



Are you aware of opportunities presented by some recent MPF fund changes?

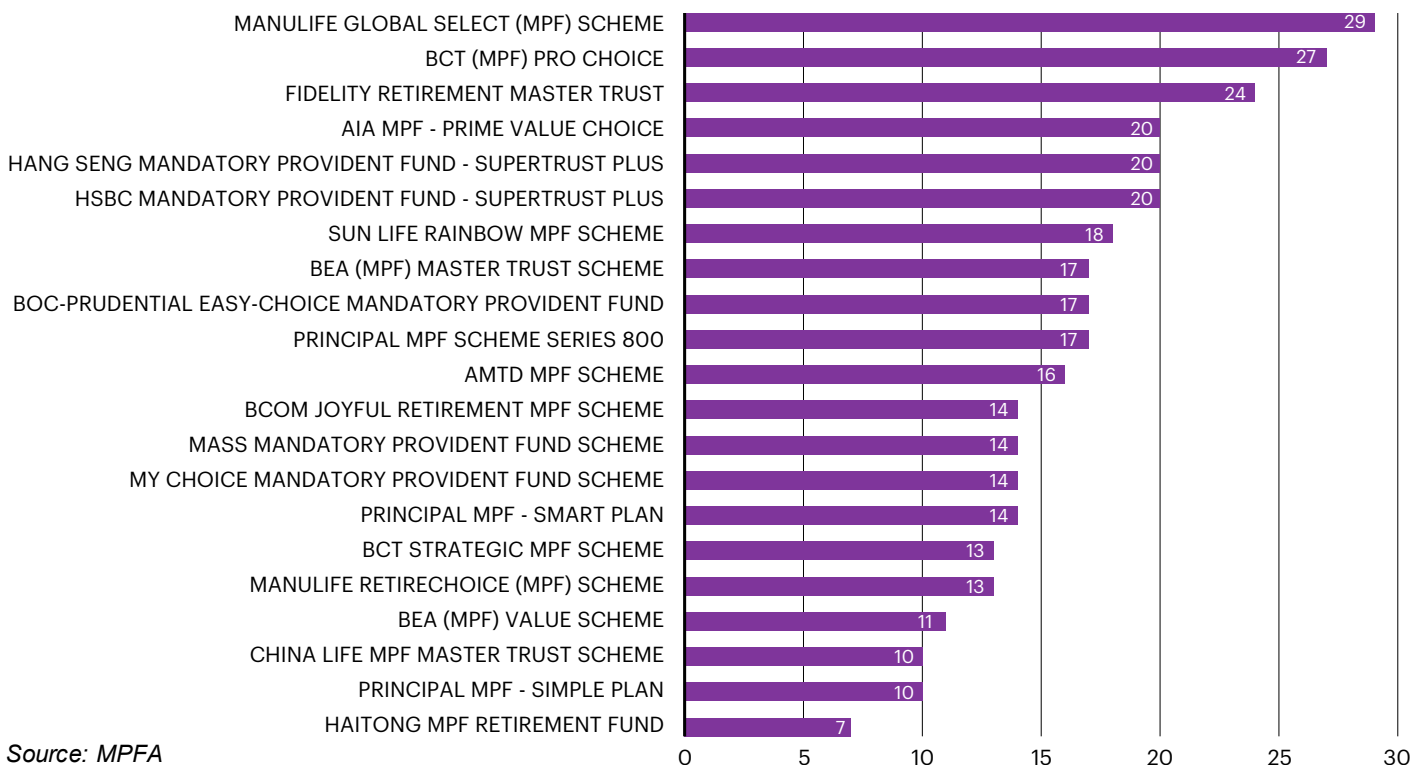
Are you aware of opportunities presented by some recent MPF fund changes?

2023 has been a busy year for providers, adding, repackaging and removing various fund options. In this issue, we take a look at the current landscape and summarize some of the key changes to the investment funds offered to members.

Is more always better?

Currently, MPF schemes offer anywhere between 10 and 29 investment options, the average being 16. Do you know how many funds your scheme offers?

