



Sun Life
Asset Management
永明資產管理

2nd Quarter 2019 MPF FUNDS DO NOT PERFORM EQUALLY

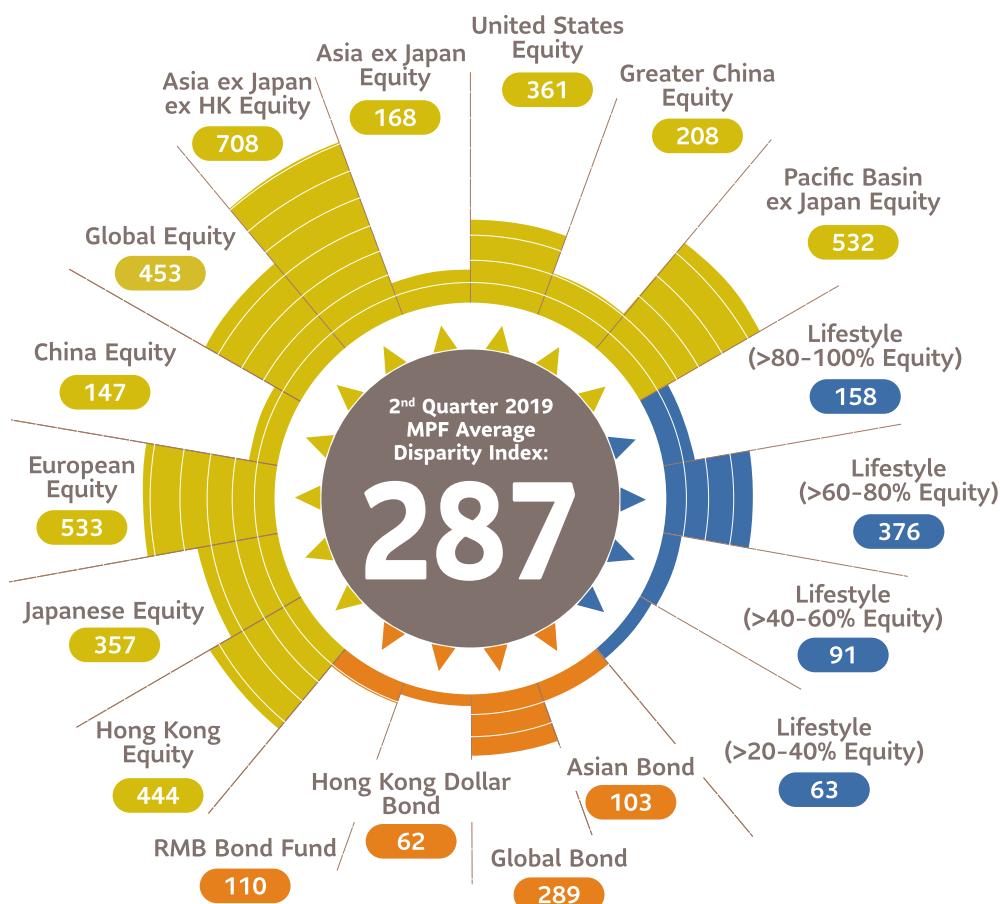
MPF Average
Disparity Index

287

Why is the MPF Average Disparity Index relevant to me?

The index value represents the average return difference, in dollar over a calendar quarter, per a hypothetical HK\$10,000 MPF investment, between Member A and Member B who respectively invests HK\$10,000 evenly in the top performing fund and the bottom performing fund of each of the 18 categories* as show below on the last trading day of 1st quarter 2019, the average return difference for 2nd quarter 2019 is about HK\$287. Its MPF Average Disparity Index is 287^Δ. The larger the index value, the bigger the average return difference between two members' investment.

MPF Disparity Sub-indices^Δ by fund category[#]
(displayed up to a whole number):

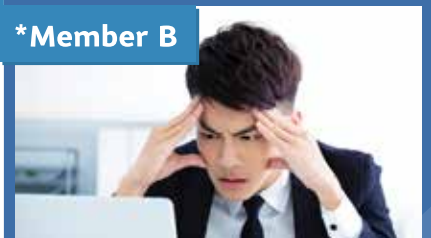


*Member A



Invests a hypothetical HK\$10,000 evenly in the **TOP PERFORMING FUND** of each of the 18 categories that having the highest quarterly return in 2nd quarter 2019 on the last trading day of 1st quarter 2019

*Member B



Invests a hypothetical HK\$10,000 evenly in the **BOTTOM PERFORMING FUND** of each of the 18 categories that having the lowest quarterly return in 2nd quarter 2019 on the last trading day of 1st quarter 2019

