

MPF Average Disparity Index

2nd Quarter 2021



Sun Life

Asset Management

永明資產管理

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.

European Equity

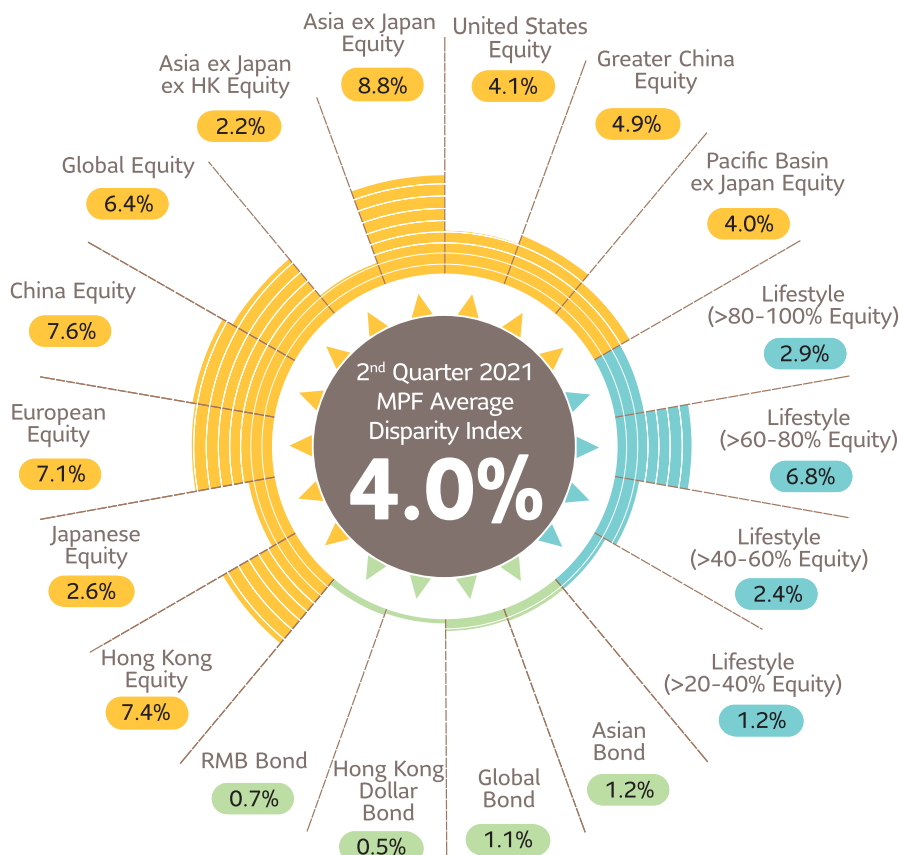
under Focus on Post-pandemic Restart



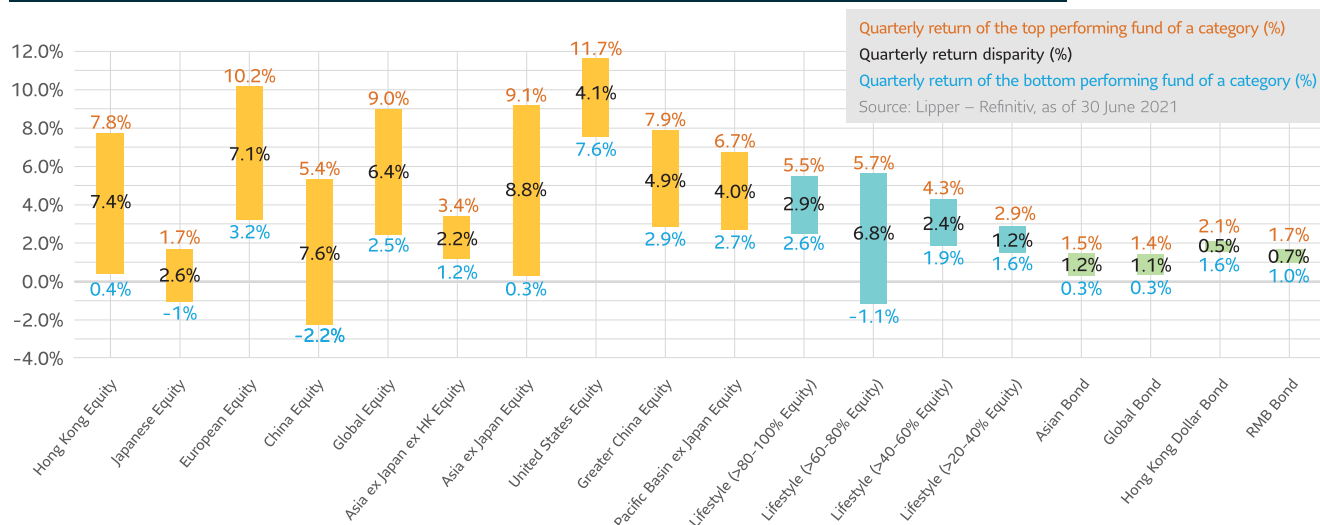
Commentary of MPF Disparity Sub-indices*

