Netflix and Amazon. It allows entertainment creators to "fast-forward" future revenue streams into upfront cash to cover production costs

- **Strategic Partner Ecosystems:** Pipe has established a symbiotic partnership with HubSpot to create a specialized growth loop; Pipe provides tailored financing to HubSpot's startup clientele, while HubSpot offers exclusive software discounts to Pipe's portfolio of companies.

5. The market landscape and the Macau frontier

The global RBF market is currently defined by several key players:

- **Pipe (USA):** Operates as a prominent Marketplace that allows businesses to exchange their recurring revenue streams for upfront capital. By structuring these streams as tradable securities, Pipe enables institutional investors to bid on "Annual Recurring Revenue" (ARR), charging a fixed trading fee to both parties.
- **Clearco (Canada):** A Balance Sheet lender that specializes in non-dilutive "Marketing Capital" and "Inventory Financing". Clearco uses real-time sales and marketing data to generate revenue-share offers, typically charging fees ranging from 3.63-12.5%. It scales by partnering with e-commerce ecosystems like Cart.com to provide embedded financing directly to founders.
- **Wayflyer (Ireland):** Another major Balance Sheet player focused strictly on the e-commerce sector. It provides loan-like products for marketing and inventory, with a fee structure usually between 5% and 10%, leveraging data from connected accounts to offer funding within 24 hours.
- **Choco Up (Hong Kong):** Recognized as one of major RBF platform in Asia, it utilizes a "Principal + Flat Fee" model. Choco Up is sector-agnostic, supporting a wide range of tech-driven businesses and startups by combining automated algorithms with human intervention to provide indicative term sheets in as little as 48 hours.

In recent years, landmark development in the Asian financial core is the Micro Connect (Macau) Financial Assets Exchange (MCEX). As a pioneering fintech platform and exchange under the Micro Connect Group, MCEX is licensed by the Autoridade Monetária de Macau (AMCM), marking a significant step in the institutionalization of RBF within a regulated framework.

While Western models often rely on loan structures, MCEX adapts to the China landscape where RBF is frequently structured as a Venture Partnership Contract. Under this framework, a typical investment might involve thousands to millions outlay in exchange for a certain % daily revenue share. By unitizing these "Revenue Based Obligation" (RBOs), MCEX connects global institutional capital to the high-frequency, granular revenue streams of China's "New Economy" retail and service businesses. This model transforms the daily sales of thousands of micro-businesses into a transparent, liquid, and institutional-grade asset class.

6. The future of yield-driven capital

As the global economy continues its transition toward asset-light, data-rich business models, Revenue-Based Financing is moving from a niche alternative to a foundational lar of the modern capital stack. By shifting the investment focus from historical collateral or speculative exit valuations to the objective reality of daily cash flow, RBF provides a "Third Way" that harmonizes the interests of founders and institutional investors. For the CFA professional, RBF offers a unique opportunity to capture diversified, high-frequency yield from the "New Economy" while providing businesses with the non-dilutive, flexible oxygen they need to scale. In an era defined by real-time transparency and digital integration, RBF is not merely a financing tool, it is the future of performance-aligned capital.

LESSONS FROM SOUTH AFRICA FOR DEVELOPING MOZAMBIQUE'S INVESTMENT MANAGEMENT INDUSTRY

Mike Sithole, CFA, Diaspora Advisor to the CFALP Committee

Mozambique sits at a genuinely interesting moment in its economic development. The country has significant natural gas reserves, a strategic coastal position in southern Africa, and a young population. And yet its financial sector, and its investment management industry in particular, remains shallow. The number of investment funds is extremely limited, consisting only of a few pension funds with highly restrictive investment mandates. The Bolsa de Valores de Mocambique (BVM), established in 1999, had just 16 listed companies and a total market capitalisation of approximately 212 billion meticais (around 3 billion USD – from which 370 million USD in the equity market, and the remaining in the bond market) at the end of 2024. Its strategic plan targets 30 listings by 2028. Most savings, where they exist at all, flow through the banking system or stay outside the formal economy entirely.

The contrast with South Africa is stark. South Africa's asset management industry, across 93 managers, oversees approximately R6.83 trillion and employs more than 5,400 professionals. The collective investment schemes industry closed 2025 at R4.58 trillion, with near-record net inflows of R196 billion and 1,934 portfolios available to investors. The hedge fund industry reached R185 billion at the end of 2024, having grown 34% in a single year. The JSE carries a market capitalisation of roughly \$1.46 trillion.

That gap reflects decades of deliberate institutional investment in regulatory infrastructure, savings systems, and professional capacity. It did not happen in a straight line, and it did not emerge from perfect political conditions. But the architecture that was built provides a set of tested principles that Mozambique can adapt, not copy wholesale, but use as a reference point for its own sequencing.

Credible regulation is foundational

One of South Africa's major strengths has been the gradual development of a regulatory architecture that supported industry growth,

investor protection, and market confidence over time. The Collective Investment Schemes Control Act (CISCA, Act 45 of 2002) and the Financial Advisory and Intermediary Services Act (FAIS, Act 37 of 2002) established the ground rules for product structures, market conduct, and intermediary obligations. The Financial Sector Regulation Act of 2017 then gave formal effect to a Twin Peaks model of supervision, separating prudential oversight from market conduct regulation. The Financial Sector Conduct Authority (FSCA) oversees how firms treat clients, while the Prudential Authority, housed within the Reserve Bank, focuses on the financial soundness of institutions. The industry did not wait for this full architecture before growing, but the architecture gave it durability.

Mozambique's investment climate continues to face challenges linked to administrative complexity, inconsistent policy application, infrastructure constraints, and security risks. The U.S. State Department's 2025 Investment Climate Statement for Mozambique cites these factors as consistent deterrents to long-term capital commitment. The lesson from South Africa is not that more regulation produces better outcomes. It is that credible regulation does. A clear supervisory authority, transparent licensing requirements, enforceable disclosure standards, and consistent enforcement will do more for investor confidence than any tax incentive.

Long-term savings are the engine, not a byproduct

South Africa's asset management industry was not built primarily on discretionary wealth. It was built on pension and provident funds. Retirement savings mandates created a large, growing, and relatively stable pool of capital that asset managers could put to work. Regulation 28, which governs asset allocation limits for pension funds, had its offshore allowance raised from 30% to 45% in February 2022. Reforms of this kind influenced portfolio construction and encouraged broader diversification across asset classes and geographies, although views on their long-term impact continue to evolve. What is clear is that the growing capital base they supported enabled a widening range of products, from balanced funds and collective investment schemes through to private equity, hedge funds, and infrastructure debt.

Mozambique has the beginnings of an institutional savings base. The INSS, the national social security institute, doubled its investment portfolio from 34 billion to approximately 72 billion meticaís (around \$1 billion) between 2020 and mid-2024. That is a meaningful increase, but the portfolio remains concentrated in term deposits and government bonds. Broadening pension coverage, encouraging voluntary savings schemes, and gradually expanding the range of permissible investments would create the demand that an investment management industry needs to develop at scale.

The ecosystem matters as much as the asset managers

A common mistake in thinking about investment management development is to focus exclusively on asset managers. In South Africa, the industry that has emerged is substantially broader. It includes fund administrators, custodians, investment platforms, discretionary fund managers, financial advisors, compliance consultants, and data providers. FAIS and later regulatory developments professionalised the advisory market, creating a layer of intermediation that bridges the gap between ordinary savers and the investment products available to them.

This layered ecosystem matters because it distributes risk and responsibility across a chain of accountable institutions. It creates competition at multiple levels, which drives down costs and improves service quality. And it builds the kind of institutional depth that makes markets more resilient during periods of stress.

Mozambique's financial sector remains heavily bank-dominated. According to the WTO's 2024 Trade Policy Review, banks accounted for 86% of total financial sector assets in December 2023, and the non-bank segment remains particularly shallow. Building an investment management industry means building out the supporting infrastructure alongside it. Custodians, investment platforms, and intermediaries that can connect savers to appropriate products are not optional extras. Without them, even well-designed investment products struggle to reach the people they are meant to serve.

Capital markets need to be treated as infrastructure

South Africa's capital markets are deep, liquid, and internationally integrated. A large share of South African household savings is exposed to capital markets indirectly through retirement products and institutional mandates. This did not happen because markets were left to develop on their own. It happened because capital markets were treated, over time, as a strategic national asset that required active cultivation.

Mozambique's BVM remains small despite having been in existence since 1999. A target of 30 listings by 2028 is modest but it is at least a target. Reaching it will require more than aspiration. It requires incentives for companies to access public markets, regulatory frameworks for corporate and infrastructure bonds, investment in the market infrastructure needed to support broader participation, and investor education that extends well beyond the urban professional class. The analogy that applies is the one South Africa implicitly understood: capital markets, like roads and ports, do not build themselves.

Skills development is not optional

South Africa's investment management industry benefits from decades of professional formation. CFA charterholders, actuaries, quantitative analysts, and portfolio managers trained to global standards populate asset managers, pension funds, and regulatory bodies. That talent base took time and deliberate investment to build.

Mozambique faces a genuine constraint here. Financial market expertise is scarce. The financial literacy rate stands at 51.5%, and formal bank account ownership is around 33%. Mobile money has expanded rapidly, with e-money accounts reaching 109.8% of the adult population by mid-2025, suggesting a population that is comfortable with digital financial transactions but not yet offered compelling savings and investment products through those channels. That mobile penetration is an opportunity, but only if the regulatory and product infrastructure catches up with it.

On the supply side, the most practical paths forward involve partnerships with South African universities and professional bodies, schol-

arships directed at finance and economics, regulatory training programmes developed with experienced regional and international institutions, and structured incentives for regional and international firms to build local talent rather than importing it wholesale. No investment industry can grow faster than the people who staff it.

Stability is a prerequisite, not a bonus

Investment is, at its core, a bet on the future. South Africa's investment industry survived the Asian financial crisis, COVID-19, and years of load-shedding in part because investors retained enough confidence in the institutional framework to stay committed through difficult periods. Stability does not mean the absence of problems. It means the predictability of how problems are addressed.

Mozambique faces more acute challenges on this front. Foreign exchange constraints, high public debt, infrastructure gaps, and the ongoing security situation in Cabo Delgado all make long-term investment planning harder. But conditions do change. The resumption of the \$20 billion TotalEnergies LNG project in January 2026, after nearly five years of force majeure, shows what becomes possible when the environment stabilises. If even a fraction of those capital flows could be intermediated through domestic markets rather than flowing entirely offshore, it would materially deepen the financial sector.

Regional integration is an opportunity worth taking seriously

South African capital and companies already play a significant role in Mozambique's economy. This relationship has produced real benefits and some well-documented dependencies, and Mozal, the aluminium smelter, illustrates the dynamic clearly. Mozal has at times represented a very large share of Mozambique's exports and remains economically significant today. Recent reporting has cited a contribution of around 3% to 3.2% of GDP, while the Mozambican government itself has acknowledged a tax contribution of less than 0.2% of state revenues, illustrating the gap that can emerge between export prominence and fiscal return when investments are structured around heavily concessionary terms.

Mozambique's membership of SADC and the AfCFTA creates a formal framework for deeper integration, but the practical barriers remain significant. On the investment side, aligning regulatory frameworks with South Africa's, exploring dual-listing arrangements for Mozambican companies, and using regional institutions to strengthen domestic supervisory capacity are all worth pursuing. The goal is not to subordinate Mozambique's financial system to South Africa's, but to use proximity and existing relationships more constructively than has been the case so far.

What sequencing looks like in practice

If there is one meta-lesson from South Africa's experience, it is that sequencing matters. A credible regulatory architecture, built over time, gave the industry durability. Long-term savings mandates created the capital pool that asset managers needed to operate at scale. The ecosystem of supporting institutions developed as the industry grew. Product innovation followed scale, not the other way around.

For Mozambique, the near-term priorities are a credible supervisory framework, expanded pension coverage, and the basic market infrastructure needed to support collective investment schemes.

Talent development and regional partnerships need to run alongside these structural reforms. Product diversification and deeper capital markets are the output of getting those foundations right, not a shortcut around them.

Some stages can be skipped by adopting modern frameworks from the outset rather than working through every iteration South Africa went through. Mobile infrastructure, for example, offers Mozambique a distribution channel for financial products that did not exist when South Africa's industry was being built. But the underlying logic of how investment management industries develop, through trust, capital formation, institutional depth, and professional expertise, is not particular to South Africa. It applies wherever markets are being built from the ground up.

The path is neither short nor simple. But South Africa's experience, including both its successes and the mistakes it made along the way,

offers Mozambique a clearer starting point than most countries had when they began.

ELITE OF EURONEXT – REDEFINING ACCESS TO CAPITAL IN PORTUGAL

Rina Guerra, CFA, Member of the Board of Directors of CFA Society Portugal and Head of ELITE Portugal

ELITE is the ecosystem within the Euronext group that supports privately held companies by connecting them to expertise, networking, and capital to drive long-term sustainable growth, enabling them to access both private and public capital markets.

ELITE was created in 2012 in Italy, within Borsa Italiana, as a response to the financial crisis, which had dramatic consequences for the real economy: lack of confidence and lack of available financing to support entrepreneurs in their businesses. Access to capital became almost impossible for small and medium-sized enterprises. From this awareness, ELITE was launched with the aim of connecting SMEs to three levels of capital:

1. **Knowledge capital:** Access to skills and expertise through a proprietary executive training program covering a wide range of topics, from growth strategy to innovation and internationalization, including areas such as risk management, corporate governance, and financing options.
2. **Relational capital:** Access to a pan-European networking ecosystem. ELITE members benefit from direct interaction with peer companies from other geographies, as well as top-tier advisors, not only through media exposure but also through access to exclusive international events.
3. **Financial capital:** Access to growth capital through traditional or alternative financing solutions, acting as a bridge between public and private markets.

Since 2021, following Euronext's acquisition of Borsa Italiana, ELITE has become part of the group. After extensive work between the ELITE team and the local CEOs of Euronext countries, a strategy was defined to expand ELITE across Europe, assessing the various opportunities, challenges, and strategies required to address local specificities.

The expansion plan began in 2023 with the first launch in Portugal and pilot experiences in the Netherlands and France.

The opportunity to expand ELITE into Portugal was linked to the positive momentum felt among public stakeholders, authorities, and other organizations focused on real economy growth, united by the commitment to support Portuguese SMEs in their development. The similarity between the Italian and Portuguese business fabric is undeniable, not only culturally but also in the management of SMEs themselves.

In Portugal, ELITE contributes to addressing a key gap: the ability of small and medium-sized enterprises to grow and internationalize in a professional and structured way, supported by diversified financing tools.

As of March 2026, ELITE includes 48 Portuguese companies, representing various sectors such as tourism, technology, food, logistics, automotive, industry, engineering, textiles, among others. The broader ELITE ecosystem includes more than 2,000 companies from 25 European countries, of which 85% are family-owned businesses.

With the support of more than 200 partners across Europe, ELITE has facilitated access to alternative financing for companies in its ecosystem, with over €955 million raised with ELITE's support, more than 2,200 corporate transactions carried out among member companies, and 75 IPOs. ELITE was also a pioneer in launching so-called Basket Bonds in Italy since 2017 and aims to replicate this know-how and track record in Portugal, where this innovative financial product will soon be available.

THE INVESTMENT FUND INDUSTRY IN ANGOLA

Páscoa Isabel Faria, Alternative Investment Analyst at BFA Asset Management and member of the CFALP Committee

1. Introduction and market overview

The investment fund market in Angola is still young, but it shows a path of consistent and structurally relevant development. Unlike many other geographies, where market development precedes regulation, the Angolan case followed the opposite path: an institutionally led process, with the creation of the Capital Markets Commission (CMC) laying the foundations of the legal and regulatory framework that now supports the sector.

Based on the most recent data published by the CMC, the Angolan capital market already presents a broad and consolidating ecosystem, with more than 264 registered entities. These include management companies, banks, brokerage firms, distributors, auditors, investment advisers and financial analysts, investment companies, real estate appraisers, as well as the Angola Debt and Securities Exchange and Collective Investment Undertakings (CIUs), also referred to as investment funds. This universe reflects a growing level of institutional sophistication.

With regard to collective investment undertakings, the market has more than 63 registered funds, including open-end and closed-end funds, with strategies still predominantly exposed to public debt. In terms of assets under management (AUM), more than 70% is concentrated in real estate investment funds, reflecting the strong structural preference of the Angolan market for real assets and lower-volatility instruments. Within this universe, the emergence of around seven (7) private equity funds also stands out, signaling an initial but relevant movement toward expansion into alternative assets and direct financing for the business sector.

It is important, however, to note that, according to the literature and the current regulatory framework of the CMC, there is still no formal segmentation of the alternative assets market into categories such as private equity, private credit, venture capital, or infrastructure. This

lack of classification reflects a market in transition, where different strategies coexist under a single legal structure – namely Presidential Legislative Decree No. 4/15, of September 16, which establishes the Legal Framework for Collective Investment Undertakings in Venture Capital – even though they have distinct risk and return profiles.

Despite this framework still being in evolution, the alternative investments segment (beyond real estate) is beginning to gain traction. It is estimated that, currently, around four funds are effectively active in this space, with an aggregate value on the order of 357 thousand million kwanzas (its equivalent in dollars). Most of these funds have been in the market for less than five years. Even so, a significant portion of the announced vehicles remains in the fundraising stage, with two funds having already made investments (deployment), others showing disclosed and undisclosed transactions, while others have still not reached first close, a necessary condition to begin the disbursement process. This scenario highlights both the challenges of capital mobilization and the medium-term growth potential of the sector.

2. From inception to the present day

From a historical perspective, the development of the Angolan investment fund market was strongly influenced by the banking system. In the initial phase, banks played a central role, leveraging their significant public debt portfolios to structure the first management companies and launch the first collective investment funds. These vehicles functioned as a bridge between the traditional savings model – centered on time deposits – and a more structured investment approach.

For an investor base still largely unfamiliar with market risk, the first funds emerged as conservative instruments, with high exposure to government securities and low-risk profiles. This phase was essential for building confidence in the financial system and for the gradual introduction of more sophisticated products.

As the market evolved, there was a process of progressive sophistication in financial intermediation. Activity, initially concentrated in the banking system, expanded to include brokerage firms and other intermediaries authorized by the CMC. This movement increased competition, diversified distribution channels, and contributed to the con-

solidation of the ecosystem.

Currently, the market architecture includes a broader network of participants, including management companies, financial intermediaries, auditors, and specialized investment structures. This evolution reflects a clear process of institutionalization and market deepening.

On the supply side, a relevant transformation can also be observed. Although the majority of funds still favor exposure to public debt, a gradual trend of diversification toward other asset classes is beginning to emerge. Management companies have been exploring investment in the business sector, private assets, and, in some cases, international markets. This evolution is fundamental to reducing dependence on state financing and expanding the range of opportunities for investors.

At the same time, venture capital funds are also beginning to emerge in the Angolan market, aimed at financing companies with high growth potential, infrastructure projects, and strategic sectors of the economy. This also includes initiatives directed toward supporting women's entrepreneurship, youth, and impact funds, reflecting a gradual diversification of investment theses.

Among the most relevant examples are vehicles promoted by local and international managers with a presence in the country, as well as initiatives by the Angolan state itself, through funds oriented toward infrastructure, agriculture, storage, transportation, and industrial processing of agricultural and marine products.

The Angola Sovereign Wealth Fund has also played a pioneering role in this segment, mobilizing capital for a private equity vehicle intended to support long-term projects and accelerate economic diversification, including a local co-investment opportunity. These investments represented an initial attempt to channel institutional capital into the real economy, reducing exclusive dependence on bank financing and public debt.

The clearest sign of market maturity, however, has been the emergence of private credit funds. These vehicles represent an important structural shift by channeling capital directly to companies and proj-

ects, creating a bridge between the capital market and the real economy. In a context where bank credit faces structural limitations, private credit funds assume a complementary role, contributing to the diversification of financing sources and to the strengthening of the business sector.

In summary, the Angolan investment fund market, with just over two decades of effective development, shows a clearly upward trajectory. It has evolved from a virtually non-existent stage into a regulated ecosystem, with market infrastructure, growing product diversity, and a broad base of institutional participants.

3. The future

Important structural challenges remain, however: strengthening financial education, deepening asset diversification, and encouraging long-term savings continue to be critical priorities. Even so, the direction is unequivocal – Angola is taking firm steps in transforming its savings culture into a true capital market, creating the conditions for more efficient, sophisticated, and sustainable financing of its economy.

Sources

1. Regulator and official capital market data:

- Capital Markets Commission (CMC) - General Capital Market Statistics (most recent version available).
Data relating to registered entities, collective investment undertakings (CIUs), management companies, financial intermediaries, and market structure.
- Capital Markets Commission (CMC).
Publications and regulatory framework on the capital market in Angola, including Presidential Legislative Decree No. 4/15, of September 16, which establishes the Legal Framework for Collective Investment Undertakings in Venture Capital.

2. Market data and public information from entities:

- Public institutional information from management companies and investment vehicles registered with the CMC (in-

cluding reports, statements, and publicly available documentation).

- Public data on investments and transactions disclosed by funds and market entities, including operations in sectors such as:
 - Agro-industry and food security (e.g., Foodcare).
 - Development projects and institutional financing (e.g., ANDA).
 - Investment in the honey production company.
 - Other investments publicly reported by collective investment vehicles and registered funds.

3. Internal sources and own analysis:

- Compilation and processing of data by the author based on publicly available information in the Angolan capital market.

AN OVERVIEW FOR GBA (GREATER BAY AREA) WEB3 INFRASTRUCTURE – FROM REGULATORY FRAGMENTATION TO INSTITUTIONAL TOKENIZATION

Jonathan Leong Io Hang, CFA, member of the CFALP Committee and member of CFA Society Hong Kong's Macau Subcommittee

1. Introduction

For more than two decades, the Greater Bay Area has served as the manufacturing and financial gateway connecting mainland China to global capital markets. Since the reform and opening-up period, this region sparked incredible economic growth, becoming one of the world's most dynamic urban agglomerations. During this time, the financial infrastructure relied heavily on traditional banking channels, real estate development, and offshore CNH liquidity centers to generate capital flows.

However, as the digital economy evolved and blockchain technology matured, a fundamental regulatory divergence emerged within the GBA. While Mainland China (including Guangdong Province) maintained strict prohibitions on cryptocurrency trading and mining under 2021 PBoC regulations, and Macau SAR preserved its ban on virtual asset exchanges to protect its gaming-dependent financial system, Hong Kong SAR chose a markedly different path – establishing Asia's first comprehensive institutional-grade regulatory framework for virtual assets beginning in 2023.

This divergence created a unique economic architecture: a single economic region with three distinct digital asset regimes. Hong Kong SAR, operating under "One Country, Two Systems" constitutional guarantees, positioned itself as the regulated pressure valve for GBA capital seeking tokenized asset exposure – while strictly firewalling these activities from mainland and Macau jurisdictions where they remain illegal.

To achieve this strategic positioning, Hong Kong SAR authorities introduced comprehensive updates to its virtual asset regulations. The amended Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO) and Securities and Futures Ordinance (SFO)

framework officially took effect alongside the SFC's Virtual Asset Trading Platform (VATP) licensing regime starting June 2023. This architecture represents a fresh start and a clear roadmap for Hong Kong SAR's development as the GBA's exclusive regulated digital asset hub. The updated rules were designed to modernize the industry, improve transparency, and encourage operators to invest in institutional tokenization infrastructure – distinct from the speculative retail models banned across the border.

Regulatory divergence matrix – one country, two systems

Field	Hong Kong SAR	Macau SAR	Mainland China GBA cities	Cross-GBA
Retail Crypto Trading	Licensed	Prohibited	Prohibited (PBOC)	Restricted
Institutional Tokenization	Full SFC/HKMA framework	Sandbox testing only	“Emerging field” legislative research	Via HK subsidiaries only
Stablecoin Issuance	Licensed (Aug 2025)	Research phase	Prohibited	e-CNY stablecoin research
CBDC Integration	e-HKD wholesale	Digital Pataca (Q4 2025)	e-CNY live (¥16.7 trillion transacted)	mBridge live (\$55.4 billion settled)
Key 2025 - 2026 Development	VA Dealing / Advisory regimes (2026)	mBridge participation for trade settlement	Qianhai tokenized trade finance pilots	Wealth Management Connect (future tokenized product inclusion)

Fontes: Various regulatory circulars, Atlantic Council, Pintu News.

This essay focuses exclusively on Hong Kong SAR's regulated Web3 ecosystem and its interface with GBA capital flows through controlled cross-border channels. We examine how Hong Kong SAR's regulatory framework creates a compliant bridge for mainland institutional capital while maintaining strict segregation from Macau and Guangdong's prohibitionist regimes.

Chapter 2 examines Hong Kong SAR's updated regulatory rules and

how they create a transparent system between the SFC and licensed operators – applicable only within Hong Kong SAR jurisdiction. Chapter 3 analyzes the shift from offshore retail speculation to onshore institutional tokenization in Hong Kong SAR's licensed venues. Chapter 4 highlights non-trading infrastructure investments transforming Hong Kong SAR specifically into a digital asset hub, including educational platforms serving the broader GBA talent market through remote/hybrid delivery (where legally permissible). Finally, Chapter 5 assesses the sustainability of Hong Kong SAR's "regulated island" model within the broader GBA economic region.

2. Stronger Governance and Institutional Reform

The foundation of the GBA's new era is the updated set of rules that guide how virtual asset service providers operate. As the industry grew over the past decade through unregulated offshore exchanges and grey-market over-the-counter desks, the business models became very complex and posed significant anti-money laundering risks. The 2023-2026 regulatory wave was introduced to simplify these systems to ensure that the blockchain industry continues to support the healthy development of the GBA's society and economy.

2.1. Streamlining the Licensing System and Timeframes

One of the most important updates is the way virtual asset licenses are structured. In the past, the system included a mix of unregulated offshore entities and ambiguous "opt-in" regimes, which made overall management of the industry complicated. The new law simplifies this by establishing a clear tiered licensing framework. As of February 2026, the Hong Kong Securities and Futures Commission (SFC) has granted **11 official Virtual Asset Trading Platform (VATP) licenses**, with **8 additional platforms operating under deemed compliant status** pending full approval.

This clear, streamlined approach ensures that all licensed operators are on an equal playing field and follow the exact same set of prudential standards, including 98% cold wallet storage requirements, mandatory insurance coverage, and segregation of client assets. Moreover, the timeframe for market entry was updated through the SFC's "ASPIRe" roadmap introduced in February 2025. While the original 2023

framework required extensive track records, the new guidelines permit streamlined onboarding through single-review External Assessor models and remove the 12-month track record requirement for products targeting professional investors. This shorter, more flexible timeframe allows the government and operators to adjust strategies as global tokenization trends evolve – such as the recent shift toward tokenized money market funds – giving higher flexibility for both sides to adapt development plans accordingly.

SFC VATP licensing evolution timeline

Milestone	Date	Regulatory Development	Licensed Platforms (Cumulative)
Policy Statement	Oct 2022	Initial VA framework announced	0
AMLO Amendment	Jun 2023	Licensing regime effective	2 (HashKey, OSL deemed)
First Full Licenses	Feb 2024	HashKey Exchange, OSL fully licensed	2
HKVAX Approval	Mar 2024	Third full VATP license	3
Accumulus GBA	Sep 2025	First GBA-focused platform	4
Deemed Compliant Wave	Dec 2025	8 platforms deemed compliant	12
Current Status	Feb 2026	11 fully licensed, 8 deemed	19 total applicants

Fontes: SFC Public Register, HK Lawyer, various SFC circulars.

2.2. Restructuring the retail-institutional risk framework

Another major area of reform involves the trading participants themselves. For many years, the GBA crypto ecosystem was dominated by retail speculation and unregulated "VIP" offshore exchanges serving mainland Chinese clients through VPNs – a model similar to Macau's historical reliance on VIP junkets. This fostered high trading volumes but involved complex counterparty risks that were difficult to track.

The 2025-2026 framework introduced a much clearer risk-segregation model. Under the updated SFC circulars issued December 2025, licensed platforms may now custody tokenized securities beyond their permitted trading pairs, effectively creating a clear separation between retail speculative assets and institutional-grade RWA products. Furthermore, rather than mixing retail and institutional order flow, the new structure requires strict categorization: retail access remains limited to high-net-worth individuals (professional investors with HKD 8 million portfolios), while the upcoming VA Dealing and Advisory Services licensing regime (expected Legislative Council introduction in 2026) will create dedicated pathways for institutional fund managers. This promotes excellent financial transparency and ensures that capital flows through audited, onshore channels meeting the highest international standards.

2.3. Increasing local leadership and talent development

The new framework ensures that the virtual asset industry stays deeply connected to the local Hong Kong SAR community. The government recognizes that sustainable Web3 development requires hybrid talent – professionals fluent in both traditional finance compliance and blockchain architecture. Because of this, initiatives like CoinSkool, a Hong Kong-based Web3 education platform, have emerged to address the talent gap through systematic curricula spanning AI quantitative trading, Solidity smart contract development, and HK SFO compliance standards. Through a zero-threshold crowdfunding model that verifies instructor credentials via on-chain wallet proofs and GitHub contributions, platforms like these ensure that managing directors and technical leads in the industry truly understand the local regulatory nuances. This change improves alignment between virtual asset service providers and the GBA's long-term economic diversification goals.

2.4 Encouraging efficient use of regulatory sandbox space

Finally, the authorities introduced new guidelines to help operators use their regulatory capacity more efficiently. Rather than just approving unlimited retail trading products, the SFC and Hong Kong Monetary Authority (HKMA) set clear limits on speculative leverage while creating dedicated sandbox capacity for tokenized deposits and

wholesale CBDC experiments. The HKMA's Project Ensemble sandbox, launched August 2024, specifically tests tokenized commercial paper and digital bond settlement using wCBDC – limiting retail speculation while guaranteeing that the region receives steady, predictable institutional capital flows. This stable funding flow is essential because it supports public financial infrastructure development, including the HKD 10 billion tokenized green bond program that settles via e-HKD and e-CNY integration.

Through these thoughtful updates and clearer rules, the 2023-2026 framework has successfully guided the GBA's blockchain industry into a more organized, transparent, and community-focused era.

3. From retail speculation to institutional tokenization

Over the past three years, the GBA's blockchain sector has undergone significant structural change, shifting from a model centered on retail cryptocurrency speculation to one focused on institutional Real-World Asset (RWA) tokenization and regulated digital securities. Regulatory maturation, market correction following the 2022 FTX collapse, and long-term policy objectives have all contributed to this shift, which has recast the region's character as a sustainable digital finance center rather than a specialized high-risk retail trading hub.

After blockchain technology gained prominence in 2017, Hong Kong SAR's growth for nearly six years was dominated by retail exchanges and unregulated over-the-counter desks serving speculative traders with high leverage. At its peak in 2021, retail trading volume through offshore platforms arguably exceeded institutional flows, fueling rapid ecosystem expansion but also making it susceptible to changes in external policy and financial instability. Retail participation fell precipitously after 2022 due to the FTX bankruptcy & 2023 JPEX scam, highlighting the dangers of overconcentration in unregulated counterparty risk.

Strengthened governance and a conscious drive for diversification marked the turning point. Mass-market retail speculation, institutional tokenization infrastructure, and more stringent regulation of offshore intermediaries were given priority in new regulations. Private unregulated trading venues were gradually displaced, and retail-

facing platforms faced restrictions on leverage and product offerings. In response, licensed operators expanded institutional custody solutions and tokenized bond settlement services, transforming exclusive retail trading floors into regulated institutional infrastructure.

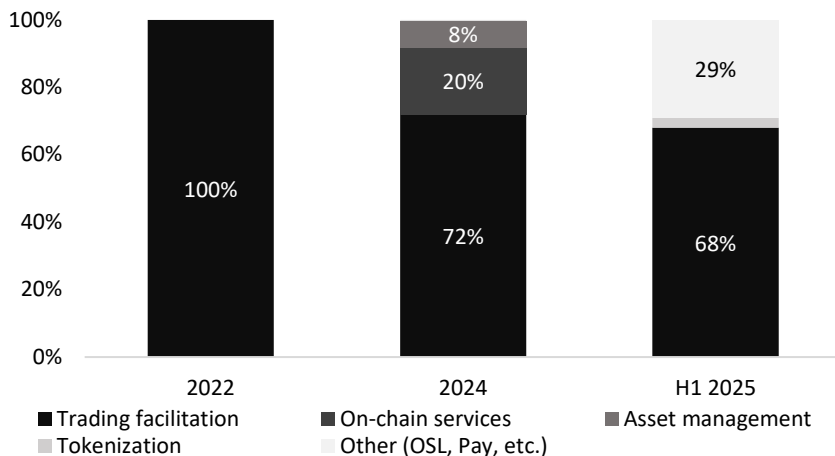
Data support the magnitude of the change. By February 2026, **institutional tokenized products accounted for circa 60% of licensed platform revenue diversification efforts**, compared with negligible structured product penetration in 2022. HashKey Exchange, commanding **75% market share among licensed VATPs with HKD 1.3 trillion in 2025 trading volume**, has pivoted toward tokenization service fees and custody technology, with revenue from non-trading tokenization services reaching **HKD 7 million in 2024** – a nascent but critical diversification channel. Even though overall retail trading volumes recovered to HKD 1.3 trillion annually, the sector's reliance on pure speculation dropped as licensed operators shifted toward premium-mass institutional clients – asset managers and family offices seeking regulated digital asset exposure rather than leveraged crypto gambling.

This clientele, requiring compliance with SFO Type 9 (Asset Management) and upcoming VA Advisory frameworks, has boosted cash flow stability and lessened the industry's exposure to transient fluctuations in retail trading volumes. The government's goal to reduce excessive reliance on volatile crypto speculation and create a balanced, institutionally credible digital economy aligned perfectly with these modifications.

The change has altered Hong Kong SAR's financial landscape. Tokenized commercial paper, convention center blockchain documentation systems, and digital bond settlement infrastructure are now given precedence over pure speculative trading volume. Licensed operators made unprecedented investments in non-trading initiatives – **270+ blockchain enterprises currently housed in Cyberport's Web3Hub** – promoting small technology businesses, job development, and a stronger local economy. The change has also improved Hong Kong SAR's standing abroad as a responsible, well-regulated financial jurisdiction, bringing it into compliance with international norms for investor protection and anti-money laundering.

There are still issues, such as profitability challenges – HashKey Holdings posted cumulative losses of HKD 2.86 billion over 3.5 years despite market leadership – and changing global regulatory competitive dynamics with Singapore and Dubai. However, the shift from reliance on retail speculation to institutional leadership has been revolutionary. Hong Kong SAR now cultivates an enduring appeal for regulated asset managers rather than chasing transient retail trading volumes. By doing this, the region has demonstrated that resilience results from balance, diversification, and alignment with long-term public interest rather than from concentration, turning a period of disruption into a chance for sustained growth.

Revenue mix evolution – HashKey case, the “Institutional Pivot”



Source: HashKey IPO prospectus, ChainCatcher analysis, OSL Group results.

