

FTSE MPF INDEX SERIES : 2013 MARKET CONSULTATION AND PRODUCT ENHANCEMENTS

Date: 27 December 2013

BACKGROUND

FTSE, HKIFA and Towers Watson have conducted a public consultation every three years since the launch of the FTSE MPF Index Series in 2001. Market consultations ensure the indices remain appropriate benchmarks for the MPF equity and lifestyle funds by accurately reflecting regulatory requirements, permitted investment markets and asset classes as well as accounting for investment restrictions applied to the MPF system. The Hong Kong Mandatory Provident Fund (MPF) is the main retirement provision for Hong Kong employees with assets over HK\$452bn (US\$58bn) as of June, 2013.

MARKET DRIVEN - ENHANCING THE SERIES

In 2013, HKIFA, Towers Watson and FTSE conducted a consultation to review the existing FTSE MPF Index Series. The consultation paper has been prepared by FTSE, in consultation with HKIFA, Towers Watson and the members from the working group. FTSE formed the working group to gather valuable comments on MPF market trends and products. The working group members include MPF fund managers, asset owners and industry organizations including, but not limited to, Hong Kong Trustees' Association and the Hong Kong Society of Financial Analysts.

The findings from the 2013 market consultation will be used to enhance the index series that would meet the needs of all interested parties while taking the unique regulatory requirements under the MPF system into consideration. The next consultation will be conducted in 2016. FTSE will monitor the market development on an on-going basis to ensure our indices provides the most effective benchmarks for the MPF funds. Ad-hoc consultation will be conducted when necessary.

2014 ENHANCEMENTS

After the 2013 Market Consultation, FTSE shall implement the below enhancements to the existing FTSE MPF Index Series in 2014.

1. Index Methodology Changes:

a. The capping frequency and percentage will be changed from March, 2014. The constituents of the FTSE MPF Index Series will be capped monthly at 9% using prices adjusted for corporate actions as at the close of business on the second Friday each month. The capping will be implemented after the close of business on the third Friday each month based on the constituents, shares in issue and free float on the next trading day following the third Friday each month. The existing daily capping process will cease from 1 March, 2014. The first effective date using the new capping methodology will be the at the close of 21 March, 2014, using the prices as at the close of business on 14 March, 2014.

b. FTSE will enhance the hedging methodology of the FTSE MPF hedged Indices in 2014. Further details will be announced in early 2014.

2. New Index and Data Services:

a. FTSE will launch a FTSE MPF Offshore RMB Bond Index Series in 2014, based on the universe of the FTSE-BOCHK Offshore RMB Bond Index. The Series is designed for MPF managers to measure their RMB bond portfolios. The indices will reflect the regulatory requirement, permitted investments as well as accounting for investment restriction applied to MPF investment of debt securities. Further details will be announced in early 2014.

b. FTSE will publish a set of standard valuation factors for the FTSE MPF Index Series from March, 2014. Clients will be notified on the distribution of the data in early 2014.

For more information on the FTSE MPF Index Series, please visit <http://www.ftse.com/hkmpf>

For more information on Hong Kong Mandatory Provident Fund, please visit <http://www.mpfa.org.hk>

