

FTSE MPF INDEX SERIES : 2016 MARKET CONSULTATION AND PRODUCT ENHANCEMENTS

Date: 28 December 2016

BACKGROUND

FTSE Russell, Hong Kong Investment Funds Association (HKIFA) and Willis Towers Watson (WTW) are conducting a public consultation every three years since the launch of the FTSE MPF Index Series in 2001. Market consultations ensure the indices provide the most precise benchmarks for the MPF equity and Mixed Assets 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 aggregate net assets values of all schemes over HK\$655bn* (US\$84bn) as of Sept, 2016.

* source: MPFA

MARKET DRIVEN - ENHANCING THE SERIES

In the 2016 HK MPF Benchmark consultation, the consultation paper has been prepared by FTSE Russell, in consultation with HKIFA, Hong Kong Trustees' Association (HKTA), WTW and the members from the working group. FTSE Russell formed the working group to gather valuable comments on MPF market trends and products. This year, the working group includes MPF fund managers, asset owners, trustees and members from industry organizations.

The findings from the 2016 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 2019. FTSE Russell 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.

2017 ENHANCEMENTS

After the 2016 Market Consultation, FTSE Russell shall implement the below enhancements to the existing FTSE MPF Index Series in 2017.

1. Index Methodology :

a. A majority of respondents supported the current calculation methodology, including capping and currency hedging algorithms used in the existing FTSE MPF Index Series. Based on the comments received, there are no changes in the calculation methodology following the 2016 market consultation.

2. New Index and Data Services:

Based on the comments received, below are the proposed enhancement and research in the product offering.

a. FTSE Russell will launch a FTSE MPF Developed Markets Index (both hedged and unhedged) to complement the existing index family. Launch details will be announced in early 2017.

b. FTSE Russell will conduct feasibility study and research on expanding coverage of China stocks and developing alternative weighted indices under the FTSE MPF Index Series. Further information on the development will be announced.

c. FTSE Russell has published a separate factsheet for the FTSE MPF All-World Index from November, 2016, in addition to the FTSE MPF monthly reports for the index series. FTSE MPF All-World Index (HKD unhedged total return) is the equity component in the Reference Portfolio for the constituent funds under the Default Investment Strategy (DIS) to be launched in April, 2017.

