

# 1<sup>st</sup> Quarter 2018

## MPF FUNDS DO NOT PERFORM EQUALLY



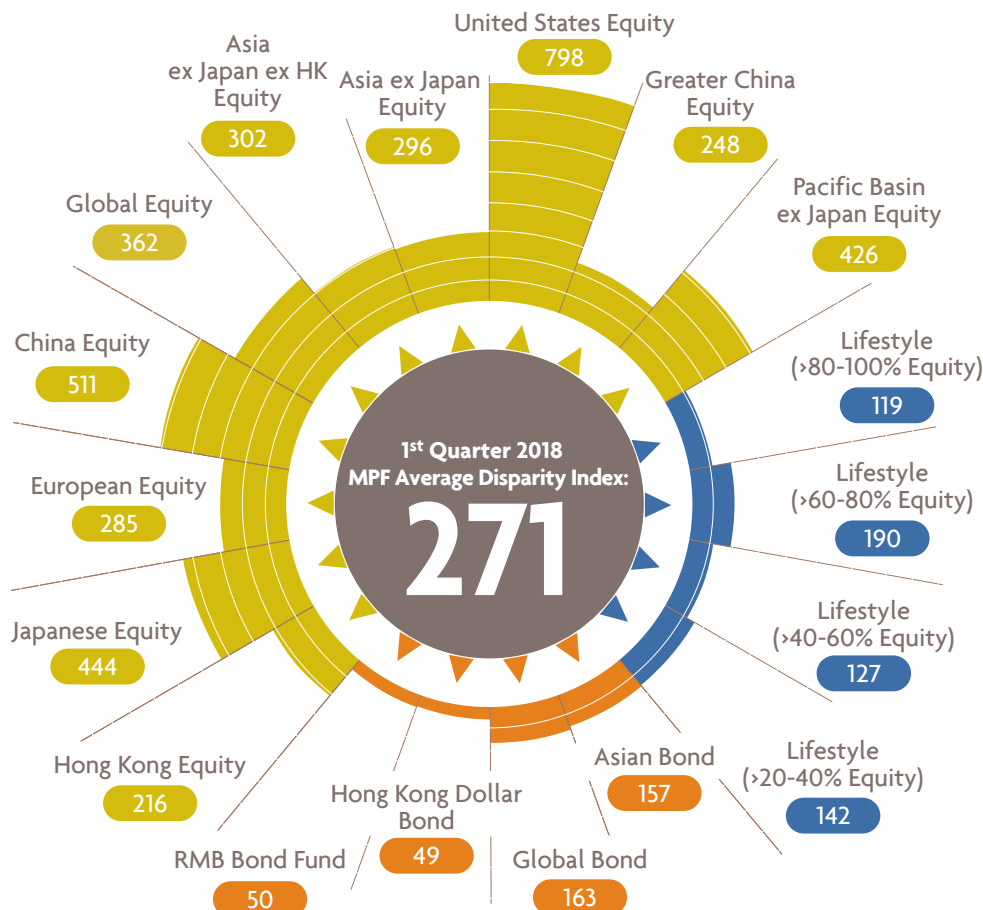
MPF Average Disparity Index

# 271

### 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 4<sup>th</sup> quarter 2017, the average return difference for 1<sup>st</sup> quarter 2018 is about HK\$271. Its MPF Average Disparity Index is 271.<sup>^</sup> The larger the index value, the bigger the average return difference between two members' investment.

MPF Disparity Sub-indices<sup>^</sup> by fund category#  
(displayed up to a whole number):

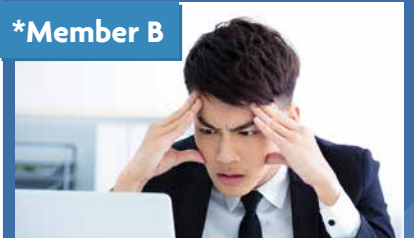


#### \*Member A



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 1<sup>st</sup> quarter 2018 on the last trading day of 4<sup>th</sup> quarter 2017

#### \*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 1<sup>st</sup> quarter 2018 on the last trading day of 4<sup>th</sup> quarter 2017

<sup>^</sup>The hypothetical examples are for illustration purpose only

Sun Life MPF Average Disparity Index edged up to 271 in 1<sup>st</sup> quarter of 2018, from 242 in the previous quarter. The small gain in average index masks big differences of returns among different categories and within. Global stock markets spurred higher in January, only to sharply reversed course in early-February and then followed by weeks of wild swings – including days of flipping from gains to losses and vice versa – unseen in years. Sectors also fluctuated wildly, notably with technology plunging early on and then rebounded sharply. Consumer discretionary and financials held up well, though only in relative terms.

