



HONG KONG MONETARY AUTHORITY

2024 Exchange Fund Results

27 January 2025



INVESTMENT OBJECTIVES OF THE EXCHANGE FUND

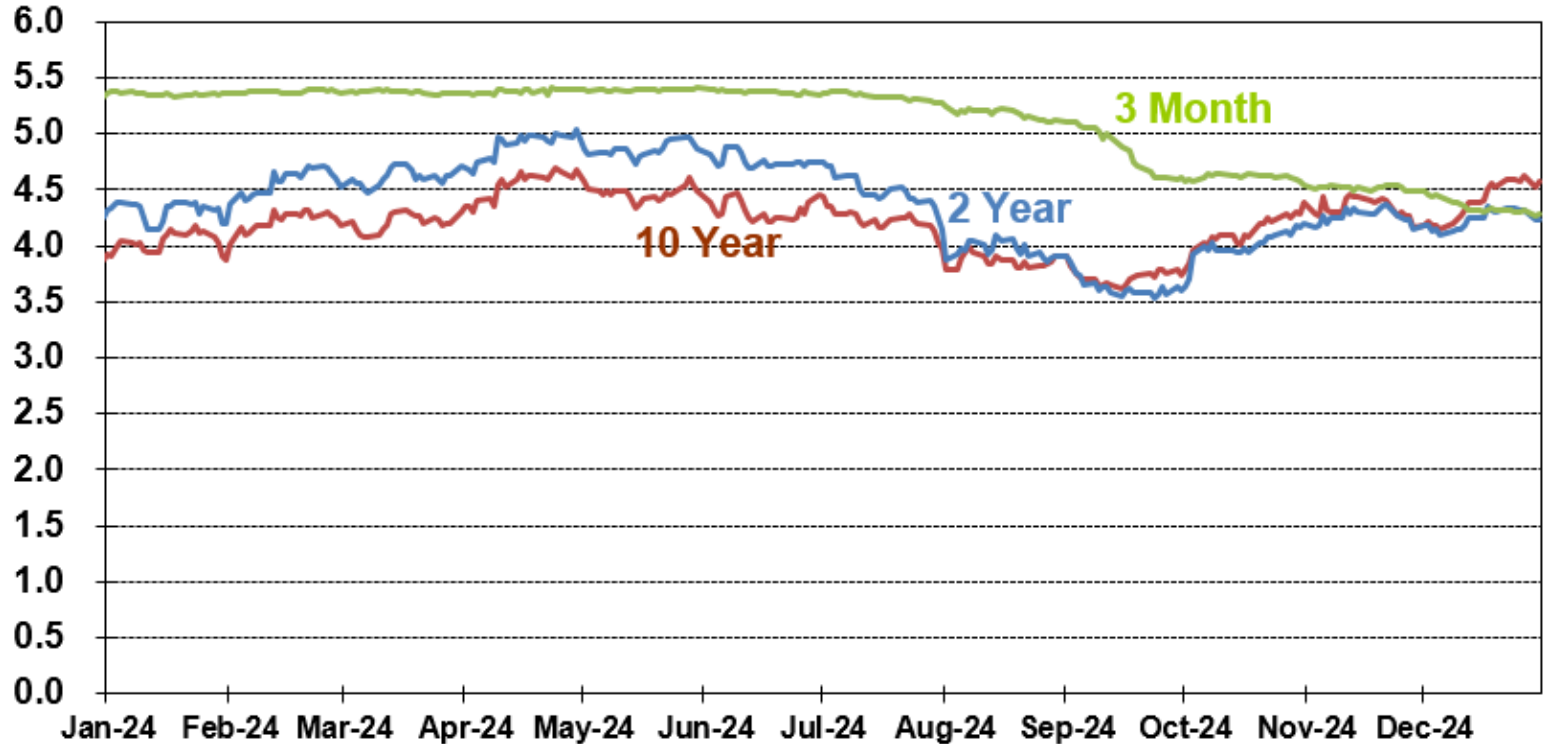
Investment objectives of the Exchange Fund:

- (1) to preserve capital;**
- (2) to ensure that the entire Monetary Base, at all times, is fully backed by highly liquid US dollar-denominated assets;**
- (3) to ensure sufficient liquidity for the purpose of maintaining monetary and financial stability; and**
- (4) subject to (1) – (3), to achieve an investment return that will help preserve the long-term purchasing power of the Fund.**



