

Various Funds outside the Accounts of the Government Established by Government ^{Note1}

Name of Fund	Bureau	Investment Return ^{Note2}	Financial Position	Improvement on investment return	Supervision of investment fund	Management Fee	Ensuring cost-effectiveness of management fee
		(Question 1)	(Question 2)	(Question 2)	(Question 3)	(Question 4)	(Question 4)
Language Fund	Education Bureau	<p>The Fund places fixed deposits with banks. The interest rates on deposits are as follows:</p> <p>2010/11: \$20.70 million (0.73% - 1.95%) 2011/12: \$21.02 million (1.26% - 2.30%) 2012/13: \$13.07 million (0.72% - 1.31%)</p>	<p>No deficit.</p> <p>The Fund can use its capital to meet expenditure.</p>	<p>Not applicable. The Fund operates according to section 5(1) of the Permanent Secretary for Education Incorporation Ordinance and now places fixed deposits with banks for investment. It is the Fund's policy that all investments in financial instruments should be principal-protected.</p>	<p>The Fund selects banks with good credit standing, strong financial strength and sizeable capital. The Fund also limits the individual risk exposure, in accordance with the documented risk management strategy and places each deposit with the most competitive rate offered by bank.</p>	Not applicable	Not applicable

Note 1 The listed funds do not include the funds inside the Government accounts, such as Sustainable Fisheries Development Fund and the Maritime and Aviation Training Fund, and funds established under Section 29 of the Public Finance Ordinance (Cap. 2) e.g. Capital Works Reserve Fund, etc. Furthermore, since the Urban Renewal Trust Fund was not set up with Government funding, it is also not included.

Note 2 Except for the Education Development Fund, Language Fund, the HKSAR Government Scholarship Fund, the Self-financing Post-Secondary Education Fund and the Research Endowment Fund whose accounting year is from 1 September to 31 August of next year, the accounting year of the other funds is from 1 April to 31 March of next year.

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HKSAR Government Scholarship Fund (HGSF)	Education Bureau	2010-11: \$65 million (6.6%)* 2011-12: \$52 million (4.1%) 2012-13: \$58 million (2.7%)	No deficit. The expenditure of the Fund is met by the investment income generated, but use of capital may be considered under exceptional circumstances. The capital of the Fund was not used in the past.	The HGSF Investment Committee regularly reviews the Fund's investment target, strategy and asset allocation with a view to achieving the long-term target return, i.e. a return that can support the expenditure by the investment income generated.	The Fund adopts prudent investment strategies and manages its risk and investments taking into account the changes in the economic market conditions. The Fund's Investment Committee regularly reviews the Fund's investment performance and takes follow-up actions, where necessary.	The HGSF appoints an investment manager(s) and custodian(s) with fees as follows: as a percentage of the Fund's average net asset value for the Financial Year: 2010-11: 0.30% 2011-12: 0.23% 2012-13: 0.18%	The Fund's Investment Committee regularly reviews the Fund's investment performance with a view to achieving cost-effectiveness.

* Unless otherwise specified, the figure in bracket denotes the rate of return.

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Self-financing Post-Secondary Education Fund (SPEF)	Education Bureau	<p>The SPEF was established in November 2011. The investment returns in the past two years are as follows:</p> <p>2011-12: \$21 million (1.1%) 2012-13: \$40 million (1.2%)</p>	<p>The expenditure of the Fund is met by the investment income generated, but use of capital may be considered under exceptional circumstances. As the Fund is in the start-up stage, a small amount of principal has been used to meet the expenditure.</p>	<p>The SPEF Investment Committee regularly reviews the Fund's investment target, strategy and asset allocation with a view to achieving the long-term target return, i.e. a return that can support the expenditure by the investment income generated.</p>	<p>The Fund adopts prudent investment strategies and manages its risk and investments taking into account the changes in the economic and market conditions. The Fund's Investment Committee regularly reviews the Fund's investment performance and takes follow-up actions, where necessary.</p>	<p>The SPEF appoints an investment manager(s) and custodian(s) with fees as follows:</p> <p>as a percentage of the Fund's average net asset value for the Financial Year:</p> <p>2011-12: Not applicable 2012-13: 0.03%</p>	<p>The Fund's Investment Committee regularly reviews the Fund's investment performance with a view to achieving cost-effectiveness.</p>
Research Endowment Fund	Education Bureau	<p>The Fund only invests its endowment through placements with</p>	<p>No deficit. The expenditure of the Fund is met by the</p>	<p>The Research Endowment Fund only invests its endowment through placements with the</p>	<p>The investment management and control of the Fund are set out in a documented risk</p>	<p>Not applicable</p>	<p>Not applicable</p>

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		<p>the Exchange Fund. Interest on the placements is payable at a fixed rate determined every January. The interest rates for the years 2011, 2012 and 2013 are as follows –</p> <p>2011: 6.0% 2012: 5.6% 2013: 5.0%</p> <p>Interest income from placements with the Exchange fund is as follows:</p> <p>2010-11: \$1,163 million</p>	<p>investment income generated, but use of capital may be considered under exceptional circumstances. The capital of the Fund was not used in the past.</p>	<p>Exchange Fund.</p>	<p>management and investment strategy and are reviewed on a regular basis by the University Grants Committee.</p>		