4. Diversification and non-trading investment

In anticipation of the upcoming decade, the six licensed Virtual Asset Trading Platforms (VATPs) and associated service providers aim to expand their reach into institutional customer markets and execute a range of non-trading endeavors, including tokenized securities custody, blockchain education, AI-powered quantitative research tools, and Real-World Asset (RWA) consultancy services. These initiatives fall into ten primary categories outlined in the government's ASPIRE roadmap: technological innovation, product diversification, talent

development, international cooperation, regulatory clarity, infrastructure investment, cross-border integration, green finance, SME support, and community education.

Hong Kong SAR's global reputation and appeal to institutional investors are bolstered by the hosting of top-tier, regulated tokenized bond issuances. Following the revised SFC guidelines and the HKMA's Digital Bond Grant Scheme – which offers HKD 2.5 million subsidies per eligible issuance – the government maintains rigorous oversight of the virtual asset industry while monitoring the implementation of investment projects. The objective is twofold: to promote the healthy and orderly development of the blockchain industry and to enhance the GBA's status as a global hub for tokenized finance.

From 2020 to 2022, most of the Hong Kong crypto industry's revenue came from retail trading fees. The new 10-year regulatory cycle began in 2023. To achieve sustainable economic development, the new framework requires operators to develop non-trading revenue streams, significantly influencing business models. The industry's efforts to develop non-trading products – such as the November 2025 **HKD 10 billion tokenized green bond issuance**, the world's largest government digital bond – have been visible across the region throughout 2025.

From an economic perspective, these non-trading products have enhanced Hong Kong SAR's standing and improved investor confidence in the industry. On one hand, tokenization services require investment from technology providers and financial institutions working together to set up custody infrastructure and smart contract frameworks. Not only do these services require local technical labor, but they also set the foundation for local businesses to earn revenue from institutional clients. Additionally, non-trading infrastructure can be offered as value-added services to loyal trading patrons as reinvestment, incentivizing the target market to deepen engagement with the regulated ecosystem, thereby boosting the region's economic status.

Companies like ChainNext Group, founded in Hong Kong SAR and operating within this ecosystem, exemplify the pivot toward enterprise-grade blockchain infrastructure – bridging traditional financial institutions with tokenization strategies and Web3 integration. Such

entities represent the "middle layer" of the new GBA digital economy: not speculative trading venues, but rather consultancy and infrastructure firms enabling incumbent banks and asset managers to enter the tokenized securities space.

Nonetheless, all market participants acknowledge that while the six licensed VATPs can theoretically implement across all ten project categories the government has classified, large-scale expansion into certain non-trading verticals – such as retail-facing DeFi products – seems less realistic, especially without additional regulatory clarity. As such, the government needs to collaborate with operators to determine which non-trading concessions can be expanded to reach foreign institutional markets and generate requisite levels of demand and profits, while maintaining the strict AML standards required for cross-border GBA integration.

5. Conclusion and further prospects

Hong Kong SAR's blockchain industry has entered a new phase, aiming to broaden market appeal and promote sustainable diversification. Looking back at the region's path, the ecosystem established a business model overly dependent on a single customer segment – retail speculation – and revenue channel – trading fees. The 2023-2026 regulatory evolution represents the GBA's policy response to establish a new strategic blueprint: a roadmap intended to reshape incentives for operators and align the industry's development with broader social and economic goals.

Looking ahead, the GBA's future will depend on how effectively the principles of the current regulatory framework translate into measurable outcomes. Several factors will likely determine whether this "new era" becomes durable rather than temporary.

Sustained shift in revenue mix remains critical, with the key question being whether institutional tokenization and non-trading services can keep pace with declining retail trading margins. The region must also raise the quality and competitiveness of its non-speculative trading offerings – specifically educational infrastructure and enterprise custody solutions – so that it can compete not only as a speculative trading destination, but as a credible venue for mega tokenized bond

issuances, AI-integrated financial services, and cross-border digital currency settlement that meet international standards capable of attracting repeat institutional visitors.

More broadly, operational discipline and compliance will matter as rules tighten, since operators with stronger governance and internal controls – like those achieving Diamond-tier status in ecosystem platforms or maintaining full SFC compliance – will be more resilient against global competitive pressures from Singapore and Dubai.

Demand management and product alignment will further shape profitability and long-term relevance, particularly through the integration of regulated stablecoin infrastructure (following the August 2025 Stablecoins Ordinance), entertainment programming, and institutional investor expectations. Nevertheless, community-first development is essential, as non-trading investments in Web3 education – exemplified by systematic training programs – and stable tax contributions should translate into tangible social benefits for Hong Kong SAR, and possibly for Macau SAR if it becomes involved in the development of the industry.

In conclusion, the 2023-2026 regulatory framework has laid the groundwork for a more stable, transparent, and diversified GBA blockchain industry. The region's "new era" is not simply a change in crypto trading rules; it is a broader effort to build a tokenized financial economy that can withstand shocks, create greater value through RWA digitization, and align long-term growth with public interests. If the next decade is managed with discipline and coordination between the government and operators – including ecosystem participants like education platforms and enterprise consultancies – the GBA can turn regulatory reform into a bright and prosperous future as the definitive "East-meets-West" digital asset bridge under the regulations of the Chinese government.

THE INTERNATIONALIZATION OF BRAZILIAN WEALTH: FROM DOMESTIC CONCENTRATION TO GLOBAL DIVERSIFICATION

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Wealth management has ceased to be a predominantly domestic activity and has become, in the 21st century, a global practice. In Brazil, this structural transformation reflects the combination of growing private wealth, greater integration into international markets, and the increasing mobility of individuals and capital.

The global context of wealth diversification

The growing international mobility of people and capital has transformed the way wealth is built and managed in the contemporary world. In this context, high-net-worth individuals have sought to diversify assets across different countries, currencies, and financial systems. The economic rationale behind this movement aligns with the established principles of modern portfolio theory, according to which diversification across markets and currencies can contribute to a more balanced risk-return relationship over time.

The rise of the global Brazilian investor

Over the past two decades, Brazil has undergone economic and institutional transformations that have significantly changed the structure of private wealth in the country. The expansion of the capital market, the consolidation of new business sectors, and the emergence of a more internationally oriented generation of entrepreneurs and investors have created an environment in which wealth accumulation has occurred on an increasing scale.

This movement has resulted in the strengthening of a new class of high-net-worth investors, with greater familiarity with financial markets, greater international exposure, and a more sophisticated view of wealth. For these investors, wealth management is no longer limited to the domestic market and has come to incorporate opportunities and structures available across different jurisdictions.

This transformation can also be observed in the evolution of private wealth in the country. According to the Global Wealth Report, the number of millionaires in Brazil (measured in U.S. dollars) has increased approximately fivefold over the past two decades. This growth reflects not only periods of economic expansion but also the maturation of the Brazilian financial system and the development of more sophisticated investment instruments.

For individuals with wealth exceeding one million dollars, international diversification plays an increasingly important role in wealth preservation and management. Exposure to different currencies, markets, and legal systems is increasingly perceived as an integral part of a long-term wealth strategy.

In this context, the internationalization of Brazilian wealth is associated not only with the search for new investment opportunities but also with the need for wealth protection and currency diversification.

The international mobility of the Brazilian population also contributes to this process. Estimates from the Ministry of Foreign Affairs indicate that currently around five million Brazilians reside abroad, a number that has more than doubled since the early 2000s, when approximately two million Brazilians lived outside the country. Although part of this movement is associated with the search for better professional opportunities and quality of life, international reports on wealth mobility also indicate a net outflow of high-net-worth individuals leaving Brazil toward developed economies, especially the United States and countries of the European Union.

Among European destinations, Portugal holds a prominent position, combining cultural proximity, institutional stability, and access to the European market. In recent years, international reports on wealth mobility have pointed to a significant flow of Brazilian investors to the country, consolidating it as one of the main European destinations for high-net-worth individuals from Brazil. This movement reinforces the growing economic integration within the Lusophone space and has contributed to intensifying flows of capital, investment, and professional mobility between Brazil and Portugal.

As a result, the internationalization of wealth has ceased to be a tac-

tical choice and has come to reflect a structural characteristic of the Brazilian high-net-worth investor, who increasingly builds diversified portfolios on a global scale.

The global structure of modern wealth

This process has redefined how high-net-worth families organize their wealth. Instead of a structure concentrated in domestic assets, it has become increasingly common to see investments distributed across different countries, currencies, and financial structures.

In many cases, the wealth of these families begins to resemble what international managers often describe as a global balance sheet, a set of assets and liabilities distributed across multiple jurisdictions, currencies, and legal structures.

For a growing number of investors, wealth can no longer be understood within the borders of a single country. It comes to reflect a truly global structure, in which investment decisions, tax planning, and legal organization must be considered in an integrated manner across different markets.

Overcoming home bias

Historically, individuals tend to concentrate a large portion of their investments in their home country, a phenomenon widely known in financial literature as home bias. In the Brazilian case, this tendency was reinforced by structural characteristics of the domestic market. For decades, relatively high interest rates and a well-developed fund industry encouraged the retention of a large portion of resources in local assets.

Even over the last thirty years under the Real Plan, a fundamental milestone in stabilizing the Brazilian economy, returns offered by the domestic market remained relatively attractive compared to many international markets. This environment contributed to investors keeping a large share of their assets in the country.

New drivers of internationalization

In recent years, a combination of factors has accelerated the internationalization of Brazilian investors' wealth. Recurring episodes of eco-

conomic and political volatility have reinforced the importance of geographic and currency diversification. The structural decline in domestic interest rates in certain periods has also led many investors to seek new sources of return in international markets.

Regulatory changes have also begun to more directly influence international wealth management. In Brazil, institutional advances over recent decades have helped increase the country's integration into global financial markets. The approval of the new foreign exchange framework in 2021 modernized Brazilian legislation on foreign currency operations and international capital flows. More recently, Law No. 14,754 of 2023 introduced new taxation rules for assets held abroad by individuals, representing a significant milestone in the evolution of the fiscal treatment of international investment structures.

New challenges in international wealth management

The internationalization of wealth, while offering relevant opportunities for diversification and protection, also introduces new layers of complexity for investors and managers. Managing assets distributed across different jurisdictions requires a broader understanding of financial systems, tax rules, and legal regimes applicable in each country.

One of the main challenges is related to the management of currency risk. Exposure to different currencies can contribute to portfolio diversification but also introduces additional volatility that must be considered within long-term strategic construction.

The fiscal dimension also assumes a central role in this context. Wealth structures involving multiple jurisdictions often require more sophisticated tax planning, capable of simultaneously considering rules of tax residence, international taxation regimes, and agreements to avoid double taxation.

Another important aspect involves international estate planning. Families with assets distributed across different countries may be subject to distinct inheritance regimes, with their own rules regarding succession, taxation, and intergenerational wealth transfer.

Beyond technical challenges, international wealth management also

raises relevant ethical issues. The growing sophistication of financial structures and the diversity of products available across markets can create situations in which conflicts of interest between managers and investors become less visible. In an environment where wealth decisions involve multiple jurisdictions and complex structures, transparency, alignment of interests, and fiduciary commitment become even more central to preserving trust between clients and market professionals.

Conclusion

As the international mobility of individuals and capital continues to grow, wealth management increasingly becomes a global exercise. For Brazilian investors, the combination of growing private wealth, greater integration with international markets, and increasing mobility of people and capital has profoundly transformed how wealth is built and preserved.

In this context, the internationalization of portfolios ceases to be merely a diversification strategy and becomes a new structural reality for high-net-worth investors. Modern wealth management requires an approach capable of integrating investment decisions, tax planning, legal structuring, and a long-term perspective.

At the same time, this growing complexity reinforces the importance of the ethical dimension in wealth management. In a globalized financial environment, where investors increasingly depend on specialized advice to navigate across markets and jurisdictions, principles such as transparency, diligence, and alignment of interests become fundamental to sustaining the trust that underpins every relationship between managers and investors.

Ultimately, international wealth management is not merely about diversifying assets, but about the responsible and sustainable construction of wealth within a financial system that no longer recognizes borders.

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CHINA'S COMPETITIVENESS AND THE RELEVANCE OF ITS INDUSTRIAL AND TECHNOLOGICAL HUBS

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1. Introduction

In recent decades, China has established itself as one of the world's leading economic powers. The rapid economic growth recorded since the end of the 20th century has profoundly transformed the country's productive structure, allowing the emergence of a highly competitive and diversified business system. Today, Chinese companies operate in virtually every sector of the global economy, from manufacturing to digital technologies, playing an important role in global production and innovation chains.

China's business competitiveness results from the interaction among several structural factors, such as the size of the domestic market, the availability of human resources, and the industrial capacity accumulated over decades. Public policies have also played a critical role in the country's economic and technological development, particularly through the creation of a network of industrial and technological hubs that function as engines of growth and innovation.

To fully understand China's business competitiveness, it is necessary to analyze not only the recent evolution of its economy, but also the historical factors that shaped its development. China's economic and political history provides the necessary context for understanding the economic reforms implemented since 1978, which transformed the country into an industrial and technological power.

Thus, this essay describes China's economic history up to its contemporary development, addressing the country's main industrial and technological hubs. By exploring these elements, the aim is to understand how China has managed to build a highly competitive and influential business environment on the global economic stage.

2. The historical evolution of China

China has one of the oldest civilizations in the world, with a history stretching back several millennia. The first organized communities

developed in the basins of the Huang He (Yellow River) and the Yangtze, where agriculture allowed the emergence of villages, cities, and more complex political structures. These regions became the cradle of Chinese civilization and played a central role in the formation of the country's cultural and social identity.

China's history can be divided into three major periods: pre-imperial China, imperial China, and contemporary China.

The pre-imperial period includes the first known dynasties, such as Xia, Shang, and Zhou. During this period, important social and political structures developed that would influence the country's future. However, during the Zhou dynasty, there was a progressive fragmentation of political power that culminated in the division of the territory into different kingdoms that fought one another.

In 221 BC, the ruler of the State of Qin managed to unify these territories, becoming the first emperor of China. During the Qin dynasty, various administrative and economic reforms were introduced, as well as large-scale projects such as the construction of the Great Wall of China. Although the Qin dynasty was relatively short-lived, it established the foundations of a centralized state that would influence subsequent dynasties.

Over the following centuries, different dynasties ruled China, including Han, Tang, Song, Yuan, Ming, and Qing. These dynasties contributed to the development of the country's culture, science, and administrative organization. During certain periods, China was one of the most advanced economies in the world, with important technological advances and a vast commercial network linking Asia to Europe through the famous Silk Road.

In the 19th century, China faced a series of internal crises and external pressures that significantly weakened the empire. Among the most notable events were the Opium Wars (1839 – 1842 and 1856 – 1860), conflicts between China and Western powers, especially the United Kingdom, triggered by China's attempt to restrict the trade in imported opium. China's defeat in these wars forced the country to sign unequal treaties that opened several ports to foreign trade, ceded territories such as Hong Kong, and limited Chinese sovereignty. At the

same time, the widespread consumption of opium caused serious social and economic problems, affecting productivity and internal stability. These events contributed to the weakening of the Qing dynasty and increased internal discontent, creating conditions that favored the collapse of the imperial system.

Thus, in 1911, the Xinhai Revolution established a republic, which promised to ease internal conflicts, though without success.

In 1927, the country faced a civil war between the communists and the nationalists – a conflict that ended in 1949, when Mao Zedong proclaimed the creation of the People’s Republic of China.

In the first decades of the communist regime, the Chinese economy was reorganized according to socialist principles – the State assumed control over the main means of production and implemented centralized economic plans to guide development, including initiatives such as the Great Leap Forward (1958 – 1962), which sought to accelerate industrialization and radically collectivize agriculture. Although these policies allowed some initial industrialization, they ultimately generated profound economic and social problems, causing a sharp drop in agricultural production and a devastating famine that led to millions of deaths. Later, the Cultural Revolution (1966 – 1976) brought political instability, persecution, and marked economic disorganization, affecting education, administration, and production.

By the end of the 1970s, the Chinese economy was backward and unproductive, leading many leaders to recognize the need for profound changes and thereby opening the way for a new economic and political orientation.

3. China’s economic transformation

From 1978 onward, the Chinese government began a set of economic reforms aimed at modernizing the country and promoting economic growth, gradually introducing market mechanisms, encouraging foreign investment, and promoting greater autonomy for companies.

As a result of these changes, China recorded extraordinary economic growth over several decades. The country became one of the world’s main centers of industrial production and consolidated its position in

global value chains.

Initially, China benefited from a large workforce and relatively low production costs, which allowed it to attract investment from multinational companies and rapidly develop its industrial base, with much of this growth taking place in export-oriented manufacturing.

Over time, the Chinese economy began to evolve toward higher value-added sectors, including technology, innovation, and advanced services. The government began to encourage the development of new strategic industries, promoting investment in scientific research, artificial intelligence, renewable energy, and digital technology.

Fundamental to this process was the creation of important industrial and technological hubs in different regions of the country, which concentrate companies, human resources, infrastructure, supply chains, and universities, favoring economies of scale and the diffusion of knowledge and innovation. These hubs were critical for China to magnify gains in productive efficiency and its capacity to integrate into global value chains.

4. The competitiveness of contemporary China

China's global business competitiveness can be analyzed through various international indices that assess institutional, economic, and regulatory conditions. Among the most relevant are the Global Competitiveness Report, the World Bank's Doing Business, and the DHL Global Connectedness Index.

In light of the Global Competitiveness Report 2020 (the last edition before its discontinuation), China shows a high and consolidating level of competitiveness. The country stands out for its strong state capacity for coordination and for significant investments in infrastructure and digitalization, although challenges remain, particularly in terms of transparency, regulatory efficiency, and trust in institutions, aspects that the report identifies as global weaknesses. In the domain of human capital, there has been relevant progress in technical qualifications, though skills gaps remain. In market functioning, China is characterized by its large scale and growing integration into the global economy, but also by the significant presence of the State –

which creates challenges in terms of competition. With regard to the innovation ecosystem, the country shows dynamism and high levels of investment in research and development, although difficulties persist in the diffusion of innovation and its translation into sustainable and inclusive gains. It is important to emphasize that, in the 2020 edition, the report does not present comparative rankings between countries, focusing instead on global trends and priorities. Even so, the report suggests that China has an advanced position relative to many emerging economies, but with room for improvement in institutional, social, and environmental dimensions.

Another important element for assessing the level of competitiveness is Doing Business 2020 (the last edition before its discontinuation), prepared by the World Bank, which analyzes different dimensions of the regulatory environment for companies. In this index, China ranks 31st, with an overall score of 77.9 points. The country's performance varies according to the area assessed. For example, it presents very favorable rankings in contract enforcement (5th place) and getting electricity (12th place), reflecting improvements in administrative efficiency and the quality of infrastructure. On the other hand, there are areas where challenges remain, such as paying taxes, where China occupies a relatively lower position (105th place), and access to credit, with a ranking of 80th place. These results demonstrate that, although the country has advanced in simplifying procedures and strengthening some aspects of the regulatory environment, there are still institutional areas that can be improved to reinforce business competitiveness.

Competitiveness can also be analyzed in the context of international integration through the DHL Global Connectedness Index, which measures the intensity of cross-border flows of trade, capital, information, and people. According to the DHL Global Connectedness Report 2024, China ranks 80th among 181 countries – that is, it has a medium-high level of global connectedness. This result reflects, on the one hand, China's strong participation in international trade and investment flows and, on the other hand, the significant weight of the domestic market in the structure of its economy.

5. China's main industrial hubs

5.1. Yangtze River Delta

The Yangtze River Delta has historically consolidated itself as one of the main engines of Chinese industrialization, benefiting from the economic opening that began in the late 1970s and from the strong integration among cities such as Shanghai, Suzhou, Hangzhou, and Nanjing. The region developed export-linked industrial chains and highly advanced logistics infrastructure, supported by world-class ports and dense railway and road networks. Today, this is one of the country's largest economic regions in terms of GDP, with highlights including high-tech industries, semiconductors, electric vehicles, advanced machinery, and financial and technological services. Major Chinese companies such as SAIC Motor, Geely, and SMIC are headquartered in or have significant operations in this region, which also hosts important industrial operations of multinationals such as Tesla, Siemens, and Bosch.

5.2 Pearl River Delta

The Pearl River Delta (which includes Macau) was also one of the first territories to benefit from Chinese economic reforms and the creation of special economic zones, becoming a globalized export manufacturing center from the 1980s onward. Cities such as Guangzhou, Shenzhen, Dongguan, and Foshan formed an integrated production network, initially based on manufacturing and later evolving into a high-value industrial and technological hub, especially in the sectors of electronics, telecommunications, and technology. Major Chinese companies such as BYD, Huawei, and Midea stand out in this region, in addition to important industrial operations of multinationals such as Samsung Electronics, Foxconn, and Panasonic. Macau, although it has a distinct economy centered on tourism and casinos, is part of this regional system by belonging to the Greater Bay Area (GBA), with the objective of sectoral diversification and participation in regional economic cooperation initiatives, notably the creation in Hengqin of the Guangdong-Macau In-Depth Cooperation Zone.

5.3. Beijing-Tianjin-Hebei Region

The Beijing-Tianjin-Hebei region has industrial roots associated with the state-led development of northern China during the socialist period, when major steel, energy, and machinery complexes were established. In recent decades, the central government has promoted a strategy of regional integration to reduce imbalances and redistribute economic functions among the cities. At present, Beijing acts as a political and advanced services center; Tianjin stands out as a port and industrial hub; and Hebei concentrates part of the heavy industrial base. The region also invests heavily in industrial modernization, logistics, and infrastructure. Among the large industrial companies headquartered in or with relevant operations in the region are China National Petroleum Corporation, Sinopec, and CNOOC, as well as industrial operations of multinationals such as Airbus and Toyota.

5.4. Northeastern Industrial Belt

The Northeastern Industrial Belt, often called China's "old industrial base," developed mainly between the 1950s and 1970s, with strong state support and Soviet technical cooperation. The region, which includes provinces such as Liaoning, Jilin, and Heilongjiang, specialized in heavy sectors such as steel, machinery, petrochemicals, and the military industry. After economic reforms and structural changes, it faced challenges of industrial and demographic decline. At present, the Chinese government promotes policies of industrial revitalization and technological modernization to renew these traditional industries and develop new industrial sectors. Among the relevant companies in the region are Ansteel Group, FAW Group, and Dongbei Special Steel, in addition to industrial operations of multinationals such as BMW and General Motors.

5.5. Middle Yangtze River Region

The Middle Yangtze region gained importance in recent decades as part of the strategy for developing China's interior and urban integration along the great Yangtze axis. Cities such as Wuhan, Changsha, and Nanchang became important industrial and logistics hubs, benefiting from their central position in the country's river and rail transport networks. Today, the region combines advanced manufac-

turing, the automotive industry, electronics, and equipment production with a growing focus on industrial modernization and economic integration among the central provinces. Among the relevant industrial companies present in the region are Dongfeng Motor, Zoomlion, and Sany Heavy Industry, as well as industrial operations of multinationals such as Honda, Peugeot, and Foxconn.

6. China's main technological hubs

6.1. Shenzhen

Shenzhen rapidly transformed from a small fishing village into one of the world's leading technological centers after being designated a Special Economic Zone in 1980. Initially focused on export-oriented manufacturing, the city evolved into a highly innovative ecosystem integrating research, production, and technological entrepreneurship. Today, it is one of the world's largest centers of electronics and innovation, with a strong presence of telecommunications, hardware, artificial intelligence, and digital device companies, in addition to high investment in research and development. Among the main technology companies headquartered in or founded in the city are Huawei, Tencent, and DJI, in addition to technology production and development centers of multinationals such as Apple, Foxconn, and Samsung Electronics.

6.2. Beijing

Beijing has consolidated itself as China's main center of innovation and technological command due to the concentration of elite universities, research institutes, and technology companies. The development of the Zhongguancun district, often compared to Silicon Valley, played a fundamental role in shaping the city's technological ecosystem from the 1980s and 1990s onward. Today, Beijing stands out in areas such as artificial intelligence, software, the internet, big data, and digital services, in addition to concentrating corporate headquarters and government institutions that guide the national technological strategy. Among the technology companies headquartered in the city are Baidu, ByteDance, and Lenovo, in addition to research and development centers of multinationals such as Microsoft, IBM, and Intel.

6.3. Hangzhou

Hangzhou emerged as an important technological hub especially from the expansion of China's digital economy at the beginning of the 21st century. The city became known as a center of e-commerce and digital innovation, supported by leading companies and an environment favorable to entrepreneurship. In recent years, Hangzhou has diversified its economic base, combining the digital economy with information technologies, artificial intelligence, and digital platforms. Among the best-known companies headquartered in the city are Alibaba Group, Ant Group, and Hikvision, in addition to the presence of technology innovation centers linked to major Chinese companies and multinationals.

6.4. Shanghai

Shanghai has a long industrial and financial tradition and, in recent decades, has also become one of China's main technological centers. The city combines a strong advanced services sector with high-tech industry and scientific research. Today, it stands out in areas such as semiconductors, artificial intelligence, biotechnology, and financial innovation, in addition to having one of the country's largest foreign trade volumes and a global infrastructure for logistics and business. Among the relevant technology companies headquartered in or with a strong presence in the city are SMIC, NIO, and SenseTime, as well as major research and development centers of multinationals such as Microsoft, Tesla, and Siemens.

6.5. Chengdu

Chengdu has consolidated itself as an important technological center in China's interior, benefiting from national regional development policies and the Chengdu – Chongqing economic integration strategy. Historically linked to industrial and military sectors, the city expanded into high-technology areas and digital services. Today it stands out in electronics, semiconductors, information technology, and digital innovation, in addition to functioning as a strategic hub of innovation and services for western China. Among the relevant technology companies present in the city are BOE Technology, Tencent, and Huawei, as well as research and development centers of multina-

tionals such as Intel, IBM, and Dell.

7. Conclusion

China's business competitiveness results from a long historical process that combines structural factors, public policies, and gradual economic transformation. Without forgetting that a set of institutional and regulatory challenges remains, we can conclude that, starting with the reforms initiated in 1978, the country managed to modernize its economy, integrate into global value chains, and develop industrial and technological sectors of high complexity. This path was supported by significant investments in infrastructure, education, innovation, and productive capacity, allowing China to evolve from an economy based on low-cost manufacturing into a productive system increasingly oriented toward technology, knowledge, and value added.

In this context, industrial and technological hubs play a central role in consolidating Chinese competitiveness. Industrial regions such as the Yangtze River Delta and the Pearl River Delta, alongside technological centers such as Shenzhen, Beijing, and Hangzhou, demonstrate how the concentration of companies, universities, human capital, and infrastructure favors innovation and economic growth.

Thus, the interaction between state strategy, business dynamism, and regional development will continue to be decisive for China's consolidation as a world economic power.

TIMOR-LESTE'S BANKING SECTOR: WHY IT REMAINS SHALLOW AFTER TWO DECADES OF PEACE AND INVESTMENT?

Clinton Guterres, member of the CFALP Committee

Introduction

It has been more than twenty years since the restoration of independence in 2002, during which Timor-Leste maintained peace and invested heavily in the development of the country, yet its banking sector, among other sectors, remains shallow. The available evidence suggests that political stability and government spending do not always generate financial development. International assessments, including the International Monetary Fund, note that deeper banking systems depend on broader economic structures and institutional capacity – areas where progress has been slower (IMF, 2025).

Timor-Leste's formal banking system includes the state-owned Banco Nacional de Comércio de Timor-Leste (BNCTL), Bank Mandiri, Bank Rakyat Indoensia (BRI), Australia and New Zealand Banking Group (ANZ), Banco Nacional Ultramarino (BNU), and the newly formed Banco do Nosso Futuro, all supervised by the Banco Central de Timor-Leste (BCTL). Despite the presence of these banks, financial intermediation remains limited, as credit is scarce, digital services are underused, and most banking activities are concentrated in highly populated regions or narrow segments of the economy.

This essay argues that the shallowness of Timor-Leste's banking sector reflects deeper structural and institutional constraints rather than reluctance from commercial banks to operate. Some examples include the small size of the economy, reliance on cash, geographic fragmentation, and dependence on state spending, which limit both the supply and demand for formal financial services. In addition to that, slow legislative reforms related to land ownership, a robust credit information system, and digital finance continue to constrain how commercial banks operate. As a result, the banking sector's inability to perform is largely mirrored by the underdeveloped structure of the broader economy.

Disclaimer

The analysis presented here does not reflect the views of any government, organization, or third party. It offers an analytical overview based on publicly available data.

Background: understanding Timor-Leste's shallow banking sector

Over the years, through Banco Central de Timor-Leste (BCTL), the country has introduced several reforms, some of which are still pending approval, to strengthen the financial system, including new banking and financial system laws that allow borrowers to use movable assets as collateral (BCTL 2024). These measures aim to modernize supervision, expand access to finance, and align national regulations with international standards. It is also noted that the implementation of these legislations has been uneven, and many structural constraints remain. For example, a report from the IMF notes that lending continues to be limited due to higher collateral requirements and higher interest rates (IMF 2025).

A weak or shallow banking system prevents savings from being put into productive use. In fact, a significant share of deposits in the banks is not transformed into productive lending, meaning savings are not effectively used to turn into investment (World Bank 2022). In turn, it slows financial development and constrains growth. Small and medium-sized enterprises are significantly affected by this, thereby limiting their ability to get financing that is essential for expansion, job creation, and firms' ability to withstand economic downturns. Households also struggle to use savings to smooth consumption or to invest in long-term economic activities such as housing, education, and health. Therefore, without reliable sources of financing and credit, many small businesses remain small and must operate through informal transactions, thereby limiting financial intermediation and private sector development (Asian Development Bank 2025). Another piece of evidence showing weak or shallow banking comes from the fact that banks can be considered weak intermediaries. This is not because of their willingness but, as explained, due to the structural weakness of the overall economy, as they particularly refocus their operations to serve public projects that are funded by large government

spending. When economic growth is driven primarily by petroleum-funded public spending rather than private investment, the economy becomes more vulnerable to shocks.

Structural economic constraints that keep banking shallow

Timor-Leste's economy is small and has not fully diversified from petroleum, which is key to explaining why the financial sector remains underdeveloped. According to Banco Central de Timor-Leste (BCTL), non-petroleum revenues declined by 9% in 2024 from 2023, underscoring the extent to which petroleum revenues continue to dominate the economy, which the government uses for most public expenditure. In 2024, public spending represented 51% of total expenditure, which has also reinforced the state's position as the primary economic actor rather than fostering broad-based private sector development (BCTL 2024).

This state-dependent growth model shapes banks' incentives. When the government is the main driver of economic activity, banks focus on low-risk activities and government-related transactions rather than lending them to private firms and SMEs. Significant state transfers, such as public sector wages and veterans' benefits, reduce household demand for credit. Even when banks have excess liquidity, the limited number of viable private projects constrains financial deepening (TATOLI – “The Overlooked Lifeline: Reassessing Timor-Leste's Economic Outlook after Bayu Undan”). International organizations, including the World Bank and IMF, consistently observe that heavy reliance on petroleum-financed public spending reduces incentives for private investment and delays diversification (IMF 2025). In this context, the banking sector reflects the narrow, state-centered economic model rather than functioning as an independent engine of development.

Limited financial inclusion reinforces these constraints. Outside Dili, economic activity remains largely cash-based due to inadequate infrastructure, weak digital connectivity, and low financial literacy. Most of the foreign banks are reluctant to open new branches in rural areas due to the high costs they would bear given the rugged terrain and dispersed population (UNCDF DFLS Report Timor-Leste 2023). As a result, many households and firms rely on cash transactions and

informal finance, restricting the expansion of formal banking services.

Policy pathways to deepen the banking sector

Despite the government's efforts to establish legal foundations for a modern financial system, the main challenge still exists in the implementation of these legal frameworks. This implementation gap is evident in a wide range of areas, including the promotion of digital finance. The penetration of digital finance remains uneven due to weak cooperation, inadequate infrastructure, and limited financial literacy (BCTL 2022). To ensure broader access to financial services through digitalization, there is a need to emphasize investments in the institutional capacities of all stakeholders, building a strong banking system infrastructure, and increasing public awareness (UNCDF 2023).

Another area is to encourage small business participation through credit guarantee schemes designed to reduce lending risks and encourage banks to extend credit to viable SMEs who lack collateral. To achieve that, there must be greater emphasis on rules, supervision, and transparency. While regulatory frameworks have expanded, enforcement is constrained by shortages of skilled staff and technical resources. Weak implementation undermines confidence in the financial system and discourages innovation, particularly in digital finance and SME lending. Strengthening supervisory capacity would help ensure that existing laws promote financial deepening. Effective implementation is therefore essential if loan guarantees are to support private sector expansion.

Lastly, the development of the financial sector depends on broader economic diversification. The comprehensive strategy is to promote sectors beyond coffee, such as tourism, small-scale manufacturing, and agriculture. Without more diverse economic activities and stronger institutions, financial regulation alone cannot significantly expand the banking sector

Conclusion

Timor-Leste's shallow banking sector reflects deeper structural challenges of the economy rather than isolated shortcomings from inef-

fectiveness of the existing banks. Despite long-term peace and substantial public investment, economic diversification has been limited. State spending and petroleum wealth remain the primary drivers of growth, while institutional development, financial intermediation, and private sector expansion have progressed more slowly.

In essence, the banking sector is shallow because the economy is shallow, and the economy is shallow because institutional development has not kept pace with stability and investment. Legislation and regulatory frameworks are necessary but not sufficient. Deeper financial development requires effective implementation, stronger institutions, and sustained efforts to broaden economic activity and increase private sector participation. Without these changes, banking expansion will remain constrained, reinforcing the structural limitations that characterize Timor-Leste's economy.

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THE INVESTMENT FUND MARKET IN BRAZIL AND PORTUGAL – SIMILARITIES AND DIFFERENCES

Tiago Forte Vaz, CFA, Head for Latin America and Portugal at Pictet Asset Management and Diaspora Advisor to the CFALP Committee

The asset management markets of Brazil and Portugal reveal two realities that, although they share language, cultural and historical ties, operate in almost opposite financial worlds. On one side, Brazil emerges as a large closed economy, with high interest rates, strong currency volatility, and a capital market capable of internally absorbing a large share of available savings. On the other, Portugal represents a more open economy, with structurally lower interest rates, a more liberalized investment architecture, and fund distribution that is strongly integrated across borders.

From the outset, the difference in scale and structure is striking. Brazil, with a fund industry amounting to billions (short scale: trillions) of euros, has more than a thousand local asset managers, in a market where there are few options beyond investments in reais and domestic vehicles – by regulatory design, international funds reach Brazilian investors only through structures such as “mirror funds” or feeder funds, which limits supply, increases complexity, and raises access costs. In contrast, Portugal operates within a European framework in which jurisdictions such as Luxembourg allow a single vehicle to be distributed across multiple countries, requiring only registration with the local regulator. Regulatory integration in the European Union reduces barriers, expands the range of products, and supports a truly open architecture.

These structural differences have direct implications for investor behavior. In Brazil, the so-called home bias – the preference for domestic assets – is strong and is amplified by double-digit interest rates. When the CDI yields around 11% per year, it becomes difficult to convince an investor to exchange a near-guaranteed return in benchmark-indexed bonds for an international fund in foreign currency, subject to both market and currency volatility. It is not merely a matter of familiarity; it is a significant opportunity cost. As a result, Brazilian portfolios are structurally dominated by local bonds, often indexed to the CDI or inflation, relegating international diversification

to marginal allocations, even in the institutional segment.

