



# 1st Quarter 2017

## MPF FUNDS DO NOT PERFORM EQUALLY

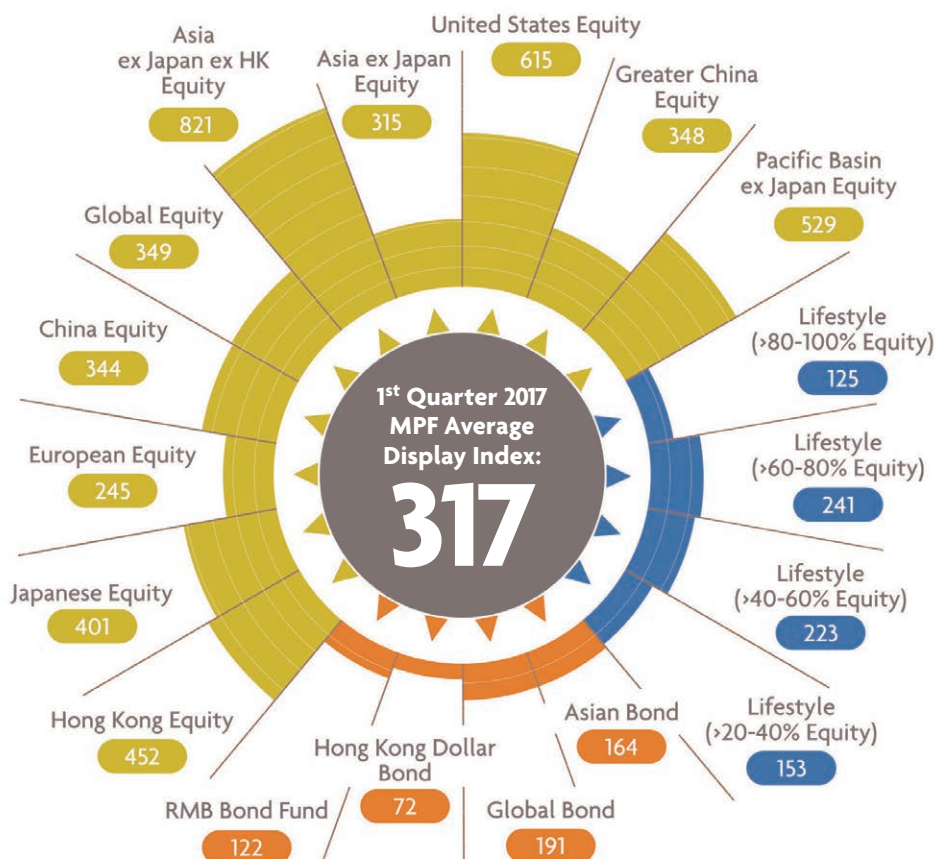
MPF Average  
Disparity Index

# 317

### 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 2016, the average return difference for 1st quarter 2017 is about HK\$317. Its MPF Average Disparity Index is 317<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 1st quarter 2017 on the last trading day of 4<sup>th</sup> quarter 2016

#### \*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 1st quarter 2017 on the last trading day of 4<sup>th</sup> quarter 2016

\* The hypothetical examples are for illustration purpose only

Global financial market performed positively over the 1<sup>st</sup> quarter of 2017, most of the MPF constituent funds recorded positive returns. Among most of the MPF constituent funds, the constituent fund in Asia ex Japan Equity category has the top quarterly return. However, within this category, constituent fund quarterly return can also be very different. Any negative fund selection effect can easily offset the positive effect from category selection. The quarterly return of some constituent funds in the Asia ex Japan Equity category actually performed not as strongly as funds from other categories such as Pacific Basin ex Japan Equity category, Hong Kong Equity category, Greater China Equity category and China Equity category. It shows how important fund selection can be. MPF Disparity Sub-Index of a category is measured by the quarterly return differences between the best performing fund and the worst performing fund within a category. It highlights the importance of fund selection, especially for categories with wider disparity.

