MPF Average Disparity Index

1st Quarter 2021

Sun Life Asset Management
永明資產管理

Sector Rotation

Determines Global Equity Performances

What is MPF Average Disparity Index?

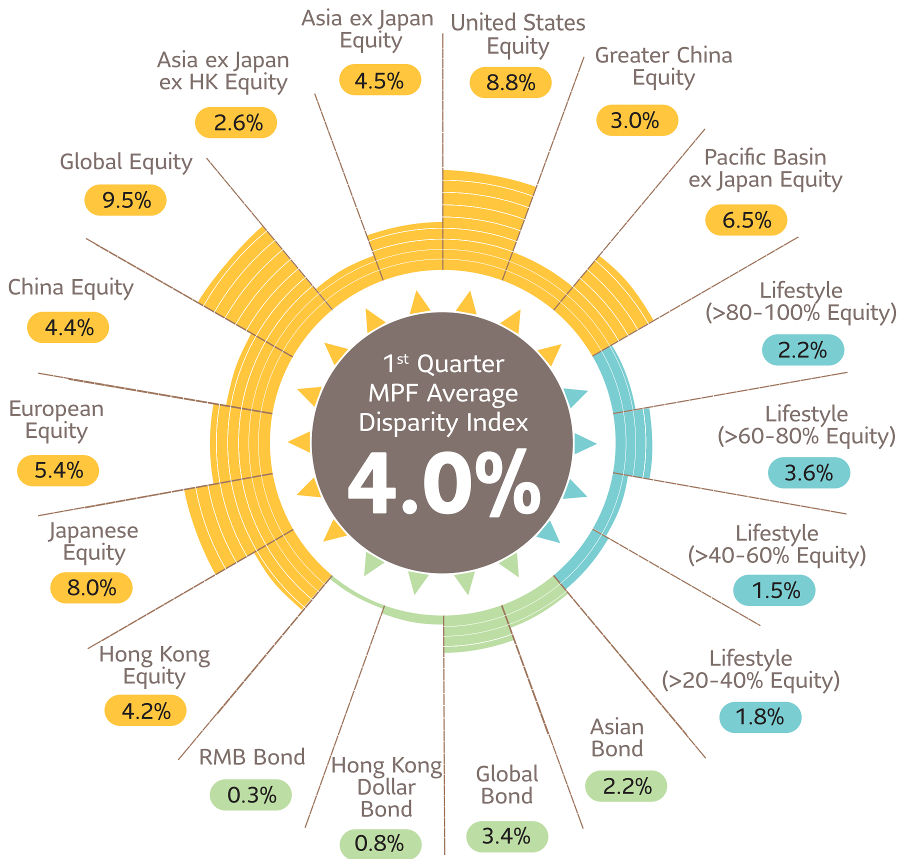
MPF Average Disparity Index (the "Index") is the average return difference in percentage between the top performing fund and the bottom performing fund of each of the following 18 categories (as shown in the diagram below) in last quarter. The larger the index value, the bigger the average return difference between the top performing fund and the bottom performing fund of each category.

In addition, with the following 18 MPF Disparity Sub-indices by fund category, you can understand the return difference between the top performing fund and the bottom performing fund of individual categories. This information enables you to compare with the MPF fund(s) you have chosen and reference.

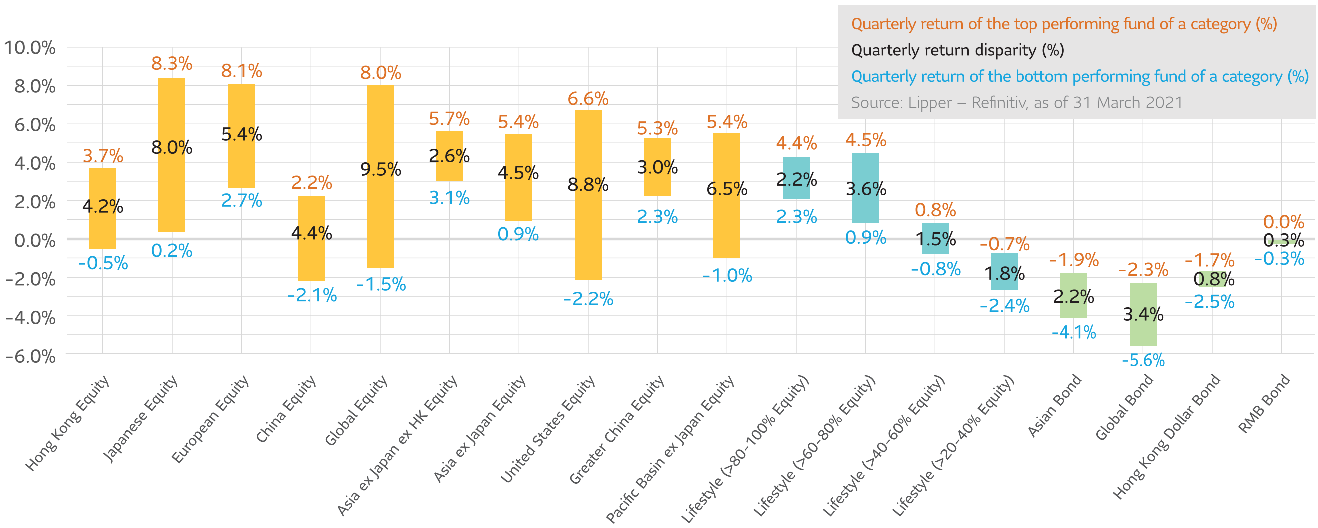
Commentary of MPF Disparity Sub-indices*

