



HONG KONG MONETARY AUTHORITY
香港金融管理局

***Managing Large Portfolios in the
Current Market Environment***



Investment objectives well specified for different portfolios

Backing Portfolio

Consists of highly liquid USD-denominated assets of high credit quality

Investment Portfolio

Consists of public market (including developed and emerging markets) assets

Exchange Fund

Long-Term Growth Portfolio

Consists of private equity and real estate

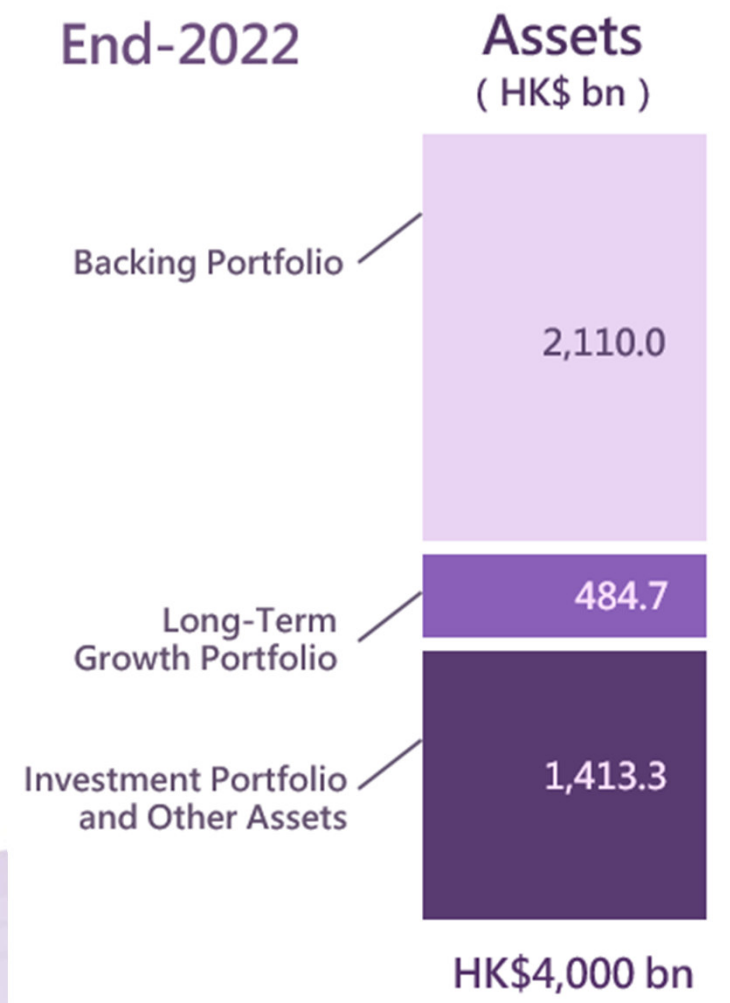
Strategic Portfolio

Consists entirely of shares in Hong Kong Exchanges and Clearing Limited for strategic purposes



Diverse implications for portfolios

- **Backing Portfolio**: Not necessarily suffering from higher short-term interest rates
- **Long-Term Growth Portfolio**: Short-term ups/downs less relevant given long investment horizons
- **Investment Portfolio**:
 - *External Managers*: Continue to rely on their investment expertise and complementary investment styles
 - *Direct Investment*: **How to achieve outperformance in the current investment environment?**





Challenges

- Changing stock-bond correlation as inflation uncertainty increases
- Recency bias: how recent should we go back? QE or Post-COVID?
- Sourcing of liquidity and limited tools to express ideas



A two-pronged approach to enhance active return

- Tactical Asset Allocation program dedicated to capture short-term market opportunities across asset classes
- Modernise infrastructure and streamline trade processing cycle



Tactical Asset Allocation Program

- Tap insights of strategic partners through analysing their shifts in allocations
- Develop signals to monitor changes in sentiment and positioning
- Expand scope of instruments to express ideas, e.g. total return swaps, OTC options & listed derivatives



Enhanced efficiency of work flows

- Explore platform that integrates portfolio management, order management, compliance, execution, settlement and finance
- Execute trades on electronic venues where prices are transparent and liquidity is more readily sourced.
- Enhance assessment of counterparties' execution performance through better audit trails and transaction cost analysis



End
Thank you