In terms of categories with the highest quarterly returns, China Equity and US Equity were at the forefront, with the best funds returning 5.3% and 5.2% respectively. At the same time, the two categories also posted the biggest disparity with a difference of 798 for US Equity and 511 for China Equity, probably due to difference in sector focus and tactical positioning among constituent funds. There were two categories where all constituent funds posted negative quarterly returns, being European Equity and Hong Kong Dollar Bond with their best funds returning -0.8% and -0.6%, with disparity at 285 and 49 respectively.

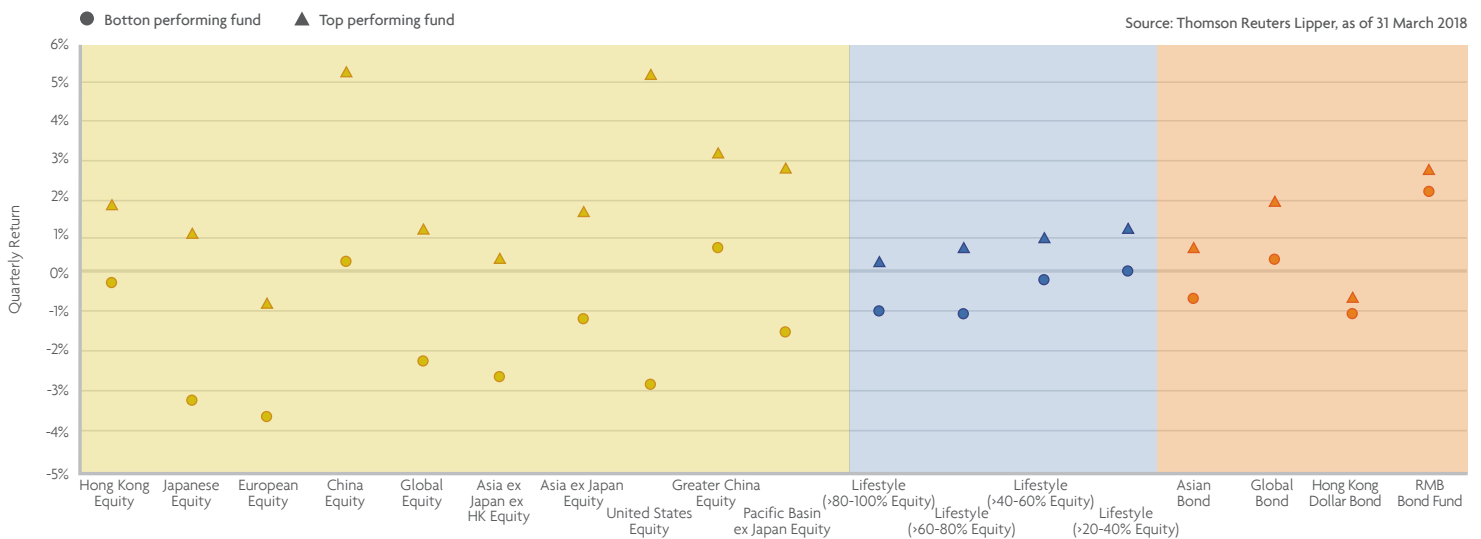
Asian equities, which were among the best performing asset classes for 2017, turned in rather mixed performance in the latest quarter. For instance, the best and worst performing funds in Hong Kong Equity recorded quarterly return of 1.9% and -0.3%, while that in Asia ex Japan Equity returned 0.4% and -2.6%. Disparity for both categories have been narrowing over the past year, which may reflect more consensual view among fund managers.

