

# MPF Average Disparity Index

2<sup>nd</sup> Quarter 2022

## Global markets speeded up to tighten monetary policies

Companies face the challenge of increasing borrowing costs

### 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.

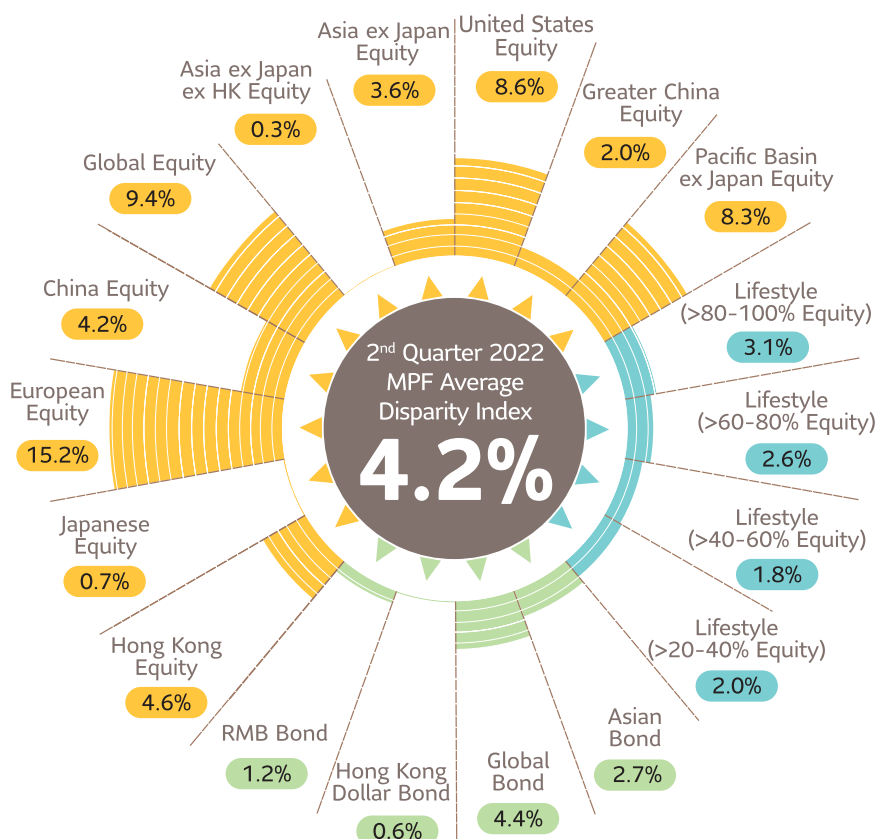
In addition, with the following 18 MPF Disparity Sub-indices by fund category, you can understand the return difference between the top performing fund and the bottom performing fund of individual categories. This information enables you to compare with the MPF fund(s) you have chosen and reference.



