

# MPF Average Disparity Index

1<sup>st</sup> Quarter 2024

## Asian Equity Managers Look For Opportunities Everywhere



### What is MPF Average Disparity Index?

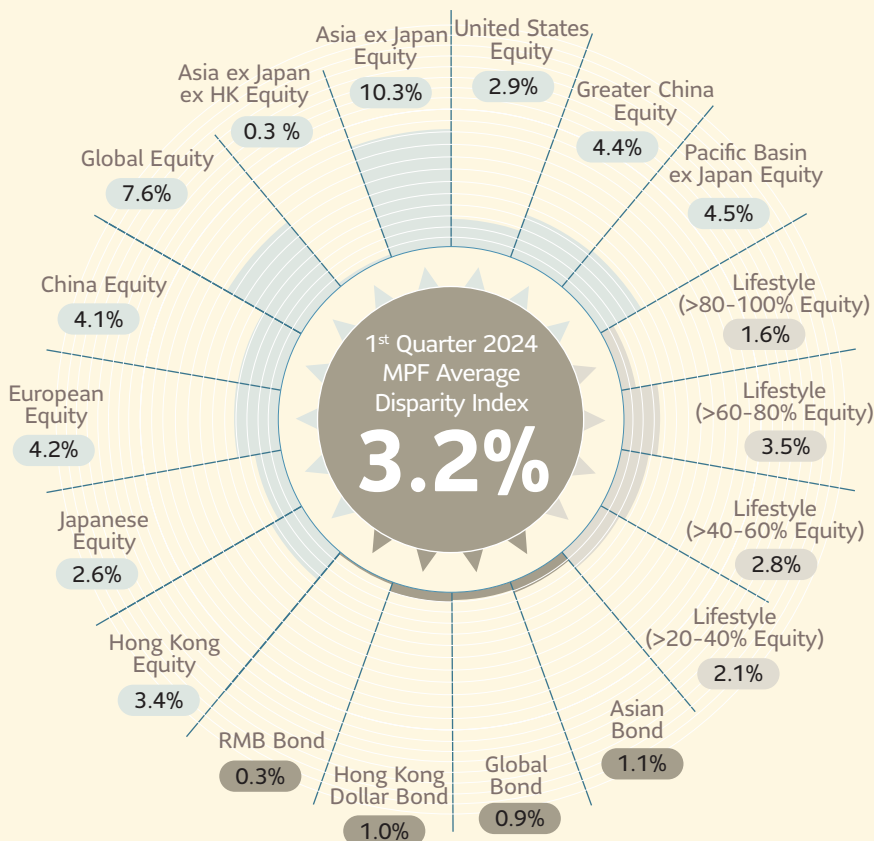
MPF Average Disparity Index (the "Index") is the average return difference in percentage between the top performing fund and the bottom performing fund of each of the following 18 categories (as shown in the diagram below) in last quarter. The larger the index value, the bigger the average return difference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