In Portugal, the picture is different. The lower capacity of local markets to absorb all savings, combined with traditionally lower interest rates, pushes investors – both institutional and retail – toward international diversification, particularly in global equities and bonds. In many European countries, a significant portion of equity investment is made outside national borders. In Portugal, the small size of the domestic equity market makes looking abroad almost inevitable as the primary source of opportunities. Home bias exists, but it is moderated by the practical need for diversification.

The type of clients and distribution channels also reflects different stages of development. In Brazil, pension funds, insurers, and other institutions are central players, with sophisticated internal teams and proprietary investment processes. In retail, the past decade has been marked by “debancarization”: investment platforms and advisor networks have broken the absolute dominance of banks in fund distribution. More recently, the role of the independent investment advisor, compensated by the client rather than through retrocessions, has begun to gain traction, similar to what has been seen in Europe for a longer period. In Portugal, however, this movement is still incipient: the model based on commissions paid by products remains dominant, and competition outside the traditional banking channel is limited.

Another relevant dimension of comparison is the evolution between active and passive management. In Europe and Portugal, the use of ETFs and other passive instruments is widespread, especially among institutional investors, who often combine active asset allocation with “cheap beta” to implement both tactical and strategic decisions. In Brazil, the passive industry is still at an earlier stage, although there has been recent progress: ETFs exist and efforts to develop this market are ongoing, but liquidity remains limited and the bias in favor of active management is still significant. At the same time, the relevance of alternative investments – private markets, illiquid strategies, impact funds – is growing both in Europe and Brazil, as a response to the saturation of public markets and the difficulty of generating alpha in a world of excess information.

Finally, the ESG theme clearly illustrates the difference in regulatory

maturity. Europe is at the forefront, with detailed frameworks for transparency, fund classification, and the integration of sustainability preferences into advisory processes. Brazil, through self-regulation by its local association and guidelines for pension funds, has sought to mirror part of this path, but still remains a few steps behind in practical implementation. The trend, however, is clear: environmental, social, and governance criteria are no longer optional but are becoming an integral part of the investment process in both geographies.

In summary, there are many differences between the two markets, and this creates opportunities for complementarity and mutual learning. Brazil offers high real interest rates, a deep domestic market, and a robust local industry; Portugal and Europe provide product diversity, regulatory integration, and greater maturity in areas such as ESG and passive management. The challenge – and the opportunity – lies precisely in building bridges: facilitating access for Brazilian investors to the global market, while at the same time opening more doors for European investors to capture, in a structured and regulated way, the yield and diversification potential that Brazilian assets can offer to a global portfolio.

SOCIAL ENTREPRENEURSHIP IN INDIA

Eugénio Viassa Monteiro, co-founder of AESE Business School and Adjunct Professor at the Indian Institute of Management

In very diverse situations, there are segments of society that, despite having all the capabilities to produce handicrafts, industrial goods, and agricultural products, lack just one crucial element that leaves them in poverty.

I will cite one example, among many cases that I have co-authored, which prompt reflection and help identify solutions to overcome this bottleneck. India abounds in unique situations that offer solutions to various unmet needs of the population, often neglected by those who should address them. I could speak of dairy cooperatives, the most notable being the one behind the AMUL brand; of microcredit institutions that help launch small initiatives to support and sustain families; of farmers' associations that enable better commercialization through necessary logistics or even export of certain products, etc.

A remarkable case is that of individuals who cannot see due to cataracts and lack the financial means to undergo a simple surgery that replaces the natural lens with an artificial one, restoring vision. I am referring to the Aravind Eye Care System²⁵, based in the State of Tamil Nadu, in southeastern India.

In 1976, Dr. Venkataswamy (Dr. V., for simplicity) had just retired as an ophthalmic surgeon at the public hospital in Madurai upon reaching the age of 58, which was the standard retirement age at the time.

He had had a brilliant career, though not without health setbacks, including severe rheumatoid arthritis that deformed the joints of his fingers and toes when he was still a young doctor, forcing him to pursue a new medical specialization.

Seeing many blind people who could easily regain their sight, Dr. Venkataswamy established a small clinic with 11 beds to restore vision

²⁵The Aravind Eye Care System (AECS), Case DG-A-503, from the AESE Business School Research Center. Prepared by Dr. Ana Janeiro Dias under the supervision of Professor Eugenio Viassa Monteiro, in January 2004, to serve as a basis for academic discussion and not as an example of appropriate or inappropriate management of a specific situation.

through surgery. He enlisted the help of his sister and brother-in-law, also eye surgeons, who began working with him. Shortly thereafter, he opened a 30-bed clinic, and the results were very positive.

India, which had once been one of the richest countries in the world prior to colonial occupation, became, at the time of independence achieved through struggle, one of the poorest, with its economy completely devastated by the colonizer. One author²⁶ noted that around the year 1600, at the time of the formation of the East India Company, India produced about 22.5% of global wealth, while the United Kingdom produced only 1.8%; and that by around 1870, at the height of the British Raj, the United Kingdom already produced 9.1%, leaving India reduced to hunger, poverty, and deprivation of all kinds.

With inherited poverty and a “Soviet-style” economic model implemented immediately after independence and lasting until 1991, little was done to improve the general condition of misery in which India found itself. Many of the needs of large segments of the population went unmet or were left to the philanthropic initiatives of those who had slightly more.

In 1976, there were more than 12 million people in India blind from cataracts, most of whom (around 80%) could regain their vision through a specialized, simple operation involving the replacement of the opaque natural lens with a transparent plastic one. Generally speaking, these were very poor individuals who could not afford the surgery; their post-blindness life expectancy was only about 2.5 to 3 years, as blind individuals often felt like a “burden” to their already poor families, neglected their nutrition, and lost the will to live.

After the two small clinics mentioned, Dr. V. approached a bank to request a large loan to build a purpose-built hospital in Madurai, where he set a ratio of 40% paying patients and 60% non-paying patients, due to poverty.

With only 40% of patients paying, the “operation” still generated surplus funds due to excellent customer-centered organization and immense efficiency. Doctors’ time was used very effectively, supported

²⁶ William Dalrymple, *The Last Mughal: The fall of a Dynasty*. In *TIME*, August 13, 2007, pg. 56.

by several nurses, enabling fast and carefully performed surgeries.

After the first purpose-built hospital, a second followed, and many others, totaling 14 hospitals today, along with dozens of vision centers and eye clinics.

The Aravind Eye Care System (AECS), founded in 1976 in Madurai, India, is one of the largest and most productive providers of ophthalmic services in the world, recognized for its sustainable high-volume, low-cost model. The institution has already provided more than 58 million outpatient consultations and performed more than 6.8 million surgeries, with around 60% of services delivered free of charge or highly subsidized.

Key Data and Metrics (Recent Trends): Annual Patient Volume: More than 1.3 million outpatient visits and over 190,000 surgeries performed annually (depending on the reporting year).

Outreach and Screening: More than 1,500 “eye camps” conducted annually, examining over 500,000 people per year.

Infrastructure: A network of 14 eye hospitals, 6 community eye clinics, and more than 66 primary eye care centers (Vision Centers).

Financial Model: More than 60% of patients receive free or highly subsidized care, funded by revenues from paying patients.

Quality Metrics: The assembly-line approach allows surgeons to perform 6 to 8 surgeries per hour; in-house manufacturing of intraocular lenses costs less than \$10 USD.

Clinical and Geographic Focus

Locations: Strong presence in Tamil Nadu (Madurai, Chennai, Pondicherry, etc.), with expansion into Andhra Pradesh.

Specialties: Comprehensive services including cataracts, pediatric ophthalmology, glaucoma, and retina.

Technology: Uses artificial intelligence (AI) for real-time screening of diabetic retinopathy in rural vision centers.

The Aravind model is widely used for training purposes, with 10% of ophthalmologists in India, Nepal, Bangladesh, and Indonesia having trained at the institution. (Source: Google.com, March 2026)

Additionally, Dr. V. created a factory for intraocular lenses using modern technology, funded by a donation from a social entrepreneur. Today, it produces around 1 million lenses, using what is needed internally and selling the rest at near cost to charities worldwide. At the time, each lens imported from the United States cost well over \$100 USD.

One can imagine the satisfaction of visually impaired individuals who

regain their sight and can return to work, contributing to their family income. If they previously considered themselves useless, they now find new meaning in life and gain strong self-esteem.

This represents the removal of a barrier that prevented them from working.

Each Aravind doctor performs, on average, 2,000 cataract surgeries per year, compared to an average of around 220 in Indian hospitals. Additionally, each doctor is encouraged to specialize in a specific area of the eye beyond standard cataract surgery, such as glaucoma, orbit, retina, etc.

However, making hospitals available in cities is not enough: the rural poor – and 70% of India’s population is rural – are reluctant to travel to city hospitals for many reasons, including blindness itself, inability to navigate cities, lack of money for transportation, and lack of companions who would have to lose one or more days of work.

This is when Dr. V. created the “eye camps,” involving local entrepreneurs who handle publicity and designate locations to screen individuals with vision problems. At these camps, many receive prescription glasses on the same day, and those requiring surgery are transported to the hospital that sponsored the camp and assigned specialized staff. Three days after surgery and recovery, patients are returned to the camp location with their vision restored.

As mentioned earlier, cataract surgery requires replacing the natural lens. Initially, imported lenses from the U.S. cost about \$200, while the surgery itself cost less than \$15. This made it inaccessible to many unless a solution to reduce lens costs was found. And so it was: intra-ocular lenses began to be manufactured in Madurai at Aurolab (Aravind’s lens factory, where various ophthalmic products and eye drops are also produced), using modern technology imported from the U.S. and funded by foundations or social entrepreneurs.

But challenges continued: although there were well-trained and committed doctors, the process required many nurses to prepare and assist patients so that the surgeon could focus on operating at a steady pace for long hours. Again, a solution was devised: each year, a

number of young women from nearby villages with secondary education were selected and trained in nursing over several years. In this way, nurses were trained both for Aravind and for the national labor market.

The work could not stop: there were also incurably blind individuals who needed training to lead more “normal” lives and earn a living. Training programs were provided for them as well.

There was also training for primary and secondary school teachers to detect vision problems early among students so they could be treated promptly, at the onset of difficulties.

Dr. V. wished to expand his model worldwide. However, this required a certain spirit and sense of mission. He began offering training in his methods and organizational model for high-volume operations to any interested doctors, providing eight-week seminars. Many thousands of doctors have attended these training programs.

Not satisfied with this, he created an entity, LAICO, to assist hospital ophthalmology departments in improving productivity, measured by the number of surgeries performed. At one point, more than 250 hospitals were seeking assistance from Aravind. In one example cited by Dr. V., a hospital performed 496 surgeries per year before LAICO’s intervention; after reorganization and reaching a normal operating pace, it was performing 490 surgeries per month, with the same number of surgeons!

Some years ago, around the 2010s, Nobel Peace Prize laureate Muhammad Yunus commented that he had visited Aravind and then requested support and guidance for Grameen Bank to establish two ophthalmology hospitals in Bangladesh based on the Aravind model. One of the hospitals had already been inaugurated and was operating, and the other was expected to follow shortly.

Many millions have been relieved of the effects of blindness, allowing them to return to their previous occupations and contribute to their own and their families’ livelihoods.

What is remarkable is that all of this began with a small idea, within the capacity of a single person, which gradually brought together

others – family, friends, and professionals – creating a structure, an organization, and processes transmitted through training so that they could be replicated with the utmost care required by the delicacy of vision.

There is currently a family trust of Dr. V. that holds 100% ownership in all hospitals, Aurolab, LAICO, etc., although each entity has its own governance structures and operates with full autonomy and responsibility.

The system is based on a robust and self-sufficient model, in which the vast majority of staff (around 80%) are women, working primarily as paraprofessionals – including optometrists, surgical nurses, and counselors.

How many people work in the **Aravind Eye Care System**?

Total number of doctors: 899, acting as:

- Consultant doctors: 421;
- In training to become ophthalmologists: 208;
- Ophthalmologists in training to become sub-specialists: 270.

The total number of other staff, including trainees and probationary personnel, is 5,500, of whom:

- Permanent staff: 3,313;
 - In training/probation: 2,187.
-

The institution is financially sustainable through paying patients and the enormous efficiency of its processes. Aravind receives donations, but it is neither dependent on nor captive to them. Its own well-managed revenues allow continuous improvement of equipment, techniques, and staff training, including sending personnel to international seminars and conferences and encouraging applied research, the results of which are disseminated. A cornea bank for transplantation has also been established.

Dr. V. passed away on July 7, 2006. He left behind a well-trained organization, deeply imbued with his values.

The Champalimaud Foundation (Portugal) awarded the first of its announced prizes, €1 million, to institutions that alleviate the effects of blindness. Months later, the Bill & Melinda Foundation awarded

another \$1 million USD prize. Later, the Conrad Hilton Foundation awarded its annual \$1.5 million prize to Aravind.

HISTORY AND EVOLUTION OF THE DERIVATIVES MARKET IN BRAZIL

Luiz Pedro Costa e Silva, CFA, derivatives professional

Although considered one of the most difficult and complex topics in the capital markets, derivatives are almost as old as organized trade itself in human society. Historically, one can find rules for future delivery of goods at previously agreed prices in the Code of Hammurabi, descriptions of their use in the works of Aristotle – featuring the contingent use of olive presses by Thales of Miletus – and their first historical euphoria in the tulip bubble of the 17th century. In ancient Rome and Greece, centralized markets already exhibited a level of sophistication that laid the foundation for modern markets, as there were predetermined trading locations at set times, with systems for the physical delivery of traded goods.

There is a natural convergence in the concept of trading the future – it is an intrinsic necessity of markets, inherent to their nature, compulsory for the cautious and the hallmark of the bold.

Just as agriculture and its surpluses developed trade, organized derivatives markets emerged from the need to hedge and trade agricultural commodities.

The Brazilian centralized market has, throughout its history, had several regional exchanges that gradually consolidated into a few institutions and ultimately converged into the Bolsa, Brasil, Balcão (“B3”), which today is the country’s only centralized exchange.

Among the main exchanges in Brazilian history, the Rio de Janeiro Stock Exchange (“BVRJ”), created in 1845 during the Empire period in Brazil, stands out. It was the first stock exchange in Brazil, inspired by the European model, aiming to organize the brokerage of goods and securities. In 2000, the Brazilian equity market was consolidated under the São Paulo Stock Exchange (“Bovespa”), and in 2002, BVRJ was absorbed by the Mercantile & Futures Exchange (“BM&F”), thus ending its role in national history.

Bovespa, initially called Bolsa Livre, was founded in 1890 during a period of broad fiscal incentives that led to the speculative crisis

known as the “Encilhamento” in the Brazilian economy. In 1891, it ceased operations following the bursting of the economic bubble. In 1985, a new attempt was made to create an exchange for the supervision and trading of securities in São Paulo, which became Brazil’s main stock exchange during the second half of the 20th century, operating alongside BM&F, created in 1986 with a focus on futures contracts for the dollar, interest rates, and indices.

In Brazil, the first institutional entity to trade futures and forward contracts was the São Paulo Commodities Exchange (“BMSF”), founded in 1917, which remained active until 1991, when it was absorbed by BM&F. The economic instability caused by disruptions in maritime trade and financial flows due to World War I created the need for institutional organization of coffee trading in São Paulo by producers and exporters. The creation of an institution that standardized trading brought transparency to prices and arbitrage to the market, reducing regional distortions in commodity prices and enabling quality control of traded goods.

The Central Custody and Settlement of Private Securities (“Cetip”), created in 1986 amid the expansion of private credit in the country, was not a centralized trading exchange but rather a support structure to reduce settlement risk, improve transparency, and ensure proper registration of securities. The growth of over-the-counter (OTC) transactions required a robust settlement system. The absence of a clearinghouse could lead to defaults due to settlement failures. Banks and brokers needed a central depository to reduce such risks. The centralization of records in a single environment facilitated market supervision by regulatory agencies.

The need for the market to trade and price financial risks beyond agricultural commodities and equities led to discussions about modernizing futures and derivatives trading, culminating in the creation of BM&F in the inflationary environment of the 1980s.

In 2008, Bovespa and BM&F began a consolidation process aimed at increasing operational efficiency and becoming a more competitive structure, forming BM&FBovespa, which integrated equities, derivatives, and other instruments within a single environment.

In 2017, the final major step in the creation of B3 was completed with the merger between BM&FBovespa and Cetip. Cetip operated as a custody system and central depository for private securities traded over the counter, while BM&FBovespa concentrated custody and settlement for equities and derivatives.

The integration of these entities enabled mark-to-market valuation, custody, and settlement of various asset types – exchange-traded, OTC, and derivatives – within a single infrastructure, reducing costs and complexity while increasing efficiency and transparency in the Brazilian financial market.

The literature explains that historically, forward contracts were traded informally during the formation of trade. In Brazil, informal contracts for the purchase and sale of coffee and other agricultural products existed before any centralized organization. With the creation of BMSP in 1917, the first organized structure emerged that operated at scale for the trading of forward contracts for agricultural products, including the negotiation of the country's first standardized futures contracts. In the 1980s, the first standardized gold futures contract was traded. The growing demand for managing and pricing risk led to the establishment of BM&F and the subsequent introduction of futures contracts on interest rates, indices, and the dollar.

The instrument for exchanging returns between two indicators, known as a swap, first appeared in decentralized form without specific regulation in Brazil at the end of the 1980s. The emergence of this derivatives model was driven by the collapse of the Bretton Woods agreement in the 1970s. Initially, it took the form of loans between two counterparties in different countries, lending money to each other in different currencies to hedge against high exchange rate volatility. In Brazil, the American bank J.P. Morgan, through its local subsidiary, played a major role in developing this instrument.

The acquisition of rights to sell and buy (contingent instruments or options), as well as forward transactions, have been practiced in Brazil since the 19th century. These instruments were conducted bilaterally between producers, speculators, and commodity companies. Options trading was formalized in 1979 when BVRJ and Bovespa began offering equity derivatives such as options and futures. In 1986, with

the creation of BM&F, the market expanded to include options on indices, interest rates, and foreign exchange.

In 1999, Brazil moved from a fixed exchange rate system to a floating exchange rate regime, and in the early 2000s, the commodity super-cycle began, creating strong demand for Brazilian assets and boosting the country's export capacity. This combination of factors led to a major expansion in the use of derivatives, particularly in foreign exchange and interest rates, up until the 2008 crisis.

The 2008 global financial crisis revealed weaknesses in the monitoring of derivatives positions on corporate balance sheets. The flight to safety triggered by the subprime crisis led to a sharp appreciation of the dollar, which impacted companies holding speculative positions. Two of the most well-known and emblematic cases were the losses recorded by the Sadia group and the Aracruz group.

The global financial crisis led to tighter regulation worldwide with the introduction of Basel III. At the local level, regulators focused on improving transparency in corporate balance sheet exposure, requiring the registration of derivatives transactions in financial statements and strengthening risk management culture within corporate governance.

Since 2008, there has been a significant increase in both the use and diversification of derivatives. In 2025, there was a record in daily trading volume of derivatives in the equity market, according to B3 reports. This trend has also been observed in interest rate and foreign exchange markets, making Brazil one of the most liquid OTC (Over-the-Counter) markets in the world.

Studies conclude that the foreign exchange derivatives market in Brazil functions as a price discovery mechanism. The requirement for authorization from the Central Bank of Brazil to operate in the interdealer market appears to have shifted liquidity and price discovery processes to the derivatives market. In contrast, in other countries such as the United States, this role is typically played by the interbank market.

Therefore, the historical process of market maturation and development leads to solutions that seek efficiency, with derivatives emerging

as key instruments in this evolutionary process. Institutionalization and supervision are essential steps in improving these instruments. Like any market mechanism, derivatives also have the potential to generate crises when there are weaknesses in the supervisory environment.

MOZAMBIQUE BETWEEN POTENTIAL AND PRESSURE: LESSONS FROM SENEGAL AND BOTSWANA ON THE TIMING OF INSTITUTIONS

Ilia Silva, member of the CFALP Committee

Mozambique's main economic challenge does not lie in the existence of natural resources, high debt, or weak institutions considered in isolation. It lies in a structural timing misalignment between three forces that arrived out of sequence: expectations that formed early, institutions that arrived late, and revenues that have not yet materialized. Drawing on the comparative experiences of Senegal – which went through the full adjustment cycle – and Botswana – which avoided it through early institutional discipline – this essay analyzes the mechanisms through which this sequencing problem generates compounded risk. It concludes that the critical variable is not the scale of the gas premium, but the speed at which credible institutions can catch up with an economic reality that is no longer waiting for them.

1. Introduction

The economic history of countries rich in natural resources is rarely determined by the discovery itself. The decisive variable is the institutional framework within which the resource is managed: the rules governing its extraction, the fiscal frameworks that capture and allocate its revenues, and the credibility of the bodies responsible for enforcing those rules. When these institutions are built before revenues arrive – and before expectations are anchored – the resource can function as a structural accelerator. When they are absent or arrive too late, the same resource tends to amplify existing vulnerabilities instead of resolving them.

Mozambique is precisely at this inflection point. The country holds gas reserves of approximately 150 billion (short scale: trillion) cubic feet in the Rovuma Basin – resources large enough, if developed, to structurally transform its external position and fiscal dynamics. However, Mozambique simultaneously faces a set of macroeconomic, institutional, and social pressures that limit its ability to convert this potential into sustained growth. Its fiscal credibility was damaged by the hidden debt crisis of 2016. The current IMF program went off

track in April 2025, and a new agreement is not expected before the end of 2026. The external debt repayment schedule is demanding, the exchange rate is under pressure, and social tensions following the October 2024 elections remain active.

To understand this moment, two comparative cases are analytically valuable. Senegal provides a recent, almost complete cycle of how these pressures develop and accumulate. Botswana demonstrates what the same problem looks like when it is avoided through early institutional discipline. Reading these two cases together supports a central conclusion: the outcome is not determined by the resource. It is determined by the sequence.

This essay is developed in six sections. Section 2 analyzes Senegal's cycle as a reference model. Section 3 applies that model to Mozambique. Section 4 examines the reinforcing dynamics among the individual risk vectors. Section 5 presents Botswana's counter-model. Section 6 synthesizes the argument and identifies the scenarios that will determine the outcome.

2. Senegal: a complete adjustment cycle

2.1. The discovery and expansion phase

Senegal's offshore gas fields were confirmed between 2014 and 2015. The discovery triggered a rapid increase in investor and government expectations regarding future fiscal revenues. Between 2020 and 2024, large-scale LNG investment followed, with first gas delivered in June 2024. The Senegalese government, anticipating the fiscal dividend from these resources, increased public spending and expanded borrowing accordingly. In June 2023, the IMF approved a USD 1.8 thousand million program, providing external validation of the fiscal trajectory.

2.2. The credibility shock

The cycle reversed in 2024. A government audit commissioned by the new administration revealed that national debt stood between 117 and 132 percent of GDP – substantially higher than the approximately 80 percent reported in official figures. The reaction was swift and severe. Within 30 days, bond spreads widened by 400 basis points. Fitch

downgraded the sovereign. The IMF suspended the program in October 2024. For more than 12 months, Senegal had no active program and no access to concessional financing, during which time a USD 471 million Eurobond repayment came due.

2.3. The social and political dimension

The fiscal compression that followed was substantial. The deficit was reduced from approximately 13.7 percent to around 5 percent of GDP. But the social consequences were immediate. With the removal of subsidies, urban food prices rose by 8 to 11 percent. Youth unemployment remained above 40 percent. Transport and health workers held strikes between January and March 2025. Street protests in Dakar directly limited the government's ability to implement the reforms required by the IMF, creating a feedback loop between social pressure and fiscal capacity.

2.4. The structural pattern

Five structural patterns defined Senegal's outcome. Each of these patterns is already observable in Mozambique:

- **Credibility problem:** a large and sudden revelation of higher-than-reported debt triggered a market reassessment that was rapid, severe, and difficult to reverse.
- **Loss of the IMF anchor:** the suspension of the program removed access to concessional financing precisely when fiscal pressures were most acute.
- **Financing trap:** with Eurobond markets effectively closed, Senegal was forced to raise financing through domestic markets, bilateral agreements, and complex financial instruments – all at higher cost and without restoring market confidence.
- **Social pressure:** adjustment measures imposed without a credible recovery narrative accelerated public distrust and directly limited the speed of reforms.
- **Adjustment spiral:** fiscal compression slowed growth, which reduced tax revenues, which widened the deficit, which required further compression – a self-reinforcing cycle that damaged growth before credibility was restored.

The central lesson from Senegal is not that adjustment is impossible. It is that credibility, once lost, requires a longer, more costly, and socially more demanding process to restore than to maintain in the first place.

3. Mozambique: the same path, from a weaker position

3.1. The seven-stage parallel

Mozambique followed the same seven-stage sequence as Senegal. The critical difference is not whether the stages match – they do – but the order in which the pressures arrived. Mozambique lost the confidence of markets and partners in 2016, a full decade before Senegal did. Table 1 maps the two countries against the seven stages of the cycle.

T1: The 7 stages of the cycle: Senegal and Mozambique in parallel

Stage	Senegal	Mozambique
1. Discovery	2014-15 Gas discovered	2010–12 Gas discovered (~150 tcf)
2. Investment	2020-24 Investment in LNG; first gas Jun. 2024	2019–26 Investment in LNG; current account deficit -41%
3. IMF Entry	Jun. 2023 IMF approves program of \$1.8 thousand million	May 2022 IMF approves program of \$450 million
4. Credibility shock	2024 Debt revealed at 117-132% of GDP; downgrade by Fitch	2016 Hidden debt ~\$2 thousand million revealed; IMF program collapses
5. IMF suspended	Oct. 2024 Program suspended; deficit reduced sharply	Apr. 2025 Program deviated; new agreement postponed
6. Political pressure	2024 Elections; protests; strikes	Oct. 2024 Elections; unrest; security risk
7. Market stress	2025-26 Bonds at 68¢; yields 13-16%; repayment of \$471 million	2026 Bonds at 74¢; yields ~16%; foreign exchange shortage

The consequence of this sequence is that Mozambique has already absorbed a significant share of the costs of the cycle without yet benefiting from the recovery phase. The 18-month interval between the disruption of the IMF program and the earliest expected date for a new agreement means that this period of institutional uncertainty is unusually prolonged.

3.2. Structural constraints

Although the pattern of pressures is the same, Mozambique’s capacity to manage them is more limited than Senegal’s at the equivalent stage of the cycle. Table 2 systematizes the three dimensions where the difference is most relevant.

T2: Structural constraints: comparison with Senegal

Dimension	Senegal	Mozambique
Credibility margin	Debt crisis revealed in 2024 under the new administration; presented as a break with the past.	Hidden debt crisis in 2016 is still lingering. Any new disclosure is interpreted as continuation of a pattern, not an isolated event.
Social capacity	Gini ~38; GDP per capita ~\$1,700. Removal of subsidies is painful but fiscally manageable.	Gini ~54; GDP per capita ~\$550. Each fiscal adjustment has a disproportionate impact on household income.
External safety net	WAEMU monetary union provides a regional financial buffer and exchange-rate anchor.	No regional monetary union. Adjustment must be managed entirely at the national level.
LNG execution risk	Sangomar project faced delays but was never suspended. Security environment is stable.	TotalEnergies suspended operations in Cabo Delgado in 2021. Restart depends on conditions outside direct government control.
Magnitude of upside	Gas reserves are modest on a global scale.	~150 billion (short scale: trillion) cubic feet in Rovuma – a transformational upside, but already partly priced into current financing expectations.

3.3. The current pressure map

There are five areas where pressure is currently active or forming. They are not independent: each affects the others, and the combination creates feedback effects that are harder to break than any individual pressure would be in isolation (Table 3).

T3: Areas of pressure: current status

Area	What is happening?	Status
External exchange	Firms report difficulty accessing foreign currency at official rates despite adequate gross reserves. Real exchange rate has appreciated, reducing export competitiveness.	Active
Fiscal position	High deficit. Debt service consumes a large share of revenues. External repayments due between 2026 and 2028. Bonds around ~74¢, yields ~16%.	Imminent
Banking sector	Rising domestic government borrowing crowds out private credit. Dollarization of deposits is increasing. Exposure to sovereign risk is growing.	Emerging
Growth	GDP growth ~2.5% (IMF 2025). LNG is not yet generating domestic linkages. Climate shocks add unpredictable downside risk.	Active
Social and political	Post-election tensions from October 2024 remain active. Cuts in U.S. external aid reduce room for social spending. Benefits from LNG are not yet visible to the middle class.	Active

4. Reinforcing dynamics: when risks accumulate

4.1. The adjustment spiral mechanism

The most analytically important feature of Mozambique's current situation is not the magnitude of any individual risk vector. It is the mechanism through which these vectors interact. A fiscal deficit requires adjustment. Adjustment compresses public spending and reduces domestic demand. Reduced demand slows growth. Slower growth reduces tax revenues. Lower revenues widen the deficit. A

wider deficit requires further adjustment. Each iteration of this cycle begins from a lower growth base than the previous one.

This spiral does not operate in isolation. Social pressure limits the political capacity to implement reforms. When reforms slow down, the IMF agreement is delayed. When the program remains absent, concessional financing is unavailable. Without external financing, the government borrows more in domestic markets, crowding out private credit and increasing banking sector vulnerability. The crowding-out effect reduces private investment, slowing growth further – and restarting the cycle from an even lower point.

4.2. The asymmetry of credibility

A critical feature of credibility dynamics is its asymmetry: credibility is slow to build and quick to destroy. For Mozambique, this asymmetry is particularly severe. Since the hidden debt crisis of 2016 is already part of the country's recorded history with markets and international partners, any subsequent problem is not read as an isolated event. It is read as confirmation of a pattern.

When Senegal's new government revealed its debt problem in 2024, it could present it as a clean break from the previous administration. Mozambique does not have this option a second time. The credibility margin available for mistakes is therefore narrower, the market reaction to adverse information is faster, and the window for corrective action is shorter.

4.3. LNG vulnerability

The gas project creates a specific and underestimated vulnerability in the current framework. Since LNG revenues are already embedded in Mozambique's economic narrative – not as a theoretical possibility, but as an operational planning assumption – any setback in the project affects both future fiscal revenues and present credibility.

This double exposure means that the government's financing narrative depends on the LNG project remaining on track. A disruption – whether due to security conditions in Cabo Delgado, operational decisions by TotalEnergies, or changes in global markets – would not only reduce projected future revenues. It would undermine the

credibility of the current fiscal framework, potentially triggering the kind of rapid market reaction observed in Senegal in 2024.

5. Botswana: the problem solved before it emerged

5.1. The institutional sequence

Botswana's diamond wealth and Mozambique's gas reserves are not comparable in scale, but they are analytically comparable in the challenge they pose. Both represent large resource endowments with the potential to transform national finances – and to generate the expectations, political pressures, and institutional distortions that characterize the literature on the resource curse (Sachs & Warner, 1995; Robinson, Torvik & Verdier, 2006).

The difference between Botswana's outcome and the trajectories of Senegal and Mozambique does not lie in the resource itself, but in the institutional sequence. Botswana built its fiscal and monetary framework before diamonds generated substantial revenues. This sequence – institutions before revenues – is the central lesson of the Botswana case.

5.2. Institutional components

Botswana's model comprised four main components that addressed each of the transmission mechanisms of the resource curse:

- **Conservative fiscal rules:** Botswana adopted spending rules that prevented the automatic translation of commodity revenues into current expenditure, insulating the budget from price cycles.
- **Sovereign savings funds:** the Pula Fund accumulated foreign currency reserves during commodity upswings, providing a buffer that avoided the pro-cyclical dynamics typical of resource economies.
- **Gradual exchange rate management:** instead of allowing a sharp appreciation of the exchange rate – the classic mechanism of Dutch disease – Botswana managed the exchange rate actively and gradually.
- **Early investment in human capital:** public investment was

directed toward education and health, building the human capital base that long-term structural transformation requires.

5.3. The counterfactual for Mozambique

For Mozambique, Botswana's model is not a replicable path – it is a counterfactual. The institutions Botswana built before its revenues arrived now have to be built by Mozambique under fiscal pressure, with high debt, active social tensions, and an existing credibility deficit. This does not make success impossible. But it changes the nature of the challenge from a technical problem into a political and temporal problem.

The political problem is that fiscal consolidation requires extracting short-term costs from segments of the population that are already under pressure. The temporal problem is that the revenues that would justify those costs – the LNG premium – have not yet arrived. Managing the interval between the cost of adjustment now and the benefit of revenues later is precisely the function credible institutions were designed to perform. The difficulty is that building credibility takes time – and time is a resource that accumulates against inaction.

6. Synthesis: The timing misalignment

6.1. Reframing the problem

The standard analytical framework for countries in Mozambique's position is the "resource curse" – the empirically documented tendency for resource-rich developing countries to underperform their resource-poor peers in terms of growth, institutional quality, and political stability (Sachs & Warner, 1995; Leite & Weidmann, 1999; Collier & Goderis, 2012). This framework captures important features of the problem, but it does not fully describe Mozambique's situation.

The problem in Mozambique is a structural timing misalignment between three forces:

- Expectations that arrived early – market expectations, domestic political commitments, and fiscal planning assumptions anchored in future gas revenues before those revenues

materialized.

- Institutions that arrived late – the fiscal rules, supervisory frameworks, and credibility mechanisms that should have preceded the expansion of those expectations.
- Revenues that have not yet arrived – the LNG dividend that would justify both the expectations and the costs of adjustment remains contingent on execution and security conditions outside the government’s full control.

6.2. The compounded cost of delay

A central implication of this framework is that the cost of delay is not linear. With each additional month without an IMF anchor, without a credible recovery narrative, and without visible progress on reforms, the spiral dynamics described in section 4 advance further. The fiscal position deteriorates gradually but persistently. The exchange rate differential between official and effective rates widens. The banking sector’s exposure to sovereign risk increases. The social conditions for reform become more difficult as living standards remain compressed. And the window for an orderly adjustment – before the peak in external repayments in 2026-2028 – narrows.

6.3. Scenarios

T4: Scenarios for Mozambique

Scenario	Trigger conditions	Expected outcome
Base	Agreement with the IMF by end-2026. Partial LNG revenues by 2027. Fiscal adjustment implemented gradually.	Slow stabilization. Credibility partially restored. Growth recovers to 4–5% by 2028. Debt stabilizes, but at high levels.
Positive	Accelerated agreement with the IMF. TotalEnergies fully resumes operations. Security in Cabo Delgado. Donor support restored.	Botswana-like trajectory (achieved later). External position improves quickly. Credibility restored before peak repayments.
Negative	IMF agreement delayed beyond 2026. LNG disruption persists. Social unrest limits reform capacity. Disorderly rollover of external debt.	Disorderly adjustment. Significant loss of credibility. Growth compressed toward zero. Risk of Senegal-style market stress, from a more fragile starting point.

Mozambique's final outcome depends less on the structural economic framework and more on the speed of the institutional response. Table 4 frames the three plausible scenarios.

The difference between these scenarios is not the destination. All three eventually lead to some form of stabilization. The difference is the cost of the path – in lost growth, compressed social welfare, spent credibility, and the institutional capacity available to manage the next shock.