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

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	0.31	1.04	13.01	7.78	7.53	3.78	46.52	1.25	7.94	18.45	19.44	17.67
FTSE MPF Domestic Hong Kong Index	-0.39	1.91	11.85	10.49	11.22	6.91	54.27	2.25	9.06	15.20	16.54	15.52
FTSE MPF China Index	0.89	0.35	13.09	5.34	4.51	1.82	37.24	0.60	6.54	20.92	22.51	20.41
FTSE MPF Greater China Index	-0.30	1.35	13.71	10.48	10.16	6.41	47.65	2.09	8.11	17.17	17.67	15.81
FTSE MPF All-World Index	0.97	0.00	3.77	5.84	3.92	10.14	55.38	3.27	9.21	13.10	12.60	11.29
FTSE MPF All-World Hedged Index	1.40	0.71	4.41	5.99	3.95	13.18	60.87	4.21	9.98	12.93	12.54	10.79
FTSE MPF Asia Pacific ex Japan Index	-1.67	-1.49	8.35	8.56	8.92	-0.29	28.22	-0.10	5.10	15.81	15.37	15.10
FTSE MPF Asia Pacific ex Japan Hedged Index	-1.62	-1.44	8.30	8.55	8.91	1.30	30.28	0.43	5.43	15.72	15.08	14.24
FTSE MPF Asia Pacific ex JP, AU & NZ Index	-2.25	-2.40	8.48	8.10	7.69	2.31	32.34	0.77	5.76	15.68	15.28	14.84
FTSE MPF Asia Pacific ex JP, AU & NZ Hedged Index	-2.25	-2.40	8.48	8.10	7.69	2.31	32.34	0.77	5.76	15.68	15.28	14.84
FTSE MPF Asia Pacific ex Japan & Hong Kong Index	-2.39	-2.38	6.62	9.00	9.69	-2.84	21.19	-0.96	3.92	15.68	14.72	14.72
FTSE MPF Asia Pacific ex Japan & Hong Kong Hedged Index	-1.60	-1.51	6.22	8.42	9.11	0.39	25.28	0.13	4.61	14.08	13.21	12.64
FTSE MPF Asia Pacific ex Japan incl. HSBC Index	-1.45	-1.18	8.82	8.46	8.81	-1.07	28.55	-0.36	5.15	15.85	15.37	15.06
FTSE MPF Asia Pacific ex Japan incl. HSBC Hedged Index	-1.45	-1.18	8.82	8.46	8.81	0.35	30.40	0.12	5.45	15.85	15.16	14.28
FTSE MPF Emerging Markets Index	-6.87	-3.70	8.07	14.87	11.84	-4.31	4.78	-1.46	0.94	18.09	17.04	16.71
FTSE MPF Emerging Markets Hedged Index	-5.74	-3.26	6.94	12.83	10.34	-0.72	10.75	-0.24	2.06	15.85	15.08	14.20
FTSE MPF Europe Index	-2.13	-4.52	-4.82	-4.95	-7.32	-10.76	28.70	-3.72	5.18	21.11	17.20	14.53
FTSE MPF Europe Hedged Index	-1.59	-2.81	-1.91	-2.35	-5.18	-2.51	40.21	-0.84	6.99	19.79	16.52	12.91
FTSE MPF Japan Index	-2.51	0.83	4.78	1.64	1.89	9.60	50.19	3.10	8.47	23.72	16.47	13.47
FTSE MPF Japan Hedged Index	0.24	4.28	5.64	-0.58	-1.15	13.27	69.94	4.24	11.19	24.55	17.92	14.67
FTSE MPF North America Index	3.77	2.08	5.94	10.05	7.71	24.53	82.84	7.59	12.83	14.02	12.40	10.39
FTSE MPF North America Hedged Index	3.77	2.11	5.98	9.83	7.57	24.97	83.65	7.71	12.93	14.00	12.37	10.31
FTSE MPF USA Index	3.86	2.08	5.95	9.49	7.43	26.57	90.17	8.17	13.72	14.02	12.31	10.39
FTSE MPF USA Hedged Index	3.85	2.05	5.93	9.32	7.27	26.39	89.94	8.12	13.69	14.07	12.35	10.41

* 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) Exchange (Hong Kong / China) (Japan)	Australian Securities Stock Exchange of Hong Kong Tokyo Stock Exchange	(Austria) (Belgium) (Denmark) (Finland) (France) (Germany) (Ireland) (Israel) (Italy) (Luxembourg) (Netherlands) (Norway) (Portugal) (Spain) (Sweden) (Switzerland) (UK)	Vienna Stock Exchange Euronext Brussels NASDAQ OMX Copenhagen NASDAQ OMX Helsinki Euronext Paris Frankfurt Stock Exchange Irish Stock Exchange Tel-Aviv Stock Exchange Borsa Italiana Luxembourg Stock Exchange Euronext Amsterdam Oslo Børs Euronext Lisbon Madrid Stock Exchange NASDAQ OMX Stockholm SIX Swiss Exchange London Stock Exchange	(Canada) (USA)	Toronto Stock Exchange New York Stock Exchange NYSE Arca NASDAQ Stock Market
Emerging*	(India) (Malaysia) (Taiwan) (Thailand) (Philippines)	National Stock Exchange of India Bursa Malaysia Taiwan Stock Exchange Stock Exchange of Thailand Philippine Stock Exchange	(Greece) (South Africa)	Athens Exchange Johannesburg Stock Exchange	(Brazil) (Mexico)	BM&FBOVESPA Mexican Stock Exchange

Data definitions available from ftserussell.comFor further information visit ftserussell.com, email info@ftserussell.com or call your local FTSE Russell offices:

Sydney	+61 (0)2 8823 3521
Beijing	+86 10 5833 2202
Dubai	+971 4 401 9578
Hong Kong	+852 2164 3333
London	+44 (0)20 7866 1810
Milan	+39 02 3604 6953
New York	+1 866 551 0617
Paris	+33 (0)1 53 76 82 89
Rio de Janeiro	+55 21 3736 3726
San Francisco	+1 866 551 0617
Seattle	+1 866 551 0617
Shanghai	+86 21 6058 9131
Tokyo	+81 (3) 3581 2764

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