### Disparities Fall Further As Picture of Monetary Policies Becomes Clear

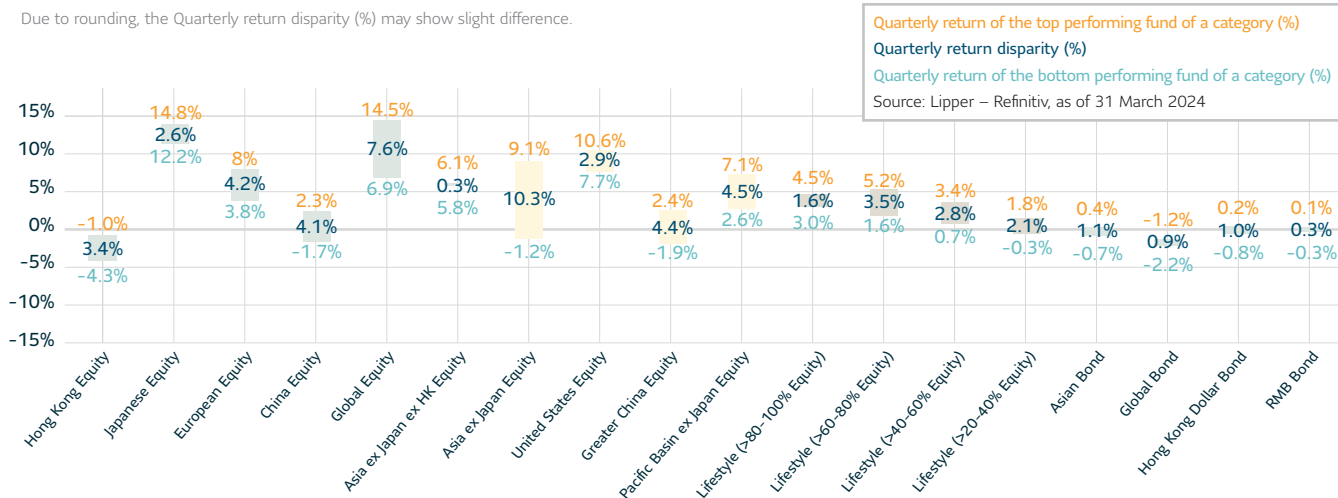
- Sun Life MPF Average Disparity Index was 3.2% in the first quarter of 2024, increasing from 2.4% in the fourth quarter of 2023. Performance disparity of Asian ex Japan Equity was the highest among all equity sub-indices, registering 10.3%, widening most among all the categories too. The performance of global stock markets was divided in the first quarter of 2024. US equity markets remained strong as economy was resilient and Federal Reserve's stance was dovish. AI megatrend also helped lift US stocks. On the other hand, investors were worried about China's economy. China and Hong Kong stock lagged. During the period, some Asian stock fund managers increased their holdings of Taiwan, India and even Asian-related US stocks to dilute the impact of China and Hong Kong stocks. Variation in regional asset allocation between Asian ex Japan managers contributed to wide returns disparity.
- As for bond funds, performance disparity of Global Bond funds narrowed from 1.7% in the previous quarter to 0.9% in the first quarter. Earlier expectations for interest rates cut were too aggressive beginning of the year. When expectations were revised, bond yields rose and overall global bond funds fell.

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



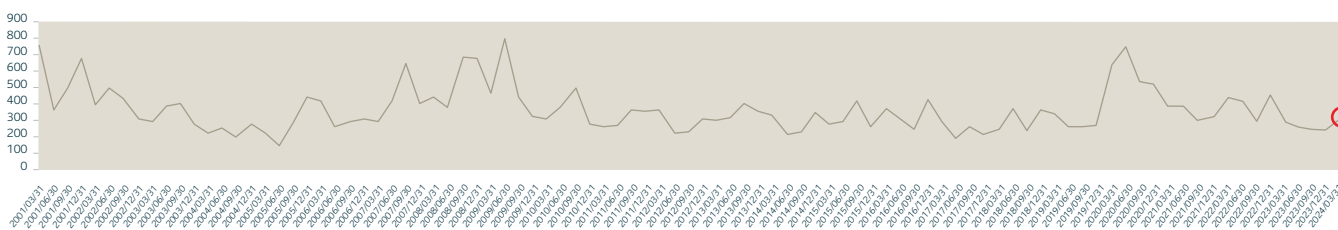
## Top Performing Fund and Bottom Performing Fund of Each Category for 1<sup>st</sup> Quarter 2024

Due to rounding, the Quarterly return disparity (%) may show slight difference.



## Historical values of MPF Average Disparity Index

Source: Sun Life Asset Management (HK) Limited, as of 31 March 2024



## How is the MPF Average Disparity Index Compiled?

▶ **Performance Disparity** = Return difference between the top performing fund and the bottom performing fund

▶ **Quarter Return** =  $(\text{Price end of this quarter}) / (\text{Price end of last quarter}) - 1$

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

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

▶ **Data Source** = Lipper – Refinitiv, as of 31 March 2024

▶ **Data Cut Off** = 5<sup>th</sup> business day after quarter – end

▶ **^Data Coverage** = “Lipper Classification Schemes: Hong Kong Pensions Funds”(as at 31 March 2024), has included 18 categories<sup>1</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” including 18 categories<sup>1</sup> as of 31 March 2024
- All fund performance is net of fund management fees

▶ **Measurement Period** = Every calendar quarter

▶ **Rounding of Index Value** = Round off to one decimal place

<sup>1</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.

## Disclaimer

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