US GOVERNMENT BOND YIELDS REMAINED HIGH

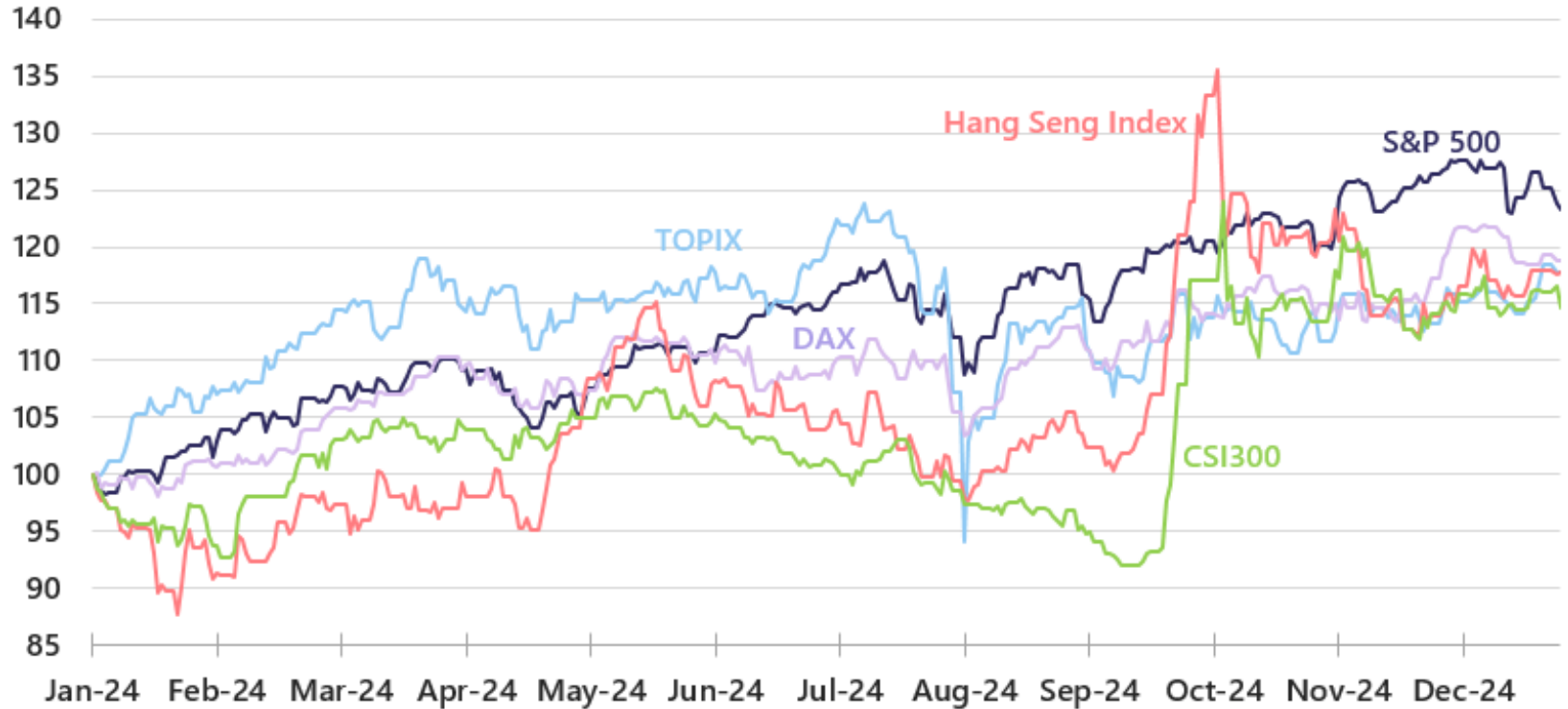
Yield (%)