Conclusion

Senegal demonstrates the cost of losing credibility and being forced to restore it under social and fiscal pressure. Botswana demonstrates the benefit of never having lost it. Mozambique sits between these two reference points – not on a uniquely adverse path, but in a structural position that makes standard policy responses harder to execute and more demanding in their social consequences than they would otherwise be.

The country does not lack potential. It lacks the institutional alignment that would allow that potential to be realized at an acceptable cost. The gas reserves are real. The transformational dividend is genuine. But neither is sufficient to solve a problem that is fundamentally about sequence – about the misalignment between what was promised, what was built, and what arrived.

In this context, the analytically critical variable is not the scale of the LNG premium, nor the level of the debt stock, nor the trajectory of growth forecasts. It is the speed at which credible institutions can catch up with a fiscal reality that has already moved ahead without them. And it is the recognition that, in this race between institutional capacity and compounded risk, the cost of falling behind does not accumulate at a constant rate.

It accumulates – and then accelerates.

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PORTUGAL'S PULP AND PAPER INDUSTRY

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Paper has been part of Portuguese society for centuries, but it was in the early 18th century that the first mechanized production processes began to develop, based on the chemical transformation of cellulose present in wood – this development accelerated from the mid-19th century onward, at a time when demand for paper was increasing across much of the world.

An example that has evolved to the present day is paper production on the banks of the Almonda River, in the locality of Zibreira, in the municipality of Torres Novas, at a mechanical mill founded by Domingos Ardisson, whose documented origin dates back to 1818. This process remained in operation until 1939, when Companhia de Papel do Almonda was established, where the first industrial paper machine in Portugal was installed in 1951. Today, this company, which transforms pulp into paper, is widely known to the general public as Renova, employing more than 600 people and operating a second production unit in France since 2015.

Regarding pulp production in the country, in 1891 The Caima Timber Estate and Wood Pulp Company Limited was established in the municipality of Albergaria-a-Velha, in the district of Aveiro. This company began producing pulp using the chemical sulphite method in that same year, with eucalyptus pulp production starting in 1922. In 1960, the company opened a factory in Constância, near the Tagus River, which still operates today as part of Altri, listed on the Lisbon stock exchange and included in the PSI index. Less fortunate than the Ribatejo factory – now converted to DWP (dissolving wood pulp) used in the textile industry – was the company's original production unit, which closed in 1993.

As for paper consumption in Portugal in the first half of the 20th century, it was still incipient. In 1936, each Portuguese person consumed on average 5 kilograms of paper per year – a modest figure compared to the 64.5 kilograms consumed in the United States and far below the approximately 95 kilograms of per capita paper and cardboard consumption recorded in Portugal in 2021. Thus, both the industry

and paper consumption had limited expression in 1945, which meant that 40% of the paper consumed in the country originated from abroad, despite Portugal having 3 million hectares of forest.

In 1928, there were only 8,000 hectares of eucalyptus in the country, a clearly insufficient figure to establish a large-scale industrial base. The Estado Novo regime in the following decade reversed this situation, launching in 1938 a forest afforestation plan that would provide the foundation for the growth of raw material supply, ultimately leading to the creation of a robust paper industry in the country. The 1930s were also marked by the inauguration of a paper recycling plant in São Paio de Oleiros, still in operation today, which until 1973 produced only 7 tonnes of paper per day.

Evolution of Portuguese forests in the first half of the 20th century

Forest Type	1902	1928	1956
Pine and other resinous species	1.020	1.199	1.309
Cork oak and holm oak woodlands	783	940	1.264
Oak groves and chestnut stands	154	193	132
Eucalyptus plantations	-	8	58

Unit: thousand hectares.

Source: Inventário Florestal Nacional (1789-2006) – evolution of the forest inventory in Portugal.

The first vector of this large-scale base was Companhia Portuguesa de Celulose in Cacia, in the district of Aveiro, whose project dates back to 1941. Construction of the factory began in 1950 with the support of the Marshall Plan in the amount of 125,000 contos; it was equipped in 1952 and inaugurated in 1953. Today, this factory is part of The Navigator Company, listed on the Lisbon stock exchange and a member of the PSI index, being one of the largest global producers of UWF paper, in addition to its presence in the tissue, energy, and BHKP (Bleached Hardwood Kraft Pulp) sales markets.

The start of operations at the plant was not without problems, as the

equipment installed from the United States had been designed for American pine and encountered difficulties processing the significantly harder domestic pine. Thus, in 1954 CPC recorded “production of around 30,300 tonnes of raw pulp, of which 1,240 tonnes were bleached and 4,350 tonnes were converted into paper. The total value of sales amounted to 88,400 contos, corresponding to 22,800 tonnes of pulp (5,400 sold domestically and 17,400 tonnes abroad), and 2,700 tonnes of paper (only 23 tonnes sold domestically and the remainder abroad),” as reported at the General Assembly.

In this context, CPC decided in 1956 to study the use of new raw materials, and in 1957 began using eucalyptus as a substitute for pine. The results were clearly positive, and eucalyptus was adopted for the production of both unbleached and bleached pulp.

This production process was later adopted overseas by the Portuguese Overseas Pulp Company in 1961 and by SOCEL in Setúbal (now part of The Navigator Company) in 1964, and by CELBI (now part of Altri) in 1967 in Figueira da Foz. Among SOCEL’s founding shareholders were CPC and several timber companies. In the case of CELBI, 71% of shares were held by the Nordic company Billerud AB, 23% by Companhia União Fabril, and 6% by small local timber producers. Celtejo in Vila Velha de Ródão was inaugurated in 1971 and Celnorte in Viana do Castelo in 1973. In order to organize the sector, the government imposed a guiding decree in 1966 with a set of very demanding conditions, which even António Champalimaud, with his CEMIL project, was unable to meet.

At the beginning of the 1970s, the Cacia factory increased its production to 150,000 tonnes per year. Although it had originally been designed to supply newsprint and other types of paper to the domestic market, it shifted its focus to producing pulp for both domestic and international markets. As a result, CPC became largely responsible for boosting activity at the Port of Aveiro, accounting in 1972 for 77% of outbound shipments and 45% of total goods handled at that facility.

In 1973, Celangol was established in Angola, in the town of Alto Catumbela, with a production capacity of 250,000 tonnes and granted a forest area of 100,000 hectares around the plant. At that time, the sector consisted of seven major pulp-producing companies and circa

50 small paper producers. Regarding the capital of the pulp industry, 76% was held by large business groups: CUF, BESCL, BNU, BPA, BPSM, and BFB.

In 1976, following the Portuguese Revolution, the entire national pulp industry was nationalized. This broad state intervention merged five major regional operators – Cacia, Socel (Setúbal), Celtejo (Vila Velha de Ródão), Celnorte (Viana do Castelo), and Celuloses do Guadiana (Mourão) – into a single and massive state-owned enterprise called Portucel EP. With the shift in economic paradigm in the 1990s, the Portuguese government initiated a comprehensive restructuring of the sector in preparation for privatization. Thus, the April 25 revolution, in addition to bringing nationalization, led to the failure of the Celangol project, with its ordered equipment being installed in Figueira da Foz, in Lavos, next to CELBI, to create what would become the first integrated pulp and paper mill in Portugal with a capacity of 250,000 tonnes per year.

The 1980s and 1990s witnessed a profound transformation in the physical infrastructure of the Portuguese pulp and paper industry. While previous decades had been defined primarily by the independent extraction of raw pulp, this transitional era was characterized by massive capital investment aimed at integrating the production of bleached eucalyptus kraft pulp (BEKP) directly with paper manufacturing.

The geographical footprint of the industry consolidated around major coastal and riverside industrial complexes, namely in Setúbal, Figueira da Foz, and Aveiro. In the Setúbal complex, infrastructure was heavily modernized to support a fully integrated model, in which the pulp mill directly supplied the on-site paper machines. A key technological milestone during this expansion was the installation, in 1990, of the PM3 paper machine at the Setúbal plant. This advanced Valmet machine, with a width of 4.55 meters and a design speed of 1,160 meters per minute, dramatically increased the site's capacity to produce uncoated woodfree (UWF) paper. To maintain its high competitiveness and production volume, PM3 underwent successive technological upgrades in 1997 and in the following decades.

At **Soporcel S.A.**, operations began in 1984 at the industrial com-

plex in Figueira da Foz. The following year, the British group Wiggins Teape became a shareholder with 42.8% of the company's capital. Subsequently, the company underwent significant physical expansion to support the integrated production of hundreds of thousands of tonnes of BEKP and UWF paper. Thus, in 1991 the first paper machine was inaugurated, followed by a second in 2000.

Portucel S.A. was officially created in May 1993, absorbing the main industrial assets located in Aveiro and Setúbal. The first significant milestone in its return to private ownership occurred in 1995, when Portucel was partially privatized and its shares were traded on the public market. To consolidate its scale and competitiveness before full privatization, Portucel began a process of domestic consolidation.

In 2000, Portucel acquired a 72.5% stake in Papéis Inapa S.A. (based in Setúbal) for approximately €90 million, later assuming full control. This was quickly followed by the acquisition of Soporcel. Initially, Portucel acquired a 40% stake from Arjo Wiggins Appleton Plc for €459 million at the end of 2000 and subsequently launched a series of public offers to acquire the remaining shares, successfully creating the **Portucel Soporcel Group** in 2001.

Several heavyweights, including Mondi Europe (of Anglo American), Domtar Inc., Cofina SGPS, and Lecta SA (backed by CVC Capital Partners), submitted bids for a highly contested 30% stake held by the Portuguese state. Ultimately, Semapa emerged victorious, acquiring the 30% block for €333.9 million. Following this initial entry in June 2004, Semapa quickly launched a public takeover bid in September to secure definitive control. By acquiring additional shares – including a significant block previously held by the Sonae Group – Semapa increased its stake to 67.1%. The Portuguese state fully exited the capital structure in November 2006, selling its remaining 25.72% stake through the state-owned company Parpública SGPS, thereby increasing the liquidity of the company's shares. To reflect its global scale and the unification of its historic brands, the Portucel Soporcel Group officially changed its name to The Navigator Company in early 2016.

Today, Navigator's corporate ownership is closely linked to the Queiroz Pereira family. The family exercises joint control through the holding company Sodim SGPS S.A., which holds 83.221% of the non-

suspended voting rights in Semapa. By the end of 2024, Semapa maintains a controlling stake of 70.03% in The Navigator Company, while the remaining 29.97% constitutes free float, predominantly held by institutional investors from the United States and Europe.

Altri SGPS S.A. emerged from corporate restructuring and aggressive strategic acquisitions. Altri was officially established in early 2005 as a spin-off from Cofina SGPS S.A., a Portuguese media and industrial conglomerate. This spin-off, valued at approximately €57 million, was designed to unlock value for shareholders and allow Altri to focus exclusively on the management of industrial assets and energy generation that Cofina had accumulated.

Thus, Cofina – which had previously acquired full control of Companhia de Celulose do Caima through a series of purchases of stakes held by Banco Santander, BIG, and other minority shareholders – also, in 2005, acquired a majority stake of 95% in Portucel Tejo S.A. (the Vila Velha de Ródão unit) directly from the Portuguese government. The most important corporate transaction for Altri occurred in 2006, when it successfully outbid the Spanish competitor Grupo Empresarial ENCE and the Portuguese investor Manuel Champalimaud in the acquisition of Celbi (Celulose Beira Industrial) from the Finnish-Swedish giant Stora Enso. The acquisition of Celbi from Stora Enso for €428 million consolidated Altri's position as a large-scale producer of cellulosic fibers in the Iberian Peninsula.

The pulp and paper sector currently represents 5% of Portuguese exports of goods, reflecting an almost total orientation toward external markets (around 95% of production is exported). The landscape is dominated by large groups that are global benchmarks: The **Navigator Company**, a European leader in the production of office paper (UWF); **Altri**, focused on the production of eucalyptus pulp and sustainable fibers; and **Renova**, which stands out in the tissue paper segment due to its strong branding and design component. In the packaging segment, **DS Smith** in Viana do Castelo plays a crucial role. In terms of capital markets, these companies (through Navigator, Altri, and the holding company **Semapa**) maintain a combined market capitalization of around **€4 thousand million**, reflecting investor confidence in the financial strength of this cluster.

Social Impact and the National Forest

Beyond the financial figures, the social impact of this sector is structural for territorial cohesion. It is estimated that the industry sustains around **10,000 to 12,000 direct jobs**, but its true reach is much greater: the indirect and induced economy (which includes forestry, forest maintenance, and logistics) supports more than **100,000 jobs**. This makes the pulp and paper industry one of the largest employers in inland regions, helping to combat isolation and promoting active land management.

The foundation of all this activity lies in the national forest, which covers around 36% of the country. **Eucalyptus – whose planted area grew 6.8 times between 1960 and 2005** – is the key species for pulp production, occupying about **26% of Portugal's forest area**, totaling 845 thousand hectares. As a result, eucalyptus now coexists in the national forest with **cork oak (22%)** and **maritime pine (22%)**, which supply raw materials for other essential industries such as cork and furniture.

Historically, pine was the dominant species in plantations in the region, but from the 1960s onward, eucalyptus progressively replaced it due to the higher short-term profitability offered by the growing pulp industry. The Portuguese climate proved exceptionally suited to *Eucalyptus globulus*, which became naturalized and was globally recognized as the primary species for producing high-quality bleached kraft pulp. The unique morphology of its short fibers provided thickness, opacity, and recycling capacity unmatched by other hardwood species. Consequently, extensive monocultures were established to ensure a reliable, high-yield domestic supply chain for the new and large integrated mills.

However, this aggressive shift in forestry did not occur without significant socio-environmental friction. In the 1980s, the rapid proliferation of eucalyptus monocultures triggered intense regional protests, particularly in northern Portugal, as local populations expressed concerns about environmental degradation and increased fire risk. The accumulation of combustible material resulting from the uncontrolled expansion of plantations during these two decades directly contributed to greater wildfire vulnerability in rural areas. Amid

growing domestic resistance to unchecked eucalyptus expansion, several major Portuguese paper companies began exploring alternative geographies, including former overseas colonies, to complement their raw material needs. Despite these tensions, eucalyptus ultimately consolidated its position as the main economic driver of the Portuguese forestry sector.

Thus, the evolution of Portugal's forest composition was strongly influenced by changes in national policies and structural shifts in land ownership following the 1974 revolution. In the years after 1976, earlier land redistribution efforts were reversed to actively promote private ownership, modernization, and increased agricultural and forestry productivity through state subsidies. Portugal's accession to the European Economic Community in 1986 further accelerated this transformation, injecting substantial structural funds into the rural economy. European agricultural and rural development policies encouraged large-scale reforestation plans, financing the establishment of fast-growing tree species to stimulate forest industries. At the same time, widespread rural depopulation and the abandonment of traditional agriculture left vast areas of land available for conversion into commercial forestry.

This era consolidated a highly unique and challenging forest ownership structure that would define Portugal's raw material base for decades. Unlike many other European countries with large state-owned reserves, **approximately 97% of Portugal's forest land became privately owned.** Furthermore, this private ownership was characterized by extreme fragmentation, resulting in an average holding size of less than one hectare spread across **more than 400,000 individual owners.** Land fragmentation and rural abandonment severely hindered the implementation of active and effective land management across the country. To ensure a steady supply of wood for their growing capacity, industrial pulp producers met their raw material needs by purchasing from hundreds of small forest owners, for whom this income became an essential economic lifeline.

As the 1990s progressed, the combination of aggressive industrial harvesting, acute land fragmentation, and rising environmental awareness catalyzed the industry's first moves toward sustainable

forest management. Global consumer markets began demanding verifiable assurances that wood and paper products were sourced without causing deforestation or ecological damage. This paradigm shift was formalized with the creation of the Forest Stewardship Council (FSC) in 1993, which established the first rigorous international standards for environmentally sound and socially beneficial forest operations. By the end of the decade, the Programme for the Endorsement of Forest Certification (PEFC) was founded in 1999 to specifically address the certification needs of small family forest holdings, which closely matched Portugal's demographic reality. Although widespread certification of Portuguese forests only reached full maturity in the following century, the foundational frameworks established in the 1990s compelled major domestic pulp companies to begin integrating sustainable forestry practices into their long-term supply chain strategies.

Innovation and Sustainability for the Future

Today, the industry is undergoing a phase of profound technological transformation, moving away from being seen as a traditional “paper factory” and evolving into a **biorefinery**. The focus is no longer solely on pulp, but on extracting chemical compounds from wood to create biofuels and new bio-based textile fibers. With increasing environmental awareness and global restrictions on single-use plastics, paper and cardboard produced in Portugal are emerging as natural and biodegradable alternatives. This commitment to the future is reinforced by forest certification, where Portugal stands as an international example, ensuring that economic production goes hand in hand with biodiversity protection and wildfire prevention through professional forest management.

CFA SOCIETY HONG KONG MACAU SUB-COMMITTEE: A MILESTONE YEAR OF GROWTH, ENGAGEMENT AND STRATEGIC IMPACT IN 2025

Wallace Cheung, CFA, Executive Director of CFA Society Hong Kong and Chairman of CFA Society Hong Kong's Macau Subcommittee

When the CFA Society Hong Kong set up its Macau Sub-Committee in June 2024, none of us expected things to move quite this fast. In just 18 months, our local membership has more than doubled. We've run a full calendar of events, built solid relationships across the city, and started turning the CFA presence in Macau into something real and useful. By December 2025, we wrapped up the year with our first Christmas Party – more than 50 members and friends came together to celebrate and look back at everything we had achieved. This recap isn't just a list of what we did – it's proof that the Sub-Committee is helping to build the talent base Macau needs for its long-term diversification push.

We kicked off the year 2025 with the China Investment Conference on 7 February. The theme was “Navigating Global Market Trends: Opportunities and Challenges”, and we brought in fund professionals from outside Macau to talk openly about how international capital could actually set up shop here. The conversations were practical, and many participants left with a clearer sense of how Macau could serve as a complementary gateway in the Greater China space.

Community spirit has always been part of our DNA. On 31 May we held a casual dinner where everyone tried the trending local game “摸蛋”. It was simple, noisy, and surprisingly effective at getting charterholders, candidates and new members chatting. Nights like that remind us why we do this – professional networks grow best when people actually enjoy being together.

September turned out to be our busiest month. On the 5th we visited five universities across Macau and spoke to hundreds of students about career paths in finance, the value of the CFA charter, and what working in global markets really looks like. The same afternoon we headed to Millennium BCP and ICBC Macau to meet their teams and explain how CFA knowledge and ESG thinking can strengthen day-to-

day banking work.

The next day, 6 September, we hosted the China Green Finance Forum at City University of Macau. Regulators, academics, bankers and fund managers spent the afternoon discussing green finance trends, climate risk and sustainable opportunities in the Greater Bay Area. It felt like a genuine milestone – Macau is starting to be taken seriously in responsible finance conversations.

That same evening we organised the “Greater Bay Area” Run & Fun – a relaxed run followed by dinner. Nothing fancy, but it brought together people from different institutions and left everyone feeling more connected.

We also made a point of visiting local banks throughout the year. In April we went to Bank of China Macau and Citic Bank Macau. In September we returned to ICBC and Millennium BCP. And in January 2026 we met the team at Tai Fung Bank. At every stop we talked about the importance of CFA charterholding and how professional standards can support Macau’s broader economic goals.

On 18 November we took things international with the Portuguese-Speaking World Investment Webinar. Together with CFA Society Portugal, CFA Society Brazil and charterholders from other Lusophone countries, we held an online seminar that reached audiences in Macau, Portugal, Brazil, Angola and beyond. The focus was Macau’s new Investment Funds Law – we walked through the tax incentives, regulatory flexibility and cross-border opportunities. Feedback was strong, and it helped position Macau as a bilingual, investor-friendly place with real links to both China and the Portuguese-speaking world.

All these activities have produced concrete results. We now have formal connections with five major universities, the Monetary Authority of Macao (AMCM), the Macau Institute of Financial Services (MIFS), the Securities and Funds Association of Macau (SFA), and dozens of financial institutions. The CFA brand is visibly stronger, existing members are getting more value, and we’re steadily bringing in new talent.

Looking ahead to 2026, we have a clear plan. We'll work more closely with the CFA Society Candidate Services Committee to run mock exams and study groups, giving local candidates better support. Community events – investment discussions, social gatherings and continued university visits – will keep growing. We also want to expand our outreach to Portuguese-speaking markets and other international financial centres, making sure Macau's latest developments and policies are properly understood abroad.

At the end of the day, our goal is straightforward: help build a stronger financial talent pool in Macau. By developing charterholders, candidates and young professionals who meet global standards, we can support the city's move away from heavy reliance on gaming and toward higher-value areas such as asset management, green finance, fintech and wealth advisory.

2025 was a year of real progress. Membership has doubled, relationships are in place, and the momentum feels genuine. With a solid roadmap for 2026, the Macau Sub-Committee is ready to keep contributing to Macau's transformation into a more diversified and sustainable financial centre in the Greater Bay Area.

Professional development and economic diversification don't have to be separate conversations. In Macau, they're starting to happen together – and the CFA community is right in the middle of it.

THE PERFORMANCE OF THE INDIAN STOCK MARKET

Johann Da Silva, member of the CFALP Committee

The Indian stock market has established itself in recent years as one of the most dynamic among emerging economies, attracting growing attention from both domestic and foreign investors. This performance is not by chance, but rather the result of a set of structural factors that have been profoundly transforming the Indian economy.

One of the main drivers of this growth is the political stability observed over the past decade. Institutional predictability and the continuity of public policies have created a more favorable business environment, encouraging long-term investments in both infrastructure and productive sectors. Highways, airports, railways, and modern logistics networks have been essential in boosting internal economic integration and the country's competitiveness in global trade.

Demographics also play a central role in this scenario. India has a young, large, and increasingly skilled population, ensuring both a vast labor force and an expanding consumer market. The growth of the middle class has significantly increased demand for goods, financial services, and technology, directly reflected in the performance of listed companies. At the same time, policies promoting entrepreneurship have contributed to the emergence of thousands of startups, fostering innovation and value creation.

Another important factor is the significant reduction in extreme poverty. Rising living standards for millions of people have expanded domestic consumption and strengthened the internal market, reducing excessive dependence on exports in certain sectors. Still, India has gained an increasingly relevant position in world trade, standing out in areas such as information technology, the pharmaceutical industry, textiles, and digital services.

In the existing scheme of things with global uncertainty around the War in the Middle East, market valuations in India have corrected to 2020 levels making it one of the most attractive bets amongst global and emerging markets currently. The growing participation of domestic investors has been an important differentiating factor. Improve-

ments in financial literacy, the rise of digital investment platforms, and heightened concern about retirement planning have led more households to allocate part of their savings to the stock market. At the same time, low health insurance penetration has strengthened interest in investments as a form of long-term financial protection.

On the external front, perceptions of the country have shifted. The Indian diaspora has renewed its investments, and many professionals have returned to participate directly in economic growth. India's image has evolved from one associated with structural limitations to one linked to opportunity and innovation.

Looking ahead, prospects remain extremely positive, though not without risks. Data centres and the renewable energy sector stands out as key areas with the greatest potential for growth, supported by robust investment and rising environmental awareness. Still, factors such as geopolitical instability, exchange rate depreciation and changes in global liquidity conditions may pose short term challenges.

In summary, the Indian stock market reflects the country's deep transformation. With healthy valuations and economic fundamentals intact, the narrative has been further strengthened that India will continue to be one of the most relevant growth stories of the 21st century.

WEALTH MANAGEMENT FOR BRAZILIANS IN PORTUGAL AND IN EUROPE – BETWEEN THE INTERNATIONALIZATION OF CAPITAL AND THE REDEFINITION OF DECISION-MAKING CENTERS

João Caiano, CFA, Vice-President of CFA Society Portugal and Managing Partner of TASK Wealth Management

Over the past two decades, we have witnessed a silent but structural transformation in the way Brazilian wealth is organized globally. More and more high-net-worth Brazilian families are choosing to internationalize their assets, diversifying across geographies. Switzerland, Portugal, Luxembourg, and the United Kingdom have emerged as natural destinations in this process.

This movement is not the result of a single factor. Rather, it stems from a combination of elements: recurring economic and political instability in Brazil, the growing sophistication of investors, the globalization of financial markets, and more recently, international mobility. It is a fact that a large number of Brazilian families and entrepreneurs have chosen to leave Brazil and found in golden visa programs a real option for changing residence.

Portugal has established itself as the main European destination for this wealth migration. Linguistic and cultural affinity plays a relevant role, but it is not decisive. The true driver of Portugal's attractiveness lies in security, quality of life, a solid healthcare system, international education, tax advantages, and a relatively competitive cost of living when compared with other European capitals.

It is important, however, to understand an essential nuance: Portugal is not, in most cases, the place where the wealth is managed. Assets frequently remain deposited and managed in international financial centers such as Switzerland, Luxembourg, the United Kingdom, or the United States. Portugal therefore assumes the role of a hub for residence, tax planning, and succession planning – a kind of family “center of gravity” within a global wealth architecture.

The financial sector quickly adapted to this reality. International banks strengthened their presence in Portugal, while Brazilian insti-

tutions expanded operations in Europe to follow their clients.

At the same time, independent wealth managers – especially those based in Switzerland – significantly increased their exposure to Brazilian clients, offering advisory and discretionary management services both to residents in Brazil and to those already settled in Europe. This internationalization of supply has helped raise the level of sophistication of the solutions available, making wealth management increasingly integrated and cross-border.

For the Brazilian investor who settles in Europe, the currency diversification of wealth has become a priority. Wealth is no longer concentrated in reais and instead becomes distributed mainly in dollars and, to a lesser extent, in euros, Swiss francs, and pounds sterling. This movement is not merely tactical – it is structural. It is about substantially diversifying one's wealth.

Internationalization also extends to asset allocation. Portfolios come to have a strong global component, with meaningful exposure to U.S. equities and bonds, complemented by Europe and emerging markets. European real estate appears as a diversification asset, although more selectively in a context of higher interest rates. Historically, the Brazilian investor has always favored Latin American assets, especially bonds with high yields.

Another major driver of this wealth reorganization is the Brazilian investor's concern with succession planning. Portugal presents particularly attractive characteristics in this area, especially because there is no direct inheritance tax between ascendants and descendants. This framework has encouraged many families to structure their assets through solutions such as financial insurance products (unit linked), holding companies, and family investment funds. More than tax efficiency, the goal is to ensure continuity, protection, and an orderly transfer of wealth across generations.

But despite this, there are still relevant differences between Brazilian and European investors. The Brazilian investor has a history of financial investments with higher interest rates, volatile inflation, very unstable economic cycles, and successive defaults by issuers that were quite popular in Brazil. This translates into greater risk tolerance and

a more active relationship with financial markets. In short, the Brazilian investor is much more tolerant of risk than the European investor; however, the Brazilian investor's return requirements are clearly higher than those of the European investor, which at times makes the task of the European manager more difficult. There is also a greater predisposition to invest directly in individual securities – specific stocks or bonds – often basing decisions on personal convictions. On the other hand, the Brazilian investor tends to maintain greater control over investment decisions and is not a strong advocate of discretionary management. By contrast, the European investor developed in an environment of low interest rates and greater stability. Traditionally more conservative, this investor tends to prefer diversified instruments such as deposits, investment funds, and ETFs, delegating more decisions to the manager and focusing on capital preservation.

The reference currency illustrates this difference well: while Brazilians maintain a strong connection to the dollar, Europeans have the euro as their natural base.

Despite these differences, the distance between the two investor profiles is narrowing. The democratization of access to financial information and to global markets has contributed to a broader increase in sophistication. Today, both Brazilian and European investors recognize the importance of international diversification, risk management, and long-term planning. There is also a clear convergence around themes such as succession, tax optimization, and intergenerational wealth preservation – areas that are playing an increasingly central role in wealth management.

As for ESG criteria and responsible investing, these still carry secondary weight relative to more traditional objectives such as return and safety.

Conclusion

The wealth management of Brazilians in Portugal and in Europe reflects a deeply globalized reality. What began as a response to domestic instability has evolved into a structural strategy of diversification, protection, and wealth continuity. In this context, Portugal is positioning itself as one of the preferred centers where Brazilian investors

increasingly seek refuge. Even so, Portugal is still not the dominant option as the financial center for the financial wealth of these investors.

At the same time, the Brazilian investor retains distinctive characteristics – greater risk tolerance and greater proximity to markets – while progressively adopting European practices, particularly in terms of diversification and wealth structuring.

The result is a new generation of global investors: more mobile, better informed, and with an increasingly integrated view of their wealth.

DETERMINANTS OF FOREIGN DIRECT INVESTMENT IN SMALL ISLAND STATES: THE CASE OF SÃO TOMÉ AND PRÍNCIPE

Ciosmy Mandinga, member of the CFALP Committee

There are countries that grow through the strength of their domestic market. Others, through the abundance of their natural resources. And there are still those whose economic history is marked by a constant negotiation with their own fragility. Small Island Developing States (SIDS) belong to this last category. Small in territory, limited in productive scale, vulnerable to external and climate shocks, these countries live in a delicate balance between dependence and strategy. For many of them, Foreign Direct Investment (FDI) is not merely a complement to growth – it is a matter of economic survival.

This essay seeks to tell the story of the determinants of FDI in SIDS, using the case of São Tomé and Príncipe as a backdrop. It is not merely about analyzing numbers or estimating econometric models. It is about understanding how structurally vulnerable economies attempt to build attractiveness in a world where capital is selective, mobile, and demanding.

1. FDI as a promise of transformation

Since the 1980s, FDI has come to occupy a central place in the development strategies of emerging economies. Financial liberalization and globalization expanded capital flows, allowing multinational companies to seek new production locations. For countries with limited domestic savings capacity, FDI came to represent more than financing: it became a channel for the transfer of technology, management know-how, and integration into global value chains.

In SIDS, this promise takes on even stronger contours. With small domestic markets, high dependence on imports, and significant exposure to external shocks, these economies face structural difficulties in sustaining growth using only their own resources. Foreign capital thus emerges as a bridge to the world. However, that bridge does not build itself.

2. Theory and reality

To understand why some countries are able to attract FDI while others are not, economic literature has developed several theoretical frameworks. The most influential is John Dunning's OLI Paradigm, which argues that international investment depends on three sets of advantages: ownership (O), location (L), and internalization (I).

In SIDS, the central issue lies in location advantages. What can a small island country offer to a global multinational? Domestic market? Generally limited. Economies of scale? Rare. Logistics costs? Often high. This is where theory meets the complexity of insular reality.

Other approaches help complete the picture. Institutional theory emphasizes the role of the "rules of the game": political stability, regulatory quality, property rights. Political risk theory reminds us that investors respond not only to economic indicators but also to the predictability of the governmental environment. Finally, the literature on small states highlights the so-called "insularity syndrome": structural vulnerability combined with exposure to external shocks.

The synthesis of these approaches reveals a fundamental point: FDI is not attracted by a single factor, but by a delicate combination of economic, institutional, and strategic conditions.

3. The FDI landscape in SIDS

The comparative analysis I conducted of ten SIDS between 2013 and 2022 reveals a heterogeneous picture. While countries such as the Maldives and Seychelles recorded average FDI inflows above 8% of GDP, others, such as Timor-Leste, show persistently low levels.

São Tomé and Príncipe occupies an intermediate position, with an average of 4.4% of GDP over the analyzed period. A moderate performance, but marked by volatility and strong sectoral concentration, particularly in tourism.

What explains these differences?

The first clue comes from trade openness. Countries more integrated into international trade tend to receive more FDI. In small economies, where the domestic market is limited, access to regional and global

markets acts as a strategic compensation. Regional integration is not merely a diplomatic choice – it is a competitiveness tool. Trade openness emerges as the most robust determinant in the econometric model I estimated (based on SIDS data from 2013 to 2022, explaining more than 80% of the variation in FDI flows).

The second clue lies in macroeconomic stability. High inflation erodes predictability, increases uncertainty, and reduces investment attractiveness. In 2022, São Tomé and Príncipe recorded an inflation rate of 21%, the highest in the sample. This is not just a number: it is a signal of risk for any investor.

The third clue is found in fiscal policy. One of the most relevant contributions of the empirical analysis is demonstrating that fiscal policy has a direct and significant impact on FDI in SIDS. The statutory corporate income tax rate (CIT) has a negative effect on investment flows – in simple terms: the higher the rate, the lower the FDI. But the story does not end there. The Tax Incentives Index – which captures the existence of temporary exemptions, preferential regimes, and double taxation agreements – shows a strong positive effect. Countries with more structured incentive systems tend to attract more foreign capital. In the econometric model I estimated, tax incentives and the CIT rate are relevant determinants. São Tomé and Príncipe, with a 25% CIT rate and a relatively low incentives index, is at a disadvantage compared to competitors such as Mauritius or the Maldives, where more attractive tax regimes coexist with greater institutional stability.

4. Challenges and opportunities for FDI in São Tomé and Príncipe

São Tomé and Príncipe exhibits typical characteristics of a small island state: small population, high external dependence, and a limited productive base. The economy depends on tourism, external aid, and cocoa exports.

The tourism sector represents the main destination for FDI. Investments in niche resorts leverage the biodiversity and exclusivity of the archipelago. However, this sectoral concentration increases vulnerability.

Limited energy infrastructure, weak road networks, and institutional fragilities remain persistent obstacles. Governance quality, measured by international indicators, remains below the median of the analyzed sample.

Still, opportunities exist... Sustainable tourism, renewable energy, the blue economy, value-added agriculture, and digital services represent areas of potential expansion. The country's strategic geographic position in the Gulf of Guinea can be turned into a logistical advantage, provided it is accompanied by infrastructure investment and regional integration.

The central question is: how to turn challenges into more opportunities?

5. Strategic priorities for the future

First, macroeconomic stabilization. Controlling inflation is a basic condition for predictability.

Second, deepening regional integration. Active participation in blocs such as ECCAS and ECOWAS can expand the country's effective market.

Third, strategic fiscal reform. Selective reduction of CIT in priority sectors, creation of performance-based incentives (employment, technology transfer), and expansion of double taxation agreements.

Fourth, institutional strengthening. Judicial reform, anti-corruption measures, and improved regulatory quality.

Fifth, investment in infrastructure, especially renewable energy and digital connectivity.

These measures do not operate in isolation. They function as pieces of the same puzzle.

6. Conclusion

The story of FDI in Small Island Developing States is not one of structural fatalism. It is a story of choices.

SIDS face limitations inherent to their scale and geography. However,

evidence shows that consistent policies can mitigate vulnerabilities. Trade openness, macroeconomic stability, and strategic fiscal policy emerge as central instruments.

In the case of São Tomé and Príncipe, the challenge is not only to attract more investment, but to attract the right investment – the kind that diversifies the economy, creates skilled jobs, and strengthens local capabilities.

In a world where capital seeks efficiency, predictability, and returns, small island states must offer more than tax incentives. They must offer trust.

REAL ESTATE FUNDS IN PORTUGAL: A CASE STUDY IN ASSET MANAGEMENT

Luís Alvarenga, CFA, investment professional

Executive Summary

Real estate investment funds (REIFs) have a surprisingly high weight and importance in the context of the asset management industry in Portugal when compared with the rest of Europe: in Portugal, REIFs represent more than 35% of total assets, while the European average is 4%-6%. The second country with the highest proportion of real estate funds in total assets under management is Hungary, with less than 25%, while the European average is close to 5%. Behind this success of REIFs are historical reasons, the way investors have experienced investing in these products over the years, and a favorable tax framework.