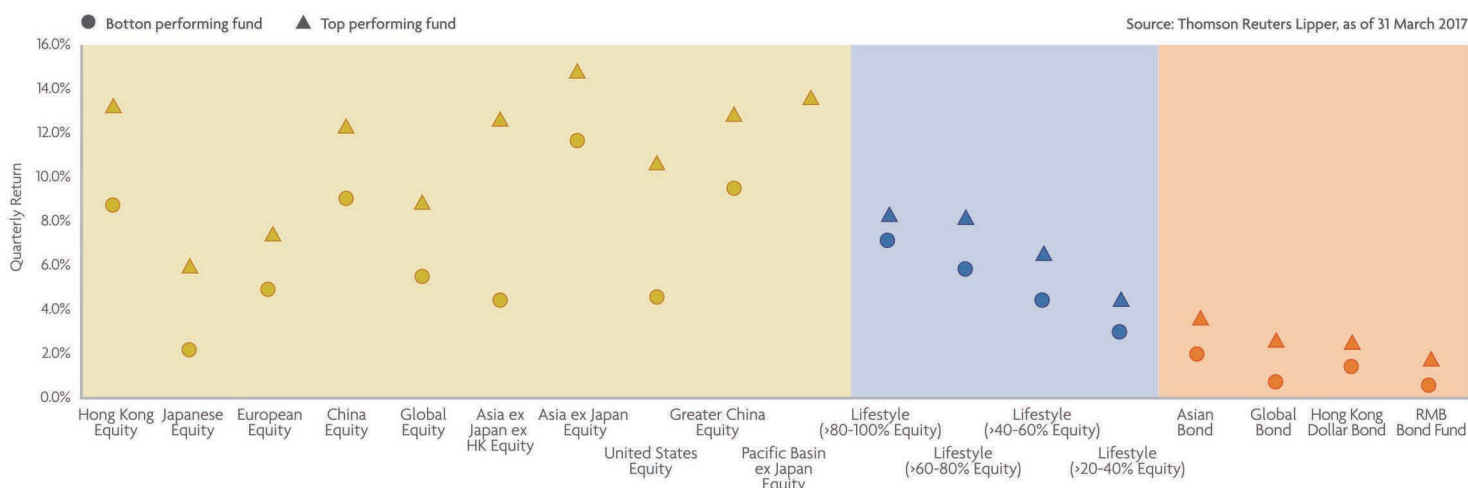
For the 1<sup>st</sup> quarter of 2017, the Asia ex Japan ex Hong Kong Equity category recorded the widest performance disparity value among the 18 categories.

Hong Kong Equity is a relatively popular category within the MPF investment platform\*\*. For the 1<sup>st</sup> quarter of 2017, its disparity value is 452.

Hong Kong Bond category has the lowest disparity among the 18 categories over the 1<sup>st</sup> quarter of 2017. Historically, the value of the MPF Average Disparity Sub-index of Hong Kong bond category has tended to be narrow.

\*\* Source: Gadbury MPF Market Shares Report - Market Shares and Estimated Net Fund Inflows in the Hong Kong Mandatory Provident Fund System, as of 31 March 2017

## Top Performing Fund and Bottom Performing Fund of Each Category for 1<sup>st</sup> Quarter 2017



	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 (>40-60% Equity)	Lifestyle (>60-80% Equity)	Lifestyle (>20-40% Equity)	Asian Bond	Global Bond	Hong Kong Dollar Bond	RMB Bond Fund
Quarterly Return of Top Performing Fund (%)	13.3%	6.1%	7.4%	12.5%	8.9%	12.6%	14.9%	10.6%	12.9%	13.7%	8.4%	8.2%	6.6%	4.5%	3.6%	2.6%	2.2%	1.6%
Quarterly Return of Bottom Performing Fund (%)	8.7%	2.0%	4.9%	9.0%	5.5%	4.4%	11.7%	4.5%	9.4%	8.4%	7.1%	5.8%	4.4%	2.9%	1.9%	0.7%	1.5%	0.4%
Quarterly Return Difference (%)	4.5%	4.0%	2.5%	3.4%	3.5%	8.2%	3.2%	6.2%	3.5%	5.3%	1.3%	2.4%	2.2%	1.5%	1.6%	1.9%	0.7%	1.2%
<b>MPF Disparity Sub-Index</b>	<b>452</b>	<b>401</b>	<b>245</b>	<b>344</b>	<b>349</b>	<b>821</b>	<b>315</b>	<b>615</b>	<b>348</b>	<b>529</b>	<b>125</b>	<b>241</b>	<b>223</b>	<b>153</b>	<b>164</b>	<b>191</b>	<b>72</b>	<b>122</b>

## Historical values of MPF Average Disparity Index



## 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** = (Price end of this quarter) / (Price end of previous quarter) – 1

▶ **^MPF Disparity Sub-index of a category** = 10,000 x (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 X  $\left[ \begin{array}{l} \text{Average net-of-fee return of} \\ \text{the top performing MPF funds} \\ \text{of each of 18 fund categories} \\ \text{per quarter} \end{array} \right] - \left[ \begin{array}{l} \text{Average net-of-fee return of} \\ \text{the bottom performing MPF funds} \\ \text{of each of 18 fund categories} \\ \text{per quarter} \end{array} \right]$

▶ **Data Source** = Thomson Reuters Lipper, as of 31 March 2017

▶ **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 2017), 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 2017
- 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.

**Value of MPF  
Average Disparity  
Index**

Average return  
of all the  
**TOP PERFORMING**  
funds of  
18 categories<sup>~</sup>

Average return  
of all the  
**BOTTOM  
PERFORMING**  
funds of  
18 categories<sup>~</sup>

## Disclaimer

The performance information presented herein is hypothetical and does not represent the actual performance of any investors or any funds and does not represent future actual performance. The hypothetical performance information is based on back-tested performance of hypothetical investments over the time periods indicated and does not reflect trading in actual accounts. Hypothetical performance is calculated by simulating historical investment returns by applying a set of rules for buying and selling funds, backward in time and hypothetically investing in the funds that are chosen.

Actual performance may be materially lower than that of the hypothetical investments illustrated herein. Hypothetical performance results have certain inherent limitations. Such results do not represent the impact that material economic and market factors might have on if actual investment were made. Certain assumptions have been made concerning hypothetical investment illustrated herein and are unlikely to be realised.

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