

An overview of passive fund options in MPF

In recent years, passive funds have gained more attention within the MPF system, with members being attracted by their low management fees. This type of fund does not aim to outperform the market in a particular asset class. Instead, the fund manager constructs a portfolio of securities very similar to the underlying index and, by doing so, effectively replicates the investment performance of the index.

The choice of investment funds within the MPF system is currently dominated by active funds but, as members demand more choice in the area of passive funds, we believe that MPF providers will be more willing to broaden their passive fund options.

Various passive funds are currently available within the MPF system

Among the passive fund options currently available in the MPF market, 12 funds track the Hong Kong equity market. Of the 12 funds, most track the Hang Seng Index, whereas a few track other indices, such as the FTSE MPF Hong Kong Index. The main reason why the Hang Seng Index has become a major benchmark is that its components are local stocks that are liquid and are actively traded. It is also an index which is well known and familiar amongst Hong Kong people. In terms of other passively managed investment funds, there are also funds that track regional indices, such as the Hang Seng China Enterprise Index and the FTSE Mandatory Provident Fund North America Index.

According to our internal research, the five-year median return net of fees for passively managed Hong Kong equity funds is around 9.1% per annum, whilst the corresponding figure for active funds is 11.9% per annum. Since passive funds do not seek to exceed market performance, the corresponding investment returns are often lower than the best performing active funds, but could be better than some poorly performed actively managed funds. Further, in terms of management fees, the average for passive funds is

0.9%, while the average for active funds is 1.6%.

Fund performance is determined by the tracking error

Passive funds generally charge lower fees because they can save in the areas of research and analysis of individual stocks, one of the main expenses for actively managed funds. For passive funds, the investment portfolio needs to replicate, as close as possible, the component stocks of the index, although achieving this is not as simple as one might imagine.

When the component stocks in the index change, or when there are other technical changes such as a stocks going "ex-dividend", the passive fund must make similar changes to maintain the same position as the benchmark index. The approach taken to handle these situations directly affects the performance of the passive funds. The "tracking error" is a commonly used indicator to measure the performance of the passive fund manager against the benchmark index. The lower the level of tracking error, the more closely the fund follows the benchmark index.

Size of fund and execution powers affect the tracking error

The two factors that affect the tracking error are the size of the fund and the ability to execute transactions. If the size of the fund is too small, the performance of the fund could be affected by fixed operating costs, which would increase the tracking error. If the size of the fund is very large, it may mean having to buy large quantities of a stock, possibly affecting the average execution price.

Efficient trading is an important factor and so fund managers need to have access to an experienced execution broker.

Although passive fund managers are not required to make their own investment choices, passively managed equity funds should still be regarded as higher-risk investments, and the risk level is almost the same as that of active funds. If active fund performance does not meet expectations, and the extra management fees paid fail to create value-for-money returns, one may instead consider lower cost passive funds.

被動基金積金選擇全面睇

被動基金近年越來越受強積金成員的注目，很多人都被其低管理費所吸引。這類基金不以超越市場表現為投資目標，基金經理透過建構與指數非常相近的證券組合，藉此複製該指數的表現。

各種指數由不同的財務機構所編制，並決定指數的成份股增減，而被動基金的宗旨則是跟隨所追蹤指數的所有變動。目前強積金基金的選擇仍然以主動基金為主，但隨著成員對被動基金的需求越來越殷切，相信受託人將更願意於計劃中加入更多被動基金選擇。

強積金計劃內有多款被動基金

現時強積金提供不同被動基金選擇，當中有 12 隻追蹤香港股票，大部份以恆生指數作為基準，其餘少量追蹤其他指數，例如富時強積金香港指數。恆生指數之所以成為主要的基準指數，主要是因為其成份是可供買賣的本地股票，具備足夠的流動性，而且是最廣為普羅大眾熟悉的指數。另外，亦有追蹤其他地區指數的被動基金，例如恆生中國企業指數及富時強積金北美指數等。

根據我們的內部研究，香港股票被動基金的五年期回報率中位數約為 9.1%，主動基金則為 11.9%，基於被動基金不以超越市場表現為目標的特性，其投資回報理應不如主動基金。但事實上，部分表現較差的主動基金會比不上某些被動基金，可見兩者投資回報不一定差很遠。管理費方面被動基金平均為 0.9%，比主動基金的費用 1.6% 低。

追蹤誤差決定表現好壞

被動基金的收費一般較低，主要原因是他們能夠省卻對個別股票的研究分析，而這部份往往是主動基金的主要開支之一。對於被動基金來說，只要將投資組合「完美」複製指數的成份股便可，但於實際操作則沒有想像中那麼簡單。

當指數的成份股出現變動，或成份股出現派息除淨或供股等企業操作，被動基金便要相應地作

出股份買賣安排，才能保持持倉份量與基準指數一致。如何處理這些狀況直接影響被動基金表現的好壞，而「追蹤誤差」通常是衡量被動基金經理表現的重要指標，誤差水平越低，就代表其基金越能緊貼基準指數。

規模及執行力影響追蹤誤差

影響追蹤誤差的兩個因素，分別是基金規模及執行買賣的能力。基金規模太大或太小，對追蹤誤差也會造成影響。如果基金規模太小，基金表現較受固定營運成本影響，令誤差擴大；如果基金規模太大，對基準指數的流動性及股份市值具影響力，基金進行買賣時便有機會令成份股股價出現波動，導致買入與賣出價出現較大偏離。

此外，被動基金的買賣執行能力也非常重要，當中包括決定選用的執行經紀以及下單模式，例如執行經紀是否有足夠能力及經驗，令平均成交價盡可能接近市價，都會影響誤差的幅度。

雖然被動基金不會自行作出投資選擇，但現時強積金內的主動基金均為股票基金，屬於高風險的投資類別，風險程度與主動基金相差無幾。若主動基金的表現不符預期，多付的管理費未能創造物有所值的回報，成本較低的被動基金，可能是更佳選擇。

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