MAJOR EQUITY MARKETS GENERALLY TRENDED UP WITH VOLATILITY AT TIMES

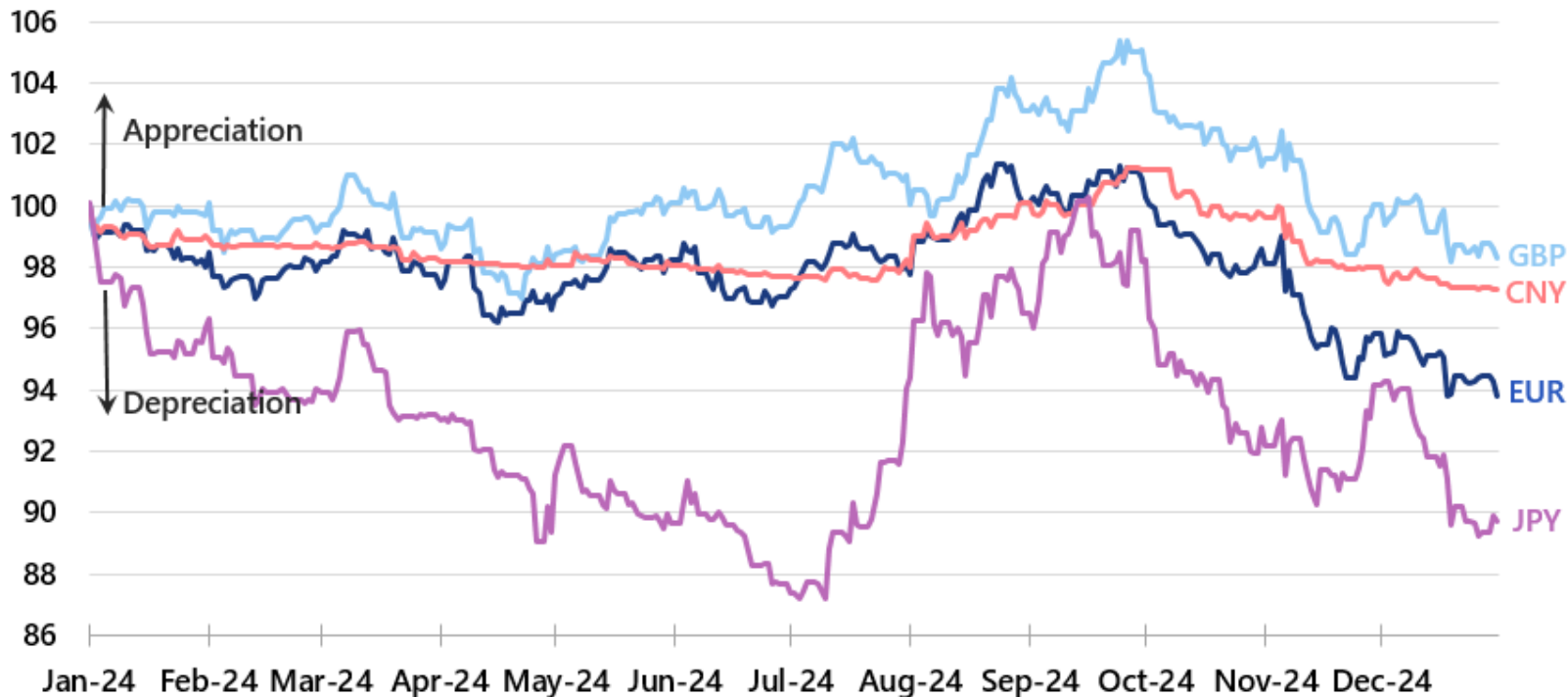
Normalised Index Level (2023 year-end = 100)





US DOLLAR STRENGTHENED AGAINST MAJOR CURRENCIES

Normalised FX Level Against USD (2023 year-end=100)





INVESTMENT INCOME

← 2024 → 2023 2022
 (unaudited)

(HK\$ billion)	Full year	Q4	Q3	Q2	Q1	Full year	Full year
Bonds	135.6	11.3	66.4	32.8	25.1	144.7	(53.2)
Hong Kong equities*	21.8	(6.7)	21.9	8.9	(2.3)	(15.5)	(19.5)
Other equities	68.7	2.7	18.2	11.5	36.3	73.6	(61.0)
Foreign exchange[#]	(35.6)	(27.4)	8.1	(11.5)	(4.8)	(0.5)	(40.0)
Other investments[@]	28.5	-	14.4	6.1	8.0	23.7	(31.7)
Investment income/(loss)	219.0	(20.1)	129.0	47.8	62.3	226.0	(205.4)

* Excluding valuation changes of the Strategic Portfolio.

This is primarily the effect of translating foreign currency assets into Hong Kong dollar after deducting the portion for currency hedging.

@ Including valuation changes of private equity and real estate investments held under the Long-Term Growth Portfolio. This figure reflects the valuations at the end of September 2024. Valuation changes of these investments from October to December are not yet available.



