

Standing Committee on Investment

Report for 2020

The Standing Committee on Investment was formed to make suggestion on the long-term and short-term investment strategies for the Bar, with the assistance of professional investment advisers, presently RBC Investment Services (Asia) Limited (“**RBC**”). The investment approach of the Bar, as always, has been prudent. Its objective is to achieve growth and return in the long run against low (or acceptable) risk of asset depletion. At the same time, the interest and dividends income earned from the Bar’s investment provide an important regular source of income required to fund the Bar’s various activities.

Current membership of the Standing Committee on Investment is as follows:

Mr. Chan Chi Hung, S. C., Chairman

Mr. Douglas Lam, S.C., Vice Chairman

Mr. Laurence Li S.C.

Mr. Jean-Paul Wou

Mr. Robin D’Souza

Ms. Angela Mui

1. **Bonds and Fixed Income.** The Bar is currently holding one Bond in its portfolio, namely, Franshion Development. The estimated total market value of this Bond held by the Bar at the end of the financial year (30 September 2020) was HK\$1,597,876.80, which has decreased by HK\$47,985.60 in this financial year. The total interest income from the bond investments during this financial year was HK\$107,404.75, representing a decrease by about 26% from the previous financial year. The cash deposits in Banks earn very low rates of interest, as the Hong Kong interest rates have been consistently low in line with the global low interest environment.
2. **Equities.** The Bar is currently holding the same 13 equities it held in the last financial year: (1) HSBC Holdings PLC, (2) Hang Seng Bank Ltd, (3) CKH Holdings, (4) Swire Pacific Ltd ‘A’, (5) China Construction Bank Corporation, (6) China Mobile Limited, (7) Cheung Kong Infrastructure Hold Ltd, (8) Cheung Kong Property (CK Asset), (9) AIA Group Ltd, (10) Industrial and Commercial Bank of China Limited, (11) Ping An Investment (Group) Co. of China, (12) Bank of China, (13) ChinaAMC CSI 300.

During this financial year, the Committee did not undertake any sale or purchase of Bond or equity, as the financial market has been very volatile and thus a conservative investment

strategy is adopted. The Bar earned cash dividends in the total sum of \$726,689.56 which is 22% less than what the Bar earned in the previous financial year. The Bar did not earn any scrip dividends in this financial year. As a whole, the Bar earned a total of \$726,689.56 of dividends, which is about 53% decrease as compared to the previous financial year.

Unfortunately, the equities held by the Bar reported a book loss of HK\$10,550,037.40 (i.e. on a marked to market but unrealized basis), compared with a loss of HK\$3,369,442.46 in the previous financial year. The capital loss on the market value of the equities held by the Bar during this financial year is about 34.283%. The Bar suffered most loss due to its heavy holding of HSBC Holdings PLC in this financial year, of which a book loss of HK\$8,122,005.00 is reported. These are mainly due to the stiff headwinds, such as the Covid-19 and geopolitical tension, that both global and the Hong Kong Stock Market have faced in this financial year.

In light of such circumstances, the Committee has considered measures to be recommended to the Bar Council, after consulting the RBC, to decrease the risk of over-exposure in the shareholding of HSBC Holdings PLC. The Committee is recommending selling 60% of the Bar's present holding of HSBC Holdings PLC shares over 6 months' time, bi-weekly, and to use the proceeds to purchase Tracker Fund of Hong Kong, in order to diversify the risk and cut loss.

The Bar's equities holdings are not for short-term trading, and it is intended that the overall performance of the Bar's portfolio be relatively steady. We intend to hold the equities for the medium to long term, but in view of the more volatile financial market, the Committee should and will keep watch of the market conditions on a closer basis, to review the performance of the Bar's portfolio, and to adopt necessary measures when situation requires, subject to professional advice, and approval from the Bar Council.

Chan Chi Hung SC
Chairman
Standing Committee on Investment

30 November 2020