- Sun Life MPF Average Disparity Index stood at 4.0% in the first quarter of 2021, further decreased from the reading of 5.4% in the previous quarter. Sun Life MPF Disparity Sub-Index - Global Equity was the highest among 18 sub-indices, widening from the previous quarter to 9.5%. Investors have experienced quite a roller-coaster ride of the stock market in the first quarter of 2021. Right out of the gate in the year, highflying "new economy" sectors from last year such as tech stocks, electrical vehicles and new energy theme continued to surge. However, as long-term US Treasury yields kept rising relentlessly, many of the sought-after stocks plunged in prices. Sector rotation has been more prominent in the quarter. "Old economy" sectors such as energy, materials and financials benefitted from rollout of vaccines and speculation of more broad recovery of global economy. These sectors outperformed in the first quarter. Differences in sector allocation contributed to the widening disparity of performance of Global Equity funds.
- As for bond funds, as inflation expectation heightened, yields of 10-year US Treasuries jumped from 0.9% to 1.7% during the quarter. The rise in long-term bond yields dragged nearly all bond funds lower. Sun Life MPF Disparity Sub-index - Global Bond increased to 3.4%, widening from 2.6% in the previous quarter. Global Bond funds with longer duration and more focus in US Treasuries were hurt by jumped in long-term bond yields. On the other hand, fund managers who diversified in regions with more stable yield environment such as Asia and China, etc., outperformed.

MPF Disparity Sub-indices* by fund category^ (displayed in percentage)

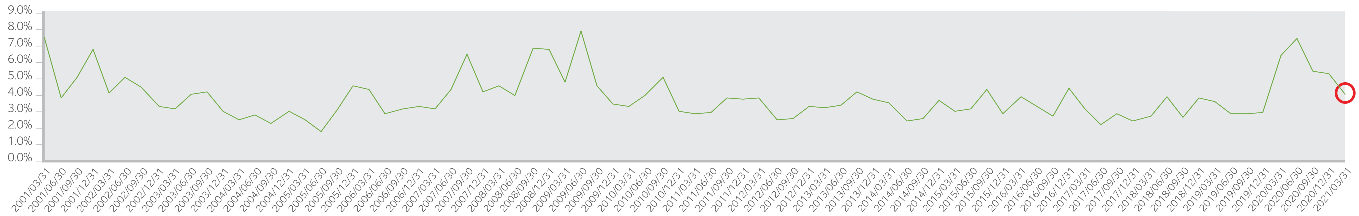


Top Performing Fund and Bottom Performing Fund of Each Category for 1st Quarter 2021



Historical values of MPF Average Disparity Index

Source: Sun Life Asset Management (HK) Limited



How is the MPF Average Disparity Index Compiled?

▶ **Performance Disparity**	=	Return difference between the top performing fund and the bottom performing fund
▶ **Quarter Return**	=	(Price end of this quarter) / (Price end of last quarter) – 1
▶ ***MPF Disparity Sub-Index of a category**	=	Quarterly return of the top performing fund of a category – Quarterly return of the bottom performing fund of a category
▶ **MPF Average Disparity Index**	=	Average net-of-fee return of the top performing MPF fund of each of 18 fund categories per quarter – Average net-of-fee return of the bottom performing MPF fund of each of 18 fund categories per quarter
▶ **Data Source**	=	Lipper – Refinitiv, as of 31 March 2021
▶ **Data Cut Off**	=	5th business day after quarter – end
▶ **^Data Coverage**	=	"Lipper Classification Schemes: Hong Kong Pensions Funds"(as at 31 March 2021), has included 18 categories~, cover 3 main asset classes: Equity, Bond and Mixed Assets
▶ **Assumption**	•	The index values are based on fund classification under "Lipper Classification Schemes: Hong Kong Pension Funds" including 18 categories~ as of 31 March 2021 • All fund performance is net of fund management fees
▶ **Measurement Period**	=	Every calendar quarter
▶ **Rounding of Index Value**	=	Round off to one decimal place

~ Asia ex Japan Equity, Asia ex Japan ex HK Equity, China Equity, European Equity, Global Equity, Greater China Equity, Hong Kong Equity, Japanese Equity, Pacific Basin ex Japan Equity, United States Equity, Lifestyle (20-40% Equity), Lifestyle (40-60% Equity), Lifestyle (60-80% Equity), Lifestyle (80-100% Equity), Asian Bond, Global Bond, Hong Kong Dollar Bond and RMB Bond are included. And Default Investment Strategy (Age 65 Plus Fund), Default Investment Strategy (Core Accumulation Fund), Guaranteed Fund, Hong Kong Dollar Money Market, Hong Kong Equity (Index Tracking), MPF Conservative Fund, Other Fund, RMB and HKD Money Market are excluded.

Disclaimer

Future performance will vary from the past performance due to market conditions and other factors, including but not limited to investment cash flows, fund allocations, frequency and precision of rebalancing, tax-management strategies, cash balances, management fees, varying custodian fees, and/or the timing of fee deductions. As a result of these and potentially other variances, future performance may be differ materially from that of the past performance provided herein.

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