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Angola fund launch leaves questions unanswered

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\$5 billion under management; Employs advisers and third-party fund manager

The Angolan government launched a \$5 billion investment fund last month, publicizing it as a new sovereign wealth fund. But questions remained as to how exactly the fund would carry out what it calls a "diversified approach" to investments in Angola and abroad.

The new fund, which the government now calls the Fundo Soberano de Angola, replaces a previous fund established by presidential decree in March 2011. That was called the Fundo Petrolífero de Angola, referred to by the IMF and ratings agencies as the Oil for Infrastructure Fund.

The previous fund was managed by the central bank and consisted of revenues accruing from the sales of 100,000 barrels of oil a day. The new fund will be capitalized using the same pool of cash, says José Filomeno Dos Santos, one of three members of the board of directors and the Angolan president's son.

"Our primary focus is investing in developing the infrastructure that is needed, locally and regionally," says Dos Santos. He says the fund has a responsibility to help in the physical reconstruction of [Angola, which emerged from four decades of civil war in 2002](#).

Responsibilities

However, in a video presentation screened at the launch, Armando Manuel, economic adviser to the president and the new fund's chairman, said: "The sovereign wealth fund will also have fiscal responsibilities, to help stabilize the economy in terms of high fluctuations in the business cycle, and help around scenarios of excessive volatility in our tax returns."

Dos Santos says the fund will be audited separately from the state's budget, and that it "will not be within the normal public-sector investment". He adds: "We don't foresee random withdrawals."

The government – whose revenues are almost entirely dependent on oil – has not made clear exactly when and how the fund could be used to support the government's fiscal accounts. Dos Santos says the proportion of the fund that will remain in low-risk, liquid assets is yet to be determined. He says the president will decide the fund's investment policy.

"The launch of Angola's sovereign wealth fund is an important component of a medium-term macroeconomic policy framework to guard against volatility in the oil price," says Nicholas Staines, the IMF's resident representative in Angola. The IMF approved the final release of a \$1.4 billion loan to Angola in March.

"A key part of this is under what circumstances and what rules the budget can draw upon the fund for stabilization or other purposes," says Staines. "The government will need to clarify how the fund will be accounted for within the fiscal accounts and in the central bank's foreign reserves."

Meanwhile, questions have also been raised about the selection process involved in a liquidity management contract for \$3 billion of the fund's assets. That contract was awarded to a little-known Swiss firm, Quantum Global Investment Management. Dos Santos says Quantum has proved successful in similar mandates for the Angolan central bank.

"Quantum is already known and has built trust in Angola. That helped us gain this mandate, as it needed to be awarded urgently," says Jean-Claude Bastos de Morais, the Swiss-Angolan chairman of Quantum's advisory board. "We have been appointed by the fund as a liquidity manager only, investing in highly liquid assets, not equities or real estate."

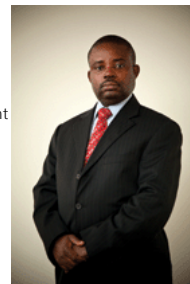
Quantum quality

According to the firm's website, [Quantum's advisory board](#) includes well-known figures in the financial world including Marcel Rohner, former chief executive of UBS, and Ernst Welteke, the former Bundesbank president. Welteke is also the chairman of another firm that Dos Santos says is working for Fundo Soberano de Angola: Stampa, a Swiss-based group that helps companies in areas such as group accounting.

Although the new fund says no conflicts of interest have arisen in Quantum's previous work in Angola, Dos Santos has up to now been a business partner of Bastos de Morais and Welteke in Banco Kwanza Invest, a Luanda-based investment bank. Bastos de Morais launched the bank in 2008 under the name Banco Quantum Capital. Welteke is the chairman.

Dos Santos resigned as a director of Banco Kwanza Invest in June this year. He is now selling his shares, according to a statement posted on the bank's website the week after the Fundo Soberano's launch. The statement said that the bank does not work with the fund.

"The fund will probably have to establish procedures to select international advisers that fit our objectives," says Dos Santos. "As we speak, we are creating the conditions to be able to assess the criteria for evaluating these type of contracts."



Armando Manuel, economic adviser to the president and the new fund's chairman

