

2nd Quarter 2020 MPF FUNDS DO NOT PERFORM EQUALLY



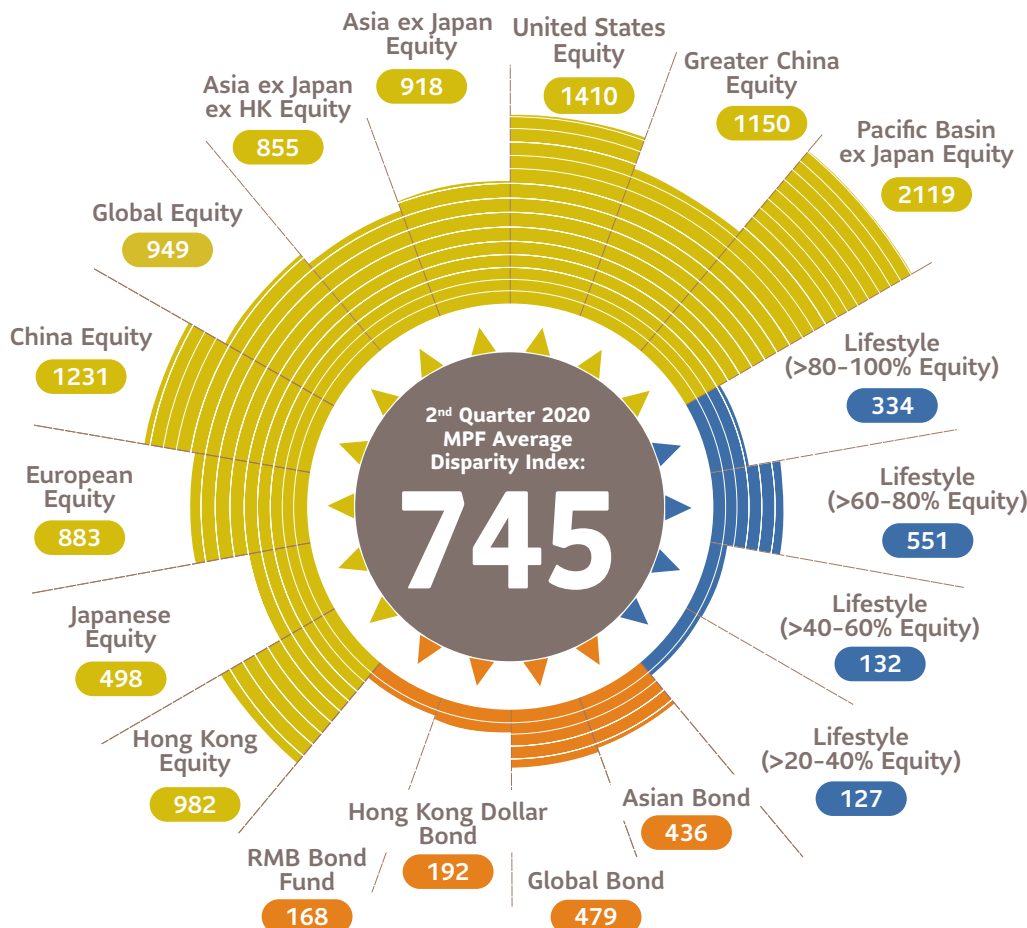
MPF Average
Disparity Index

745

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 shown below on the last trading day of 1st quarter 2020, the average return difference for 2nd quarter 2020 is about HK\$745. Its MPF Average Disparity Index is 745^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)

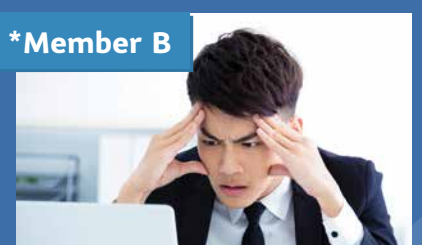


* Member A



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 2020 on the last trading day of 1st quarter 2020

* 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 2020 on the last trading day of 1st quarter 2020