This document aims to explore in greater depth the reasons for this evolution of REIFs and to consider the coming years for this class of funds domiciled in Portugal.

1. Introduction

1.1. Context of the Portuguese asset management industry

The asset management industry in Portugal plays a central role in the financial system, particularly in channeling household and institutional savings into investment and financing the economy. Although relatively small when compared with the main European markets, the Portuguese sector has its own characteristics, a high degree of regulatory maturity, and a strong connection to the banking system.

The Portuguese asset management market is characterized by moderate scale, with assets under management concentrated in a limited number of management companies. The industry is dominated by managers belonging to banking groups, which have historically served as the main distribution channel for investment funds through strongly established retail networks.

Different types of entities coexist in the market: 1) independent managers, usually smaller in size; 2) firms specialized in specific asset

classes such as real estate, venture capital, or private equity; 3) international managers with a direct or indirect presence in the Portuguese market, especially through the distribution of foreign funds.

The mix of investment funds reflects the conservative profile of the investor, with emphasis on bond funds, mixed funds organized around risk profiles, and pension savings funds (PPRs), a product specific to the Portuguese market that, due to its tax efficiency, is particularly popular in retail. Compared with other European markets, Portugal stands out for the particularly high weight of real estate investment funds in total assets under management – a structural feature that will be analyzed in greater detail throughout this paper. Added to this specificity is the still limited penetration of indexed management, especially in the retail segment, as well as the gradual, though still residual, growth of alternative strategies, excluding real estate.

The regulatory framework of the industry is robust and demanding, aligned with European legislation (UCITS, AIFMD, MiFID II, SFDR), under the supervision of the Portuguese Securities Market Commission (CMVM). Some relevant characteristics of the Portuguese regulatory context are: 1) the regulator's strong focus on governance, investor protection, and product suitability; 2) increasing requirements regarding liquidity management, asset valuation (particularly of illiquid assets), and conflict-of-interest controls; 3) a high degree of formalization of policies and processes, even for smaller entities.

This framework contributes to the sector's credibility, but it also increases fixed costs and pressure on economies of scale.

1.2. Growth trend

In recent years, the investment fund industry in Portugal has recorded significant growth, culminating in a historic high in assets under management at the end of 2025. According to data from the Bank of Portugal, the total assets of investment funds reached **€63.8 thousand million**, the highest value since the beginning of the statistical series in December 2000. This growth represents an increase of €8.4 thousand million compared with 2024 and reflects not only net capital inflows, but also market valuation effects that occurred across

almost all asset classes.

Since 2020, subscription growth has stood out in bond and short-term funds, driven by rising interest rates, in mixed funds, particularly PPRs, and in real estate funds, both closed-end and open-end. At the same time, factors such as asset appreciation and the conversion of commercial companies into investment undertakings contributed significantly to the increase in total assets. Despite some slowdown in real estate funds in terms of net issuance (after an explosion in growth), they continue to account for a structurally high share of the domestic market, reinforcing the specificity of the Portuguese case in the European context.

This performance confirms the growing relevance of investment funds as a vehicle for the allocation of financial savings in Portugal, in a context of greater demand for alternatives to traditional bank deposits and a progressive, although gradual, sophistication in investor behavior.

1.3. The importance and implications of real estate funds

The asset management industry in Portugal has a distinctive feature in the European context: the strong dominance of real estate investment funds in total assets under management. This structural element shapes how the market is organized, how clients perceive performance, and how capital is allocated. Over the years, real estate funds have established themselves as one of the main savings and investment vehicles, occupying a central place in the relationship between investors, managers, and the real economy.

This centrality has important implications for the industry. On the one hand, it influences the specialization of management companies, the composition of their teams, and product innovation itself, which is often oriented toward real estate-based solutions. On the other hand, it conditions market diversification, risk distribution, and the international comparability of the Portuguese industry, which departs from the more balanced patterns seen in other European geographies.

For investors and for the economy, the importance of real estate funds translates simultaneously into opportunities and challenges. These

vehicles have played a crucial role in financing the real estate sector, in urban revitalization, and in channeling long-term savings. However, they also raise questions about risk concentration, liquidity, and investors' perception of risk. It is within this framework that it becomes essential to understand the historical, regulatory, and behavioral reasons that explain this singular configuration of the Portuguese market.

2. The weight of real estate in asset management in Portugal

2.1. Relative size

The Portuguese real estate fund market has a structurally high size and relevance in the context of domestic asset management. At the end of 2025, assets under management of real estate funds (including REIFs, FEIIs, and real estate CIUs) exceeded €20.1 thousand million, according to data from the Bank of Portugal, a historic high and growth of more than 20% year over year. This amount represents around 37% of total assets under management in the Portuguese fund industry, whose total stood at around €63.7 thousand million, showing an exceptional weight of real estate when compared with other European markets.

In international comparative terms, Portugal stands out as one of the European countries with the highest relative concentration of real estate investment in funds, contrasting with a significantly lower European average. According to the EFAMA Fact Book 2025, real estate funds represent about 4% of total assets of European funds, while in Portugal that figure is several times higher, standing above 30%. This asymmetry reveals a structural specialization of the Portuguese industry in real assets, in a context in which most European markets favor securities funds (equities, bonds, and multi-assets) more closely linked to global financial markets.

The structure of the domestic market is also unique. Portugal has more than 300 registered real estate investment undertakings, including open-end funds, closed-end funds, and real estate investment companies (SICs), with the market dominated by a relatively small number of management companies. At the end of 2024, the five largest managers concentrated a significant share of real estate assets

under management, with individual values above €2 thousand million. This concentration reflects economies of scale, operational specialization, and the historical and competitive context of the firms.

From the point of view of portfolio composition, Portuguese real estate funds have dominant exposure to service properties, namely offices, retail, and logistics, which together represent more than 60% of total investment, followed by housing and urban rehabilitation projects. The CMVM also highlights that practically 100% of the real estate investment of domestic funds is located in the European Union, with a very significant weight in the domestic market. In recent years, there has been strong growth in investment in urban rehabilitation, with annual variations close to 80%, reflecting urban, fiscal, and demographic trends specific to the country.

Finally, the attractiveness of the market has been reinforced by financial performance and by the regulatory and tax framework. In 2025, Portuguese real estate funds recorded an annual return in the range of 4%-6%. At the same time, the growth of real estate investment companies (SICs) points to demand for vehicles that are more efficient from both a tax and corporate standpoint. This set of factors explains not only the current size of the market, but also the systemic implications of its dominance for investors, for the asset management industry, and for the Portuguese economy as a whole.

2.2. Main participants

The Portuguese real estate fund market is particularly unique in the European context, not only because of its relative size, but above all because of the composition of the vehicles used. Unlike what happens in most European countries, in Portugal open-end real estate investment funds still carry very significant weight in total assets under management. These funds are mostly distributed through retail banking and, for many individual investors, play a role close to that of a savings instrument, combining regular income with a perception of safety and low volatility.

At the same time, closed-end real estate funds play a highly relevant structural role, especially among institutional investors, high-net-worth clients, and projects with clearly defined investment horizons.

Although less visible to retail investors, these funds represent a substantial share of the market in terms of assets and account for many of the largest real estate transactions in Portugal. Most of these funds usually pursue core, core+, or income strategies, with lower liquidity pressure and greater flexibility in portfolio management.

In recent years, the spotlight has clearly shifted to real estate Collective Investment Companies (real estate SICs), a segment in strong growth that has been changing the dynamics of launching new real estate projects. SICs – often structured as closed-end and externally managed vehicles – offer a highly attractive combination of legal flexibility, tax efficiency, and clarity in the separation of responsibilities between investor and management company. This structure has been particularly used for dedicated projects, single-asset holdings, or highly customized strategies, something difficult to accommodate in traditional funds.

Within this universe, some platforms play a central role, having created dozens of vehicles in recent years. Other entities have also been gaining relevance, either through the management of SICs for professional investors or as partners in the structuring of new real estate projects. This growth reflects greater market sophistication and increasing demand for tailor-made solutions, often from international capital, family offices, or real estate developers.

In summary, the Portuguese real estate fund market is now based on three major complementary pillars. Open-end funds continue to play a dominant role in retail and in the capture of savings, closed-end funds concentrate a substantial portion of institutional real estate investment, and SICs are emerging as the most dynamic and innovative vehicle for new projects. This coexistence of models helps explain both the strength of the sector and some of its specificities when compared with other European markets.

3. Structural factors that explain the high weight of real estate funds in the asset management industry in Portugal

3.1. Macroeconomic context

For more than a decade after the international financial crisis, the Eu-

ropean macroeconomic environment was marked by historically low – and at many moments negative – interest rates. This environment drastically reduced the attractiveness of traditional savings instruments, such as bank deposits and short-term government debt, leading individual and institutional investors to seek assets capable of generating stable income. Real estate naturally emerged as one of the main beneficiaries of this context, offering a particularly appealing combination of current yield, inflation protection, and the perception of lower relative risk, especially in core and leased strategies.

In Portugal, this movement was reinforced by the sustained recovery of the economy after the sovereign debt crisis, with economic growth, falling unemployment, improved public finances, and stronger external confidence. From the mid-2010s onward, the country began to attract foreign investment consistently, not only in tourism and services, but also in residential, commercial, and hotel real estate. This favorable economic cycle created the conditions for significant appreciation of real estate assets and greater predictability of income flows, essential elements for the development of collective investment vehicles.

An additional and particularly relevant factor was the Residence Permit for Investment Activity program (Golden Visas), which channeled very significant amounts of international capital into the Portuguese real estate market. Although directed mainly at direct investment, the program helped sustain demand for prime-location real estate assets and reinforce market liquidity, creating a favorable environment for real estate funds as well. Greater depth and appreciation in the underlying market helped increase the scale, diversification, and attractiveness of the portfolios managed by funds and SICs, for both domestic and foreign investors.

In this context, real estate investment funds benefited from a rare combination of factors: excess savings seeking income, a real estate market in appreciation, economic growth, and regulatory stability. Open-end funds captured household savings very directly, functioning as an alternative to deposits, while closed-end funds and SICs made it possible to structure more targeted strategies, respond to sophisticated investors, and finance larger real estate projects. Thus, the

prolonged cycle of low rates, combined with macroeconomic dynamics and public policies aimed at attracting capital, was decisive for the rapid and structural growth of the Portuguese real estate fund market.

3.2. Regulation and taxation

The regulatory and tax framework played a decisive role in consolidating and expanding the Portuguese real estate fund market, particularly through the creation of a specific and favorable regime for SICAFIs (Fixed-Capital Real Estate Collective Investment Companies) and SICAVIs (Variable-Capital Real Estate Collective Investment Companies), introduced by Decree-Law. This diploma represented a turning point by modernizing the legal regime for collective real estate investment, bringing it closer to international best practices and creating more flexible, transparent vehicles aligned with the needs of professional and institutional investors. By allowing the incorporation of collective real estate investment companies with their own legal personality and clear corporate governance, the legislator contributed to greater professionalization of management and increased credibility of these instruments.

From a regulatory standpoint, the new regime clarified the separation between management, custody, and control functions, reinforced CMVM supervision requirements, and strengthened rules on asset valuation, reporting, and governance. This greater institutional robustness was crucial in increasing the confidence of both domestic and international investors during a period in which the Portuguese real estate market was beginning to gain scale and relevance. At the same time, the possibility of using externally managed structures allowed promoters and investors to control the investment strategy through frameworks with separated responsibilities among different bodies, reducing fixed costs and barriers to entry.

The taxation associated with SICAFIs/SICAVIs constituted another key acceleration factor. The regime made the collective investment structure tax-neutral, avoiding the double economic taxation typical of traditional corporate structures, in particular real estate limited companies. In general terms, income is taxed mainly at the investor level, with exemptions or reduced rates at the vehicle level, which significantly improves tax efficiency relative to other formats. This

feature proved decisive in the decision of many investors – particularly non-residents, family offices, and institutional investors – to channel capital through real estate funds and SICs.

This favorable regulatory and tax framework did not benefit only SICs, but also had spillover effects across the whole real estate fund ecosystem, including traditional open-end and closed-end funds. Greater market sophistication, the entry of new specialized participants, and increased competition raised standards of management, transparency, and reporting throughout the sector. At the same time, the existence of multiple legally stable vehicles allowed the accommodation of different risk profiles, time horizons, and liquidity needs, making collective real estate investment more accessible and comprehensive.

Together with the favorable macroeconomic context and the strong demand for income-generating assets, the new regime thus became one of the structural pillars of the growth of the Portuguese real estate fund market. By aligning regulation, taxation, and operational flexibility, this framework created the conditions to increase the depth and diversification of the real estate fund market in Portugal, while enhancing integration with international capital flows.

3.3. Investor preferences

The Portuguese real estate fund market shows a persistent preference among investors for instruments that combine stability, visibility of cash flows, and low volatility, a pattern reflected both in the scale achieved by the sector and in its recent growth. The volume and growth indicators already mentioned suggest that demand for real estate exposure through collective structures is not merely cyclical, but instead reflects a structural preference for products with a moderate risk profile anchored in real assets.

A first determinant of this preference lies in the search for value stability and in the relatively predictable nature of returns in income-producing real estate, when the portfolio is diversified and/or composed of high-quality assets. The scale and performance history of some flagship vehicles illustrate investor interest in this risk profile. Practical literature and publicly available information from the prod-

ucts themselves associate this scale with a goal of gradual wealth growth and a contained risk profile, which helps explain their broad diffusion among retail investors.

Second, returns arise, as in other asset classes, from both a price component and a cash-flow component originating from rents. In higher-quality properties with lower risk of income interruption, rents typically represent a highly relevant part of total asset return, which smooths performance over time and contributes to a better investor experience. The income generation of these assets is based on medium- and long-term lease contracts that strengthen investor confidence, whether because of the reputation and prestige of tenants or because of the contractual nature and reputational impact of default. Analytically, the existence of recurring cash flows tends to dampen performance variability compared with assets whose return depends predominantly on short-term capital gains.

A third factor results from the way the volatility of the fund unit is experienced in these products. Unlisted real estate funds base the valuation of properties, and consequently of the fund unit, on periodic appraisals rather than on continuous, tradable market prices, which on average significantly reduces the amplitude of fluctuations between valuation periods and smooths the evolution of prices and the fund unit. In Portugal, the valuation methodology for assets is defined by the regulator – and has been strengthened over the years – so the valuation criteria are uniform across different funds and management companies. The greater spacing between valuations and the prescribed methodologies contribute to artificially reducing volatility. It is important to note that the methodologies prescribed by the regulator do not eliminate the economic risk of investing in real estate funds; however, they contribute to perceived stability and to the suitability of the product for conservative investment profiles.

Fourth, the preference for the asset class is associated with a stock of investor trust that has grown through three channels: tangibility of the underlying asset (physical assets), supervision and institutionalization of the sector, and the presence of management entities with operational scale. The tangibility of the underlying asset is an important factor in building investor confidence. The existence of phys-

ical assets – properties that can be seen, appraised, and whose economic utility is easily understood – reduces the perception of abstraction and complexity associated with other financial instruments. This characteristic is particularly valued in contexts of greater macroeconomic uncertainty, in which investors tend to prefer assets associated with the real economy, with capacity for value preservation and recurring income generation. Tangibility functions as an element of psychological and economic anchoring, reinforcing the perception of safety and predictability in investment. At the same time, this stock of trust has been reinforced by the supervision and progressive institutionalization of the sector. The regulatory framework applicable to collective real estate investment undertakings, the supervision exercised by competent authorities, and the harmonization with European standards have contributed to raising levels of transparency, discipline, and investor protection. Clearer rules on governance, asset valuation, reporting, and conflict-of-interest management have reduced operational and reputational risks. This process of institutionalization has been decisive in broadening the investor base, including more sophisticated investors with medium- and long-term investment horizons.

The presence of management entities with operational scale and proven experience has been decisive in consolidating trust in the sector. Managers with critical mass, specialized teams, and robust investment and risk-management processes are perceived as better positioned to identify opportunities, manage real estate cycles, and cope with adverse environments. Scale also enables efficiency gains, greater market access, and a clear separation between management, control, and custody functions. For the investor, the professionalization of management and the increase in scale translate into greater predictability of results and the perception that Portuguese real estate vehicles are appropriate instruments through which to realize the diversification gains that the real estate asset class has historically provided.

A fifth element is performance history, which, although heterogeneous across strategies and funds, has been sufficiently attractive to sustain demand over time. In metrics disclosed on the basis of market sources and management entities, annualized five-year returns of

around ~5% appear for several benchmark funds, with relevant differences between vehicles and time windows. In an environment in which traditional low-risk savings instruments recorded low returns for years, this perceived risk/return relationship contributed to positioning real estate funds as an intermediate alternative between deposits and more volatile risk assets, such as the equity market.

Sixth, it is important to emphasize the perceived resilience resulting from multiple episodes of macrofinancial stress, including the global financial crisis, the sovereign debt crisis, and the pandemic. A relevant dimension of this resilience is linked to the evolution of the financing and risk profile: sector analyses have pointed, for example, to a reduction in leverage in the sector over the past decade, both at the fund level and at the level of economic agents, signaling prudent post-crisis adjustment and lower vulnerability to external shocks. In macroeconomic terms, documentation on the evolution of the Portuguese real estate market since 2008 points to periods of contraction and recovery, contextualizing the relevance of cyclical risk and the way in which instruments with recurring cash flows can mitigate aggregate return instability and smooth the perception of risk.

A seventh factor, often underestimated, is the relationship between the preference for stability and liquidity restrictions. Part of the investor base accepts redemption windows and longer repayment periods, insofar as these rules can function as a protection mechanism against forced sales in moments of stress, preserving value for all participants. From an economic point of view, this architecture reduces the risk of externalities associated with redemption runs and tends to reinforce the intertemporal stability of the fund. To better match the liquidity level of assets (in this case, real estate) with the liquidity access of investors (the frequency of redemptions), the liquidity access conditions of open-end real estate funds have deteriorated over the past 15 years. However, despite this apparent deterioration in the value proposition, assets under management continue to grow. This fact can be partially explained by the greater understanding among Portuguese investors, whether through financial literacy or their own experience, of the need for a reasonable period of time (in some cases several months) to transform real estate investment into liquidity to pay redemptions. This perception translates into a preference for a

redemption scheme that aligns the liquidity of assets and liabilities and avoids the errors of the past generated by forced sales.

Although it is not an exclusive characteristic of real estate funds, the applicable tax treatment also helped increase the weight of this asset class in the Portuguese fund industry. Taxation at exit, that is, the payment of taxes on realized capital gains, contributes to immobilizing capital and in that way encourages the accumulation of capital within the already invested vehicle. The combination of gradual appreciation and low volatility in real estate funds generates potential capital gains early, which tends to discourage redemptions by investors.

Beyond the factors already identified, it is reasonable to admit that other elements have contributed, albeit more sporadically, to the significant relevance of real estate funds in the Portuguese fund industry. Together, these reasons form a mosaic of factors that have supported investors' decisions to preserve and reinforce the weight of real estate in their portfolios.

3.4. Limited supply in other segments

In the Portuguese context of investment funds, the structural importance of real estate funds can also be explained by supply-side factors, namely the relative scarcity of alternatives and the lower maturity of other product segments when compared with more developed financial markets. This market configuration created a natural space for real estate funds to assume a central role in capturing savings and in portfolio construction, both for individual and institutional investors.

First, the limited supply in other real-asset and alternative segments significantly reduced the options available to investors seeking diversification, income, and inflation protection. In Portugal, access to more sophisticated alternative strategies – such as private equity, private credit, infrastructure, or hedge funds – has historically been restricted, whether for regulatory reasons, limitations of scale and distribution, or limitations in financial literacy and investor know-how. Many of these products were for years reserved exclusively for institutional or professional investors, with high minimum tickets and low presence in traditional distribution channels. In this context, real

estate funds functioned as the main vehicle for access to real assets, filling a structural gap in the product offering.

Second, despite the gradual development of the UCITS fund market, the domestic offering remained relatively concentrated in traditional strategies (money market funds, bonds, and mixed funds), with less diversity of styles, geographies, and return approaches than that observed in more mature European markets. The scarcity of truly differentiating UCITS funds – for example, absolute return strategies, flexible management, or alternative themes – limited investors' ability to find solutions suited to low or negative interest rate environments. Within this framework, real estate funds emerged as one of the few alternatives capable of offering attractive returns, low volatility, and differentiation.

A third relevant aspect is linked to the lower maturity of the ecosystem of financial products in Portugal, both in terms of innovation and the sophistication of demand. In more developed markets, allocation to real estate is often integrated into a broader set of alternatives (infrastructure, loans, listed real assets, specialized ETFs), diluting the relative weight of each class. In Portugal, this lower diversity made collective real estate assume a disproportionately relevant role as a diversification vehicle, simultaneously functioning as an income-generating asset, inflation protection, and capital preservation instrument.

Additionally, the market's distribution structure contributed to reinforcing this centrality. The strong dominance of banks in fund distribution favored products that were easy to understand, with a simple narrative and aligned with the profile of the retail investor. Real estate funds, especially open-end ones, were well suited to this context, whereas other alternative products – more complex and with less standardized structures – took longer to gain traction. This asymmetry in distribution reinforced the cumulative growth of collective real estate at the expense of other segments.

Finally, these supply-side limitations help explain not only the growth of real estate funds, but also their structural resilience within the Portuguese fund system. In the absence of a broad and mature set of alternative products and innovative UCITS offerings, real estate funds became a lasting pillar of the industry, absorbing savings across

economic cycles. Thus, their importance should not be seen only as the result of investor preferences, but also as the direct consequence of a market in which the relative scarcity of alternatives amplified the role of real estate as the dominant collective investment solution.

4. Future trends

The future of the Portuguese real estate fund industry appears particularly promising. The favorable context described above – marked by relative stability, tax attractiveness, increasing professionalization, and strong demand for real assets – continues to act as a catalyst for the development of this asset class. This framework has encouraged, on the one hand, investors to maintain the strategic direction of their allocations and, on the other hand, management entities to reinforce and sophisticate their value propositions, both at the product level and in terms of governance and reporting models.

Real estate collective investment companies (real estate SICs) still have significant growth potential. A relevant share of the national real estate stock remains held through traditional corporate structures that prove less efficient from a tax perspective and, at the same time, less robust in terms of governance, transparency, and alignment of interests. The progressive migration of these assets into regulated collective investment vehicles represents a structural movement that is far from exhausted. This process constitutes a clear opportunity for asset managers in Portugal to deepen the industrialization and professionalization of real estate management, introducing more demanding standards of valuation, risk management, control, and investor reporting.

At the same time, the strong appreciation recorded in the real estate markets of the main metropolitan areas over recent years – particularly Lisbon and Porto – has been contributing to a gradual change in the focus of institutional capital. Growing interest is beginning to be observed in opportunities located in the interior of the country and in secondary urban centers, which were previously outside the radar of major investors. The rediscovery of these territories opens new fronts for value creation, allowing the exploration of illiquidity premiums, specific local dynamics, and projects with greater regional economic impact. This geographical widening of real estate investment also has

relevant macroeconomic and social implications. By channeling capital away from the main urban centers, it contributes to mitigating excessive pressure on real estate prices in the most congested areas, promoting a more balanced distribution of investment and reducing the risk of abrupt corrections resulting from localized overheating.

Additionally, the emergence and consolidation of new real estate segments – such as logistics, data centers, senior housing, specialized hospitality, or infrastructure associated with the digital economy – add a new layer of sophistication to the available offering. These segments have differentiated return drivers and, in many cases, are less correlated with the traditional real estate cycle, allowing portfolios to benefit from greater diversification and resilience over time.

Finally, the incorporation of these new themes and investment narratives has shown strong potential as a commercial driver. By combining real assets with stories of structural growth – such as e-commerce, the digital transition, or demographic aging – management companies are better able to align their solutions with the expectations of institutional and private banking investors, reinforcing the ability to attract and retain capital over the medium and long term.

5. Conclusion

The analysis of the Portuguese real estate fund industry reveals a singular configuration in the European context, marked by an exceptional structural preponderance of this asset class in total domestic asset management. Far from resulting from an isolated or cyclical factor, this phenomenon emerges from the cumulative combination of macroeconomic, regulatory, tax, historical, and behavioral frameworks that, over several economic cycles, have shaped investor preferences and the evolution of the product offering itself.

The prolonged period of low interest rates after the financial crisis, together with the sustained recovery of the Portuguese economy and the consistent appreciation of the real estate market, created particularly favorable conditions for the establishment of real estate funds as central vehicles for the allocation of savings. The ability of these instruments to generate recurring income, combined with a perception of lower volatility and a relatively stable return experience, proved

decisive for the Portuguese investor, traditionally averse to capital losses and sensitive to the predictability of financial flows.

At the same time, the regulatory and tax framework proved to be an unavoidable structural element. The creation and consolidation of collective real estate investment companies introduced greater tax efficiency, transparency, and governance robustness, enabling the progressive migration of real estate assets held in traditional corporate structures into regulated vehicles. This movement, still far from complete, contributed to the professionalization of real estate management and to deepening the role of management entities as qualified intermediaries of capital.

Investor preferences, anchored in the tangibility of the underlying asset, the institutionalization of the sector, and the trust accumulated throughout successive episodes of macrofinancial stress, reinforced the structural resilience of real estate funds. Even in the face of more demanding liquidity restrictions and greater awareness of the risks associated with illiquidity, investors have shown growing acceptance of longer investment horizons, recognizing the benefits of greater consistency between the profile of assets and liabilities.

On the supply side, the relative scarcity of comparable alternatives – whether in alternative strategies or in truly differentiating UCITS products – amplified the role of real estate funds as the main vehicle for diversification and value preservation. This lower maturity of the ecosystem of domestic financial products contributed to concentrating in real estate funds functions that, in other markets, are distributed across a broader set of asset classes.

Finally, looking ahead, the Portuguese real estate fund industry presents favorable prospects supported by the continued professionalization of the sector, the expansion of real estate SICs, the geographical diversification of investment, and the growth of new segments with differentiated return drivers. These factors suggest that, despite the challenges associated with concentration and liquidity, real estate funds will continue to occupy a central role in the asset management industry in Portugal, not only as a legacy of the past, but as the result of continuous adaptation to investor needs and to the structural transformations of the economy.

ANGOLAN COFFEE AS AN ESG COMMODITY AND A DRIVER OF FINANCIAL INCLUSION

Irineu Gomes Martins, member of the CFALP Committee

Angola is a coffee-producing country and has endemic species that are cultivated across different ecological regions, giving rise to coffees with unique body and flavor, easily identifiable in the cup. These include robusta varieties such as cazengo, amboim, ambriz, and cabinda – high-value ecotypes produced within agroforestry systems, in harmony with native trees, local fauna, and a permanent forest environment.

As one of the main commodities in Angola's economic history – the world's third-largest producer with 240 thousand tonnes in 1974 (Mahinga Jr, 2021) – coffee holds cultural, economic, and environmental importance for families and ecosystems.

The agroforestry system preserves regional flora and fauna, the sale of production ensures the livelihood and well-being of families, and culturally, coffee functions as a store of value for rural households, sold according to vital and social needs.

Currently, coffee cultivation takes place in 10 provinces, covering more than 60,000 hectares and directly involving around 30,000 families. The main producing regions include the provinces of Uíge, Cuanza Norte, and Cuanza Sul.

The transition from traditional commodity to ESG asset

Coffee production in Angola, based on agroforestry systems (shade-grown coffee), relies on organic management and soil conservation practices that increase biodiversity in growing regions, enhance carbon sequestration, and improve bean quality – with positive effects on selling prices.

Although it is a traditional commodity, cultivated in Angola since the 1830s, with the first plantation established in 1837, coffee has become an important asset in forest preservation, income generation for families, and respect for producers – a positive evolution from the former use of slave labor on plantations.

As production is largely family-based, household members determine the pace of production and the size of the cultivated area.

At its peak, the country had 650,000 hectares under cultivation. The prolonged civil war led to the abandonment of production areas, causing some plantations to become natural coffee forests. While this was negative from an economic standpoint, the environmental impact was positive. The abandonment not only preserved tree species but also allowed forests to regenerate and develop in former shaded plantations. As these were coffee forests, tree cutting or the introduction of food crops was always carried out with respect for the existing coffee plants, which grew alongside shade trees and other herbaceous and shrub species.

Sustainable and social practices

Angola can be considered a field of organic coffee production, where coffee is grown without the use of mineral fertilizers or agrochemicals, following sustainable crop management practices.

These sustainable practices include the use of mulch for soil management, agroforestry systems in 97% of plantations, biological pest control using natural predators instead of chemical pesticides, and natural sun-drying of coffee on patios without water use, thereby conserving water resources.

In addition to contributing to environmental preservation, coffee as an ESG asset has a direct impact on social practices. Labor is valued and freed from the historical legacy of forced labor. This is complemented by certifications for those who comply with the good agricultural practices established by the National Coffee Institute (INCA).

Certifications and governance

Certifications primarily build trust in the market. This trust does not come only from tradition and product quality, but from the technical rigor and transparency pursued at every stage of the production process. The robusta amboim coffee, for example, is a local variety produced under exceptional climate and soil conditions, resulting in a unique beverage with qualities comparable to arabica coffee.

The certification of this coffee by the National Coffee Institute (INCA) triggered significant demand and led to price increases of more than 20%. It can be said that tradition and intrinsic quality, combined with institutional recognition, added commercial value to this type of coffee. Certification acted as a competitive differentiator by confirming the inherent quality of the product.

Leverage for banking access and credit – financial inclusion

In Angola, coffee is the first agricultural product produced with a clear focus on the market. Despite its seasonal harvest, the sale process for families occurs throughout the year and involves significant income for producers. In recent years, coffee prices have risen considerably, allowing a family producer with an output of 20 bags to earn, on average, up to Kz 2.4 million per year. This income acts as an incentive for financial inclusion, encouraging bank account ownership and access to credit for the activity. Data from INCA indicate that 56% of coffee producers earning above Kz 2 million have a bank account.

Lusophone impact and diaspora – exports and diaspora consumers

Angola coffee exports

Year	Volume (tons)	Value (USD million)	Notes
2023	1.470	3,5	Start of the growth trend.
2024	1.427	5,675	Strong increase in value, despite lower volume.
2025	3,288	12	Higher value and volume. Portugal absorbed 45%.

Between 2023 and 2025, Angola’s coffee exports showed a growth trend both in volume and value, reaching their highest value in 2025 (USD 12 million). Among Lusophone countries, Portugal remains the main destination for Angolan coffee exports, accounting for 45% over this period. Coffee thus also serves as a bridge strengthening relations and cultures between peoples, supported by the presence of an Angolan and Lusophone African diaspora in that country, and by Angola

being the largest coffee producer among Lusophone African countries. However, the bulk of exports was directed to European Union countries, while the African market accounted for only 5.6% of export value (INCA, 2025 – Activity Report 2025).

Conclusion

Within rural families, coffee production is a marker of social status and wealth. Those who engage in its cultivation tend to enjoy greater financial stability throughout the year, as it functions as a form of savings and is sold continuously according to need. The financial volumes generated require coffee producers to open bank accounts and seek financial services available in the market. Angolan coffee, by combining sustainability, inclusion, and cultural identity, is not merely an agricultural commodity – it is a strategic financial asset capable of repositioning Angola and Lusophone markets on the global map of ethics and innovation.

TWO MODELS, ONE PROBLEM: PORTUGUESE SAD AND BRAZILIAN SAF FACE TO FACE

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1. Introduction

Professional football has long ceased to be merely a sport. It is an industry, a market, an object of multi-million contracts; with this reality, undesirable consequences, such as legal disputes focused on financial restructuring issues, have become a bitter reality.

And, like any relevant economic activity, it requires a legal framework to match. Portugal and Brazil reached similar conclusions, each in its own time and in its own way: the traditional associative club can no longer, on its own, manage the complexity of a high-performance business. It was necessary to create a solution, emerging through a corporate form specifically designed for professional football.

In Portugal, Decree-Law no. 146/95 established, for the first time in the Portuguese legal system, the legal regime of sports companies, a *sui generis* figure of corporate law. In Brazil, although attempted several times, the path that was effectively adopted took longer: the Sociedade Anônima do Futebol (Football Corporation) arrived in 2021, through Law no. 14,193, driven by an unavoidable diagnosis – the chronic indebtedness of Brazilian clubs had spiraled out of control.

The two models share the same premise and face the same ghosts. But the solutions they chose are quite different, and the comparison reveals both the strengths and the gaps of each piece of legislation.

2. Brief remarks on SAD and SAF

The Portuguese Sociedade Anónima Desportiva (“SAD”) is currently regulated by Law no. 39/2023, of August 4, which repealed Decree-Law no. 10/2013 and introduced the current legal regime for sports companies. A sports company is understood as a private legal entity, incorporated as a business company, whose purpose consists of par-

ticipating, in one or more sports, in sporting competitions, promoting and organizing sporting events, and developing activities related to the practice of the sports that constitute its object, in the form of a limited liability company or a public limited company.

The legislation is structured around three core objectives: (i) the preservation of sporting integrity, the fairness of competitions, transparency within the sports environment, good governance of sports companies, and control of their accounts; (ii) the promotion of equality between women and men and the prohibition of gender discrimination; and (iii) the pursuit of a balance (or rebalancing) of rights in the relationship between founding sports clubs and their respective sports companies.

In Brazil, the Sociedade Anônima do Futebol (“SAF”) was conceived with a more surgical focus. Law no. 14,193/2021 establishes the SAF and provides for rules on its incorporation, governance, control and transparency, financing mechanisms for football activity, treatment of liabilities of sports entities, and a specific tax regime. Its scope is exclusively football, unlike the Portuguese model, which covers professional team sports more broadly.

Both therefore arise from the same observation: the traditional associative structure is incompatible with the economic scale of modern professional sport.

3. Common and divergent features between SAD and SAF

The convergence between the two models is not accidental. The Portuguese reform of 2023 presents solutions that, at least in appearance, resemble mechanisms also adopted by Brazilian legislation. There is, however, no sufficient normative or historical evidence to assert a direct influence of the SAF Law on the Portuguese reform (or, logically, vice versa), and it is more prudent to understand this convergence as the result of similar structural problems faced by both realities.

The central point of contact lies in the separation between the original associative club and the corporate entity that comes to manage professional football. In both legal systems, the newly formed company succeeds the club in its relations with sports governing bodies,

assuming contractual ties related to the core activity.

This separation is deliberate: it isolates the assets allocated to professional activity and attempts to create a more legally predictable environment for investors. We mention “attempt” because, in the Brazilian case, this “shielding” is not absolute, as the SAF Law establishes hypotheses of liability linked to the company’s corporate purpose, in addition to indirect mechanisms for payment of liabilities by the original club, which relativizes the idea of complete asset separation, according to an interpretation of Article 9 of the Law²⁷.

Another point of convergence is the regime of cross-incompatibilities. A person holding a qualified stake in one sports company may not hold a qualified stake in another company participating in national competitions of the same sport, and it is also forbidden for one sports company to hold shares in another. The logic of preserving competitive integrity and avoiding conflicts of interest is shared by the Brazilian model, which also prohibits the controlling shareholder of a SAF from holding a stake in another company in the same competition.