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		2011-12: \$1,190 million 2012-13: \$1,303 million					
Education Development Fund	Education Bureau	The Fund places fixed deposits with banks. The investment return and range of interest rates on deposits were as follows – 2010/11: \$1.86 million (0.90% - 1.80%) 2011/12: \$5.98 million (1.33% - 1.76%) 2012/13: \$8.84 million (0.54% - 1.40%)	No deficit. The Fund can use its capital to meet expenditure.	Not applicable. The Fund operates according to section 5(1) of the Permanent Secretary for Education Incorporation Ordinance and now places fixed deposits with banks for investment. It is the Fund's policy that all investments in financial instruments should be principal-protected.	The Fund selects banks with good credit standing, strong financial strength and sizeable capital. The Fund also limits the individual risk exposure, in accordance with the Fund's own documented risk management strategy and places each deposit with the most competitive rate offered by bank.	Not applicable	Not applicable

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Environment and Conservation Fund (ECF)	Environment Bureau	<p>The investments are mainly fixed deposits with banks. Bank interests for the past three years were –</p> <p>2010-11: \$6.4 million (0.7%) 2011-12: \$17.2 million (1.5%) 2012-13: \$21.7 million (2.0%)</p>	<p>Before 2013, ECF had been relying on capital injection of the Government, instead of investment return, to fund various community green action projects.</p>	<p>In June 2013, the Finance Committee of the Legislative Council approved a capital injection of \$5,000 million into ECF, so as to generate investment returns for long term and sustained support for community green actions. The ECF subsequently placed \$4,700 million with the Hong Kong Monetary Authority (HKMA) in the form of a credit facility arrangement for earning investment return.</p>	<p>The ECF Investment Committee has been set up to formulate investment policies and monitor investment of the ECF.</p>	<p>Not applicable</p>	<p>The ECF Investment Committee reviews the investment strategy from time to time. Making a credit facility arrangement with the HKMA is a cost effective arrangement.</p>
Samaritan Fund	Food and Health Bureau (FHB)	<p>Interest income: 2010-11: \$9.1 million (0.7%) 2011-12:</p>	<p>No deficit. The injection of one-off grant of \$10 billion by</p>	<p>In accordance with the Resolution of the Legislative Council on the Samaritan Fund, all moneys accruing to</p>	<p>HA has established governance mechanism for the Fund's investment management. HA's</p>	<p>Not applicable</p>	<p>Not applicable</p>

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		<p>\$14.4 million (1.3%) 2012-13: \$168.9 million (2.7%)</p>	<p>the Government in 2012-13 can support the continued operation of Samaritan Fund for about 10 years from then.</p>	<p>the Fund shall be paid to Hospital Authority (HA) which shall credit such moneys to an account entitled “Deposits-Samaritan Fund, Hospital Authority”.</p> <p>In view of the increase in fund size following the injection of \$10 billion to the Fund in 2012-13, additional measures have to be put in place to improve the investment return and safeguard the integrity of the funds. \$6 billion has been placed with the HKMA by HA for six years while the remaining \$4 billion was immediately vested in the Fund to</p>	<p>Treasury Panel and Finance Committee play an advisory role in the Fund’s treasury and investment management.</p> <p>In addition, the Samaritan Fund Management Committee, which is co-chaired by the representative of the FHB and Chief Executive of the HA, monitors the financial position and reviews the investment arrangement of the Fund.</p>		

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				<p>cater for the recurrent expenditure of the Fund in the coming few years.</p> <p>To make better use of public resources and to enhance the sustainability of the Fund, HA has all along adopted a prudent and conservative approach in managing the funds while meeting the operating cash flow requirements of the Fund. HA's guiding principles in investment are capital preservation and to invest those funds that are not immediately required in low risk investments.</p>			

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Cantonese Opera Development Fund (CODF)	Home Affairs Bureau	2010-11: \$212,000 (0.2%) 2011-12: \$1,054,000 (1.3%) 2012-13: \$4,164,000 (5.6%)	CODF was first set up from private donations. Its aims are to provide funding support to projects and activities relating to the study, promotion and sustainable development of Cantonese opera. The Government subsequently injected \$69 million to CODF in 2010. From 2010-11 to 2012-13, the CODF granted about \$27.4 million to	The CODF Investment Committee (IC) was established in 2010 to advise on matters relating to the investment of the Fund. With the advice of the IC, the CODF had an investment gain at 5.6% in 2012-13.	The CODF IC holds regular meetings to review the investment performance. The investment proposals suggested by the IC have to be approved by the Secretary for Home Affairs Incorporated.	Not applicable	Not applicable

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			sponsor projects relating to development of Cantonese opera. The investment gains of the CODF in these three financial years (about \$5.43 million) helped supplement the grants paid from it.				