^ΔThe hypothetical examples are for illustration purpose only

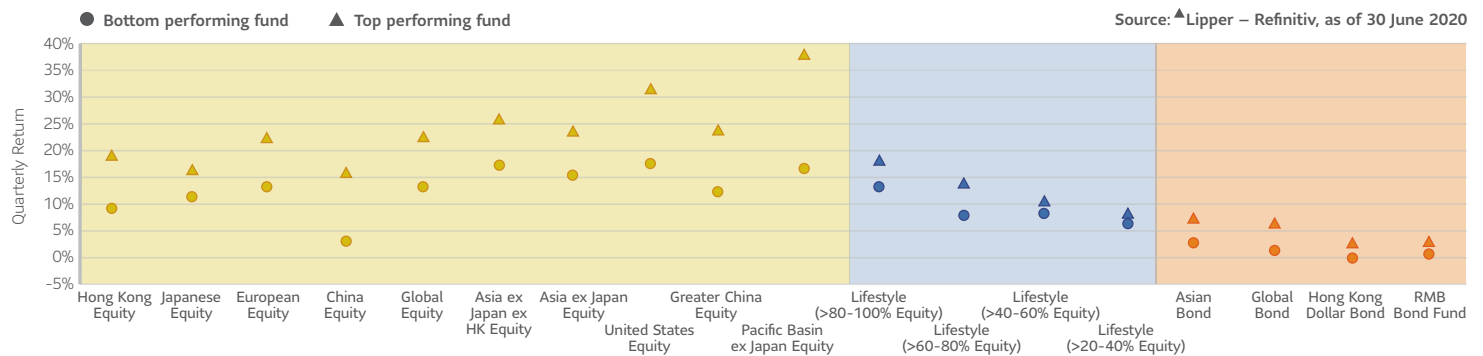
Sun Life MPF Average Disparity Index further increased to 745 in the 2nd quarter of 2020 from previous quarter's 646. The reading is at the highest level since the Global Financial Crisis from just over a decade ago. Of the 18 fund categories, most saw disparity narrowed with only 6 of them recorded widening in disparity. Those widened categories, although being outnumbered by a ratio of 2-to-1, saw their disparity jumped by multiple folds to pull up overall disparity level. The three categories that saw disparity widened the most were Pacific Basin ex Japan Equity (from 832 to 2119), China Equity (from 224 to 1231) and Hong Kong Equity (from 366 to 982).

After a tough quarter whereby most risk assets devastated by the COVID-19 crisis, equities and credit rebounded strongly in Q2 on the back of sweeping fiscal and monetary stimulus from major developed and emerging countries. The fact that many countries took steps to gradually reopen their economies further aided sentiment. Despite the strong rally in risk assets, traditional portfolio hedges such as government bonds and gold also held up well. US stocks recorded the best quarterly gain in twenty years, but it is worth noting that sector performance told a more diverse story. Technology stocks maintained their strong upward momentum in Q2. But it was the energy sector that was the top gainer in Q2 as oil prices staged a sharp rebound after the unprecedented slump in late-April. Still, energy remains one of the worst-performing sectors year to date. Meanwhile, consumer staples and financials were clear laggards. During the quarter, value stocks were up 12%, while growth stocks were up 26%. Performance disparity for the US Equity category widened from 1261 in Q1 to 1410 in Q2. Funds that were skewed towards growth sectors performed far better than funds that were skewed towards value sectors.

Asia equities also rebounded strongly in Q2. Export-oriented markets of Indonesia, Thailand and Taiwan outperformed the regional index on hopes of recovery in global demand in the second half of 2020. India and Korea also outperformed. By contrast, Hong Kong equities underperformed amid increased political and social tensions. China slightly underperformed, amid after strong outperformance in Q1. Geopolitical concerns increased as the US-China confrontation expanded beyond trade and technology issues. In terms of sectors, healthcare, materials and energy were among the top performers, while utilities, financials and industrials advanced the least. In Q2, disparity for the Pacific Basin ex Japan Equity category jumped from 832 to 2119, hitting the highest reading in sub-index. As Australian equities are included in this category and MSCI Australia Index surged 30% in USD terms, outperforming the MSCI Asia ex Japan Index, which recorded 18%, funds with more exposure in Australia were leading in performance. For Hong Kong and China equities, biggest gainers fell on a few technology stocks, overweight or underweight in these few technology stocks led to large difference in performance.