Number of fund options

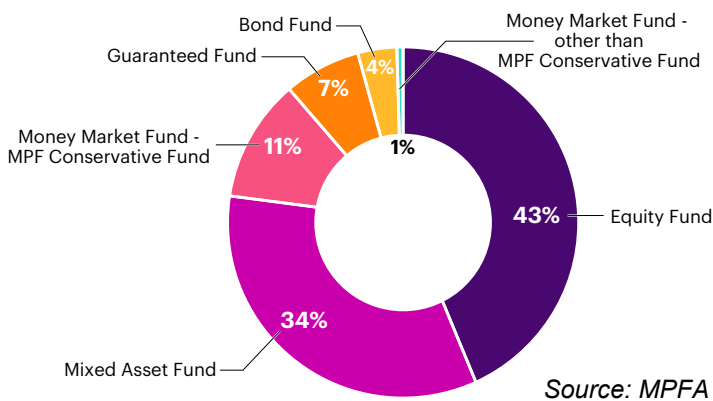


Source: MPFA

There is no right answer for what the appropriate number of investment funds to offer should be. Investment savvy employees tend to favor more choices, whereas employees who are less comfortable with investments prefer less, thus making the choice more comprehensible. Have you had feedback from your employees on what they prefer?

Investment funds – distribution and newcomers

According to MPFA statistics, equity funds continue to be the most popular fund choice despite stock markets being very volatile in recent years. Of late, some providers have been busy introducing more fund choices, whereas one other has removed certain funds. Here we highlight 3 recent investment fund changes.



Looking ahead

With the imminent introduction of eMPF, we believe that providers are likely to focus on their investment fund offering and investment performance to differentiate themselves. Employers should stay tuned to providers' updates and prepare for eMPF. Talk to us if you want to know how WTW can help!



ESG Funds

ESG refers to 3 criteria – environmental, social, and governance – that are considered when an organization is managing risks and opportunities. With the increased focus on corporate social responsibilities and the global target to reduce carbon emission, providers are introducing funds choices with these specific themes. Following the MPFA's update of approval criteria for constituent funds (circular issued on November 2022), one new ESG fund was introduced and three reformed from existing funds in 2023, bringing the total to four such funds in the market currently.



Retirement Income Funds

In general, retirement income funds are mixed asset funds that invest in both stocks and bonds. As these funds tend to invest in higher-yielding bonds, there are opportunities to generate returns above inflation. Providers have accordingly introduced these funds, targeting retirees looking for stable and positive returns. There are now 3 retirement income funds available in the MPF market, offered by BCT, Fidelity and Manulife. Since retirement income funds have only recently been launched, past records and available data are limited. Whether these funds can achieve their long-term investment objectives is yet to be seen.



Guaranteed Funds

Some scheme members tend to gravitate to guaranteed funds in the belief that they will get some form of pledge regarding the moneys invested, e.g., a capital guarantee or even a minimum rate of return. However, the guarantor usually charges a guarantee fee or reserve charge for providing such a guarantee and most guaranteed funds in the MPF market are conditional guarantees, e.g., minimum investment period, withdrawal requirements, etc.

Despite these funds being popular amongst some members, Principal decided to terminate 5 of their guarantee funds offered under 4 MPF schemes in 2023.

Highlight of investment performance up to 31 December 2023

The annualised performance over 1-year and 5-year periods ended 31 December 2023 of each MPF fund type was as follows:

Performance ended 31 December 2023		1-year period			5-year period		
Fund category	Fund type	Highest % p.a.	Average % p.a.	Lowest % p.a.	Highest % p.a.	Average % p.a.	Lowest % p.a.
Mixed Assets Funds	Equity content > 80% Funds	8.0	6.0	4.2	5.1	3.8	2.5
	Equity content 60% - 80% Funds	7.2	5.6	4.0	4.0	2.9	1.5
	Equity content 40% - 60% Funds	6.5	5.0	4.0	2.7	1.8	0.9
	Equity content 20% - 40% Funds	5.9	4.8	4.2	1.4	0.8	0.2
Default Investment Strategy Funds	Core Accumulation Funds	16.2	14.9	13.3	7.3	6.7	6.4
	Age 65 Plus Funds	9.0	7.7	7.1	2.5	2.1	1.7
Equity Funds	Hong Kong Equity Funds	-12.6	-15.7	-20.0	-0.1	-4.9	-7.9
	Hong Kong Equity (Index Tracking) Funds	-10.9	-11.7	-15.5	-4.5	-5.7	-6.8
	China Equity Funds	-11.7	-14.7	-18.2	-4.6	-6.4	-8.9
	Greater China Equity Funds	-2.6	-7.7	-11.0	4.5	1.5	-2.6
	Asian ex Japan ex HK Equity Funds	10.0	8.9	7.9	3.2	2.7	2.3
	Asian ex Japan Equity Funds	4.8	2.8	1.1	4.6	1.9	-1.9
	Pacific Basin ex Japan Equity Funds	13.6	4.6	-1.3	7.9	2.8	-1.1
	Global Equity Funds	35.0	21.3	18.1	11.9	9.1	6.4
	United States Equity Funds	38.7	26.2	22.9	13.8	12.9	11.8
	European Equity Funds	23.7	18.7	15.6	11.4	7.6	5.3
	Japanese Equity Funds	24.8	22.8	21.7	9.0	7.4	6.1
Bond Funds	Hong Kong Dollar Bond Funds	6.6	6.0	5.4	1.0	0.8	0.1
	Asian Bond Funds	6.6	5.0	3.2	0.9	0.4	0.0
	Global Bond Funds	5.9	4.6	2.3	0.3	-1.3	-2.9
	RMB Bond	2.7	2.4	1.4	2.0	1.4	0.9
Money Market Funds	MPF Conservative Funds	3.8	3.3	2.6	1.8	1.2	0.9
	Hong Kong Dollar Money Market Funds	4.1	3.9	3.7	1.0	1.0	1.0
	RMB and HKD Money Market Funds	1.4	0.7	-0.1	1.8	1.0	0.5
Others	Guaranteed Funds	4.2	2.3	0.2	0.5	-0.1	-0.9