Transparency and corporate governance appear in both frameworks as central concerns. Requirements for accountability, disclosure of qualified shareholdings, and standards of integrity for directors are elements present in both legislations, albeit with different levels of regulatory detail.

The comparative analysis between SAD and SAF, still not fully developed in its entirety, cannot ignore a central element that strains the separation between club and company: sporting succession. The logic of international sports law, especially in light of regulations of the Fédération Internationale de Football Association (FIFA) and the jurisprudence of the Court of Arbitration for Sport (CAS), establishes that the identity of a club transcends the legal entity that operates it,

²⁷ Article 9. The Football Corporation (Sociedade Anônima do Futebol – SAF) shall not be liable for the obligations of the club or original legal entity that established it, whether incurred before or after the date of its incorporation, except with respect to activities specifically related to its corporate purpose, and it shall be liable for the obligations transferred to it in accordance with paragraph 2 of Article 2 of this Law, the payment of which to creditors shall be limited to the manner established in Article 10 of this Law.

Sole paragraph. With respect to labor debt, the group of creditors referred to in the caput of this article includes athletes, members of the technical staff, and employees whose primary activity is directly linked to the football department.

being defined by elements such as name, colors, history, fan base, and competitive continuity²⁸.

In this context, even though corporate law – whether in Portugal or Brazil – seeks to segment assets and limit liabilities, sporting succession acts as a factor that reconstitutes this continuity at the regulatory level, potentially implying indirect liability of the successor entity. This reveals a structural tension between corporate law and *lex sportiva*, which in practice relativizes the absolute effectiveness of the separation between club and company.

4. How a SAD and a SAF are formed

In Portugal, a sports company may be established in three ways: originally, through the legal incorporation of the team, or by transforming the sports club. The name must include the sport practiced, if only one, as well as the abbreviation indicating the type of company adopted: SAD, Sports Company by Quotas (SDQ Lda.), or Single-Member Sports Company by Quotas (SDUQ Lda.). Minimum capital requirements vary according to division: €250,000 for companies participating in the First League and €50,000 for those in the Second League, and any company promoted must adjust its share capital beforehand to enter the new competition.

Oversight has been centralized: Law no. 39/2023 granted the Instituto Português do Desporto e Juventude (IPDJ) supervisory authority, including through inquiries, inspections, audits, and external reviews.

A relevant governance innovation was also introduced: the founding club now has the right to appoint a member to the board of directors of the sports public limited company, with the right to participate in all meetings but without voting rights.

In Brazil, the SAF may be established in three ways provided for in Article 2 of the SAF Law: by transforming the club itself into a SAF, by spinning off the football department with the transfer of assets to the new company, or by creating an original SAF by third parties who

²⁸ Proceedings CAS 2011/A/2614, CAS 2012/A/2778 and CAS 2013/A/3425, also referenced in CAS 2018/A/5618.

enter into a contract with the club.

The Brazilian model is notably more flexible at this point, as it allows an external investor to establish the SAF and acquire control without requiring a full transformation of the pre-existing associative structure – a mechanism that enabled transactions such as those of Cruzeiro Esporte Clube and Botafogo de Futebol e Regatas.

5. Debt restructuring structure in each system

This is where one of the greatest differences between the two systems lies. Brazil created, within the SAF Law itself, a specific restructuring mechanism: the Centralized Execution Regime (RCE). It is a legal mechanism established as one of the possible alternatives to judicial or extrajudicial recovery, with the purpose of allowing clubs and sports civil associations to reorganize their finances and resolve, in a structured manner, the payment of accumulated debts.

Under this regime, all judicial enforcement proceedings, revenues, and collected funds are centralized in a single court, which is responsible for administering and distributing resources in an orderly manner among creditors.

Article 13 of the SAF Law established three ways to settle obligations: direct payment to creditors, the RCE, or judicial and extrajudicial recovery under the terms of Law No. 11,101/2005. Once the RCE request is granted, the club has a six-year period to pay creditors, extendable for an additional four years if it demonstrates that at least 60% of the original liabilities have been settled by the end of the initial period.

An important point: Brazilian case law has adopted the understanding that it is not necessary for a club to become a SAF in order to benefit from the RCE. Any football club, regardless of whether it is structured as an association or a corporation, may request the regime, which significantly expands the practical scope of the law.

Despite its innovative design, the practical experience of the RCE has revealed significant limitations. As already analyzed in a specific study on the SAF Law by the same authors of this essay, the absence of structured decision-making mechanisms, the lack of detailed legal provisions governing the role of administrators, and, above all, the

mandatory indexation of debts to the SELIC rate have undermined the effectiveness of the model, leading many clubs to migrate to judicial or extrajudicial recovery regimes.

This trend shows that, although the RCE represents a regulatory advance, its application still requires institutional maturation and legislative adjustments to fulfill its purpose of sustainable restructuring.

Portugal does not have an equivalent mechanism. The Portuguese legal system relies on general law instruments: the Special Revitalization Process (PER), provided for in the Insolvency and Corporate Recovery Code (CIRE), and the insolvency process itself with a recovery plan. Studies indicate a significant number of sports corporations in Portugal that have faced insolvency, dissolution, or inactivity proceedings, highlighting the insufficiency of the available instruments to address the sector's structural financial crisis, as noted by Antas da Cunha ECIJA based on data from the Portuguese government.

The recent case of Boavista Futebol SAD illustrates the problem clearly: without a dedicated regime, the SAD resorted to the PER, which was not approved, and the only remaining option was a declaration of insolvency – a path that, in Brazil, the RCE could have interrupted much earlier.

6. What each legal framework could learn from the other

Portugal has nearly three decades of consolidated experience with sports corporations. The regulatory framework has clearly matured: Law No. 39/2023 addressed significant gaps in the previous regime, such as the lack of an explicit provision safeguarding sporting history in the event of the insolvency of a SAD.

The new regime clearly establishes that sporting history and titles won must be recognized and attributed to the founding club, provided it maintains that status at the time of dissolution, insolvency, or extinction of the sports company. This is a form of protection that is symbolic, but also legally relevant, and which still does not find an equivalent provision with the same level of clarity in the Brazilian legal system.

What Brazil could learn from Portugal is, above all, the concern for

preserving the institutional identity of the founding club and setting limits on the investor's power over the original entity. The representation of the founding club on the board of directors, even without voting rights, constitutes a balancing mechanism that preserves the associative voice without compromising business management.

In Brazil, although the SAF Law preserves economic and corporate links between the club and the SAF, there is no legal provision that mandatorily ensures the institutional participation of the club in the company's governance. This definition is largely left to the structure of the transaction and to the contractual negotiation between the parties.

Conversely, Portugal has much to learn from the Brazilian RCE. The absence of a specific debt restructuring regime for sports companies is a serious gap. Referring struggling clubs to general insolvency or restructuring frameworks is equivalent to addressing a structural problem with generic tools that do not account for the particularities of professional football: the seasonality of revenues, the dependence on licensing to compete, the volatility of sporting results, and the immediate impact of financial distress on the squad.

A Portuguese-style RCE, adapted to the reality of the CIRE and national sports law, could have avoided outcomes such as that of Clube Desportivo das Aves (whose Portuguese Cup was auctioned) and, more recently, Boavista itself.

There is also a Brazilian lesson in structural flexibility. The spin-off model provided for in the SAF Law allows external investors to enter the structure without requiring the dissolution or full transformation of the club. Portugal still operates with a more restrictive logic in this regard, which may limit the range of capitalization operations available to distressed entities.

Notably, one element often overlooked in comparisons between the two models is the role of arbitration as a mechanism for resolving disputes in professional sports. The sports environment demands swift and technically specialized solutions, which has led to the growing use of arbitration, including in sensitive areas such as labor relations.

The way SADs and SAFs integrate into this dispute resolution ecosystem – whether through state courts or arbitral bodies – tends to directly influence the legal certainty of the model and investors' perception of risk.

7. The tension between corporate law and sports law

Finally, the comparison between SAD and SAF reveals a point of friction that neither legal system has fully resolved: the partial incompatibility between the logic of corporate law and the requirements of sports law.

Corporate law operates on classic principles: asset autonomy, limited liability, freedom of organization, and the primacy of shareholder will. The creation of a sports company seeks precisely to transpose these categories into the environment of professional football, enabling investment, professional management, and legal predictability in economic relationships.

Sports law, in turn, follows a different logic. The *lex sportiva*, built from the regulations of international federations and sports jurisprudence, is not limited to the legal form adopted by the entity. What matters in this context is the continuity of the sports institution, understood as an economic, historical, and competitive reality that transcends the legal entity that manages it.

This divergence becomes most evident in the theory of sporting succession. While corporate law allows for asset segmentation and, in certain cases, the limitation of liability for past obligations, sports law tends to recognize the continuity of the entity whenever identity elements are preserved – such as name, colors, stadium, fan base, and participation in competitions. In this logic, a change in legal structure is not sufficient to eliminate obligations linked to sporting activity.

The result is a permanent tension between two regulatory regimes that operate with different objectives. On one hand, legislators seek to create a safe environment for investment, allowing financial reorganization and risk limitation. On the other, sports regulators seek to prevent corporate restructuring from being used as a means to evade obligations, preserving the integrity of competitions.

In the Brazilian case, this tension is particularly visible. The SAF Law formally establishes a separation between the company and the originating club, limiting succession to obligations related to the corporate purpose. However, the practical application of the model – whether in state courts or sports bodies – has shown that this limitation is not absolute, especially when the new entity fully maintains football activity and the identity elements of the club.

In Portugal, although the regime of sports companies is older and more institutionally consolidated, the problem appears in a similar form. Experience has shown that merely adopting a corporate structure is not sufficient to solve the financial challenges of the sector, nor to eliminate, in the sporting sphere, the continuity of obligations associated with competitive activity.

This tension reveals a fundamental point: SADs and SAFs are not merely instruments of corporate organization, but points of intersection between two partially incompatible legal systems. The effectiveness of these models therefore depends not only on the quality of corporate legislation, but also on the ability to harmonize it with the rules and principles of sports law.

Ignoring this dimension is equivalent to analyzing only half of the problem. The future of sports corporations – in Portugal, Brazil, or any other legal system – will depend on the development of solutions that recognize this duality and establish clearer mechanisms of coordination between the two regimes.

8. Conclusion

SADs and SAFs are different answers to a similar question: how to make professional football economically sustainable without destroying the cultural identity of the clubs that sustain it? Portugal arrived first, accumulated mistakes, and corrected part of them in 2023. Brazil arrived later, with a more urgent diagnosis, and produced a bold law.

Neither model is complete. Brazil still needs to consolidate case law on SAF liability for prior debts, a matter that courts continue to debate without uniformity. Portugal needs to create its own financial restruc-

turing regime for sports companies, rather than continuing to push what is clearly a special problem into general law.

The dialogue between the two systems is more than academically interesting – it is legally useful. The convergence of problems – namely structural indebtedness, the tension between associative identity and business rationality, and the inadequacy of general insolvency instruments – has not produced identical solutions, but it has produced comparable ones.

It is precisely in comparison that the most visible gaps emerge: Portugal still lacks its own regime for restructuring sports-related debt; Brazil has not yet ensured, by law, the institutional participation of the founding club in SAF governance. Neither of these shortcomings is insurmountable. Both already have, in the other system, at least a sketch of a solution.

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THE IMPACT OF POLITICAL INSTABILITY ON THE ECONOMIC DEVELOPMENT OF GUINEA-BISSAU

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1. Contextualization

Guinea-Bissau, like the others within the CPLP space, was colonized by Portugal and achieved its independence in 1973 – it was officially recognized by the Portuguese state as a new independent country in 1974. This path of the struggle for independence was ambitious, simultaneously liberating two countries, both members of the CPLP and PALOP, namely Guinea-Bissau and Cape Verde.

The impact of the long armed liberation struggle is still felt today in the cycle of constant and continuous instability, directly affecting the country's economic landscape.

During the post-independence years, there were several coups d'état that changed regimes, undermining peace and internal security.

In terms of governance, from independence to the present day, more than 30 governments have been replaced, and not one of them even managed to complete its term of office, which should normally last 4 years as stipulated for the executive branch. With regard to heads of state, there have been changes of more than 10 heads of state, among whom only 2 managed to complete their terms normally.

All of this reality embedded in the cycle of chronic instability ends up directly and indirectly influencing the country's economic context, hindering the normal functioning of democratic institutions.

Despite the existence of great economic potential and investment opportunities, the country still continues to show a weak trend in foreign capital investment, and it is notable that citizens of Lusophone countries, that is, of the CPLP, have a weak presence in the country's investment corridors, leaving the Guinean market to be dominated by citizens of Francophone countries. In addition to its integration into

the PALOP²⁹ and CPLP³⁰ communities, the country has also integrated into other communities, such as ECOWAS³¹ and WAEMU³².

The country's geographical position offers many economic advantages, strengthened by natural resources in various areas, such as mineral resources, marine resources, forest resources, environmental resources, and good soil for agricultural practices across the productive domain.

The main economic activities in Guinea-Bissau originate in the primary sector, namely: agriculture, fishing, and forest extraction.

2. Structural changes in the domestic economic landscape

After independence, Guinea-Bissau was strongly influenced by external geopolitical effects within the ideological trend between communism and capitalism.

Initially, everything indicated that the country's economy was under a communist tendency in which the state not only fully controlled the economy, but also became directly involved in economic activities, being almost the owner of all business assets and supplying the market directly. Between 1980 and 1994, the country felt isolated, with a need to engage in sub-regional, international, and global trade, and therefore had to adopt certain structural changes. To implement these structural changes in the domestic economic landscape, it needed to prioritize the following aspects:

- Integrate international organizations, with particular emphasis on the World Trade Organization;
- Active participation in sub-regional trade and in some African trade corridors.

All of these needs were important insofar as they made it possible to respond to the country's need for economic growth.

Currently, the country is strongly inclined toward a capitalist eco-

²⁹ PALOP: joined in the 1970's.

³⁰ CPLP: joined in 1996.

³¹ ECOWAS: joined in 1975.

³² WAEMU: joined in 1994.

conomic model, promoting the market economy, emphasizing the private sector, encouraging private and foreign capital investment, and fostering entrepreneurship and financial inclusion. Despite this approach aimed at promoting secure economic growth, the country still continues to have a fragile private sector, lacking liquidity and operational capacity sufficient to ensure that the country's economy is sustained by the functioning of the primary sector of economic activity.

3. Political instability and risks for the domestic economy

For a long time, the country has lived through a cycle of political instability that directly affects the economy in all its dimensions, both micro and macro.

In this context, the economic circuit slows the transmission among different economic agents, thereby hindering domestic economic dynamics in various areas:

3.1 Private investment

The country has great economic potential and many opportunities for economic activities, associated with the good conduct of its citizens in receiving and dealing with people of foreign nationality. The private sector continues to be the government's strategic partner for better economic and financial performance in the country.

In terms of statistical data, it appears that between 2011 and 2019, the country registered approximately **4,800** new companies, including small, medium, and large enterprises. From May 2011 to December 2019, **4,139** companies were created: **3,797** limited liability companies, **337** public limited companies, and **5** single-shareholder companies.

With regard to the nationality composition during this period, the following can be noted:

- 2,057 companies created by Guinean citizens;
- 1,255 companies created by foreign citizens;
- 827 companies created by mixed nationalities.

A newer update indicates that in 2021, approximately **636 compa-**

nies were created, among them:

- **384** companies created by Guinean citizens;
- **189** companies created by foreign citizens;
- **63** companies created by mixed nationalities.

In terms of operating licenses, regarding legally established companies, **688** licenses were issued according to sectors of economic activity, namely:

- For import and export commercial activities, **665** licenses were issued;
- For industrial activities, **15** licenses were issued;
- For hotel and tourism activities, **8** licenses were issued.

All of these data show the need to undertake and invest more in critical areas (processing industry and others), but with a strong possibility of economic success.

But, due to instability, these data may lead to other scenarios demonstrating the limitation of the operational capacity of those companies because of the unattractive business environment, despite the strong potential within the country.

3.2 Undiversified banking sector

This environment of political and governance instability contributes greatly to reducing the financial capacity of the population and to the lack of public policies aimed at diversifying banking activity in the country in a way that could finance the economy and ensure that the primary sector of economic activities is operational, guaranteeing more employment. The banking sector is limited to approximately 6 commercial banks, namely: Banco da África Ocidental (BAO), CORIS BANK International, Banco da União (BDU), ECOBANK, ATLANTIQUE, and ORABANK. All of these banks are geared toward commercial banking activity, covering the economic activity sector in the commercial domain respectively. But for the country's economic development, other types of banks would be necessary, allowing diversification of activity in this sector to finance the economy and boost all sectors of economic activity, such as: Development Bank, Islamic

Bank, Industrial Bank, Agricultural Bank, Investment Bank, etc.

3.3 Labor market

The imbalance in the labor market is causing a growing flow of emigration abroad, in search of better living conditions and income capable of sustaining the working-age population. The country's labor market does not obey the law of supply and demand for jobs, thereby promoting imbalance between them. There are people of working age with technical and professional skills, but employing institutions are few and lack operational capacity, causing a shortage of job opportunities, increasing demand and resulting in gross wages below expectations. Considering this reality, a professional who knows their market value tends to look for another labor market that guarantees more and better income. From this perspective, emigration becomes an alternative.

As a result, in the future the country will face the serious problem of a lack of qualified technicians to stimulate increased investment in industry, management, medicine, and other areas fundamental to the country's economy.

4. Economy under the effects of political instability

The country's economy is adrift in political instability, and this has had negative effects. As a consequence, the country needs financial resources to meet its budget deficit coverage needs and turns to bilateral and multilateral partners. This reality causes the country to depend heavily on World Bank financing due to macroeconomic fragilities incapable of moving the domestic economy because of the cycle of political instability.

Within the domestic economic landscape, the effect of political instability is very strong and extends across structural dimensions:

4.1. Weak mobilization of public revenue

The tax burden is very low and is incapable of being sustainable in the medium term.

According to the WAEMU zone criterion, the percentage in relation to GDP should at least approach 20%, but unfortunately in the

country the figures vary between 9% and 12% of GDP.

There is almost no industrial activity, due to the lack of productivity in the primary sector capable of supplying raw materials. There is also a lack of public policy that encourages agricultural diversification.

Informal economic activity gains ground every day, without policies and incentives for formalization.

Microcredit institutions show limitations in their response capacity.

There is a strong dependence on cashew nuts, making the country more vulnerable to external shocks and price fluctuations in the international market.

4.2. Fragilized public institutions

There is uncertainty in the country's judicial institutions, which creates doubts with regard to foreign capital investment in terms of the security of investments.

Public servants with limited income, with monthly salaries of approximately 62,000 XOF, or about 100 euros, are unable to minimally cover the family's aggregate monthly expenses, which indirectly encourages acts of corruption and, in turn, threatens the integrity of public finances.

4.3. Constant budget deficit

Macroeconomic structures face great difficulty in obtaining real data on the country's economic situation, further increasing fragility in the adoption of corrective macroeconomic measures.

Budget deficits between 2021 and 2023 are estimated at approximately 7%; in addition to the problems linked to instability, there are also other influencing factors, such as COVID-19 and low tax revenue collection. In 2024 to 2026, however, there were improvements that significantly reduced the percentage deficit to around 4%.

BRIDGING MOZAMBIQUE'S FOREIGN CURRENCY GAP – HOW CAN THE COUNTRY GET SUPPLIERS PAID FASTER AND BUILD A STRONGER ECONOMY

Milan Devji, member of the CFALP Committee

1. The problem in plain language

If you are an importer in Mozambique today, your biggest problem is simple: your supplier is not getting paid on time.

You place an order. You have the meticaís. But you cannot get dollars from your bank. Your supplier waits six – sometimes nine – months. Eventually, they stop shipping. Your shelves go empty. Your workers go home.

Mozambique's foreign exchange challenge is often described as a shortage. In practice, the situation is more nuanced. It is a constrained system in which foreign currency supply is limited relative to demand at current prices, and available foreign currency is not efficiently allocated to where it is needed most.

At its core, foreign exchange is being allocated administratively at a price that does not fully clear the market. Demand therefore exceeds supply at the official rate, and the adjustment happens through delays rather than price. What would otherwise be a pricing problem becomes a queue – with real economic consequences.

Recent data reflects this dual reality. The International Monetary Fund (IMF) reports that foreign exchange shortages are weighing on economic activity, while businesses continue to experience prolonged delays in accessing foreign currency. At the same time, gross international reserves remain within conventional adequacy levels, covering approximately 5-6 months of imports, and have reached around \$4 billion in recent years.

Despite widespread perception of acute foreign exchange scarcity, available data suggests that Mozambique's reserve position remains within adequacy benchmarks. The IMF has assessed reserves as adequate, indicating that, at a system level, foreign currency exists – even if it is not reaching businesses in a timely and predictable manner.

Authorities have already taken steps to address these pressures. During 2025, the Banco de Moçambique introduced measures aimed at increasing foreign currency availability within the formal system. These included increasing the mandatory conversion of export proceeds from 30% to 50%, tightening banks' foreign exchange long-position limits from 20% to 2%, and introducing restrictions on overseas payments using bank cards.

The intention behind these measures was to retain more foreign currency within the domestic banking system and reduce leakages. These actions have been effective in preserving macroeconomic stability and maintaining reserve adequacy under constrained conditions.

Alongside these measures, targeted financing solutions were also introduced. The Vitol fuel supply agreement, signed in May 2025, provides approximately \$600 million in credit over 12 months, with deferred payment terms of up to 150 days. Covering around 2.3 million metric tons of fuel – and with fuel imports estimated at roughly \$100 million per month – this facility relieves significant short-term pressure on foreign exchange demand.

Similarly, an African Export-Import Bank (Afreximbank) facility, implemented through Banco Nacional de Investimento (BNI), has provided revolving credit support to small and medium-sized exporters in sectors such as agribusiness and light industry.

However, these interventions remain targeted and partial. They do not address the broader challenge of foreign exchange access across the economy. In particular, no large-scale trade finance facility has yet been deployed to systematically support general importers.

More importantly, the policy approach to date has focused primarily on containment rather than flow. It has strengthened control over foreign currency, but has not yet ensured timely and predictable access for businesses.

As a result, the impact on the real economy has been limited. The IMF reported that banks and corporates faced increased difficulty obtaining foreign exchange during 2025, with waiting times continuing to rise, even as reserves remained at around 5-6 months of imports.

In practical terms, the system became more controlled, but not more efficient. Businesses continued to face delays, and suppliers remained unpaid.

These facts are not contradictory. They point to a system where total FX supply is constrained at prevailing prices, and allocation mechanisms amplify that constraint.

The result is a persistent gap between FX availability and FX accessibility.

2. The impact on the Mozambican economy

When foreign currency does not reach importers in time, the effects are immediate and cumulative. Production slows. Supply chains weaken. Prices rise.

Mozambique's macroeconomic trajectory reflects these pressures. Growth slowed from 5.4% in 2023 to around 1.9% in 2024, before weakening further in 2025, when growth remained subdued at around 2% or below. The IMF projects a gradual recovery toward around 3-4% in 2026, but with non-extractive sectors expanding at only about 2%, indicating weak underlying momentum.

There is clear evidence in Mozambique that foreign exchange constraints are directly affecting economic activity. The IMF notes that foreign exchange shortages are weighing on growth, while delays in accessing foreign currency are disrupting trade and production by limiting companies' ability to import raw materials and capital goods. These constraints also affect investment decisions, as firms face uncertainty in securing foreign currency for operations and expansion.

At the same time:

- The current account deficit remains structurally large
- External financing conditions have tightened
- Domestic banks are approaching capacity limits
- A widening spread between official and parallel FX rates signals unmet demand

The economic cost is not abstract. Persistent FX delays lead to lower

production, reduced tax revenues, higher inflation, and erosion of supplier confidence. Over time, this weakens growth prospects and increases economic risk.

Foreign exchange availability is therefore not just a financial variable – it is a binding constraint on economic growth.

3. What other countries have done

Mozambique's situation is not unique. Similar constraints have been observed across emerging markets. Countries that stabilised more quickly focused on how foreign currency is mobilised, priced, and allocated.

Nigeria introduced segmented foreign exchange markets and external financing. Egypt prioritised essential imports and adjusted its exchange rate regime. Even the Democratic Republic of Congo provides basic foreign exchange hedging tools.

The lesson is clear: foreign exchange constraints are best addressed through a combination of supply measures, pricing flexibility, and improved allocation mechanisms.

4. A note on government control

A central concern is maintaining control over scarce foreign currency. This concern is valid. However, administrative allocation alone has not ensured effective prioritisation.

Banks already prioritise internally, but these criteria are not formalised or transparent. The result is an opaque system with unpredictable outcomes.

A more effective approach is structured allocation: priority sectors receive predictable access, non-essential sectors face market-based pricing, and all transactions remain within a regulated system.

The objective is not less control, but more effective control.

5. Five solutions to get suppliers paid faster

A supplier abroad must receive foreign currency – on time. The current system cannot consistently meet this requirement.

The five solutions below are designed to complement the existing framework, not replace it, by improving how foreign exchange is distributed while preserving macroeconomic stability. Together, they address different parts of the problem: liquidity, allocation, risk, and dependence on the US dollar.

S1: Ring-fenced trade finance facilities (offshore supplier payment)

How it works	An international financier such as Afreximbank, the IFC (part of the World Bank Group), or the AfDB pays the supplier directly in dollars offshore. The importer repays locally in meticaïs over time. This model is already used in Mozambique through the Vitol fuel facility.
Source of FX	External financiers.
Who provides FX	Recovered over time through export inflows or future FX purchases.
Why it works	Immediate payment, uninterrupted trade, and reduced pressure on domestic FX allocation.
What changes	Bypasses the FX queue and introduces external liquidity.
Dependencies	DFI agreements, eligibility rules, local bank participation, and risk-sharing mechanisms.
Risk mitigation	MIGA (World Bank Group) and ATI can provide trade credit guarantees and political risk insurance, ensuring supplier payment even in the event of delays or default.
Control	Maintained through eligibility criteria and oversight.

S2: Pre-Export Finance (Aligning FX with Export Earnings)

How it works	An offshore lender pays suppliers, and repayment is made from future export revenues through escrow accounts.
Source of FX	Export sectors (coal, aluminium, LNG).
Who provides FX	Export revenues.
Why it works	Matches FX debt with FX generation and reduces pressure on domestic FX allocation.
What changes	Links imports directly to export flows.

Dependencies	Stable export base, legal structure, and government coordination.
Control	Managed through escrow arrangements and predefined allocation rules.

S3: Structured FX Matching (Improving Allocation Efficiency)

How it works	Banks already intermediate FX between exporters and importers, but allocation occurs through pooled systems. Structured matching more directly links FX inflows from exporters to specific importer needs.
Source of FX	Domestic exporters.
Who provides FX	Exporters.
Why it works	Improves speed, transparency, and predictability of allocation.
What changes	Moves from opaque queues to clearer, rule-based matching.
Dependencies	Some exchange rate flexibility, clear prioritisation rules, and central bank support.
Control	Maintained through regulatory oversight and reporting requirements.

S4: Bilateral Currency Settlement (Reducing USD Dependence)

How it works	Imports are settled in partner currencies such as yuan, rupees, or regional currencies, rather than US dollars.
Source of FX	Partner currencies.
Who provides FX	Importers.
Why it works	Reduces demand for US dollars and relieves pressure on the FX system.
What changes	Diversifies settlement channels and reduces dependence on a single currency.
Dependencies	Bilateral agreements, banking system readiness, and trade partner acceptance.
Control	Managed through central bank frameworks and approved settlement channels.

S5: Central bank currency swap agreements (emergency liquidity)

How it works	Central banks exchange currencies temporarily to provide liquidity. The Banco de Moçambique could obtain foreign currency from partner central banks in exchange for meticaís, with an agreement to reverse the transaction at a later date.
Source of FX	Partner central banks.
Who provides FX	The central bank, repaid through future FX inflows or reserves.
Why it works	Provides immediate liquidity and strengthens confidence in the FX market.
What changes	Introduces a sovereign-level FX buffer deployable during periods of stress.
Dependencies	Bilateral agreements, macroeconomic credibility, and clear operational terms.
Control	Fully managed at the central bank level.

6. Recommended next steps

Short-Term Priorities:

- Establish trade finance facilities with Afreximbank, the IFC, and the AfDB;
- Deploy trade credit guarantees through MIGA and ATI to restore supplier confidence;
- Formalise FX allocation criteria;
- Pilot structured FX matching mechanisms.

Medium- to Long-Term Priorities:

- Develop pre-export financing linked to LNG and other exports;
- Gradually increase exchange rate flexibility;
- Introduce FX hedging tools such as forwards and NDFs;
- Expand bilateral currency settlement systems.

7. The opportunity

Mozambique is not a country without foreign currency. Export reve-

nues are significant, LNG will increase inflows, and reserves remain within adequacy benchmarks.

The challenge is not only the level of foreign currency, but how it is mobilised and allocated. Without improvements in the system, increased inflows may not translate into better access for businesses.

Over time, increasing domestic production can reduce dependence on foreign currency, but this is a longer-term adjustment.

Mozambique is approaching a transition point. The opportunity is to ensure that the foreign exchange system is prepared to support growth – not constrain it.

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SYSTEMS AND INSTRUMENTS FOR BUILDING WEALTH: WHAT PORTUGAL CAN LEARN FROM INTERNATIONAL MODELS

Sofia Galante, CFA, Diaspora Advisor to the CFALP Committee

A country's financial market can be thought of as a game: one with rules, choices, and consequences. When those rules are well designed, they create positive incentives; when they are confusing, they generate friction, disengagement, and even exclusion.

Each country builds its own version of this game, shaped by regulators, government, and the financial industry. Together, these actors determine what is available to consumers and, in doing so, influence the investment culture of their society.

Today, for the first time on a global scale, a rare convergence is underway: consumers and broader civil society are showing growing interest in expanding the base of investors. Portugal is no exception. In this context, it is worth asking whether the country can learn from other models.

In my view, it can – and Portugal's financial industry should help foster and participate in this conversation.

1. An advantage Portugal could have: taxation as an incentive

Taxes function as a form of economic education, whether explicit or implicit. By defining what is encouraged and what is penalised, the state shapes behaviour.

The British example

In the United Kingdom, Individual Savings Accounts (ISAs) were introduced in 1999 under Gordon Brown's government to encourage long-term saving and investing. Today, they allow individuals to invest up to £20,000 per year, with gains and dividends sheltered from tax within the wrapper. Government and industry data show that more than 15 million adult ISA accounts were subscribed to in the 2023/24 tax year, and Lloyds Banking Group projects that total ISA savings will exceed £1 trillion by the end of fiscal year 2025/26.

One of the strengths of such models is simplicity. When the tax structure reduces friction, the decision to invest becomes more intuitive, particularly for first-time investors. This effect is visible in the United Kingdom, where the number of investors who have accumulated more than £1 million in ISAs now exceeds the number of millionaires created by the National Lottery. It is a clear signal that the right incentives, combined with discipline and time, can be more powerful than a random windfall.

The ISA wrapper can be used across a wide range of assets, from savings deposits to equities, ETFs, and investment funds, as well as housing, retirement savings products, and regulated peer-to-peer lending.

Portugal

In Portugal, the main tax-advantaged retail savings vehicle remains the PPR (Personal Retirement Plan), though the system is less flexible and more dependent on eligibility rules and tax reporting requirements. With nearly €19 billion under management and more than two million subscribers as of 2017, the wrapper is primarily deployed through investment funds.

For many younger investors, the PPR tends to feel like a rigid product associated with old age, leading a significant share of savers to invest outside this framework altogether.

Without efficient tax wrappers, investment decisions inevitably become more complex: each portfolio adjustment (including routine re-balancing) can trigger a taxable event, reducing long-term accumulation.

In practice, many Portuguese investors turn to brokerage platforms, where the platform's jurisdiction can further complicate tax treatment, requiring individuals to reconcile multiple regimes and increasing friction around income reporting, double taxation, and capital gains.

The Brazilian example

Brazil took a different approach. Rather than concentrating tax incentives solely on retirement products, it created a range of instruments

designed to channel savings into the real economy. Examples include incentivised debentures and instruments such as LCI, LCA, CRI, and CRA, which for many years benefited from income tax exemptions or reductions aimed at directing capital toward infrastructure, real estate, and agribusiness.

According to B3, by end-2025 this universe had reached meaningful scale within the Brazilian financial market, with more than BRL 1 trillion in outstanding LCI and LCA instruments alone, alongside hundreds of billions of reais in CRI and CRA products. The example illustrates how taxation can be used not only to raise revenue, but to mobilise capital toward sectors considered strategically important for economic development.

2. An advantage Portugal does not have: market scale

There is another decisive difference between markets: population size. The United States has around 340 million inhabitants; Brazil exceeds 210 million; Portugal has roughly 10 million. This disparity helps explain why certain models of distribution, advisory, and financial education scale more readily in some countries than in others.

In the United States, broad household participation in financial markets and retirement savings systems has helped build a rich ecosystem of investment and advice. In a market of this size, there is room for multiple models: traditional advisers, robo-advisers, investment clubs, and advisory solutions that are less dependent on product distribution.

In Portugal, the smaller scale of the market limits the viability of independent analysis and of models that rely on critical mass. This does not preclude innovation, but it makes it harder.

It also helps explain why more sophisticated financial content and influencers tend to emerge more strongly in larger markets, where there is greater audience reach, monetisation potential, and scope for specialisation.

Scale solutions: economic and cultural partnerships

Portugal should reflect on how to build solutions with scale, whether

through the European context or the Lusophone world. European integration was designed precisely to bring smaller countries together and create critical mass, yet in investment and pensions this logic remains incomplete.

The mobility of people within Europe has worked reasonably well; the mobility of savings and financial products remains fragmented. Systems are often poorly interoperable, comparable information is lacking, and there is no shared vision for long-term savings products. In this context, Portugal could play an active role in advancing solutions for investors and savers with international lives.

There is also meaningful potential for cooperation across the Portuguese-speaking world. Although financial solutions are still heavily shaped by local realities, there are clear synergies among Portuguese-speaking countries. Unlocking them would require flexible products – with a common structure but local execution – supported by strong institutional partnerships and adapted to each market's regulatory, tax, and operational environment.

An effective strategy could involve modular solutions targeted at expatriates, migrant communities, multi-jurisdictional families, and long-term investors.

In this way, Portugal would not only participate in larger blocs, but help build bridges between markets with deep historical, cultural, and economic ties.

3. An advantage Portugal already has and can strengthen: education

One major advantage Portugal already possesses, and can deepen, is its education system. Financial literacy is more visible today than it was a few years ago, and that is a meaningful development. Portugal has gone further by embedding financial literacy into the national curriculum through a public strategy for the 2026–2030 period.

But educating people about money is about more than teaching them to save or compare prices. Money is bound up with autonomy, self-esteem, power, choices, and one's relationship with risk. Good financial education should therefore encompass not only budgeting and

investing, but also reflection on values, goals, and personal responsibility.

Recent wealth management literature also points to growing demand for professionals who go beyond pure returns, helping clients build more balanced lives and meaningful legacies.

Vulnerability and protection

There is one further dimension that deserves attention: financial vulnerability. In several jurisdictions, including the United Kingdom through the Financial Conduct Authority (FCA), rules require financial institutions to be equipped to identify and support clients during periods of stress, when decision-making capacity may be reduced. Even so, the first line of protection should begin with the individual.