INCOME AND EXPENDITURE

	<div> <div>←</div> <div>2024</div> <div>→</div> </div>					2023	2022
	(unaudited)						
(HK\$ billion)	Full year	Q4	Q3	Q2	Q1	Full year	Full year
Investment income/(loss)	219.0	(20.1)	129.0	47.8	62.3	226.0	(205.4)
Other income	0.2	0.1	-	0.1	-	0.2	0.2
Interest and other expenses	<u>(63.0)</u>	<u>(15.3)</u>	<u>(16.4)</u>	<u>(15.8)</u>	<u>(15.5)</u>	<u>(54.5)</u>	<u>(18.8)</u>
Net income/(loss)	156.2	(35.3)	112.6	32.1	46.8	171.7	(224.0)
Fee (payment to)/reversed from Fiscal Reserves							
– Operating and Capital Reserves*	(13.2)	(3.2)	(3.0)	(3.1)	(3.9)	(17.5)	(35.0)
– Future Fund	- #	- #	- #	- #	- #	(18.0)	9.0
Fee payment to HKSAR Government funds and statutory bodies*	(15.7)	(3.5)	(3.8)	(4.1)	(4.3)	(16.5)	(22.1)

* The rate of fee payment is 3.7% for 2024, 3.7% for 2023 and 5.6% for 2022.

The 2024 fee payment to the Future Fund will be disclosed when the composite rate for 2024 is available.
(The composite rate was 4.8% for 2023 and -3.0% for 2022.)



EXCHANGE FUND ABRIDGED BALANCE SHEET

(HK\$ billion)	At 31 Dec 2024	At 31 Dec 2023	Change
ASSETS	(unaudited)		
Deposits	331.5	345.6	(14.1)
Debt securities	2,824.5	2,798.6	25.9
Hong Kong equities*	132.9	125.0	7.9
Other equities	440.6	485.3	(44.7)
Other assets [#]	<u>352.9</u>	<u>262.0</u>	<u>90.9</u>
Total assets	<u>4,082.4</u>	<u>4,016.5</u>	<u>65.9</u>
LIABILITIES AND EQUITY			
Certificates of Indebtedness	598.9	593.2	5.7
Government-issued currency notes & coins in circulation	13.0	12.9	0.1
Balance of the banking system	44.8	45.0	(0.2)
Exchange Fund Bills and Notes issued	1,383.7	1,244.5	139.2
Placements by banks and other financial institutions	72.1	99.1	(27.0)
Placements by Fiscal Reserves [@]	669.7	695.4	(25.7)
Placements by HKSAR Government funds and statutory bodies	391.1	468.7	(77.6)
Placements by subsidiaries	45.7	31.2	14.5
Other liabilities	<u>130.9</u>	<u>179.5</u>	<u>(48.6)</u>
Total liabilities	<u>3,349.9</u>	<u>3,369.5</u>	<u>(19.6)</u>
Accumulated surplus	731.6	646.1	85.5
Revaluation reserve	<u>0.9</u>	<u>0.9</u>	<u>-</u>
Total equity	<u>732.5</u>	<u>647.0</u>	<u>85.5</u>
Total liabilities and equity	<u>4,082.4</u>	<u>4,016.5</u>	<u>65.9</u>

