

LCQ21: Real estate investments under Long-term Growth Portfolio of Exchange Fund

Following is a question by the Hon Au Nok-hin and a written reply by the Financial Secretary, Mr Paul Chan, in the Legislative Council today (October 24):

Question:

Since 2009, the Hong Kong Monetary Authority has drawn on some of the Exchange Fund's assets to make investments under the Long-term Growth Portfolio (LTGP). In this connection, will the Government inform this Council of the current (i) total number of units and (ii) total market value of the buildings involved in the assets under LTGP that fall within the asset class of "real estate", with a breakdown by the location and type of real estates (set out in the table below):

Location of real estates	Type of real estates												Total	
	Residential unit/service apartment		Office/commercial building		Industrial building/industrial land		Hotel		Shop		Others			
	(i)	(ii)	(i)	(ii)	(i)	(ii)	(i)	(ii)	(i)	(ii)	(i)	(ii)	(i)	(ii)
Hong Kong														
Mainland China														
Other regions in Asia														
Europe														
Americas														
Africa														

Reply:

President,

To better manage risks and enhance returns in the medium and long term, the Hong Kong Monetary Authority (HKMA) has been diversifying part of the investment of the Exchange Fund (EF), in a prudent and incremental manner, into a greater variety of asset classes, including real estate. As of end December 2017, the market value of real estate investment in the Long-term Growth Portfolio (LTGP) amounted to HK\$78.4 billion, covering various regions and sectors.

According to the HKMA, given the EF's statutory purposes are to maintain the stability and integrity of the monetary and financial systems of Hong Kong, its investment mainly focuses on overseas financial and real assets. Apart from addressing emergency and strategic needs (e.g. the acquisition of Hong Kong equities in the Hong Kong stock market in 1998 in response to the Asian financial crisis, and the purchase of the HKMA's office premises), the EF has no investment in Hong Kong real estate and stock market.

On overseas real estate, the LTGP predominantly invests in traditional and mature markets, including North America and Western Europe, and has started diversifying into Asian markets in recent years. Investment channels include direct acquisition of prime properties in major overseas cities and investment in real estate funds. Assets cover office, retail and logistics sectors.

Noting the potential market sensitivities pertaining to the investment of the EF, it would be inappropriate for the HKMA to disclose specific details thereof.