

Remarks by Mr Eddie Yue,
Chief Executive of the Hong Kong Monetary Authority
on 28 January 2026
at the announcement of
Exchange Fund's investment results for 2025

Review of the Investment Environment and Performance of the Exchange Fund in
2025

The global financial markets experienced significant volatility in the first half of 2025 due to factors such as trade conflicts and geopolitical tensions. In particular, following the announcement of a series of tariff measures by the US Government in early April, global equity and bond markets fell sharply. As we entered the second half of the year, the investment environment improved notably, bolstered by the smaller-than-expected impact from trade conflicts as well as the swift advancement of artificial intelligence technology which attracted investment flows. Policy rate cuts by major central banks during the year also helped boost market sentiment.

2. Overall, the global financial markets showed strong resilience in 2025. Major stock markets saw broad-based gains, with many of them setting record highs. The S&P 500 finished the year up 16%. Benefitting from capital inflows into the Hong Kong stock market, the Hang Seng Index rose by 28% in 2025. The US Treasuries also performed decently on the back of the US Federal Reserve's rate cuts. On foreign exchange, the US dollar depreciated by approximately 9% against other major

currencies, bringing a positive currency translation effect on the Exchange Fund's assets.

3. The Exchange Fund closed the year with an investment income of HK\$331.0 billion. Specifically, bond holdings recorded an investment income of HK\$142.2 billion. Equity holdings recorded an investment income of HK\$108.0 billion, comprising gains of HK\$33.9 billion from Hong Kong equities and HK\$74.1 billion from other equities. In addition, the Exchange Fund registered a positive currency translation effect of HK\$38.4 billion on its non-Hong Kong dollar assets, and the Long-Term Growth Portfolio (LTGP) recorded an investment income of HK\$42.4 billion up to the end of September 2025.

4. In terms of the rate of investment return, it was 8.0% for the Exchange Fund as a whole in 2025. Specifically, the Investment Portfolio achieved a rate of return of 12.4% and the Backing Portfolio gained 5.2%. The annualised internal rate of return of the LTGP from 2009 to the end of September 2025 was 11.2%.

5. Benefitting from a convergence of multiple favourable factors in the global markets, the Exchange Fund's investment income in 2025 was a record high. All main components achieved positive returns in a single year. This is exceptional and has occurred only two times over the past 15 years in 2017 and 2020. That said, the investment of the Exchange Fund entails costs and expenses. For 2025, these included HK\$16.5 billion as fees on placements by the Fiscal Reserves, HK\$14.7 billion as fees on placements by HKSAR Government funds and statutory bodies, and HK\$43.7 billion as interest payment on Exchange Fund Bills and Notes and other expenses.

These figures do not include the 2025 fee payment to the Future Fund, which will be determined when the composite rate for the year is available, and will be published in the 2025 HKMA Annual Report later this year.

Outlook for 2026

6. The exceptional confluence of multiple favourable factors in the global financial markets in 2025 may not last for a long time. Looking ahead to 2026, factors such as global economic conditions, monetary policies of major central banks, developments in artificial intelligence, and geopolitical conflicts could affect the performance of financial markets. Should market conditions deteriorate, the financial markets could fluctuate significantly.

7. In the face of the complex and volatile investment environment, the HKMA will continue to adhere to the principle of capital preservation first while maintaining long-term growth. We will continue to manage the Exchange Fund with prudence and flexibility, implement appropriate defensive measures, and maintain a high degree of liquidity. We will also continue our investment diversification to strive for higher long-term returns, and ensure that the Exchange Fund remains effective in achieving its purpose of maintaining monetary and financial stability of Hong Kong.