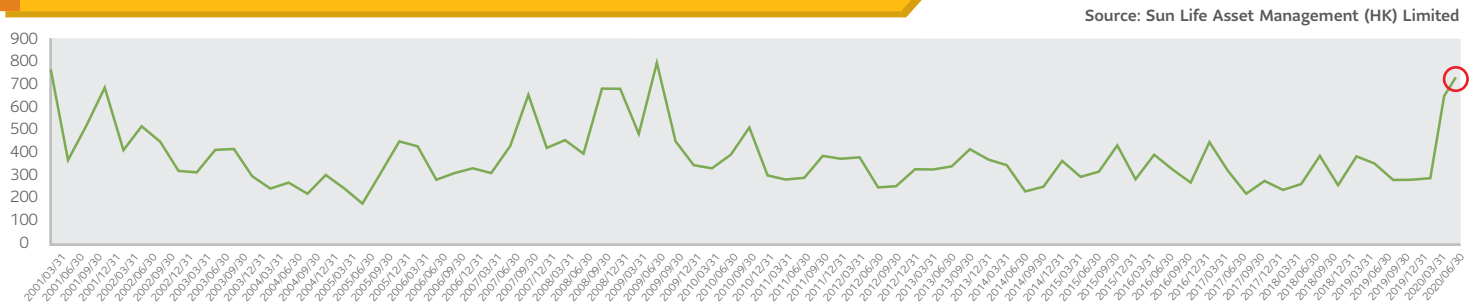
As for fixed income funds, disparity for all bond fund categories decreased in Q2. Yet, disparity of Global Bond category and Asian Bond category maintained at higher levels than before. Difference in exposure to government versus corporate issues was the key to such disparity. Contrast to the previous quarter, corporate bonds performed strongly in Q2, outpacing government bonds, as they benefited from stronger risk appetite. Funds with higher exposure to corporate bonds stood an upper hand of outperforming those that skewed toward developed sovereign bonds.

Top Performing Fund and Bottom Performing Fund of Each Category for 2nd Quarter 2020



	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 (>40-60% Equity)	Lifestyle (>60-80% Equity)	Lifestyle (>20-40% Equity)	Asian Bond	Global Bond	Hong Kong Dollar Bond	RMB Bond Fund
Quarterly Return of Top Performing Fund (%)	19.3%	15.8%	22.3%	15.7%	22.9%	25.8%	24.2%	31.6%	23.7%	37.9%	17.6%	14.0%	10.1%	7.3%	7.2%	5.9%	2.1%	2.2%
Quarterly Return of Bottom Performing Fund (%)	9.5%	10.9%	13.5%	3.4%	13.4%	17.2%	15.0%	17.5%	12.2%	16.7%	14.2%	8.5%	8.8%	6.0%	2.8%	1.1%	0.2%	0.5%
Quarterly Return Difference (%)	9.8%	5.0%	8.8%	12.3%	9.5%	8.6%	9.2%	14.1%	11.5%	21.2%	3.3%	5.5%	1.3%	1.3%	4.4%	4.8%	1.9%	1.7%
MPF Disparity Sub-Index	982	498	883	1231	949	855	918	1410	1150	2119	334	551	132	127	436	479	192	168

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** = $(\text{Price}_{\text{end of this quarter}}) / (\text{Price}_{\text{end of last quarter}}) - 1$
- ▶ **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** = Lipper - Refinitiv, as of 30 June 2020
- ▶ **Data Cut Off** = 5th business day after quarter-end
- ▶ **Data Coverage** = "Lipper Classification Schemes: Hong Kong Pension Funds" (as at 30 June 2020), 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 2020
 - 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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