*The hypothetical examples are for illustration purpose only

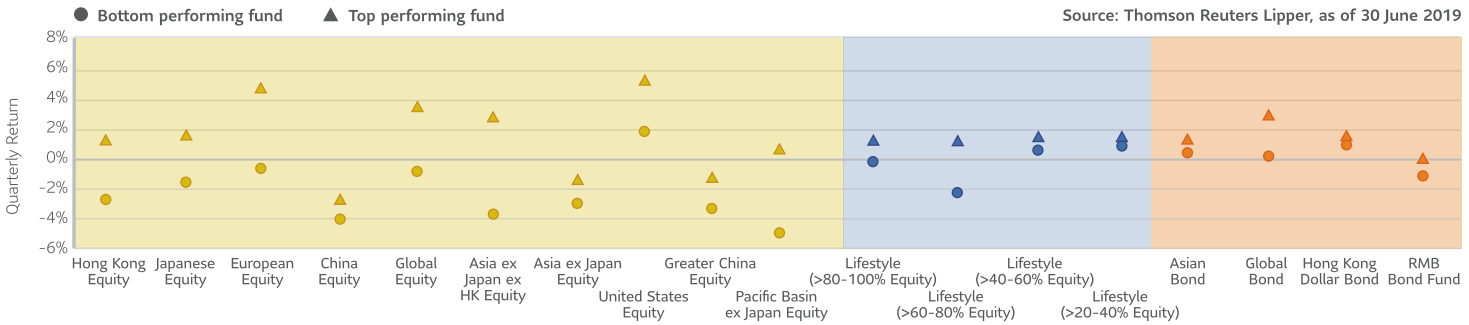
Sun Life MPF Average Disparity Index narrowed to 287 in 2nd quarter of 2019, down from 357 in the previous quarter. Of the 18 fund categories, 11 saw disparity contracted from the last quarter. The average disparity was pulled lower by sharp contraction of disparity in three categories, namely Greater China Equity (from 1002 to 208), Asia ex Japan Equity (from 558 to 168) and US Equity (from 702 to 361). Categories that recorded significant widening in disparity include Global Equity (from 226 to 453), Global Bond (from 182 to 289) and Japanese Equity (from 265 to 357).

It was a rewarding quarter for investors of all types, regardless their risk appetite, as both risky assets (namely equity) and low risk assets (namely investment grade bonds) registered solid gains. However, it was not exactly a smooth ride especially for equity investors. While most stock markets in April extended their strong upward momentum from early this year, the month of May saw considerable year-to-date gains pared back as the US-China trade war intensified. The quarter was saved by a chorus of dovishness from the major central banks including US Federal Reserve Bank, European Central Bank and Bank of Japan. Strong rebound in June for most equity markets enabled the better performing funds to re-establish themselves and post quarterly gains. HK/China was the biggest losing market after US President Donald Trump heightened tariffs on US\$250 billion worth of goods from China and also restricted supplies of high-tech components to a list of Chinese technology companies.

Compare to equity markets, fixed income instruments have enjoyed mostly smooth and broad gains for the quarter. Growing signs of slower global growth in themselves are already spurring investors to seek for steady yields offered by bonds, increasingly dovish stance from major central banks and expectations of easier monetary policy added to the attractiveness of this asset class. At quarter end, yields for 10-year US Treasuries dropped to lowest levels since late-2016 while that for many European government bonds of same maturities fell to near or new record lows.

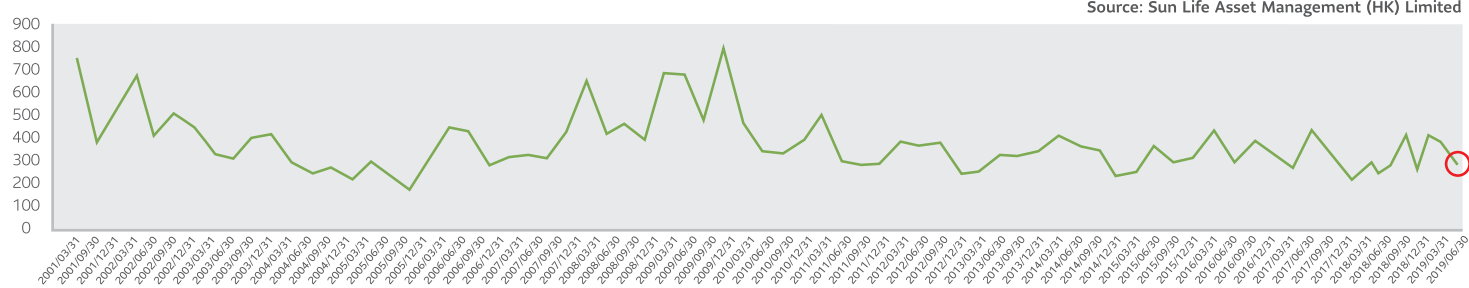
Uniformed pull back in HK/China/Taiwan equities was the reason for the sharp contraction in performance disparity for Greater China Equity category. Meanwhile, broad gains in equity and bond markets help to explain narrowing of disparity across most categories in Q2. Widened disparity for Global Equity category was mainly due to difference in regional focus with funds having higher exposure to HK/China significantly underperformed. As for Global Bond category, funds with higher exposure to Asian securities outperformed as yield spreads narrowed more than global counterparts.