- Sun Life MPF Average Disparity Index stood at 4.0% in Q2 2021, same as previous quarter. The sub-index with highest disparity in Q1, being Global Equity, narrowed significantly in Q2. It may reflect that Global Equity fund managers have formed more consensus views and adjusted their sector allocation. European Equity also recorded high disparity in Q1 and widened further, from 5.4% to 7.1% in Q2. Accelerating pace of vaccination in Europe supports a more sustainable economic restart. European equity markets are more skewed towards sectors of financials, energy and materials. These sectors benefitted from strong sector rotation trades seen this year. In fact, European equities were well ahead in the first half of 2021 but took a breather in June. Differences in sector allocation contributed to the widening disparity of performance of European Equity funds.
- As for bond funds, most sub-indices narrowed in the quarter. Markets have seemingly digested heightened inflation expectation, and yields of 10-year US Treasuries retreated from 1.75% to 1.47% during the quarter. Performances of different bond categories were fairly stable and consistent. The strategies of fund managers were similar too. The returns disparity of bond funds thus greatly narrowed.

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

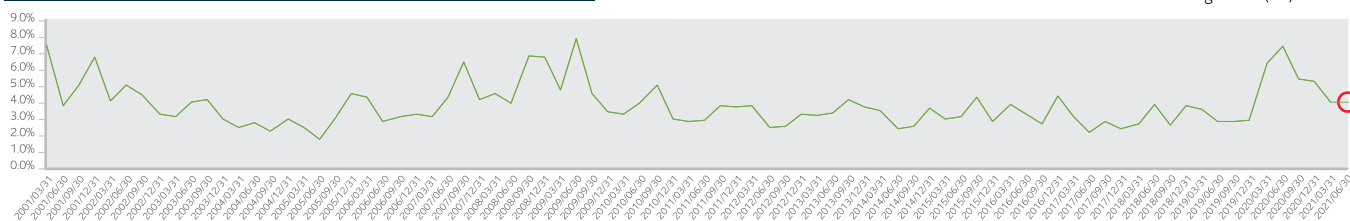


Top Performing Fund and Bottom Performing Fund of Each Category for 2nd Quarter 2021



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** = $\frac{\text{Price end of this quarter}}{\text{Price end of last quarter}} - 1$

► ***MPF Disparity Sub-Index of a category** = $\frac{\text{Quarterly return of the top performing fund of a category}}{\text{Quarterly return of the bottom performing fund of a category}}$

► **MPF Average Disparity Index** = $\frac{\text{Average net-of-fee return of the top performing MPF fund of each of 18 fund categories per quarter}}{\text{Average net-of-fee return of the bottom performing MPF fund of each of 18 fund categories per quarter}}$

► **Data Source** = Lipper – Refinitiv, as of 30 June 2021

► **Data Cut Off** = 5th business day after quarter – end

► **^Data Coverage** = “Lipper Classification Schemes: Hong Kong Pensions Funds”(as at 30 June 2021), has included 18 categories¹, 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 categories¹ as of 30 June 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

¹ 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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