### Global Equities Under Turmoil Amid Faster Rate Hike Pace

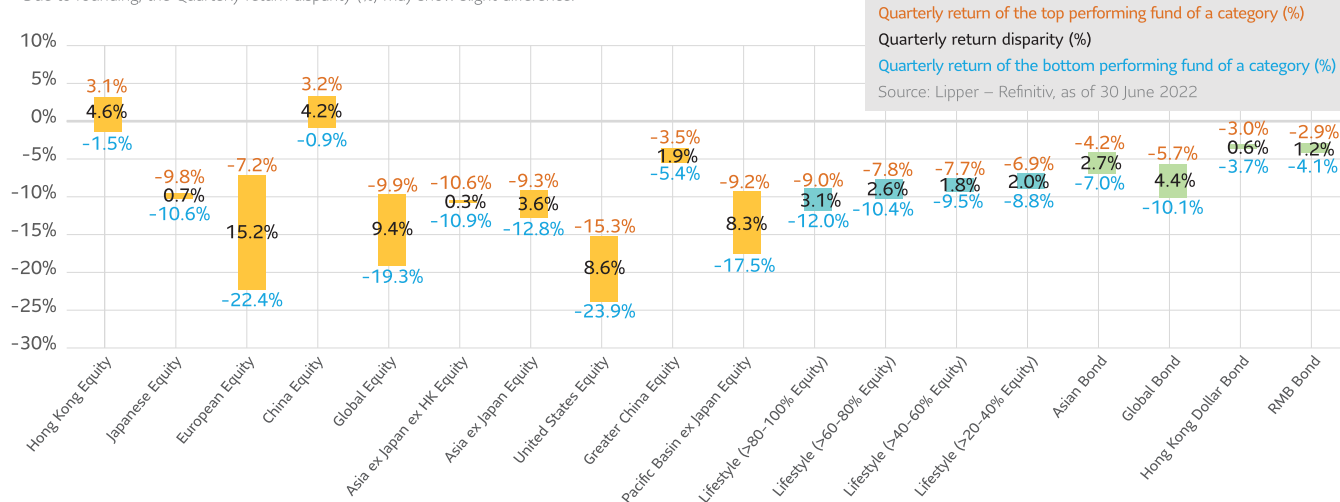
- Sun Life MPF Average Disparity Index was 4.2% in the second quarter of 2022, decreased from 4.5% of the previous quarter. European Equity disparity further widened to 15.2% to become the sub-index with highest disparity for two consecutive quarters. Performance disparities of Global Equity and United States Equity, registering 9.4% and 8.6% respectively, were also among the highest. Global markets plunged as central banks speeded up to tighten monetary policies to curb inflation during the quarter. Companies, once benefitted from ultra-low-rate environment, face the challenge of increasing borrowing costs. Those with high debt loads but yet to establish successful earnings models were under selloffs. Equity funds with higher exposure in growth companies underperformed and resulted in wide returns disparity.
- As for bond funds, disparity of Global Bonds surged from 2.4% in the previous quarter to 4.4% in the second quarter. The US Federal Reserve announced interest rate hike by 0.5% in May and 0.75% in June. Bond fund performances continued to suffer. Fund managers rushed to keep duration short to lessen the hurt by interest rate hikes.

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



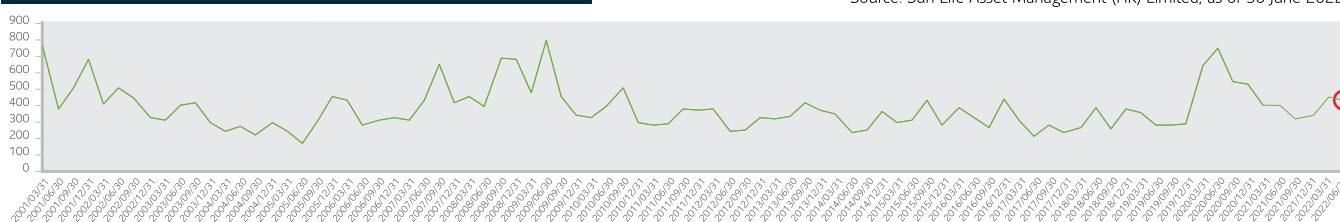
## Top Performing Fund and Bottom Performing Fund of Each Category for 2<sup>nd</sup> Quarter 2022

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 30 June 2022



## 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** =  $\frac{\text{Quarterly return of the top performing fund of a category}}{\text{Quarterly return of the bottom performing fund of a category}}$
- **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 2022
- **Data Cut Off** = 5<sup>th</sup> business day after quarter – end
- **^Data Coverage** = “Lipper Classification Schemes: Hong Kong Pensions Funds”(as at 30 June 2022), has included 18 categories<sup>1</sup>, cover 3 main asset classes: Equity, Bond and Mixed Assets
  - The index values are based on fund classification under “Lipper Classification Schemes: Hong Kong Pension Funds” including 18 categories<sup>1</sup> as of 30 June 2022
  - 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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