Top Performing Fund and Bottom Performing Fund of Each Category for 2nd Quarter 2019



	Fund Category																	
	Hong Kong Equity	Japanese Equity	European Equity	China Equity	Global Equity	Asia ex Japan ex HK Equity	Asia ex Japan Equity	United States Equity	Greater China Equity	Pacific Basin ex Japan Equity	Lifestyle (>80-100% Equity)	Lifestyle (>60-80% Equity)	Lifestyle (>40-60% Equity)	Lifestyle (>20-40% Equity)	Asian Bond	Global Bond	Hong Kong Dollar Bond	RMB Bond Fund
Quarterly Return of Top Performing Fund (%)	1.8%	2.0%	4.9%	-2.6%	3.9%	3.2%	-1.2%	5.6%	-1.1%	0.6%	1.6%	1.7%	1.9%	1.8%	1.5%	3.0%	1.7%	-0.0%
Quarterly Return of Bottom Performing Fund (%)	-2.7%	-1.6%	-0.4%	-4.0%	-0.7%	-3.9%	-2.9%	2.0%	-3.2%	-4.7%	0.0%	-2.1%	1.0%	1.2%	0.4%	0.1%	1.1%	-1.1%
Quarterly Return Difference (%)	4.4%	3.6%	5.3%	1.5%	4.5%	7.1%	1.7%	3.6%	2.1%	5.3%	1.6%	3.8%	0.9%	0.6%	1.0%	2.9%	0.6%	1.1%
MPF Disparity Sub-Index	444	357	533	147	453	708	168	361	208	532	158	376	91	63	103	289	62	110

Historical values of MPF Average Disparity Index



How is the MPF Average Disparity Index Compiled?

- ▶ **Performance Disparity** = Return difference between the top performing fund and the bottom performing fund by investing a hypothetical HK\$10,000
- ▶ **Quarter Return** = $(\text{Price}_{\text{end of this quarter}}) / (\text{Price}_{\text{end of this quarter}}) - 1$
- ▶ **MPF Disparity Sub-index of a category** = $10,000 \times (\text{net-of-fee return difference between the top performing MPF fund of a category and the bottom performing MPF fund within the same category})$
- ▶ **MPF Average Disparity Index** = $10,000 \times \left[\begin{array}{c} \text{Average net-of-fee} \\ \text{return of the} \\ \text{top performing} \\ \text{MPF funds of each of} \\ \text{18 fund categories} \\ \text{per quarter} \end{array} - \begin{array}{c} \text{Average net-of-fee} \\ \text{return of the} \\ \text{bottom performing} \\ \text{MPF funds of each of} \\ \text{18 fund categories} \\ \text{per quarter} \end{array} \right]$
- ▶ **Data Source** = Thomson Reuters Lipper, as of 30 June 2019
- ▶ **Data Cut Off** = 5th business day after quarter end
- ▶ **Data Coverage** = "Lipper Classification Schemes: Hong Kong Pension Funds" (as at 30 June 2019), was 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" as of 30 June 2019
 - All fund performance is net of fund management fees
 - No trading cost or bid/ask spread
 - The investment of members does not affect fund performance
- ▶ **Measurement Period** = Every calendar quarter
- ▶ **Rounding of Index Value** = Rounded to whole number

~ 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.



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The performance information presented herein is hypothetical and does not represent the actual performance of any investors or any funds and does not represent future actual performance. The hypothetical performance information is based on back-tested performance of hypothetical investments over the time periods indicated and does not reflect trading in actual accounts. Hypothetical performance is calculated by simulating historical investment returns by applying a set of rules for buying and selling funds, backward in time and hypothetically investing in the funds that are chosen.

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