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Community Care Fund (CCF)	Home Affairs Bureau	2010-11: <\$1,000 (0.0%) 2011-12: \$181.444 million (5.5%) 2012-13: \$298.855 million (4.6%)	No deficit. Apart from the returns from investment, the CCF could also deploy its seed capital for the expenditures of its operation.	A deposit of \$15 billion in total has been placed with the HKMA to earn an investment return. The remaining amount of the CCF funding has been deposited with banks for Hong Kong dollar and Renminbi time deposit, so as to earn interest income and meet the cash flow requirements for financing the assistance programmes and other liquidity needs.	The Commission on Poverty and the CCF Task Force will continue to monitor the CCF's investment position.	Not applicable	Not applicable

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Elite Athletes Development Fund (EADF)	Home Affairs Bureau (HAB)	The EADF was established in 2011-12. The investment return in the past two years were: 2011-12: \$602,000 (0.0%) 2012-13: \$284.440 million (4.1%)	No deficit. Apart from the returns from investment, the EADF could also deploy its seed capital to provide funding support to the Hong Kong Sports Institute.	In accordance with the principles approved by the Finance Committee of the Legislative Council, the majority of the seed capital (\$6 billion) is deposited with the HKMA to earn an investment return. The remaining capital of \$1 billion is deposited with banks to provide readily available funding. There is no need to change the investment arrangements.	Under the monitoring of HKMA and HAB	Not applicable	Not applicable

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Sir David Trench Fund for Recreation (Arts and Sport Development Fund) (ASDF)	Home Affairs Bureau	2010-11: \$145 million (6.7%) 2011-12: -\$103 million (-3.2%) 2012-13: \$163 million (5.4%)	No deficit	The ASDF Investment Advisory Committee regularly reviews the Fund's investment target, strategy and asset allocation with a view to achieving the long-term target return, i.e. supporting the expenditure by the investment income generated.	The Fund adopts prudent investment strategies and manages its risk and investments in response to the changes in the economic and market conditions. The Fund's Investment Advisory Committee, which is mainly composed of non-official members, regularly reviews the Fund's investment performance and takes follow-up actions, where necessary.	The Fund appoints an investment manager(s) and custodian(s) with fees as follows: as a percentage of the Fund's average net asset value for the Financial Year: 2010-11: 0.03% 2011-12: 0.01% 2012-13: 0.01%	The Fund's Investment Advisory Committee regularly reviews the Fund's investment performance with a view to achieving cost-effectiveness.
Elder Academy Development Foundation	Labour and Welfare Bureau	2010-11: \$70,276 (0.513%) 2011-12: \$161,214	Expenditures required from the Foundation are financed by Government	Since the Foundation's capital is limited (around \$15 million to \$20 million), which has to	The Director of Social Welfare Incorporated, provides an annual financial statement	Not applicable	Not applicable

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		(1.243%) 2012-13: \$184,198 (1.045%)	funding, donations solicited and investment incomes, hence the concept of incomes not meeting expenditures is not applicable. Since the funding under the Foundation has to be used from time to time to support the activities of Elder Academies, it is invested in short term fixed deposits to secure stable returns.	be used from time to time to fund allocation to Elder Academies, it is appropriate to invest it in fixed deposits at present.	to the Legislative Council to report the income, expenditure and balance of the Foundation.		
Employees Retraining	Labour and Welfare	2010-11: \$33.3 million (0.88%)	The income sources of the	The Finance Committee of the	The Finance and Administration	Not applicable	Not applicable

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Fund	Bureau	2011-12: \$47.6 million (1.53%) 2012-13: \$34.5 million (1.47%)	Employees Retraining Board (ERB) include the Employees Retraining Levy, Government funding, etc. As such, we cannot only use the investment income to assess whether ERB's income meets its expenditure. The ERB deposited all moneys of the Fund that are not immediately required to be expended in banks on fixed term or call deposits or in a savings account,	Legislative Council approved the injection of \$15 billion into ERB on 24 January 2014. ERB is discussing with the HKMA on the investment arrangement for the injection, intending to place a substantial portion of the Employees Retraining Fund with HKMA to earn an investment return.	Committee under the Board of ERB monitors the financial situation and report to the Board.		

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			in accordance with section 8(3)(a) of the Employees Retraining Ordinance (Cap. 423) from 2010-11 to 2012-13.				
Beat Drugs Fund (BDF)	Security Bureau	2010-11: \$53 million (1.9%) 2011-12: \$162 million (4.6%) 2012-13: \$272 million (7.5%)	No deficit	Not applicable	BDF adopts prudent investment strategies and manages its risk and investments in response to the changes in the economic and market conditions. In addition, BDF has set up an Investment Sub-Committee, which is composed of members from the business, finance and accounting fields. The	The BDF appoints an investment manager(s) and custodian(s) with fees as follows: as a percentage of the fund's average net asset value for the Financial Year: 2010-11: 0.07% 2011-12: 0.14%	Not applicable

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					Sub-Committee will regularly review the fund's investment objectives, strategies and asset allocation, with a view to monitoring the investment performance of the fund.	2012-13: 0.26%	