Very often, it is family members, friends, and caregivers who are best placed to recognise early signs of vulnerability. Those close circles can frequently detect fragility before any external institution does, helping to prevent harm, even when there is no malicious intent.

Educating children and adults to recognise their own limits, seek support when needed, and understand the channels available to them is fundamental to a more financially aware society. A healthy investment culture should not be measured only by the number of investors, but by the quality of decisions and the strength of the support systems behind them.

Conclusion

Promoting an environment that encourages greater investment matters because it can help build wealth, improve living standards, and give people greater agency over their futures. It can also help address pension challenges and Europe's excess household deposits, while creating space for a capital market that is more relevant to families, businesses, and the real economy.

No instrument is perfect, and all involve trade-offs. But between having nothing and having an imperfect structure, I would choose the latter, provided there is serious debate and continuous improvement. Portugal can, and should, learn from international models, adapting

them to its own scale and realities.

In the end, investing goes far beyond financial returns. It is about developing autonomy, discipline, and the capacity to make informed decisions over time. A society with more financially capable citizens is also likely to be better positioned to face economic challenges and build prosperity in a more sustainable way.

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THE INVESTMENT FUND INDUSTRY IN BRAZIL

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1. Introduction

The Brazilian investment fund market is today one of the largest and most sophisticated in the world. Highly structured, it offers a wide variety of strategies, vehicles, and risk profiles, serving everything from retail investors to large institutional investors.

The development of this industry results from a consolidation process that began in the 1990s, when Brazil underwent a cycle of macroeconomic stabilization after decades of high inflation. The construction of a more robust financial system, combined with institutional reforms, allowed funds – within an already stable economy – to become an important instrument for savings and investment.

The invitation extended by the Portuguese-Speaking CFA Community represents a valuable opportunity to outline an overview of this highly relevant industry in Brazil, especially due to its ability to efficiently connect savers and borrowers of capital – which, despite the sophistication that sometimes obscures this fundamental truth, is the very essence of the capital market.

In this brief essay, I present the Brazilian investment fund industry, addressing, in the following order, the evolution of its legal framework, the current profile of the sector, and the contemporary issues that are likely to shape its future.

2. Evolution of the legal framework of the investment fund industry in Brazil

The strengthening of the Brazilian financial market involved a set of instruments that allowed Brazil to overcome hyperinflation, stabilize the foreign exchange market, attract foreign capital, and clean up local financial institutions. Much is said about the economic aspects of this transformation, but little attention is given to the institutional gains that created a favorable environment for capital allocation through investment funds.

Until the end of the last century, funds had never been subject to comprehensive legal regulation clearly defining their structure, operation, and investor protection. With the exception of tax aspects (which were always very well established!), regulation of the matter was mainly left to subordinate legislation, under which the Comissão de Valores Mobiliários (CVM) regulated funds that invested in securities³³, while the Banco Central do Brasil (BCB) had authority over other types of funds³⁴.

This dual regulatory framework was changed in 2001, when the CVM was granted exclusive authority to regulate all types of investment funds. From that point on, fund units became part of the Brazilian capital market as securities, moving away from the financial market in the strict sense.

Armed with this regulatory mandate, the CVM began issuing specific rules for each type of fund, creating a framework centered on conduct regulation and investor protection. The flexibility to do so at a sub-legal level, combined with the attentive approach of a responsive regulator, was crucial in ensuring that regulation supported the industry and enabled its development.

The continuous evolution and modernization of Brazilian regulation governing the professional activity of asset management (or portfolio management, as defined by law) also contributed to this development, incorporating many of the ethical principles that guide CFA Charterholders. For the sustainable development of a fund industry, it is not enough to have good rules governing the structure and operation of these vehicles. There must also be trust in those entrusted with their management – who are expected to make informed, efficient investment decisions in the best interest of investors.

In addition to the portfolio manager, the role of the fund administrator in the Brazilian industry deserves brief explanation. A peculiarity of the local market – often referred to as a “jabuticaba,” in reference

³³ See, for example, that investment funds in equities were under the jurisdiction of the CVM, as provided for in item 1.280/1987 CMN Resolution.

³⁴ These funds subsequently became regulated in numerous standards over time, such as fixed-income funds, fixed-income financial application funds, among others, eventually being consolidated into the categories of “financial investment funds” and “investment funds in investment fund shares,” as provided for in CMN Resolution No. 2.183/1995.

to a fruit native to Brazil – is that even before a specific legal framework existed, funds were already subject to numerous tax rules assigning this agent responsibility for the fund’s tax obligations. The administrator has always been responsible not only for withholding and remitting taxes, but also for the tax classification of investors and the reporting of information to authorities. This reality led to the development of sophisticated back-office and control infrastructures within fiduciary administrators, making this operational capability a competitive advantage (but also an additional cost driver).

In addition to legal and regulatory frameworks, self-regulation plays a significant role in governing investment funds in Brazil. In this area, the Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais (ANBIMA) is the main self-regulatory body, overseeing fiduciary administrators and asset managers. By its nature, it is common for certain innovations to be introduced through self-regulation and only later incorporated into formal regulation.

3. The current profile of the investment fund industry in Brazil

I now turn to the current profile of the industry. The sector shows a high level of development, reflected both in the volume of assets under management and in the diversity of strategies, vehicles, and participants. It is a domestically consolidated market that plays a central role in financial intermediation and savings allocation, connecting investors to different asset classes and sectors of the economy through a qualified and professional manager.

In Brazil, funds are fundamentally divided into open-end funds and closed-end funds – a distinction similar to that between open-end and closed-end funds internationally. In open-end funds, investors can subscribe and redeem their units at any time, while in closed-end funds subscriptions and distributions occur only at specific windows, and units may also be traded on the secondary market. In practical terms, this distinction creates a greater need for liquidity management in open-end funds, while allowing closed-end funds to invest in less liquid assets with longer time horizons.

Another relevant distinction is between traditional funds and struc-

tured funds. The former – such as fixed income, equity, currency, and multi-asset funds – are intended for investment in more financial asset classes that are publicly traded. Structured funds – such as private equity funds (FIPs), receivables investment funds (FIDCs), and real estate investment funds (FIIs), among others – are characterized by more complex strategies, focused on specific purposes and investments in private markets, such as corporate financing (through illiquid equity stakes), securitization of receivables, or investment in the real estate sector.

In addition to these categories, a peculiarity of the Brazilian market is the existence of a significant share of so-called “exclusive” funds – that is, funds intended for a single investor or a small group of investors with family or corporate ties³⁵. These vehicles are mainly established for tax, wealth structuring, or succession planning reasons. Although they diverge from the traditional concept of a fund as a vehicle aimed at a broad and undefined investor base, they remain subject to CVM regulation, which frequently raises discussions about the logic and rationale of this model.

Regarding the investor base, Brazil has developed an industry strongly oriented toward the domestic market. Unlike “platform” jurisdictions such as Luxembourg and Ireland, which serve as bases for foreign investors to allocate capital globally, the Brazilian industry primarily serves local individuals and institutional investors – although foreign capital maintains a relevant presence due to its interest in investing in the Brazilian economy.

In terms of scale, the sector currently manages approximately 10.8 trillion reais, equivalent to about 2.2 trillion US dollars, or 85% of Brazil’s GDP in 2025. These resources are spread across more than 33,000 funds and over 44 million investor accounts, figures that illustrate the economic and social significance of the industry³⁶.

Despite this size, the sector is highly concentrated: five major Brazilian financial groups control half of the assets under management, reflecting the importance of banks and local conglomerates in this

³⁵ Cf. art. 115 of CVM Resolution No. 175/2022.

³⁶ According to data from ANBIMA’s Investment Funds Bulletin of March 2026.

industry as well³⁷. Paradoxically, this concentration at the top coexists with a broad dispersion of small independent asset managers at the base of the market³⁸.

This duality between concentration and dispersion creates an environment in which scale and specialization coexist, influencing the competitive dynamics of the sector. The market for mergers and acquisitions of asset managers is active, with frequent acquisitions of smaller, specialized firms by larger players, as well as combinations between managers of similar size.

Regarding portfolio composition, one of the defining features of the Brazilian market is the prominence of fixed income. Approximately 42% of assets under management are allocated to funds that invest exclusively in public and private debt instruments, including money market funds³⁹. This predominance is explained by the country's history of high interest rates and the typically conservative profile of Brazilian investors.

Unlike the international landscape, ETFs represent only about 0.01% of the fund market in Brazil⁴⁰ – a negligible share compared to the United States or Europe. This suggests a widespread belief in the ability of active managers to generate additional value in a market perceived as less efficient, as well as a cultural preference for discretionary and personalized management over passive products such as ETFs.

Turning to structured funds, the private equity segment – represented by FIPs – stands out. These vehicles enable direct investment in companies, particularly those that are privately held or in growth stages, serving as a bridge between the capital markets and the real economy. The growth of this segment reflects the maturation of the Brazilian corporate sector and the demand for alternative sources of financing in a country where traditional bank credit is expensive and often

³⁷ According to data from ANBIMA's Investment Funds Management Ranking of March 2026, the five main asset managers, all part of Brazilian economic groups, are responsible for approximately 5.4 trillion reais, or 1 trillion dollars, in assets under management.

³⁸ Also according to ANBIMA's Investment Funds Management Ranking of March 2026, there are 675 managers with less than 1 billion reais in assets under management.

³⁹ According to data from ANBIMA's Investment Funds Bulletin of March 2026.

⁴⁰ According to data from ANBIMA's Investment Funds Bulletin of March 2026.

restrictive.

FIDCs, in turn, are one of the main securitization mechanisms in Brazil. Following regulatory changes affecting other securitization instruments, these funds have gained momentum in recent years: the segment has grown by 117% since December 2022, demonstrating its increasing relevance, although it still represents a modest share of the overall industry⁴¹.

FIIIs (similar to Real Estate Investment Trusts – REITs) allow investors to access the real estate market in a fractional and liquid manner, without the need to purchase properties directly. With assets approaching 400 billion reais and more than 14 million investor accounts⁴², this segment has consolidated itself as an important financing channel for commercial, logistics, and residential developments, and has become highly popular among retail investors, who traditionally favor this asset class.

Private pension funds account for about 16% of the industry⁴³, reflecting the growing concern among Brazilians with long-term financial planning in the face of a public pension system under pressure from population aging. In addition, these funds bring a long-term perspective to their investments, contributing to the formation of a stable base of institutional investors in the capital markets.

In summary, in a country with a large population, a transforming middle class, and a dynamic economy, investment funds have evolved from a niche product into a central pillar of capital allocation in the Brazilian financial market. Moreover, as seen, these instruments serve a wide range of purposes in the country.

4. Current issues and the future of the investment fund industry in Brazil

Having examined the legal framework and the current profile of the industry, it remains to address the contemporary issues affecting the

⁴¹ According to data from ANBIMA's Investment Funds Bulletin of March 2026, the total assets of FIDCs in December 2022 were approximately 350 billion reais, while they currently stand at around 725 billion reais.

⁴² According to data from ANBIMA's Investment Funds Bulletin of March 2026.

⁴³ According to data from ANBIMA's Investment Funds Bulletin of March 2026.

sector. The perspective on investment funds in Brazil is undergoing a period of transformation, marked by new concerns and increased public scrutiny – factors that will certainly shape the future development of this industry.

The first aspect to highlight is taxation. The popularization of investment funds in recent decades has been partly due to tax deferral mechanisms that made the use of closed-end funds advantageous in wealth structures, since taxation occurred only at the moment of distribution of returns to investors.

Recently, however, Law No. 14,754/2023 extended to closed-end funds the periodic taxation regime that had previously applied only to open-end funds. This regime imposes semiannual taxation on the appreciation of fund units, regardless of whether returns are distributed to investors. The change has altered investor behavior, leading them to seek less burdensome alternatives and to migrate toward fund categories that remain exempt from this periodic taxation⁴⁴.

Although these tax changes have placed significant pressure on the industry, the sector has demonstrated resilience. The maintenance of assets under management indicates that the popularity of investment funds in Brazil is rooted in deeper structural factors, dispelling concerns that tax changes would undermine the viability of these instruments.

Another issue gaining increasing attention concerns the use of investment funds as instruments for asset concealment or artificial asset creation in the context of financial fraud. Recent episodes, which have gained prominence in public debate, have raised questions about the integrity of certain structures and the boundaries between legitimate management and abusive practices. These cases have brought to light risks that were previously considered marginal within the industry.

At the same time, these scandals have reignited debate over the institutional architecture of financial and capital market regulation in Brazil. Discussions have emerged regarding the possible transfer of regu-

⁴⁴ Law No. 14,754/2023 maintained FIPs, FIDCs, and equity investment funds (FIAs), as well as the so-called “95% funds” – those that invest at least this percentage of their resources in those categories – as exempt from periodic taxation, provided certain requirements set forth therein are met.

latory powers from the CVM to the BCB, particularly with respect to investment funds. This initiative is often intertwined with a broader debate about adopting a financial regulatory model closer to the so-called “twin peaks” framework, replacing the current sector-based regulatory model. The debate remains open, with no clear indication of its outcome.

In summary, Brazil has built a robust, domestically oriented, and diversified investment fund industry capable of meeting the needs of millions of participants. The country is consolidating itself not only as a large internal market but also as a relevant player on the global financial stage – and the next steps of this industry may offer important signals for the international market.

THE IMPORTANCE OF HIGH-QUALITY INFORMATION IN INVESTMENT DECISION-MAKING – THE CASE OF MOZAMBIQUE

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1. Introduction

In our daily lives, we are faced with the need to make decisions in the various spheres of life. Often, this exercise is carried out spontaneously in our subconscious, drawing on our past experiences (or those of others), which serve as the basis for making those decisions. One example is the choice of the clothes we wear today, made with attention to the day's temperature and weather conditions: if it is a rainy and cold day, we will probably choose warmer clothing that adequately covers the body and protects it from the rain and cold; otherwise, we go with lighter options. The goal is to achieve the best result with the choice we make, based on all the available information regarding the matter on which we have to make decisions.

In financial markets, reality is no different. All market participants seek information at all times in order to make investment decisions regarding their assets or market transactions. The decision to acquire one share or to short another is grounded in expectations regarding those instruments, whether based on fundamental analysis or technical analysis. In other words, every type of investor – day traders, long-term traders, speculators, arbitrageurs, market makers, etc. – needs and uses information for decision-making.

There is a principle of extreme importance that prevails (or should prevail) in financial markets and that illustrates very well the relevance of information. This principle, which is incorporated into the Code of Ethics and Standards of Professional Conduct of the CFA Institute (2024), states that its participants must not carry out their transactions based on material non-public information – “material” meaning information whose disclosure has the potential to result in a change in the price of a security, and “public” meaning information that has been disseminated or made available to the market in general. This concept is relevant insofar as it refers to two important aspects: first, conditions must be created so that material information

is disseminated to the market in a timely manner, otherwise there is a risk that it will be used by a restricted group of investors to benefit from it, to the detriment of the rest of the market; and second, from the point of view of an (efficient) market as a whole, it is not expected that participants make or have to make use of material information that is not public in order to obtain gains.

2. Iconic international cases

On the one hand, history offers striking examples of investors who, based on a rigorous analysis of public information, managed to identify exceptional opportunities and anticipate market failures. A paradigmatic case is that of Michael Burry, who anticipated the 2008 Global Financial Crisis by analyzing in detail the available data on subprime mortgages and identifying weaknesses ignored by most market participants. Similarly, Warren Buffett built his strategy on the careful reading of financial reports and the fundamental evaluation of companies. Likewise, Peter Lynch argued that attentive investors could find opportunities through information accessible in everyday life and in public reports. More recently, figures such as Bill Ackman have shown how in-depth analysis can support highly profitable positions, including in short-selling strategies. These examples show that the ability to correctly interpret public information – combining analysis, skepticism, and a long-term vision – can generate significant competitive advantages.

On the other hand, throughout history, several episodes have revealed deep ruptures in the way the quality of financial information is regulated and assessed, exposing systemic weaknesses and driving structural reforms. The Great Depression revealed the absence of transparency in the markets and led to the creation of the Securities and Exchange Commission, establishing the foundations of modern financial regulation. Decades later, the collapse of Enron in 2001, together with cases such as WorldCom, exposed large-scale accounting fraud, leading to the approval of the Sarbanes-Oxley Act. The 2008 Global Financial Crisis, marked by the collapse of Lehman Brothers, revealed failures in risk assessment and in the disclosure of complex financial instruments, giving rise to reforms such as the Dodd-Frank Act. More recently, scandals such as Theranos and Wirecard demonstrated that,

even in regulated environments, significant gaps still persist in auditing and oversight mechanisms, even in the most developed financial markets.

2.1. The case of Michael Burry in the 2008 financial crisis

Michael Burry, an American portfolio manager and owner of the investment firm Scion Capital, gained prominence during the 2008 financial crisis when, amid the generalized fall in prices in almost all stock exchanges around the world, he recorded high returns that were highly unusual for that period. Burry did something that, at the time, no one thought to do: carefully analyze the information available in the market and make investment decisions based on it.

For contextualization purposes, one of the main drivers of the 2008 Financial Crisis was the rapid rise in prices in the United States housing market without proper economic support, accompanied by uncontrolled investment in this asset class by investors, resulting in what is called a “market bubble.” At the time, relevant data on the housing sector, specifically mortgage-backed securities, were published by rating agencies, banks, and government agencies responsible for regulating the financial sector, and were available to investors.

According to an article written by Burry and published in *The New York Times* (2010), the portfolio manager stated that he foresaw that the mortgage lending market would collapse in the second half of 2007, and that he sent several letters to his clients warning them of this fact. His analysis, he says, was based on regulatory reports related to mortgage-backed securities, in which he found a deterioration in the minimum requirements for granting mortgage loans and an expansion of the base of low-quality borrowers and, therefore, of higher risk.

The success of his investments was the result of the proper use of available public information to formulate his investment strategy. Burry correctly “bet” that the real estate market would collapse, which indeed came to pass, translating into significant gains for his portfolio.

2.2. The case of the Enron scandal

Enron Corporation was one of the largest companies in the United States operating in the energy sector at a regional level, trading commodities, natural gas, electricity, water, and paper, and it also operated in the communications sector before collapsing in 2001.

The collapse of Enron is described by the European Journal of Accounting, Auditing and Finance Research (2020) as the largest corporate scandal in the history of the United States, attributable to a set of factors, among which it is important to highlight the greed of its managers, corruption, the use of special purpose vehicles to conceal the high level of indebtedness, as well as fraudulent financial reporting. Before declaring bankruptcy, this information was concealed or distorted for the company's various stakeholders.

As a result, a considerable number of institutional investors, who based their investment decisions on the disclosed financial statements, increased their exposure to Enron by purchasing its shares or granting credit to the company, clearly without knowing what they were really investing in. The result could be no other: with the discovery of the fraud and Enron's subsequent bankruptcy filing, the company's share prices fell from around USD 83.12 per share to USD 0.26 – investors lost billions of dollars. To put this into perspective, when this happened, Enron had around 744 million shares, according to the European Journal of Accounting, Auditing and Finance Research (2020), which meant around USD 61.6 billion in losses.

This crisis was one of the main drivers behind the implementation of the Sarbanes-Oxley Act, which introduced a set of deep reforms aimed at strengthening transparency, corporate accountability, and investor confidence. Among the main changes were the strengthening of internal control and financial reporting requirements, the direct accountability of top executives (CEO and CFO) for the accuracy of financial statements, the increase in the independence of external auditors and audit committees, as well as the creation of the Public Company Accounting Oversight Board (PCAOB) to supervise audit activity. Additionally, the law toughened penalties for financial fraud and improved whistleblower protection mechanisms, contributing to an environment of greater rigor and accountability in the governance of listed

companies.

3. The case of Mozambique

In the following sections, some of the main factors that shape the quality of the information supporting investment decisions regarding companies listed on the Mozambique Stock Exchange (BVM) will be addressed.

3.1. Disclosure of information by listed companies

In Mozambique, important steps have already been taken to promote the disclosure of information to the market by entities with securities listed on the Mozambique Stock Exchange (BVM). In addition to the requirement to publish annual accounts, accompanied by the opinions of the Supervisory Board and the External Auditor, the Securities Market Code, approved by Decree-Law No. 4/2009 of June 2, provides, in Articles 74 to 77, other equally relevant elements to be disclosed by entities within the framework of market discipline. These elements include, among others:

- i. Any changes to the rights inherent in the different categories of shares, as well as to the rights of bondholders resulting from modifications to the terms of the loan or the interest rate;
- ii. Important changes in the structure of shareholdings in the share capital;
- iii. Issues of new shares and bonds;
- iv. The allocation and payment of dividends, interest, bond redemption, or other income to shareholders and bondholders; and
- v. The exercise of subscription or incorporation rights.

These constitute events with an impact on the market value of the securities held by investors and must be communicated to the market in a timely manner.

However, a requirement of extreme importance is that of the “disclosure of new facts occurring within the sphere of activity of listed entities that are not of general knowledge and that are likely to provoke an important variation in the price of their shares or significantly

affect their ability to fulfill their commitments,” also provided for in the regulation. In other words, beyond the need to disclose information on annual accounts, which generally present a time lag of 3 to 4 months in relation to the end of the financial year, the Securities Market Code recognizes the need to disclose qualitative and quantitative information relevant for investment decision-making. Although there is room for a clearer and more concrete definition, these “new facts” may include, for example, the disclosure of projections regarding the main financial indicators, interim financial statements (quarterly and/or semi-annual), news and other material qualitative information about the entity (press releases), information on relevant expansion or divestment projects of the entity, among others.

Notwithstanding the legal requirement for disclosure of these relevant facts, the need to safeguard effective compliance with this disclosure requirement must be recognized, because it is through it that greater transparency may arise on the part of entities with securities listed on the BVM.

3.2. Economic and financial press

The economic and financial press in Mozambique already shows some level of development, demonstrating regularity in the coverage of macroeconomic, corporate, and public policy topics. Even so, its level of development remains intermediate, with significant room for evolution, especially with regard to the specialization of journalists and the production of more in-depth analytical content. In particular, investigative journalism in the economic and financial area remains underexplored, limiting rigorous scrutiny of complex and more sensitive topics. Despite these limitations, the press has been playing an increasing role in disseminating relevant information to investors and other economic agents, gradually contributing to a more informed environment – albeit with room for greater depth, independence, and critical capacity.

3.3. IFRS standards

The adoption of International Financial Reporting Standards (IFRS) in Mozambique, formalized in 2009/2010 through the PGC-NIRF, had a positive impact on the quality and usefulness of financial

information for investment purposes, by introducing principles of recognition, measurement, and disclosure more aligned with international standards. This harmonization contributed to improving comparability among companies, increasing the credibility of financial statements, and facilitating analysis by investors, particularly institutional and foreign investors. As a result, it created a more solid basis for grounded investment decisions, reducing, to some extent, information asymmetry and perceived risk. It is important, however, to bear in mind that, due to the complexity of these standards and the scarcity of qualified human resources in the area, differences may occur among companies (especially smaller ones) regarding the way and depth with which the standards are applied, limiting effective comparability and requiring greater caution in investor analysis.

3.4. Major global auditing firms

The presence of the major international auditing firms in Mozambique is a positive factor for the quality of financial information. In fact, these auditing firms are known for applying rigorous methodologies and following international auditing practices, thereby reinforcing the credibility, consistency, and reliability of financial reporting. The work of these auditors contributes to a more robust informational environment, enabling more informed and rational investment decisions. It should be noted that, according to the most recent information, Cervejas de Moçambique and Companhia Moçambicana de Hidrocarbonetos are audited by KPMG, while Hidroelétrica de Cahora Bassa is audited by Deloitte and Tropicália is audited by BDO.

3.5. Coverage by investment analysts

The landscape of investment analysis (equity and debt research) in Mozambique remains very incipient. Coverage of Mozambican companies is extremely limited, reflecting the scarcity of specialized analysts and, above all, the small size and low liquidity of the local stock market. The scarcity of investment analysis restricts the competition of ideas and the diversity of perspectives on the available assets. As a consequence, investment decisions tend to be based on poorly structured analyses, external benchmarks that are not always appropriate to the local reality, or, in some cases, informal criteria, which increases uncertainty and risk. As such, this shortage of investment

analysis contributes to less efficient capital allocation, lower dynamism in the secondary market, and greater selectivity on the part of institutional investors, who often limit their exposure or require higher risk premiums to compensate for the absence of consistent analytical support.

3.6. Publication of trading data

The BVM makes available on a daily basis a quotation bulletin with relevant information on the market activity that occurred in the previous session – including prices, volumes, number of transactions, and aggregate data by segment. However, this disclosure effort needs improvement, insofar as it is not accompanied by digital infrastructure that allows easy access to historical series in analyzable format or the visualization of intraday quotation charts (for example, Euronext makes these tools available free of charge on its website). In addition, widely used global investor platforms such as Yahoo Finance or Google Finance do not integrate data on Mozambican shares. The non-publication of intraday quotations and the difficulty in accessing historical data in analyzable format constitute obstacles to informed investment decision-making, as well as to the development of sophisticated, data-driven investment practices.

3.7. National stock index

The absence of a representative index of BVM shares limits the availability of aggregate information on the performance of the stock market, making it difficult to assess its evolution over time. Without a clear benchmark, investors have greater difficulty measuring the performance of their portfolios, comparing returns, or contextualizing the behavior of individual shares relative to the market as a whole. This gap makes analysis more fragmented and inefficient, potentially leading to less well-founded investment decisions, especially for investors with less access to their own analytical tools or adequate external references.

3.8. Education and financial literacy

The limited financial education and literacy in Mozambique constitutes a relevant obstacle to the quality of investment decisions made

by retail investors. In many cases, the lack of familiarity with basic concepts – such as risk and return, diversification, asset valuation, or the functioning of the capital market – leads to poorly informed decisions, often based on informal recommendations, short-term perceptions, or unrealistic profit expectations. This limitation reduces the ability to interpret the available financial information, correctly assess investment opportunities, and manage risks appropriately. As a consequence, retail investors become more exposed to losses, pro-cyclical behavior, and suboptimal choices, which not only affects their individual performance, but also limits the development of a more stable and sophisticated investor base in the market.

4. Summary

Often, the presence or absence of material information about financial instruments does not need to have a dramatic impact, as was the case with Michael Burry, Enron, or another example that may be identified, in order for its importance to be recognized. In most cases, it is reflected in a simple frustrated expectation of appreciation in the price of a purchased share or in the delay in the payment of interest (or even the default) of a recently acquired bond that presented an attractive rate of return, with no visible warning signs. However, in a considerable number of cases, these expectations could have been calibrated and these risk events could have been anticipated if the relevant information about the securities had been disclosed in a timely manner and in the proper form.

Information about the financial instruments acquired or traded and about their issuers is indispensable not only for obtaining knowledge about their returns or benefits, but mainly about the risks associated with them. This information allows investors to make informed investment decisions, supported by a comprehensive analysis of risks so that they may manage them properly when they are confronted with “cloudy-sky days.”

A fundamental issue is the level and quality of information disclosure, which, in good practice, should go beyond simple regulatory requirements, encompassing all information assessed as material. This is a matter of market discipline that must be rooted in the culture of institutions that issue securities in financial markets. In Mozambique,

there are positive elements – such as the definition of rules for information disclosure by listed companies, the adoption of IFRS standards, and the presence of international auditors. But there are also negative elements, some of which are relatively easy to resolve – the BVM could make historical trading data available in analyzable format, charts with historical and intraday quotations, as well as a national stock index updated daily.

The disclosure of information promotes, in addition to informed decision-making by investors, greater liquidity for the instruments traded on the exchange, since it attracts more investors to the markets as a result of greater transparency. It also promotes efficiency in price formation, since it reduces arbitrariness in determining the value of listed instruments as a result of making available to the market the information necessary for their calculation. Finally, the disclosure of information increases investor confidence – one of the most important elements in financial markets.

THE JOURNEY OF CFA SOCIETY PORTUGAL

Pedro Barata, CFA, Executive Director of CFA Society Portugal

In 2010, a group of Portuguese professionals holding the CFA designation and members of CFA Society Spain recognized an opportunity: the creation of a local society to represent and energize the CFA community in Portugal.

At the time, Portugal fell under the jurisdiction of CFA Society Spain, which, despite its efforts, did not have sufficient proximity to respond to the specificities of the Portuguese financial market. This reality created a sense of distance among national members, many of whom did not even know each other, despite sharing the same ambitions and challenges.

It was in this context that, through the decisive contribution of Professor Cristina Neto de Carvalho, from the Portuguese Catholic University, connections were established among several of these professionals. That moment marked the beginning of a collaboration that would prove transformative. A small but highly motivated working group was thus formed, composed of fewer than ten Charterholders.

The first meetings, held at the Portuguese Catholic University, were driven by a strong sense of mission. It quickly became clear that there was potential to create CFA Society Portugal – an entity capable of promoting excellence, ethics, and knowledge in the national financial market.

This was followed by engagement with the CFA Institute, which defined a set of demanding requirements for the creation of the new society, including the preparation of a business plan. This challenge was embraced with rigor, dedication, and long-term vision.

The plan developed not only fully met the established requirements but was later widely recognized by the CFA Institute for its quality and depth, even serving as a reference for the creation of other societies.

Another fundamental requirement for establishing the society was the existence of a minimum of 50 members (CFA Charterholders). This proved to be one of the greatest challenges throughout the process.

On one hand, the relatively small size of the Portuguese financial market limited the pool of potential members. On the other, identifying professionals with the CFA designation was particularly difficult. Additionally, due to data protection reasons, access to CFA Institute databases was not available until the association was formally established.

Faced with these obstacles, persistence became essential. It was a demanding process that tested the resilience and determination of everyone involved.

In 2013, after a journey marked by continuous effort and unwavering conviction, the CFA Institute exceptionally authorized the creation of CFA Society Portugal with 48 members – a milestone that symbolizes not only the achievement of a goal but also recognition of the dedication demonstrated throughout the journey.

The formal establishment of CFA Society Portugal took place on August 27, 2013, at a notary office in Lisbon. This historic moment included the presence of five founding members – David Ribeiro, Luís Castro, João Caiano, Marcos Soares Ribeiro, and Ulegbek Suyumov (known as Bek) – who gave form and legitimacy to a long-aspired project.

Since its creation, the association has focused its activities on supporting the local fulfillment of the CFA Institute’s mission, based on the following four pillars:

- Promote ethical and professional standards within the Portuguese investment industry;
- Encourage members of the Association and other investment professionals in Portugal to develop their knowledge through the CFA Program and continuing education;
- Facilitate the exchange of information and opinions among financial professionals, clients, regulators, and other members of the Portuguese investment community;
- Promote public understanding of the CFA designation and the investment industry.

The early years were marked by a strong drive to make things happen,

supported by a spirit of volunteerism, dedication, and a strong sense of mission. Creating an association from scratch, based entirely on volunteer work, brought numerous challenges.

From drafting and registering the statutes, to defining the first official address – symbolically Bek’s home, the association’s first president – to opening a bank account, each step required effort, creativity, and resilience.

A particularly important moment was the first participation of CFA Society Portugal representatives at the Society Leadership Conference in October 2013, in Washington. This annual event, organized by the CFA Institute for governance bodies and local society teams, marked not only the official recognition of the new society but also the first direct contact with the global scale and reach of the CFA Institute.

In the initial phase, despite strong motivation to create value for the Portuguese financial community, it became clear that the operational component needed strengthening. The team consisted exclusively of volunteers with finance backgrounds, which limited the continuous execution of projects. As a result, it was decided to hire Wilma Ramalho on a part-time basis, whose professional experience helped structure and energize early activities. Her contribution was instrumental in organizing the first events.

During this period, several important milestones stand out. In 2014/2015, the first edition of the CFA Institute Research Challenge in Portugal was held, with five teams representing different universities. In March 2016, Lisbon hosted, for the first time in CFA Institute history, the Society Leadership Conference, bringing together around 150 delegates from 40 countries, including the CFA Institute President, Paul Smith.

As the association grew, and as volunteers faced natural constraints on their availability, the need arose to professionalize management and ensure continuity and development of initiatives. In May 2018, Pedro Barata, former vice president of the association, was hired part-time as executive director, assuming responsibility for operational coordination and strategic project development.

From that point on, with a stronger base of volunteers, resources, and organization, the association entered a new phase of growth and ambition, significantly expanding its impact. Among the various initiatives developed, the following stand out:

- In 2018, the organization of the first career dinner, with the participation of headhunters and recruitment firms;
- In the same year, the first joint event in Lisbon with the CFA Institute, titled “Asset Owners: Issues in External Manager Selection and Performance Measurement,” with representatives from national financial institutions;
- Also in 2018, the Charter Award Ceremony, attended by CFA Institute President Paul Smith;
- In 2019, the organization of a conference dedicated to ESG, one of the largest events held to date, bringing together regulators such as CMVM, national and international financial institutions, as well as companies listed on Euronext Lisbon;
- In 2020, during the COVID-19 lockdown, the first events in partnership with CFA Society Brazil, laying the foundation for the creation of the Portuguese-speaking CFA community;
- In 2021, within the context of Portugal’s Presidency of the Council of the European Union, the organization, in partnership with the CFA Institute, of the event “On the Road to a European Recovery Post-Covid,” with the participation of prominent figures from the Portuguese financial and institutional sectors;
- Since 2021, a partnership with CMVM in promoting World Investor Week, an international initiative by IOSCO aimed at enhancing financial literacy and investor protection;
- In 2023, the organization of a financial literacy event at the Calouste Gulbenkian Foundation, gathering more than 300 participants;
- From 2023 onward, the organization of exclusive member lunches with CEOs and CFOs of leading financial institutions and companies;
- In 2023, the creation, in partnership with CFA Society Brazil, of the Portuguese-Speaking CFA Community committee, with the objectives of promoting the development of CFA

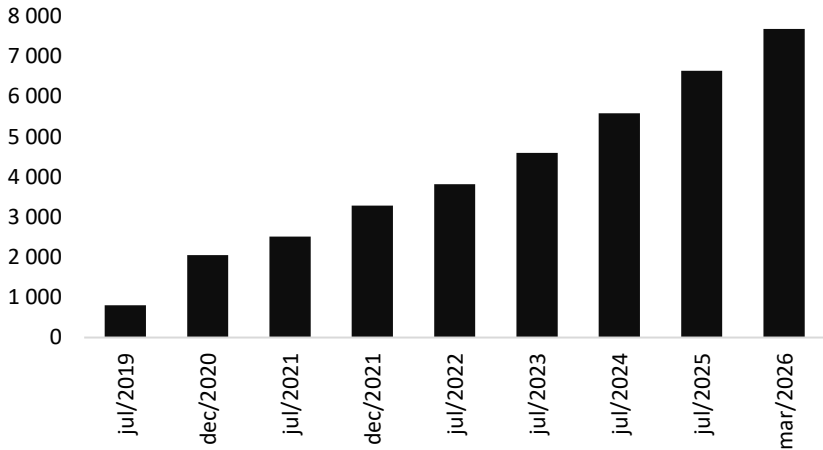
communities in PALOP countries and Timor-Leste, and fostering knowledge exchange and networking in the Lusophone financial world. Key milestones include CFA Society Portugal being granted Consultative Observer status at the CPLP and the committee organizing in-person events in Luanda, Macau, and Maputo;

- At the beginning of 2024, the creation of an advocacy committee, composed exclusively of volunteers, with the mission of promoting CFA Institute research positions, engaging with regulators, and contributing to the evolution of regulatory frameworks, including collaboration with the European Commission;
- In 2024, the establishment of a partnership with the Bank of Portugal to promote financial literacy among university students, leading to the annual “My Financial Future” competition, which in its second edition included 792 students from 48 higher education institutions;
- Also in 2024, the launch of the first mentoring program, aimed at more junior members;
- In 2025, the growth of the Research Challenge, with 152 students, 33 teams, and 18 higher education institutions, complemented by a training BootCamp to strengthen participants’ technical skills;
- Also in 2025, the Society Leadership Conference was again held in Lisbon, providing an opportunity to strengthen relationships with national financial institutions and regulators through working meetings with CFA Institute directors.