MONTHLY SUMMARY

Index Name	PERFORMANCE									VOLATILITY		
	1M (%)	3M (%)	6M (%)	YTD (%)	1Y (%)	3Y (%)	5Y (%)	3Y (%pa)	5Y (%pa)	1Y (%)*	3Y (%)**	5Y (%)**
FTSE MPF Hong Kong Index	3.16	11.08	8.55	8.94	12.93	13.59	117.32	4.34	16.79	14.99	19.21	21.67
FTSE MPF Domestic Hong Kong Index	0.94	8.27	4.67	9.61	11.49	17.49	144.34	5.52	19.56	12.49	17.56	21.79
FTSE MPF China Index	5.09	13.72	12.26	7.14	13.47	7.76	108.45	2.52	15.82	18.58	22.37	23.28
FTSE MPF Greater China Index	1.98	9.65	7.27	8.77	12.04	13.86	119.73	4.42	17.05	13.59	18.09	20.93
FTSE MPF All-World Index	1.65	11.17	11.03	21.89	24.70	40.51	105.04	12.01	15.44	9.68	15.80	17.62
FTSE MPF All-World Hedged Index	1.81	10.81	10.63	22.59	25.34	41.69	101.71	12.32	15.07	9.40	15.20	16.47
FTSE MPF Asia Pacific ex Japan Index	-0.69	10.32	5.73	5.21	8.69	15.18	140.32	4.82	19.17	12.60	18.29	21.82
FTSE MPF Asia Pacific ex Japan Hedged Index	-0.30	9.41	5.91	6.46	9.92	14.43	125.58	4.60	17.67	11.77	16.88	19.50
FTSE MPF Asia Pacific ex JP, AU & NZ Index	0.54	10.88	5.39	4.81	8.35	11.94	138.21	3.83	18.96	12.85	18.25	21.60
FTSE MPF Asia Pacific ex JP, AU & NZ Hedged Index	0.67	10.04	5.16	5.14	8.59	11.27	131.33	3.62	18.26	12.23	17.28	20.04
FTSE MPF Asia Pacific ex Japan & Hong Kong Index	-2.36	9.78	4.29	3.81	7.07	16.31	147.29	5.16	19.85	12.83	18.73	22.81
FTSE MPF Asia Pacific ex Japan & Hong Kong Hedged Index	-1.81	8.50	4.53	5.56	8.80	15.26	125.83	4.85	17.69	11.52	16.70	19.52
FTSE MPF Asia Pacific ex Japan incl. HSBC Index	-0.59	10.13	5.56	5.48	8.97	15.61	133.01	4.95	18.43	12.47	18.19	21.72
FTSE MPF Asia Pacific ex Japan incl. HSBC Hedged Index	-0.21	9.26	5.72	6.67	10.14	14.90	120.09	4.74	17.09	11.70	16.84	19.56
FTSE MPF Emerging Markets Index	-3.51	9.81	-1.06	-4.01	0.65	-3.39	115.96	-1.14	16.65	13.84	19.08	22.60
FTSE MPF Emerging Markets Hedged Index	-2.87	8.71	-0.16	-2.12	2.07	-	-	-	-	12.21	-	-
FTSE MPF Europe Index	1.27	13.13	14.17	23.24	26.83	40.86	94.19	12.10	14.19	14.27	20.99	22.58
FTSE MPF Europe Hedged Index	1.04	11.64	12.00	22.52	25.47	39.03	89.66	11.61	13.66	13.15	19.17	19.81
FTSE MPF Japan Index	1.48	9.97	10.34	26.24	33.07	26.47	54.61	8.14	9.11	21.42	16.51	16.58
FTSE MPF Japan Hedged Index	2.94	11.56	10.86	33.50	42.90	34.87	57.18	10.49	9.47	21.59	16.96	16.77
FTSE MPF North America Index	2.72	10.70	11.59	27.46	28.59	55.53	116.74	15.86	16.73	11.07	15.15	15.91
FTSE MPF North America Hedged Index	2.75	10.70	11.68	27.56	28.70	55.49	115.12	15.85	16.56	11.03	15.07	15.76
FTSE MPF USA Index	3.00	11.05	12.11	29.52	30.59	60.74	120.95	17.14	17.18	11.28	15.13	15.73
FTSE MPF USA Hedged Index	3.00	11.05	12.14	29.45	30.51	60.53	120.01	17.09	17.08	11.28	15.21	15.78

* Based on annualised daily total simple returns. ** Based on annualised monthly total simple returns.

APPENDIX A - MPFA APPROVED STOCK EXCHANGES INCLUDED IN THE FTSE MPF INDEX SERIES

	ASIA PACIFIC	EUROPE, MIDDLE EAST & AFRICA	AMERICAS
Developed	(Australia) Australian Securities Exchange (Hong Kong / China) Stock Exchange of Hong Kong (Japan) Tokyo Stock Exchange (New Zealand) New Zealand Exchange (Singapore) Singapore Exchange (South Korea) Korea Exchange	(Austria) Wiener Börse AG (Belgium) Euronext Brussels (Denmark) NASDAQ OMX Copenhagen (Finland) NASDAQ OMX Helsinki (France) Euronext Paris (Germany) Deutsche Börse AG (Greece) Athens Exchange (Ireland) Irish Stock Exchange (Israel) Tel-Aviv Stock Exchange (Italy) Borsa Italiana SpA (Luxembourg) Bourse de Luxembourg (Netherlands) Euronext Amsterdam (Norway) Oslo Børs (Portugal) Euronext Lisbon (Spain) Bolsa de Madrid (Sweden) Stockholmsbörsen (Switzerland) SIX Swiss Exchange (UK) London Stock Exchange	(Canada) Toronto Stock Exchange (USA) New York Stock Exchange NYSE Arca NASDAQ Stock Market
Emerging	(India) National Stock Exchange of India (Malaysia) Bursa Malaysia (Taiwan) Taiwan Stock Exchange (Thailand) Stock Exchange of Thailand	(South Africa) JSE	(Brazil) BM&F Bovespa (Mexico) Bolsa Mexicana de Valores

Data definitions available from www.ftse.com
For further information visit www.ftse.com, email info@ftse.com or call your local FTSE office:

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Paris	+33 (0) 1 53 76 82 89
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