

**Summary of Recommendations of the Group of Experienced Leaders on
Future Fund**

- (1) the Government should deploy part of the Future Fund (FF) from the Investment Portfolio (IP) of the Exchange Fund (EF) to make strategic investments in projects with a Hong Kong nexus, for example projects undertaken by a Hong Kong-based company, or projects that would take place in Hong Kong, or both;
- (2) a new portfolio, to be called “Hong Kong Growth Portfolio” (HKGP), should be established outside the EF for the FF to make strategic investments pursuant to the expanded purposes as set out in the Financial Secretary’s Budget, i.e. to enhance return while at the same time consolidate Hong Kong’s status as a financial, commercial and innovation centre, and raise the productivity and competitiveness of Hong Kong in the long run;
- (3) the HKGP should invest in companies / projects / funds with a Hong Kong nexus that could benefit our economy while generating reasonable risk-adjusted return. The HKGP should be managed separately from the EF;
- (4) the Government should establish a two-tier committee framework for the HKGP with clear delineation of duties, including a Governance Committee (GC) for setting the basic parameters of the HKGP and providing strategic steer, as well as an Investment Committee (IC) for deciding on the appointment of general partners (GPs) within the investment guidelines and scope to be specified by the GC and monitoring the performance of GPs. A dedicated working team will be set up to support the IC. The Hong Kong Monetary Authority will provide necessary administrative support on a cost-recovery basis;
- (5) the Government should make an initial allocation of 10% from the FF to the HKGP, to be allocated on a gradually-funded basis from the IP portion of the FF;

- (6) two or three mandates should be structured to cover investments in private equity and venture capital;
- (7) for the initial mandates, the HKGP should not invest in real estate companies / projects in Hong Kong;
- (8) the Government should disclose general information such as governance arrangements (e.g. committee setup, measures to avoid conflict of interest, etc.), investment objectives and initial allocation at the outset;
- (9) the Government should commit upfront that the return of the HKGP would be disclosed after five years, while at the same time encourage the public to focus on the HKGP's long-term return instead of the annual return in the initial years; and
- (10) senior officials should not be involved in the vetting of any investment projects and individual investment decisions of the HKGP. The Government should also put in place an effective mechanism to ensure that senior officials would avoid any potential, actual or perceived conflict of interest.