

# MPF Average Disparity Index

2<sup>nd</sup> Quarter 2023



## US, European Funds Disparities Narrow

### 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.

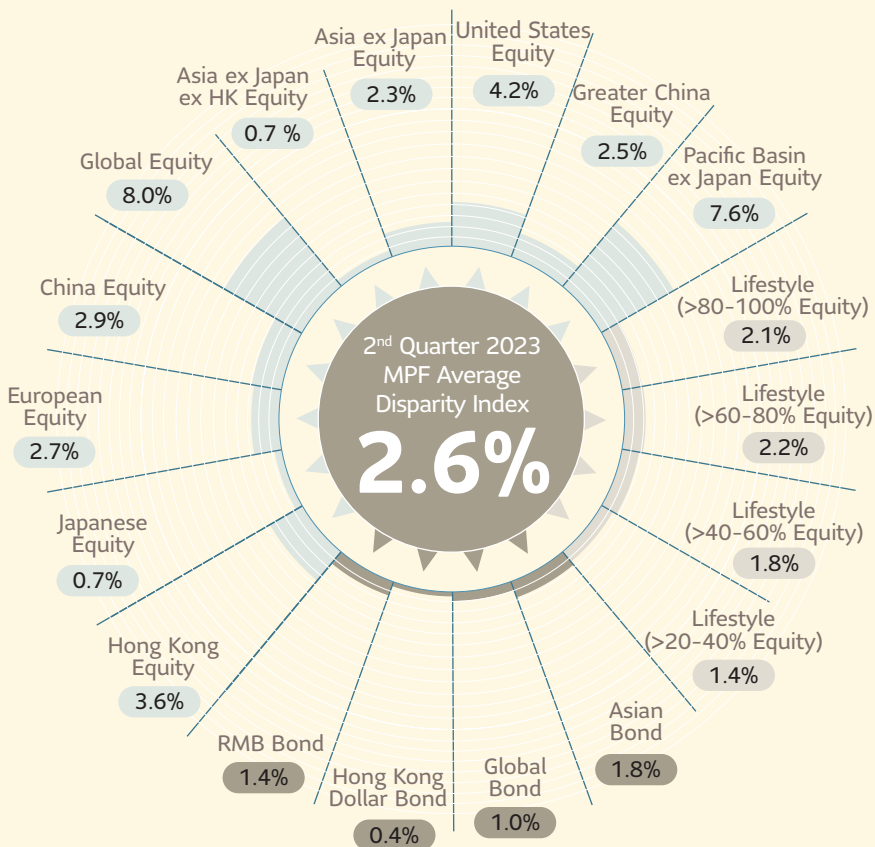
In addition, with the following 18 MPF Disparity Sub-indices by fund category, you can understand the return difference between the top performing fund and the bottom performing fund of individual categories. This information enables you to compare with the MPF fund(s) you have chosen and reference.



### Fund Managers Are Cautious of Changes in Monetary Policies

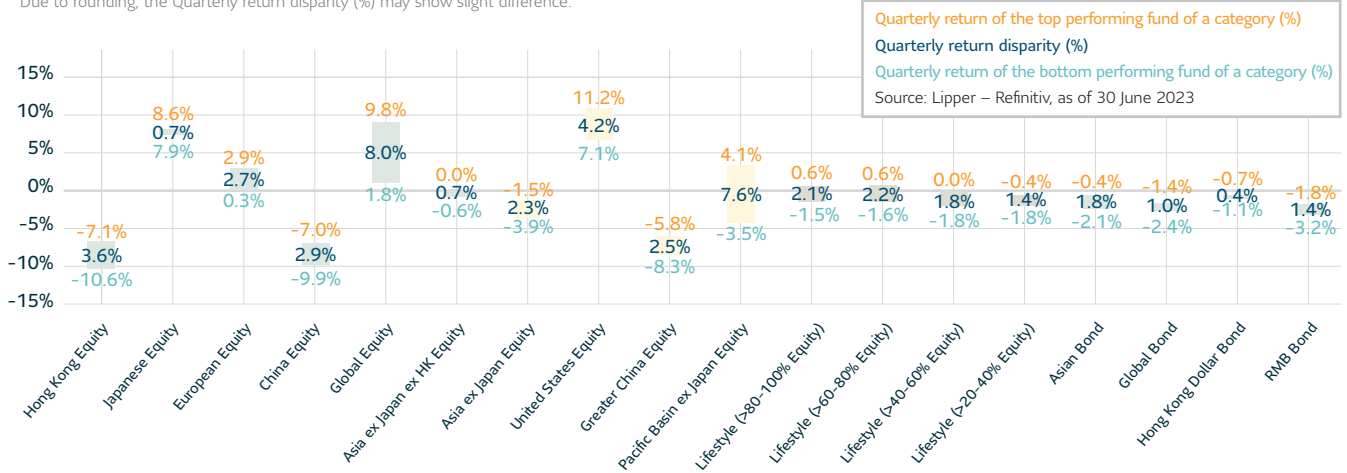
- Sun Life MPF Average Disparity Index was 2.6% in the second quarter of 2023, further retreating from 2.9% in the first quarter. The performance of most equity sub-indices was not far from the previous quarter, except for European Equity and US Equity. European stock fund sub-index narrowed from 8.9% in the previous quarter to 2.7% in the second quarter, while the U.S. stock fund sub-index narrowed from 7.2% to 4.2%. Market sentiment was positive as the US Federal Reserve paused rate hike in June. All the three major US indices rose in the second quarter, mainly led by a few tech giants. European inflation fell further to 5.5% in the second quarter, but the ECB emphasized that it would maintain a tight monetary policy. European stocks thus retreated from the highs. Narrower returns disparity in both categories might reflect lack of strong conviction of fund managers that positions remained mostly neutral.
- As for bond funds, performance disparity in Asian bond has widened from 0.3% in the previous quarter to 1.8% in the second quarter. As markets expect interest rate hike cycle to come to an end, bond fund managers began to increase exposure to long-duration assets to capture market cycle opportunities. Asian bonds might also benefit from expectation of weaker USD in the second half of year.

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



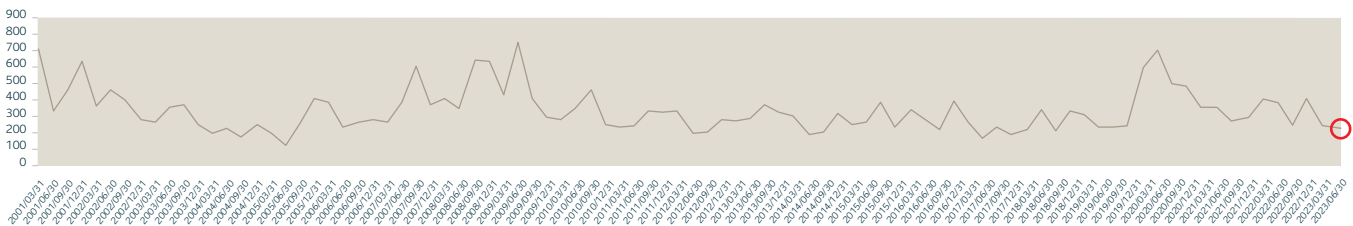
## Top Performing Fund and Bottom Performing Fund of Each Category for 2<sup>nd</sup> Quarter 2023

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 2023



## 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 2023

► **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 2023), has 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” including 18 categories<sup>\*</sup> as of 30 June 2023
- 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>\*</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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