



澳門金融管理局
AUTORIDADE MONETÁRIA DE MACAU

INVESTMENT MANAGEMENT REVIEW OF THE MACAO SAR FISCAL RESERVE, FOR THE YEAR 2015

As of the end of year 2015, total size of the Macao SAR Fiscal Reserve stood at MOP345.05 billion (preliminary figure), which comprised of MOP131.88 billion as Basic Reserve and MOP213.17 billion as Excess Reserve. The year 2015 ended with a net annual investment return of MOP2.41 billion for the Fiscal Reserve, representing an annualized rate of return of 0.7% for the period. The overall size of the Fiscal Reserve recorded an annual growth of 40% over 2015.

With the significant growth in the Fiscal Reserve's total asset size, especially in the Excess Reserve, investment management of the portfolio was allowed to implement further diversification amongst global asset classes in return for a better medium to long term risk/return tradeoff. The Fiscal Reserve portfolio now comprised of fixed income investments, equity mandates as well as foreign exchange exposure which included a major weighting on USD, HKD and the CNH/CNY as a whole. A brief review on these individual markets is as follows:

- Fixed income market, as of end of 2015, benefited from proven credit quality to contribute MOP4.57 billion, being the largest source of income for the Fiscal Reserve 2 years in a row.
- Equity markets in major regions recorded sharp rise in volatility. Markets opened at a relative high only to see weakness coming in during the first half of the year; corrections intensified in the second half of the year and rebounded to recover partially when year-end approached. For the year 2015, the overall income reached MOP0.12 billion.
- Currency composition of the Fiscal Reserve mainly comprised of exposure to the HKD, USD, onshore CNY and offshore CNH exchange rates. The long awaited rate hike by the US Federal Reserve sent the USD stronger during the year, while China implemented stabilizing monetary policies in order to boost the economy. Pressure from a dwindling rate differential versus the USD further weakened the CNY/CNH. Total revaluation loss from currency exposure amounted to MOP5.31 billion for 2015.
- Regarding money market placements, as at year-end of 2015, annual interest income was MOP3.03 billion.

For the year 2015, as depicted in Table 2, the investment in traditional asset classes such as Bond Market and Money Market contributed a relatively reasonable return to the Fiscal Reserve. On the other hand, introduced into the Fiscal Reserve as an important milestone for asset diversification, Equity Market investments experienced a sharp spike in market volatility and only provided a small positive income at year-end. As with currency exposure, depreciation of the Yuan also brought revaluation losses during the year. The year 2015



澳門金融管理局
AUTORIDADE MONETÁRIA DE MACAU

ended with a net annual investment return of MOP2.41 billion for the Fiscal Reserve, representing an annualized rate of return of 0.7% for the period.

The AMCM will continue to pursue the investment philosophy that emphasizes safety, stability and prudence. In strict compliance with the statutory requirements and policy objectives of the Fiscal Reserve, the AMCM will effectively manage the reserve investment on the basis of a comprehensive analysis of the relevant risk-return tradeoff.

Table 1. ASSET BREAKDOWN OF THE FISCAL RESERVE AS AT 31 DEC 2015

	%	Of Which:		
		Bond Market	Money Market	Equity Market
U.S. Dollar	43.1%	12.0%	24.5%	6.6%
H.K. Dollar	19.8%	4.7%	15.1%	
Offshore Renminbi	19.5%	7.9%	7.8%	3.8%
Onshore Renminbi	11.9%	7.9%	0.1%	3.9%
Australian Dollar	4.6%	4.6%	0.0%	
Macao Pataca	0.2%		0.2%	
Others	0.9%	0.9%	0.0%	
Total	100.0%	38.0%	47.7%	14.3%

Table 2. INVESTMENT-INCOME BREAKDOWN OF THE FISCAL RESERVE FOR 2015 (UNAUDITED)*

(10⁶ Patacas)

Income Breakdown by Type	2015
Money Market	3,032.7
Bond Market	4,577.0
Foreign Exchange	-5,313.2
Equity Market	117.6
Total Investment Income	2,414.1

* Annualized rate of return for the Fiscal Reserve in 2015 was approximately 0.7%.