



澳門金融管理局  
AUTORIDADE MONETÁRIA DE MACAU

## **Investment management review of the Macao SAR Fiscal Reserve, January-September 2014**

The Monetary Authority of Macao (AMCM) announced the preliminary financial figures of the Macao SAR Fiscal Reserve as of 30 September 2014. The total size of the Fiscal Reserve stood at MOP244.57 billion, which consisted of MOP116.46 billion as the Basic Reserve, MOP125.20 billion as the Excess Reserve and an accumulated investment profit of MOP2.91 billion for the first nine months of the year 2014.

### **Periodic developments in the first 9 months of 2014**

Into the year 2014, the size of the Fiscal Reserve continued to expand from fiscal surplus injection. With a substantial increase in Excess Reserve in particular, the overall portfolio was provided with a larger buffer in adopting a comparatively more progressive investment strategy. The Fiscal Reserve started to invest in equities during the first half of the year. Drawing on the experience of institutional investors of similar profile, the AMCM decided to manage its equities investment primarily through external fund managers, after considering internal resources rationalization and overall cost efficiency improvement. As of the end of the third quarter, equities investment of the Fiscal Reserve focused on emerging markets, with investment returns benchmarked at internationally-recognized emerging market indices. On the other hand, for developed equity market exposure, the portfolio adopted a rather prudent strategy in accumulating “equity index linked instruments” under direct management, in order to enhance returns from potential rallies in the underlying equity markets under a risk-controlled scenario.

To recap for the first nine months of 2014, asset allocation in both bond market and money market provided a reasonable return for the Fiscal Reserve. Volatilities in the Renminbi exchange rate during the first half of the year temporarily affected portfolio performance and resulted in certain monthly revaluation losses. However, as the Renminbi exchange rate gradually stabilized in recent months, such losses were fully recovered to bring the overall result of the Fiscal Reserve to an accumulated 9-month profit of MOP2.9 billion.

### **Latest progress on diversification for investment portfolio**

Building on the experience in diversifying into emerging market equities and equity index linked instruments, the Fiscal Reserve is initiating its global equities investment by exploiting favorable market conditions. On the Mainland Chinese markets, the relevant USD500 million have already been injected under the approved QFII (Qualified Foreign Institutional Investors) quota and the Fiscal Reserve would soon start its first round of investing into A-shares listed on the Shanghai or Shenzhen Stock Exchange. Besides, during the period, the



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Fiscal Reserve has also made progress in its alternative asset investment portfolio, which includes diversifying into private equity space for the first time. In fact, the International Monetary Fund (IMF) published its inaugural “Staff Report for the 2014 Article IV Consultation Discussions - Macao” earlier this year, in which the IMF has a positive recognition for the optimization in investment strategies implemented by the Fiscal Reserve in order to enhance long-term returns.

In the light of the imminent exit from massive quantitative easing of monetary policies in some advanced economies, coupled with recent signs of a slowdown in growth looming in emerging markets as well as particular industrialized countries, volatilities in the global financial markets will likely persist. Against these specific backdrops, the AMCM will adhere to the fundamental principles in reserves management. While ensuring a reasonable level of capital preservation and asset liquidity for the Fiscal Reserve’s portfolio, the AMCM will consistently evaluate different asset allocation alternatives and adopt proper diversification strategies in order to achieve a higher overall return for the Fiscal Reserve in the medium to long-term investment horizon.

**Monetary Authority of Macao**

30 October 2014



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**Table 1. ASSET BREAKDOWN OF THE FISCAL RESERVE AS AT 30 SEP 2014**

	%	Of Which:		
		Bond Market	Money Market	Equity Market
U.S. Dollar	<b>29.0%</b>	14.6%	10.5%	3.9%
H.K. Dollar	<b>14.2%</b>	4.4%	9.8%	
Offshore Renminbi *	<b>37.5%</b>	7.3%	30.2%	
Onshore Renminbi **	<b>11.3%</b>	11.3%	0.0%	
Australian Dollar	<b>7.7%</b>	3.4%	0.1%	4.2%
Macao Pataca	<b>0.3%</b>		0.3%	
Others	<b>0.0%</b>	0.0%	0.0%	
<b>Total</b>	<b>100.0%</b>	<b>41%</b>	<b>51%</b>	<b>8%</b>

\* Mainly offshore Dim Sum bonds and inter-bank deposits

\*\* PBOC approved investment quota for Onshore Interbank Bond Market (CNY20 billion)

**Table 2. INVESTMENT-INCOME BREAKDOWN OF THE FISCAL RESERVE,  
JAN-SEP 2014\***

(10<sup>6</sup> Patacas)



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Income type	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Jan-Sep 2014
Money Market	137.2	209.8	231.4	221.2	233.3	235.7	250.4	254.8	240.4	2,014.2
Bond Market	297.6	322.2	264.0	289.7	340.5	278.2	285.3	375.7	213.1	2,666.3
Foreign Exchange	491.4	-1,252.3	-1,776.1	-1,042.8	224.3	479.3	627.4	448.8	-128.2	-1,928.2
Equity related exposure	(N.A.)	(N.A.)	(N.A.)	-33.7	56.4	160.8	94.5	176.4	-290.7	163.7
Total Investment-Income	926.2	-720.3	-1,280.7	-565.6	854.5	1,154.0	1,257.7	1,255.7	34.5	2,915.9

\* Fiscal Reserve's annualized rate of return at 1.7% during Jan-Sep/2014; 1.4% for 2012 and 3.0% for 2013 respectively.