

Macau Investment Funds Law Series: Investment Objective — Securities, Real Estate, Alternative, and others under Law No. 11/2025

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Key Takeaways

- **Three statutory categories:** Funds are classified as securities investment funds, real estate investment funds, or alternative investment funds, based on their principal investment objective.
- **Securities investment funds:** Primarily composed of equities, bonds, money market instruments, and other securities; sub-categories include equity funds, bond funds, and mixed-asset funds.
- **Real estate investment funds:** Primarily composed of real estate; sub-categories include REITs and infrastructure funds.
- **Alternative investment funds:** Primarily composed of non-traditional assets; sub-categories include private equity funds, venture capital funds, commodity funds, and other non-traditional asset funds.
- **Distinct prudential limits:** Securities funds face a 10% single-issuer cap, 20% same-group cap, and 35% sovereign cap; real estate funds must hold at least 75% in real estate, cap development projects at 25%, and distribute at least 90% of after-tax net income annually.
- **AMCM flexibility:** The AMCM may prescribe specific rules for funds with different characteristics, including money market funds, index funds, real estate funds with non-income-generating properties, and alternative funds investing primarily in company equity or commodities.

Introduction

Macau's new **Investment Funds Law (Law No. 11/2025)**, effective **1 January 2026**, classifies funds by their **investment objective** (投資標的) into three statutory categories — **securities investment funds**, **real estate investment funds**, and **alternative investment funds** — while empowering the AMCM to prescribe specific asset classes, investment policies, risk control indicators, and disclosure requirements for each type by circular. Each category is subject to distinct asset composition rules, prudential limits, and operational requirements tailored to the risk profile of the underlying assets.

Key Provisions and Analysis

1. The Three Statutory Categories

Funds are classified by their principal investment objective into:[1]

(a) Securities investment fund: A fund primarily composed of **equities, bonds, money market instruments, and other securities**. Sub-categories include equity funds, bond funds, and mixed-asset funds.

(b) Real estate investment fund: A fund primarily composed of **real estate**. Sub-categories include real estate investment trusts (REITs) and infrastructure funds.

(c) Alternative investment fund: A fund primarily composed of **non-traditional assets**. Sub-categories include private equity funds, venture capital funds, commodity funds, and other non-traditional asset funds.

The AMCM may prescribe by circular the specific asset classes, investment policies, risk control indicators, and disclosure requirements for each fund type.[5]

2. Securities Investment Funds: Asset Composition and Prudential Limits

Securities investment funds are those established on the principle of **risk diversification** and whose principal investment objective is **liquid assets** in the form of securities.[6]

Permissible assets include:[7]

- Securities listed on internationally recognised exchanges or traded on regulated, properly functioning markets specified in the constitutive documents.
- Newly issued securities, where there is sufficient evidence that a listing or trading application will be made within one year (failing which, the securities must be disposed of within six months).
- Cash, bank deposits, and certificates of deposit.
- Securities issued by sovereign or public-body entities.
- Mortgage bonds.
- Fund units of other open-ended public funds.
- Transferable and tradeable debt instruments with creditworthiness and a readily ascertainable value.
- Other assets and rights approved by the AMCM.

Prudential concentration limits:[2]

- No more than **10%** of the fund's assets may consist of: (i) equities issued by the same company; (ii) bonds of the same issuer; or (iii) fund units issued by another fund.
- Securities issued by a single entity may not exceed **10%** of the fund's NAV.
- Securities issued by entities within the same group may not exceed **20%** of the fund's NAV.
- Up to **35%** of the fund's NAV may be invested in a single issuance class of securities issued or guaranteed by the Macau SAR, a state or territory, a public-law entity (or a private entity in which such entity holds 50% or more), or an international organisation.

These limits are calculated by reference to NAV and must be observed from **six months** after the fund's establishment.[2]

3. Real Estate Investment Funds: Asset Composition, Valuation, and Income Distribution

Real estate investment funds are those whose principal investment objective is **income-generating real estate**.^[8]

Permissible assets include:^[9]

- Income-generating real estate, including commercial real estate (offices, hotels, shopping centres), infrastructure (toll roads, ports, logistics warehouses), and similar assets.
- Development projects for the construction of income-generating real estate (including land acquisition and construction costs), which are also treated as real estate investments.
- Real estate held through **special purpose vehicles** (SPVs), provided the fund has control over the SPV.
- Cash, bank deposits, certificates of deposit, sovereign/public-body securities, mortgage bonds, listed securities, fund units of other funds, and other assets approved by the AMCM.

Prudential concentration limits:^[3]

- At least **75%** of the fund's assets must comprise real estate.
- Development project investments may not exceed **25%** of the fund's assets.
- Securities issued by a single entity may not exceed **10%** of the fund's NAV, and that entity's total issued securities value may not exceed 10%.
- These limits must be observed from **two years** after the fund's establishment.