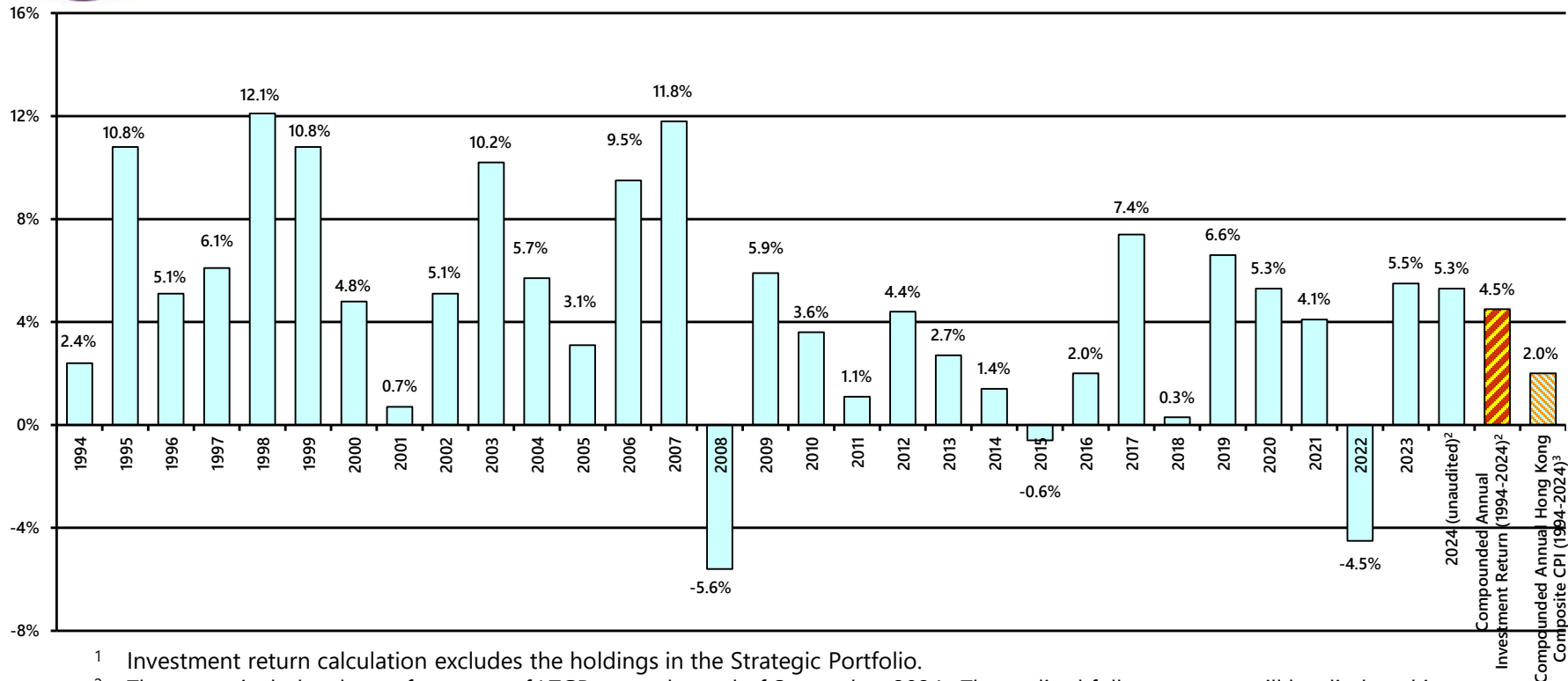
* Including shares of the Hong Kong Exchanges and Clearing Limited in the Strategic Portfolio.

[#] Including fund injection to Exchange Fund's investment holding subsidiaries at a carrying amount of HK\$202.7 billion at 31 December 2024 (HK\$203.9 billion at 31 December 2023).

[@] Including placements by the Future Fund of HK\$245.8 billion at 31 December 2024 (HK\$299.4 billion at 31 December 2023).



INVESTMENT RETURN OF THE EXCHANGE FUND (1994-2024)¹



¹ Investment return calculation excludes the holdings in the Strategic Portfolio.

² The return includes the performance of LTGP up to the end of September 2024. The audited full year return will be disclosed in the 2024 annual report.

³ Composite CPI is calculated based on the 2019/2020-based series.



INVESTMENT DIVERSIFICATION

- Investment in alternative assets under the Long-Term Growth Portfolio (LTGP) has commenced since 2009. Performance of the LTGP in the first three quarters of 2024 remained stable and its annualised internal rate of return since inception till end-September 2024 was 11.5%. The market value of the major asset classes are shown in the table below.

As of end-September 2024 (unaudited)

Asset Classes	Market Value HK\$ billion
Private Equity	433.3
Real Estate	109.8
Total	543.1

Note: Outstanding investment commitments amounted to HK\$299.6 billion.



OUTLOOK FOR 2025

Uncertainties in global financial markets will remain prominent

- **Interest rate policies will continue to be the focus of the markets**
- **Policies of the new US administration in areas of economy, taxation and trade could add uncertainties to the inflation movements**

Geopolitical risk cannot be overlooked

- **Escalation in trade frictions among major economies**
- **Geopolitical tensions**

Manage the Exchange Fund with prudence and flexibility

- **Implement appropriate defensive measures**
- **Maintain a high degree of liquidity**
- **Investment diversification**



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