Source: Based on unit price information downloaded from MPFA website

As of 31 December 2023

Disclaimer: The information and data included in this table are provided for general information purposes only and do not constitute investment advice, nor should they be construed as an offer or solicitation or recommendation to invest in or deal in any scheme, fund, product, service provider or service referred to. As such, the information provided should not be relied upon for any investment or other financial decisions and no such decisions should be taken without seeking specific professional advice. Any use of or reliance on any information or materials contained herein is entirely at the reader's own risk and WTW and its affiliates accept no responsibility and will not be liable for any consequences howsoever arising from any such use or reliance. In addition, please be reminded that past performance is not an indication of future performance.

Other MPF resources

Member education resources

Given the defined contribution nature of the MPF scheme, it is vital to provide sufficient member education so that employees can obtain the best value from their contributions and their employer contributions.

At WTW, we are keen to provide regular short educational articles to members on hot topics and recent events. Recent articles published by WTW are available on MPFexpress [\[Click Here\]](#). Visit our website to find out more.

Article	Content
Achieving retirement savings goals through tax-deductible voluntary contributions	The latest HSBC Quality of Life Report revealed that the ideal retirement savings amount of respondents in Hong Kong is HKD 8.6 million. However, based on current savings levels, there is a gap of HKD 6.37 million or 74% required to achieve this goal. As such, it is fairly evident that members will not be able to achieve this savings goal based on their current savings strategy and must therefore seek alternative ways of approaching retirement.
Making good use of suitability assessments helps members make investment decisions	Some Mandatory Provident Fund (MPF) members rely on the advice provided by MPF intermediaries (brokers or agents) when making investment decisions. According to the guidelines on the conduct of registered intermediaries, when intermediaries provide advice on whether members should invest in a particular constituent fund, it is considered "regulated advice". In such cases, intermediaries need to conduct a suitability assessment to understand a member's risk tolerance level and investment objectives, ensuring that their recommended funds are suitable for the member and safeguarding their interests.
Intermediaries' telephone sales guidelines help prevent scams in MPF	Intermediaries (also known as brokers or agents) play a crucial role in the Mandatory Provident Fund (MPF) system. They not only explain product features, investment performance and services but may also compare different MPF schemes and provide recommendations on retaining or switching MPF provider based on members' requirements. Due to the emergence of fraudsters impersonating MPF intermediaries to obtain members' personal information or money, the MPFA (Mandatory Provident Fund Schemes Authority) has issued "Guidelines on Telephone Sales Conducted Proactively by Intermediaries" effective from September 1 this year to raise public awareness and combat scams.
Switching MPF Funds too frequently is likely to be counterproductive	Due to the long-term nature of Mandatory Provident Fund (MPF) investments and the fact that funds can only usually be accessed upon retirement, many members do not actively manage their MPF portfolios. As a result, MPF providers often remind members to review their investment portfolios and make adjustments when necessary. A recent survey has shown an increase in the number of members who made changes to their MPF investments during the pandemic. However, frequent switching of MPF funds may not necessarily lead to better returns in the longer run.

MPF market share

Do you know how your MPF sponsor ranks in terms of the market share within the entire MPF market? This information is available on **MPFexpress**. This section provides the latest MPF market distribution information and helps you understand the relative MPF asset sizes of different sponsors in the MPF market.

About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success - and provide perspective that moves you. Learn more at wtwco.com.



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