Valuation requirements:^[10]

- Before acquiring or transferring real estate, the fund must obtain an **independent expert valuation opinion**.
- Fund real estate must be valued by an independent expert **at least annually**.
- Development projects are subject to the same valuation requirements.
- The AMCM may issue circulars prescribing technical rules on expert qualifications and valuation standards.

Income distribution:^[11] At least **90%** of the fund's after-tax net income must be distributed to participants annually.

Prohibited acquisitions:^[12] Real estate funds may not acquire rights over real estate whose actual use does not conform to its use permit, or temporary use or occupation rights over real estate.

4. Alternative Investment Funds

Alternative investment funds are those primarily composed of **non-traditional assets** as their principal investment objective.^[1] The Law identifies four sub-categories: **private equity funds, venture capital funds, commodity funds, and other non-traditional asset funds**.

The Law does not prescribe specific prudential limits or asset composition rules for alternative investment funds in the same detail as for securities and real estate funds. Instead, the AMCM is empowered to issue circulars prescribing specific asset composition and prudential rules for funds with different characteristics, expressly including alternative

investment funds whose principal investment objective is **company equity or commodities**.^[4]

This flexible approach reflects the inherently diverse nature of alternative strategies and allows the AMCM to develop tailored rules as the Macau alternative fund market matures.

5. Liquidity Requirements

All funds — regardless of investment objective — must maintain **sufficient liquid assets** to meet day-to-day management needs.^[13] Where a fund has sub-funds, each sub-fund must independently maintain sufficient liquid assets for its own operational requirements.

6. Temporary Breach of Prudential Limits

Prudential limits may be temporarily breached only in limited circumstances:^[14]

1. Market price fluctuations, asset revaluation, or other market factors beyond the management entity's control, despite reasonable mitigation efforts.
2. The management entity exercising rights inherent in fund assets to protect participants' interests.
3. Liquidity management needs arising from mass redemptions, where the management entity acts prudently and in participants' best interests.
4. Other temporary and non-intentional exceptions not caused by the management entity's fault.

The management entity must **immediately** notify the AMCM of any breach and restore compliance within **three months** (extendable by the AMCM on a reasoned basis). The AMCM may at any time require additional information and, if necessary, order the management entity to take specific measures to restore compliance and protect participants' interests.

7. AMCM Power to Prescribe Tailored Rules

The AMCM may issue circulars prescribing specific asset composition and prudential limit rules differing from the general regime for funds with particular characteristics.^[4] The Law expressly identifies the following as candidates for tailored rules:

- **Money market funds** and **index funds** (as sub-types of securities investment funds).
- **Real estate investment funds** whose principal investment objective is non-income-generating real estate.
- **Alternative investment funds** whose principal investment objective is company equity or commodities.

This mechanism allows the AMCM to develop a graduated regulatory framework as the Macau fund market diversifies across asset classes and strategies.

The AMCM has already issued Regulatory Requirements for Public Money Market Funds and Index Funds (Notice no. 024/2025-AMCM).

Implications and Next Steps

The tripartite classification provides a clear regulatory map for fund sponsors in Macau, with each investment objective carrying its own asset composition, prudential, and operational requirements.

Securities fund sponsors benefit from a well-defined permissible asset universe and clear concentration limits, facilitating compliance planning from the outset. The six-month grace period from establishment allows time to build a diversified portfolio before the limits bite.

Real estate fund sponsors should note the stringent 75% real estate requirement, the mandatory annual independent valuation, and the 90% income distribution obligation — features that align Macau's REIT framework with international standards (notably Singapore and Hong Kong). The two-year grace period for compliance with asset composition limits provides flexibility during the fund's ramp-up phase.

Alternative fund sponsors — particularly private equity, venture capital, and commodity managers — operate under a lighter-touch regime with specific rules to be prescribed by the AMCM by circular. This flexibility is advantageous for first-movers, though sponsors should monitor AMCM circulars closely as the regulatory framework develops.

Footnotes

- [1]: Article 7 (Investment objective — three fund categories)
- [2]: Article 64 (Prudential limits for securities investment funds)
- [3]: Article 70 (Prudential limits for real estate investment funds)
- [4]: Article 61 (AMCM circulars on tailored rules for specialised fund types)
- [5]: Article 7(5) (AMCM power to prescribe asset classes, investment policies, and disclosure)
- [6]: Article 62 (Scope of application — securities investment funds)
- [7]: Article 63 (Permissible assets — securities investment funds)
- [8]: Article 65 (Scope of application — real estate investment funds)
- [9]: Article 66 (Permissible assets — real estate investment funds)
- [10]: Article 67 (Real estate valuation requirements)
- [11]: Article 68 (Income distribution — real estate investment funds)
- [12]: Article 69 (Prohibited acquisitions — real estate investment funds)
- [13]: Article 60 (Liquid asset requirements)
- [14]: Article 58(3)–(4) (Temporary breach of prudential limits)

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