Mixed assets categories show some interesting findings, with best performing funds for the most aggressive type ( Lifestyle (>80-100% Equity) category at 0.2%) worse than the most stable type ( Lifestyle (>20-40% Equity) category at 1.3%) yet disparity for the former (at 119) was smaller than the latter (at 142).

This seems to suggest funds in the Lifestyle (>80-100% Equity) category were heavily leaning towards Asian and European equities, which were among the worst performing assets during the quarter. On the other hand, funds in the Lifestyle (>20-40% Equity) category might be leaning towards global bonds, which benefited against the volatile stock market backdrop.

Among fixed income categories, RMB Bond Fund as a group delivered solid gains, buoyed by the rally in the renminbi exchange rate and receding Chinese bond yields.

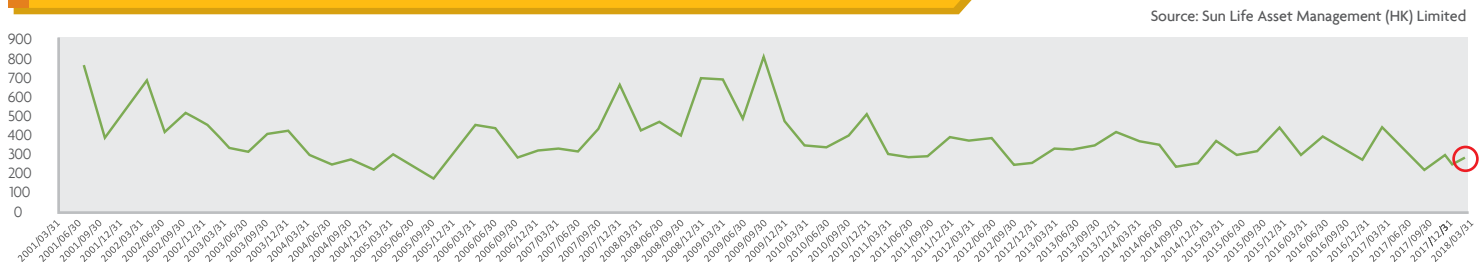
## Top Performing Fund and Bottom Performing Fund of Each Category ~ for 1<sup>st</sup> Quarter 2018



Source: Thomson Reuters Lipper, as of 31 March 2018

	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 (%)	1.9%	1.1%	-0.8%	5.3%	1.3%	0.4%	1.7%	5.2%	3.2%	2.8%	0.2%	0.8%	1.1%	1.3%	0.9%	2.0%	-0.6%	2.7%
Quarterly Return of Bottom Performing Fund (%)	-0.3%	-3.3%	-3.6%	0.2%	-2.3%	-2.6%	-1.2%	-2.8%	0.8%	-1.5%	-1.0%	-1.1%	-0.2%	-0.1%	-0.7%	0.4%	-1.1%	2.2%
Quarterly Return Difference (%)	2.2%	4.4%	2.9%	5.1%	3.6%	3.0%	3.0%	8.0%	2.5%	4.3%	1.2%	1.9%	1.3%	1.4%	1.6%	1.6%	0.5%	0.5%
MPF Disparity Sub-Index	216	444	285	511	362	302	296	798	248	426	119	190	127	142	157	163	49	50

## 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 by investing a hypothetical HK\$10,000
- ▶ **Quarter Return** =  $(\text{Price}_{\text{end of this quarter}}) / (\text{Price}_{\text{end of previous quarter}}) - 1$
- ▶ **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** =  $10,000 \times \left[ \begin{array}{c} \text{Average net-of-fee return of} \\ \text{the top performing MPF funds} \\ \text{of each of 18 fund categories} \\ \text{per quarter} \end{array} - \begin{array}{c} \text{Average net-of-fee return of} \\ \text{the bottom performing MPF} \\ \text{funds of each of 18 fund} \\ \text{categories per quarter} \end{array} \right]$
- ▶ **Data Source** = Thomson Reuters Lipper, as of 31 March 2018
- ▶ **Data Cut Off** = 5<sup>th</sup> business day after quarter end
- ▶ **Data Coverage** = "Lipper Classification Schemes: Hong Kong Pension Funds" (as at 31 March 2018), was included 18 categories<sup>~</sup>, 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 31 March 2018
  - 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

<sup>~</sup> 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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