In parallel, in 2019, with the appointment of a new board led by Marcos Soares Ribeiro, a strategic direction was defined to strengthen the association’s presence in the digital environment, particularly on social media.

In this context, Susana Cerdeira was hired, initially part-time, with responsibility for managing and developing CFA Society Portugal’s presence on digital platforms. Her contribution proved decisive, and she later joined the team full-time, becoming the association’s first permanent employee.

Number of CFA Society Portugal's followers on LinkedIn



The focus on social media, especially LinkedIn, significantly expanded CFA Society Portugal's reach, increasing its visibility among the financial community and the general public. The association currently has around 7,700 followers on this platform, a particularly significant number compared to its 265 members.

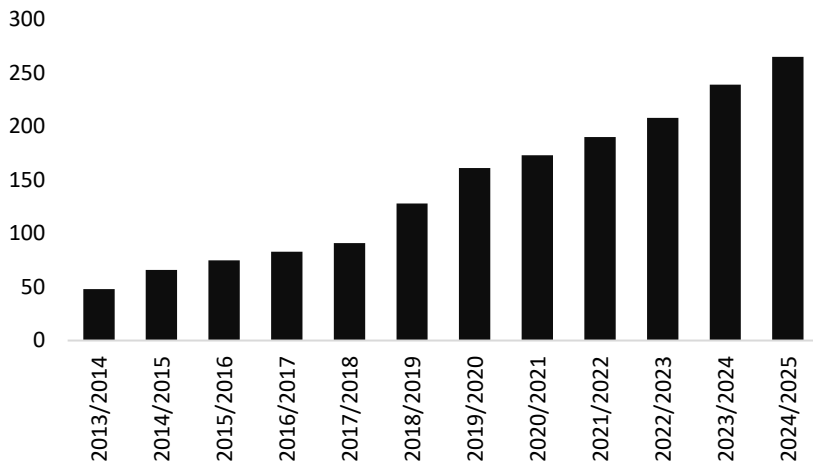
This growth highlights not only the importance of digital presence but also the association's ability to generate impact and engage an audience far beyond its membership base.

Over the years, the community has grown consistently. Starting with fewer than 50 members in 2013, membership has increased significantly, quintupling to the current 265 members.

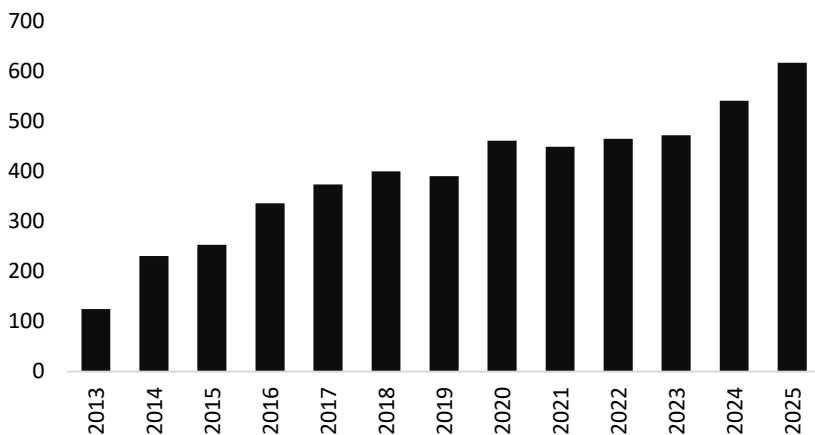
Particularly noteworthy is the international character of the community. Around 20% of members are not Portuguese, coming from countries such as the United States, Canada, Brazil, South Africa, Lebanon, and China, among others, in addition to several European countries.

This diversity contributes decisively to the richness of the association, making it a dynamic, inclusive community with multiple perspectives, capable of reflecting different experiences and realities of the global financial sector.

Number of members of CFA Society Portugal



Number of candidates in Portugal



Additionally, around 500 candidates take the CFA exams annually in Portugal. This dynamism, both in terms of the growth in candidates and members, reinforces confidence in the future and in the association's ability to continue fulfilling its mission with impact and relevance.

With the growth of the association, in July 2025 the Executive Director moved to a full-time role, strengthening the organization's execution capacity and strategic oversight.

The following month, a team transition took place, with Inês Ribeiro joining to replace Susana Cerdeira, ensuring continuity of the work developed and consolidation of the association's presence, particularly in communication and social media.

Among the most emblematic moments of these 13 years of activity is the international recognition achieved from the CFA Institute, which awarded CFA Society Portugal the Most Outstanding Society prize in the 200 to 350 members category in 2023. This recognition was again awarded in 2025, demonstrating the consistency of the work carried out and the ongoing commitment of the entire team.

These distinctions represent not only a source of pride but also a reinforcement of the collective responsibility of staff, governing bodies, and volunteers, who contribute daily to the growth and consolidation of the association, projecting it into the future with renewed ambition.

THE SOVEREIGN WEALTH FUNDS OF LUSOPHONE COUNTRIES

Miguel M. Falcão, CFA, Vice-Chairman of CFA Society Portugal and co-Chairman of the CFALP Committee

Almost all Lusophone countries have, plan to have, or have already had a sovereign wealth fund. In this essay, I will provide a brief analysis of each of these funds and give my opinion on their respective investment performance and governance standards.

I will address them in alphabetical order based on the name of the country, but in reverse. In this way, not only do I give more prominence to the countries that are usually mentioned last, but I can also begin with my favorite sovereign wealth fund – that of Timor-Leste.

Before I begin, I would like to make one note. There are several types of sovereign wealth funds, with different objectives and structures. I believe all of them can be worthwhile, provided there is transparency, ethics, stability, prudence, and separation of powers in the revenue model, investment management, accountability, oversight, and withdrawal rules.

Timor-Leste

Twenty years ago, Timor-Leste – a newly born, small, multiethnic, polyglot, remote, underdeveloped country, completely shattered by the brutal Indonesian occupation – surprised many observers by creating, from oil and gas revenues from the Timor Sea, a sovereign wealth fund that quickly became a benchmark in terms of transparency, quality of governance, saving capacity, and investment success. The Timor-Leste Petroleum Fund (FPTL) proved that being successful in building a sovereign wealth fund from natural resource revenues is not something exclusive to the most developed and consolidated countries.

In terms of managing oil and gas revenues, from the outset it was defined that all funds would be deposited into the FPTL and that transfers to the State Budget would be made from there – with the responsibility for making development investments in the country resting with the State Budget. These transfers have an indicative limit – the

Estimated Sustainable Income (ESI), which corresponds to 3% of total Petroleum Wealth (the value of the FPTL's investments plus the net present value of expected petroleum revenues). In this way, it was possible to accumulate significant savings – the fund reached USD 19 billion in assets under management (compared with the country's nominal GDP of USD 2 billion and a population of 1.4 million).

Responsibility for the management of the fund's investments was entrusted to the country's central bank, but it fully delegates this to renowned international managers – selected through competitive processes, with clear mandates and regular performance evaluation. In addition, the investment policy has historically been conservative and externally oriented, with a strong weighting in U.S. Treasury securities and in developed market equities included in the MSCI World index. This approach not only prioritizes liquidity and mitigates risk, but also eliminates the possibility of dishonest management of investments – if part of the financial resources were entrusted to domestic managers with a mandate to invest in the country itself, there would be the very real risk of politicization of investments, conflicts of interest, and undue favoritism. The chosen management model has been fundamental both in promoting the growth of assets under management and in ensuring the maintenance of international credibility.

The governance model of the FPTL, which was inspired by Norway's successful sovereign wealth fund, is based on a logic of division of powers that seems very robust to me. Parliament defines the legal framework of the fund, including objectives, governance, and investment guidelines, with the support of an Advisory Council. The government (through the Ministry of Finance) defines investment policy, with the support of an Investment Advisory Committee. As already mentioned, investment management is entrusted to the central bank, which in turn has delegated it to external managers. In terms of accountability, the legal framework requires the publication of reports with detailed information on the investment portfolio, returns, risks, management costs, and withdrawals made. As for oversight, an external auditor and the Court of Appeal audit the sovereign fund's financial accounts, the Ministry of Finance monitors the application of investment policy, and Parliament is responsible for summoning the government and the central bank to parliamentary hearings on legal,

governance, and investment management matters. In other words, the institutional design of the FPTL has a high degree of decentralization of powers which, in my view, considerably reduces the risk of politicized or immoral decisions being made, while also promoting transparency. Note that the fund complies with 9 of the 10 criteria of the Linaburg-Maduell Transparency Index (which assesses the completeness of information disclosed by sovereign wealth funds).

However, not everything is perfect...

In 2010, Bobby Boye, a foreign consultant who had been appointed by the Norwegian authorities to advise on the management of Timor-Leste's petroleum revenues, diverted USD 3.5 million from the Timorese state – highlighting a need to improve control mechanisms, including in contexts of international cooperation.

More worryingly, in most years, transfers to the State Budget exceeded the value of the ESI. This has been done within the legal framework through parliamentary approval, but the frequency with which it has been done violates the principle of sustainability that was defined when the fund was created. This situation is aggravated by the fact that hydrocarbon production has now stopped – Bayu-Undan ceased production in 2025 and Greater Sunrise, although gigantic, may not materialize anytime soon. In other words, without new petroleum revenues and with the State Budget highly dependent on transfers from the fund, a significant contraction in assets under management is expected over the coming years.

Moreover, in 2019, amid interest in investing outside the legal framework, it was decided to amend the legislation itself... Which, naturally, tarnishes the institutional reputation... In defense of the Timorese Parliament, I note that there is indeed a strategic objective that justifies it – creating a hydrocarbon processing unit in the country, rather than merely exporting raw resources to Australia.

In short, although not everything is perfect, the FPTL should be a reference for all countries, especially underdeveloped ones, that have or wish to have a sovereign wealth fund.

São Tomé and Príncipe

At the beginning of the 2000s, in the face of petroleum abundance in some of its neighboring countries – namely Angola, Nigeria, and Equatorial Guinea – a high expectation arose in São Tomé and Príncipe (which has only 240,000 inhabitants) that oil reserves would be discovered and that there would be rapid wealth accumulation. It was in this context of hope and optimism that the National Oil Account (CNP) was established and the creation of the Permanent Fund for Future Generations (FPGP) was outlined.

These two entities (CNP and FPGP) were designed with interesting governance rules. All oil revenues would be mandatorily deposited exclusively in the CNP, and from there transfers would be made to the State Budget or to the FPGP, with a minimum transfer rate. Decision-making and oversight powers would be divided among several entities: the Central Bank, the Ministry of Finance, the Court of Auditors, the National Assembly, the Petroleum Oversight Commission, and independent auditors. From my perspective, these prior decisions indicate that the country was endowed with sound principles.

However, the years went by and, despite several exploration efforts (including by Brazil's Petrobras and Portugal's Galp), no viable oil reserves were ever found. Unfortunately, to this day, the country has still not produced a single barrel of oil.

Mozambique

It was 15 years ago, when large natural gas reserves were discovered in the Rovuma Basin, that people began to talk about the possibility of creating a sovereign wealth fund in Mozambique. However, gas production in this region kept being delayed (largely due to armed conflicts instigated by a group linked to the Islamic State). Today, the Mozambique Sovereign Wealth Fund (FSM) finally seems to be on the verge of starting, with the expectation that it will bring in several billions of USD in gas revenues and, fortunately, it was designed according to sound governance rules similar to those of Timor-Leste.

With regard to investment management, as in the Timorese case, the fund will not be able to invest in the country itself and the possibility

has been established for the central bank to delegate investment management to external entities (I believe it will in fact be delegated), thereby removing the risk of conflicts of interest and nepotism in investment decisions. The FSM begins with a prudent investment policy (which was approved at the end of 2025), being allowed to invest only in highly liquid fixed-income securities, with low credit risk, short duration, and denominated in USD or EUR. In other words, it is a model very similar to that of the Timorese counterpart in its early years (before it broadened the scope of its investments to equities).

And similarly to Timor-Leste, a solid division of powers was established in Mozambique. The Assembly of the Republic is responsible for defining and monitoring the legal framework and the general guidelines governing the fund, with the support of the Supervisory Committee – which oversees the allocation of gas revenues, the management of the FSM, and information disclosure initiatives. In turn, the government (through the Ministry of Economy and Finance) formulates investment policy and monitors its implementation, assisted by the Investment Advisory Council. As noted, the central bank is responsible for investments, within the defined parameters. In terms of accountability, the central bank must publish detailed quarterly and annual reports. As for audits, the Ministry of Economy and Finance oversees the accounts, records, and other documents relating to the FSM, while the Administrative Court and an external auditor audit the FSM's annual accounts.

The main difference compared with Timor-Leste, in my view, works in Mozambique's favor. In this country, the percentage of revenues to be transferred to the State Budget was defined from the outset (60% in the first 15 years and 50% in subsequent years, with the remainder transferred to the FSM) – with the State Budget being responsible for making investments for the country's development. This prior definition of percentages, assuming it is not called into question, will help avoid the politicization of the ultra-sensitive issue of the distribution of funds and will guarantee the growth of the fund's assets under management.

I would also like to praise the role of Mozambican civil society during the process of creating the FSM. I was surprised by the intensity and

depth of the participation of some entities, such as the Centre for Public Integrity (CPI) and the Civic Movement for the Mozambique Sovereign Wealth Fund (MCFS), whose interventions and questions certainly helped refine the management and governance models that were ultimately adopted. And so I take this opportunity to conclude with a criticism raised by civil society that was not heeded: the FSM should receive revenues from resources other than gas, including coal and rubies.

Equatorial Guinea

The Fund for Future Generations of Equatorial Guinea (FGFGE) is an institution limited in terms of information disclosure. We know that it was created in 2002 in a context of high oil and gas revenues, with the objective of preserving wealth for future generations and mitigating the economic impacts of the volatility of these commodities' prices. However, its evolution has been marked by low transparency and insignificance in the growth of assets under management.

In fact, the FGFGE does not have a website and does not publish annual reports or other disclosure documents. Nor am I aware that any official information has been made available on the fund's governance model. The information publicly available is scarce and typically comes from third-party sources.

In terms of size, the FGFGE also falls short. As far as is known, only 0.4% (initially 0.5%) of hydrocarbon revenues are transferred to the fund, which means that the fund currently has only around USD 100 million in assets under management – despite the country having a nominal GDP of around USD 13 billion, of which approximately half is generated directly by the oil and gas sector.

Cape Verde

The Cape Verde Sovereign Fund for the Guarantee of Private Investment (FSGIP) was created in 2019 with the goal of, through the issuance of guarantees (and not direct investments), facilitating financing for private companies in the country, especially for large-scale projects with strategic impact – including in the tourism, renewable energy, blue economy, modern agriculture, and digital economy sectors.

Given its size, the FSGIP is a very ambitious and inspiring project, capable of transforming the Cape Verdean economy. In fact, it is expected that the fund, which began with EUR 100 million, will be capitalized up to EUR 500 million, which corresponds to around 20% of this small country's current nominal GDP. It is indeed very significant, especially if we take into account the so-called "multiplier" – since the fund does not make loans, needing its resources only to cover potential losses, the total value of guarantees granted can exceed the value of the capital several times over. To date, the fund has granted 3 guarantees – I believe we will see dozens more over the coming years.

Of course, for that to happen without generating losses for taxpayers, the fund needs to have a solid risk management policy. This should begin with the assessment of the quality of applications – which I have no way of confirming is rigorous. In addition, some risk mitigation mechanisms were instituted that seem appropriate to me – the fund prioritizes sector diversification, grants only partial guarantees (it covers only part of the value of the loan), requires collateral from the guaranteed parties (the so-called counter-guarantees), and passes part of the guarantee risk on to other entities (as insurers do through reinsurance).

As mentioned, in carrying out its mission, the fund does not lend its financial resources. However, these funds are not idle. The management of these amounts was delegated to the Bank of Portugal, under a very conservative mandate focused on capital preservation, which essentially includes very high-quality and highly liquid eurozone fixed-income securities.

I consider this sovereign fund particularly interesting, both due to its risk management model and to its potential high impact on the Cape Verdean economy. I note, however, that information disclosure could be improved. The fund publishes the Requests for Portfolio Guarantees with some statistical detail, but the latest update was in June 2024. In addition, I believe it would be interesting for the fund to disclose more information about the beneficiary projects of its guarantees.

Brazil

The Sovereign Fund of Brazil (FSB) was created in 2008 with an initial contribution of BRL 14.2 billion (around USD 6 billion at the exchange rate of that time) – in a context of strong economic growth, accumulation of international reserves, appreciation of the BRL, and positive expectations regarding future revenues from pre-salt oil – and it was extinguished in 2019, amid reputational damage due to controversial investments and a political decision in favor of reducing public indebtedness.

Having been given a highly discretionary investment policy, the FSB ended up making controversial investment decisions in its very first years of existence. In fact, in 2010, the fund chose a very high concentration in securities of two state-owned companies, allocating 80% of its assets under management to Petrobras shares (mostly in the context of a major capital increase intended to finance pre-salt operations) and 10% to shares of Banco do Brasil.

Faced with the deterioration of the Brazilian economic context, in order to ensure compliance with fiscal targets, in 2012 a withdrawal from the fund in the amount of BRL 12.4 billion was carried out, which implied the sale of all Petrobras shares. Unfortunately for the Brazilian taxpayer, the shares of this company had depreciated considerably since the dates of the investments, and they were sold at losses exceeding BRL 4 billion. In the following years, further withdrawals from the fund were made.

Consequently, the FSB became undercapitalized, allocating its meager resources to shares of Banco do Brasil (which were also gradually sold) and to low-risk investments, such as government fixed-income securities. In addition, it never came to have recurring sources of revenue. As such, it was deprived of the capacity to contribute to countercyclical fiscal efforts and to make strategic, pro-development investments.

Faced with the troubled past and irrelevant present of the FSB, alongside a challenging economic context, Michel Temer's government began, in 2016, the process of extinguishing this fund, which was completed in 2019 by Jair Bolsonaro's government.

It is worth mentioning that Brazil, despite no longer having a national sovereign wealth fund, has state and municipal funds that were created to manage revenues from the extraction of natural resources, known as “subnational sovereign wealth funds” – including in the states of Espírito Santo and Rio de Janeiro, as well as in the municipalities of Maricá (RJ), Niterói (RJ), Ilhabela (SP), Congonhas (MG), Itabira (MG), and Conceição do Mato Dentro (MG).

Angola

The Angola Sovereign Wealth Fund (FSA) has a turbulent past. Having been created in 2012 and having reached USD 5 billion in assets under management in 2016 (thus becoming the 5th largest Sovereign Wealth Fund in Sub-Saharan Africa), the FSA saw its assets under management shrink abruptly in the following years, as a result of the recognition of investment losses and decapitalization by government order.

At the beginning of 2018, José Filomeno dos Santos, who had been Chairman of the Board of Directors (PCA) of the FSA practically since the beginning, was dismissed and replaced by Carlos Alberto Lopes. The following years were ones of rupture, marked by several judicial and arbitral disputes against the previous management (including against the external manager Quantum Global for control of assets), the non-publication of the 2017 Annual Report and Accounts, the recognition of investment losses on the order of hundreds of millions of USD, and the revision of the investment policy.

In addition, between 2019 and 2022, due to the difficult macroeconomic context caused by the drop in oil prices and by Covid-19, the government chose to remove USD 2.5 billion from the sovereign fund’s capital, transferring USD 1 billion to the PIIM (Integrated Plan for Intervention in Municipalities) and USD 1.5 billion to the General State Budget.

Consequently, at the end of 2022, the FSA’s assets under management stood at only USD 2.1 billion.

However, a set of changes made in the FSA in recent years has led to a gradual replacement of the widespread feeling of disappointment

and frustration with optimism and hope. In fact:

- a) Alternative investments – which, compared with liquid investments, have more complex and subjective valuations, and also involve a greater risk of conflicts of interest and nepotistic investments – lost weight in the investment portfolio, from around 60% in 2015 to around 30% in 2024;
- b) The management of 92% of liquid investments was delegated to internationally renowned external managers with conservative investment mandates;
- c) Presumably with the aim of solidifying the FSA’s trajectory and reputation, in 2023 the government appointed Armando Manuel as Chairman of the fund – who has a public image as a technocrat with a relevant résumé, including at the IMF and the World Bank;
- d) The FSA has entered into several agreements for international cooperation, including with Brazil’s Ministry of Agriculture and Livestock and the International Finance Corporation of the World Bank Group;
- e) Expectations have grown that the government will recapitalize the sovereign fund by USD 1.5 billion.

In my understanding, the delegation of most liquid investments to internationally renowned external managers was the most differentiating decision, insofar as that part of the portfolio is shielded from suspicion from an ethical point of view.

However, the still high weight of alternative investments entails a very significant risk. And while investments in unlisted Angolan companies may be justified by the objectives of the country’s socioeconomic development, I cannot understand the investments made in unlisted companies in other African countries – if they wish to make this type of investment, I believe it would be more appropriate to acquire stakes in private equity funds managed by renowned international firms. I also consider that the division of management and monitoring powers should be increased, noting that the investment policy (including the level of exposure to asset classes) is currently defined by the FSA itself (that is, by the very entity implementing the investment policy) and that there is no supervisory body. As for recapitalizing the fund, I

believe that, more than the aforementioned potential recapitalization of USD 1.5 billion, it would be essential to establish the annual transfer to the sovereign fund of a percentage (a significant one!) of oil revenues.

Only the future will tell whether the FSA is finally on the right path, not least because what has been done correctly can be undone at any moment according to shifting political interests. However, let there be hope, because the Angolan people deserve it.

CAPE VERDE, SÃO TOMÉ AND PRÍNCIPE, AND TIMOR-LESTE: REGIONAL LEADERS IN DEMOCRACY AND THE RULE OF LAW

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Most people are unaware that three Lusophone countries are regional leaders in democracy and the rule of law. Cape Verde is the main highlight, being one of Africa's greatest success stories – indeed, it is almost at the level of a developed country and, in certain characteristics, even surpasses some developed countries. In turn, the democracies and institutions of São Tomé and Príncipe and Timor-Leste, although they are at a lower level than those of Cape Verde and have various needs for improvement, stand out positively in their respective regions.

In this essay, I relied on globally comprehensive indices in this field, namely: a) the indices of the V-Dem Institute, specifically the LDI (Liberal Democracy Index, which evaluates democracy and the rule of law in general), the EDI (Electoral Democracy Index, which specifically evaluates electoral processes and freedom of expression), and the LCI (Liberal Component Index, which measures a set of specific rule-of-law factors, including civil liberties, property rights, and equality before the law); as well as b) the Corruption Perceptions Index (CPI) of Transparency International. There are other renowned metrics in this area, but they do not always include these three small Lusophone countries.

Cape Verde

When Cape Verde became independent in 1975, there was a clear objective: union with its sister country Guinea-Bissau. This was enshrined in the Constitutions of both countries and, in a way, it even came close to happening – the two countries were not only governed by the same party, the PAIGC (African Party for the Independence of Guinea and Cape Verde), but also had enormous cooperation and exchanges of technical personnel in public administration. Since both countries were under a one-party regime, without political opposition, the realization of union seemed certain. However, at the end of

1980, a coup d'état in Guinea-Bissau changed the course of events, irreversibly separating the two nations. And the path taken by each of them could not have been more divergent. On the one hand, Guinea-Bissau has never ceased to be a very politically unstable country, the stage of constant coup attempts – some successful, the latest having happened as recently as 2025. On the other hand, Cape Verde became one of the greatest success stories of governability on the African continent, consistently ranking well in international indices of democracy, rule of law, and corruption.

In the LDI, Cape Verde is usually extremely well positioned. In fact, the country of morabeza consistently ranks ahead of all the other countries of the Economic Community of West African States (ECOWAS), and also recurrently among the top 3 African countries and ahead of several European countries (in 2025, for example, it surpassed Croatia, Slovenia, Slovakia, and Greece).

With regard to electoral processes, Cape Verde has demonstrated plurality, transparency, and freedom. In fact, similarly to what occurs in many European countries, Cape Verde's political system is characterized by alternation of power between two major parties (the PAICV and the MpD), both at the level of the Government and the Presidency of the Republic, and by a varied range of emerging parties that contributes to diversity of ideas and exerts democratic pressure on the dominant political forces. And the press, although not very diverse (which is justified by the fact that the country is small), has freedom of action, with open criticism of the government in the media. In turn, respect for civil liberties is also high, with a significant history of strikes and demonstrations, involving labor unions, often even with media coverage, without repression taking place. It should be noted that, in the EDI, Cape Verde is consistently the leader on the African continent.

As for the judiciary, Cape Verde is known for being a country where there is trust in contracts, laws, and courts. In fact, there is no history of high-profile cases in which this reputation has been called into question. There have, however, been some situations in which government decisions were challenged by foreign investors, but these were not obvious cases of illegitimacy, namely: a) in 2014, following

the integration of Portugal Telecom into Oi, the Cape Verdean government argued that the shareholder control of Cabo Verde Telecom had changed and decided to terminate the shareholders' agreement – after litigation in international arbitration courts, the parties reached an agreement and the Cape Verdean State acquired the stake held by Oi; b) in 2015, the Macau business group Macau Legend announced an investment of EUR 250 million for the construction of a luxury tourism development in the city of Praia (which included a hotel, casino, marina, convention center, and commercial areas), however, citing the economic crisis triggered by covid-19 (which, in fact, was very severe in Macau), the project was interrupted and successively postponed – in 2026, more than a decade after the initial announcement and after various interactions, the Cape Verdean State took administrative possession of the hotel building and the other assets of the Asian company. Cape Verde's strong credibility is reflected in the indices, being consistently the leader among ECOWAS countries in the LCI and CPI – in fact, in the latter index, in 2025, it was the second-best African country and ranked ahead of numerous European countries, including Portugal, Spain, Italy, Greece, and Croatia. It is also worth mentioning that Cape Verde has been pursuing gradual and partial regulatory harmonization with the European Union, with its technical support under a partnership created in 2007.

In my view, these characteristics, together with the impressive exchange-rate stability (the Cape Verdean escudo has been effectively pegged to the euro since 1999 and before that was pegged to the Portuguese escudo), the absence of a history of armed conflict, the favorable tax regime for foreign investors, and its Atlantic cultural and geographic position (between Europe, Africa, and the Americas), make the country of Cesária Évora an excellent investment destination and, in some specific cases, an interesting country in which to establish headquarters or operations centers for companies seeking to operate in ECOWAS.

São Tomé and Príncipe

Like Cape Verde, São Tomé and Príncipe separated from Portugal in 1975, began with a one-party Marxist-Leninist regime (the MLSTP), transitioned to a multiparty democratic system in the early 1990s, and

gradually transformed itself into one of the best democracies on the African continent. In fact, this country was the pioneer of democratic opening in Lusophone Africa, with a severe economic crisis (caused by the failed nationalizations of the plantations and the fall in cocoa prices on international markets) having undermined the legitimacy of the one-party regime and generated social pressures favorable to the spread of democratic spirit and the consolidation of the rule of law in the country.

In the LDI, São Tomé and Príncipe usually ranks below Cape Verde, but it is still very well positioned. In fact, among the countries of the Economic Community of Central African States (ECCAS), the country of leve-leve consistently leads and is far ahead of the second-ranked country (which, in 2025, was Angola). In addition, it usually ranks among the five best African countries, having, in 2025, surpassed countries such as Morocco and Namibia.

São Tomé and Príncipe has a multiparty system (at the beginning of 2026, four parties had parliamentary seats) with a history of alternation of power, and coalitions are common, allowing smaller parties to be represented in government. However, it is important to note that São Toméan democracy has some fragilities that make it clearly less robust than Cape Verde's, with a history of failed coup attempts and other types of political crises that have been harming democracy (such as the still poorly explained case of November 25, 2022, in which the armed forces killed four people under the argument that they were carrying out a coup d'état; as well as the unusual case of February 2, 2026, in which disagreements over the process of convening plenary sessions led the President of the National Assembly to close the respective building, leading some deputies to hold a pseudo-plenary meeting elsewhere that culminated in altercations among other deputies and the police). Even so, this country's democracy is superior to that of almost all African countries. And press freedom is as well – for example, the two crises I mentioned are openly discussed in the media. In turn, there are labor unions and there is freedom of protest, with a significant history of demonstrations. It should be noted that, in the EDI, São Tomé and Príncipe is always clearly ahead of the other ECCAS countries and, in 2025, on the African continent, it was surpassed only by Cape Verde, Seychelles, and South Africa.

In terms of the quality of the judicial system, there are strengths but also weaknesses. The most high-profile dispute between foreign investors and the São Toméan State was the case of the National Investment Bank (NBI), the first investment bank in São Tomé and Príncipe, which was founded in 2004 and whose assets were seized in 2007. The case dragged on in the courts and NBI never operated again, having had its license canceled in 2011 by the Central Bank of São Tomé and Príncipe. From the outset, the seizure was controversial because it was carried out not due to the existence of problems in NBI, but within the framework of debt enforcement proceedings relating to a former holding of the bank's main shareholder, the Portuguese businessman Paulo Mirpuri. Even if the existence of accusations of harmful management and diversion of funds relating to this investor could eventually justify the seizure of his assets, I think it is very difficult to explain the harm caused to the minority shareholders, depositors, creditors, and employees of the bank. In any case, the country is known for functioning relatively well in this regard, better than the large majority of African countries, with relative confidence in equality before the law. In fact, São Tomé and Príncipe, in the LCI, usually ranks clearly ahead of the other ECCAS countries, while in the CPI, it is usually the second-best country in ECCAS (behind Rwanda).

I believe that these characteristics, together with the impressive exchange-rate stability (the São Toméan *dobra* has been effectively pegged to the euro since the beginning of 2010) and the absence of a history of armed conflict, make this paradisiacal island country an attractive investment destination and, in some specific cases and subject to proper assessment of infrastructure limitations, an interesting country in which to establish headquarters or operations centers for companies seeking to operate in ECCAS.

Timor-Leste

The Indonesian occupation (between 1975 and 1999) left Timor-Leste devastated. In addition to having directly and indirectly caused around 200 thousand deaths (25% of the country's population), the Indonesian regime destroyed thousands of homes, agricultural fields, roads, schools, health units, and various other infrastructures. The institutions themselves were undermined, since Timorese were re-

moved from public positions, which were exercised by Indonesians for more than two decades. The Portuguese language (which had been the administrative language until 1975) was banned and, not being the native language of almost any Timorese, was practically extinguished in the country. In addition, the Indonesian regime suppressed political parties, labor unions, associations, and independent press bodies. However, Timorese identity never ceased to exist – the people on the eastern side of that island were different, strongly Catholic, of Portuguese matrix, with Lusophone elites, with their own local languages (some influenced by Portuguese, as is the case of the country's current lingua franca: Tetum), and with a very particular form of governance based on local community management led by traditional chiefs (on the neighboring islands, such practice was eroded by the Dutch and Indonesian administrations). Being different was fundamental for the conquest of independence in 1999.

And, if independence was an almost unbelievable achievement, the reconstruction of the country from the aforementioned near nonexistence of a State was even more so. The UN (which administered the territory between 1999 and 2002 through the United Nations Transitional Administration in East Timor – UNTAET), in one of its greatest success stories, with the support of Timorese leaders such as José Ramos-Horta and Xanana Gusmão, impressively managed to create the foundations for Timor-Leste to recreate itself. Contributing to the continuation of that success over the following years was the culture, which still exists in the country today, of broad acceptance of the support and best practices of international organizations. Those foundations and that mindset allowed Timor-Leste to become the best democracy in Southeast Asia – in the LDI index, in recent years, Timor-Leste has surpassed by a significant margin the other current countries of the Association of Southeast Asian Nations (ASEAN), an organization that Timor-Leste joined in October 2025 and that includes Singapore and Malaysia.

The Timorese political system is multiparty, with alternation of power, and coalition agreements are common, enabling small parties to have influence and even representatives in government – as is currently the case, in which the CNRT (led by Xanana Gusmão) governs with the support of the PD and KHUNTO. It should be noted that, in

23 years, the country has had 4 different Prime Ministers (6, including interim ones) from 3 different parties. In turn, there is freedom of assembly, and the population exercises it occasionally, with protests taking place from time to time, mainly led by students. As for the press, although there are complaints of some pressure on journalists, including regarding the occasionally tense style displayed by Prime Minister Xanana Gusmão, it can be concluded that there is journalistic freedom and diversity. In fact, the country, despite having had its political crises (some of them serious, notably the one in 2008, in which an armed group led by Alfredo Reinado tried to assassinate the President of the Republic and the Prime Minister – coincidentally, the same men as today – José Ramos-Horta and Xanana Gusmão), is a consolidated democracy that has been improving over the years. It should be noted that, in the EDI, in recent years, Timor-Leste has ranked clearly ahead of the other current ASEAN countries and, in the whole Asian continent, it came in third place in 2025, behind only Japan and Taiwan.

At the level of institutional issues that matter to investors, the country still has progress to make, namely in combating corruption, improving the functioning of the courts, and simplifying administrative processes. However, even so, Timor-Leste stands out positively in Southeast Asia. There are few known litigation cases that illustrate Timor-Leste's relationship with foreign investors. The most well-known case was perhaps that of Timor Telecom (a subsidiary of the former Portugal Telecom), in which the Timorese government chose to end the exclusive concession (that is, monopoly) of telecommunications services in 2012, five years earlier than stipulated – granting concessions to two additional operators. As this was a contractual breach by the State, this act could have had a very damaging impact on the image of the young emerging country. However, the case ultimately highlighted the pragmatism and dialogue capacity of the Timorese government, which managed not only to liberalize the sector but also to reach an agreement with the Portuguese State, with which it had apparently been negotiating since 2007. In the CPI, in 2025, Timor-Leste ranked fourth among the current ASEAN countries, remaining far below the leader Singapore, which reflects the aforementioned problem of corruption – however, the country of the crocodile island

has shown a clear trend of improvement in this index since 2012. In the LCI, in 2025, it was the second-best country among the current ASEAN countries, coming very close to the leader Singapore.

I believe that these characteristics, together with the adoption of the U.S. dollar as the official currency (once again demonstrating pragmatism and a spirit of international integration) and the favorable tax regime, make the Lusophone country of the rising sun an attractive investment destination and, in some specific cases and subject to proper assessment of infrastructure limitations, an interesting country in which to establish headquarters or operations centers for companies seeking to operate in ASEAN.

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