



FTSE MPF INDEX SERIES : 2019 MARKET CONSULTATION AND PRODUCT ENHANCEMENTS

Date: 10 January 2020

BACKGROUND

The FTSE MPF Index Series was launched in 2001. Since its inception, FTSE Russell has conducted a public consultation every three years. Market consultations ensure that the FTSE MPF Index Series provides pragmatic and relevant benchmarks for the MPF equity and Mixed Assets Funds that are representative of index users' needs by 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 an aggregate net asset value for schemes of over HK\$905 bn* (US\$ 116 bn) as of Sept 2019.

* source: MPFA

MARKET DRIVEN - ENHANCING THE SERIES

For the 2019 HK MPF Benchmark consultation, the consultation paper was prepared by FTSE Russell, in conjunction with the Hong Kong Investment Funds Association (HKIFA), the Hong Kong Trustees' Association (HKTA), and members from the FTSE MPF Index Working Group. FTSE Russell formed the working group to gather feedback 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 2019 market consultation will be used to enhance the index series to better meet the needs of all interested parties while taking the unique regulatory requirements for the MPF system into consideration. The next consultation will be conducted in 2022. FTSE Russell continues to monitor market developments on an on-going basis to ensure that our indexes provide the most effective benchmarks for the MPF funds. Additional, ad hoc consultations may be conducted when necessary.

2020 ENHANCEMENTS

As a result of the 2019 market consultation, FTSE Russell proposes to implement the following enhancements to the existing FTSE MPF Index Series during 2020.

1. Index Methodology:

a. A majority of respondents supported the current calculation methodology, including the capping and currency hedging algorithms used in the existing FTSE MPF Index Series. Based on the comments received, there will be no changes in the index calculation methodology following the 2019 market consultation.

2. New Index and Index Enhancement:

a. FTSE Russell will redesign the FTSE MPF Emerging Markets Index (both hedged and unhedged) to align with the emerging market definition for the underlying index (FTSE All-World Index). More details will be provided in 2020.

b. FTSE Russell will conduct further analysis and work with HKIFA and HKTA on the eligibility of REITs for the FTSE MPF Equity Indexes based on the consultation feedback. Any changes to the index series will be announced via a public notification, the FTSE Russell website and client communications.

3. Feedback to the Mandatory Provident Fund Schemes Authority:

a. FTSE Russell will relay the respondents' comments and suggestions on the MPF product offerings, MPF regulations etc., also on the area of equity, fixed income, multi-asset and the Default Investment Strategy Reference Portfolio (DS RP) to the Regulator. Any progress on the discussion and/or impact on the current benchmarks will be communicated to benchmark users in due course.

For more information on the FTSE MPF Index Series, please visit <https://www.ftserussell.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	6.93	9.60	2.21	14.35	14.35	42.39	38.60	12.50	6.75	15.46	16.09	18.05	
FTSE MPF Domestic Hong Kong Index	4.46	6.61	-4.25	8.42	8.42	31.77	31.60	9.63	5.65	15.46	14.43	15.84	
FTSE MPF China Index	8.15	11.56	6.44	17.85	17.85	44.92	36.37	13.16	6.40	16.24	17.68	20.28	
FTSE MPF Greater China Index	7.06	11.59	7.09	19.12	19.12	46.95	45.23	13.69	7.75	14.13	15.27	16.57	
FTSE MPF All-World Index	3.06	8.45	8.87	26.11	26.11	43.70	52.10	12.85	8.75	9.91	10.56	11.69	
FTSE MPF All-World Hedged Index	2.98	8.32	9.06	26.30	26.30	42.41	52.85	12.51	8.86	9.87	10.47	11.43	
FTSE MPF Asia Pacific ex Japan Index	5.19	8.87	4.86	16.82	16.82	39.21	35.65	11.66	6.29	11.26	12.92	14.46	
FTSE MPF Asia Pacific ex Japan Hedged Index	5.17	8.84	4.84	16.78	16.78	38.85	36.10	11.56	6.36	11.25	12.88	14.39	
FTSE MPF Asia Pacific ex JP, AU & NZ Index	6.04	9.95	5.29	15.51	15.51	41.41	36.83	12.24	6.47	12.27	13.86	15.20	
FTSE MPF Asia Pacific ex JP, AU & NZ Hedged Index	6.04	9.95	5.29	15.51	15.51	41.41	36.83	12.24	6.47	12.27	13.86	15.20	
FTSE MPF Asia Pacific ex Japan & Hong Kong Index	4.08	8.08	5.94	17.39	17.39	36.57	33.37	10.95	5.93	10.04	11.62	13.09	
FTSE MPF Asia Pacific ex Japan & Hong Kong Hedged Index	3.49	7.29	6.00	17.59	17.59	34.39	34.23	10.35	6.06	9.28	10.48	11.52	
FTSE MPF Asia Pacific ex Japan incl. HSBC Index	5.17	8.66	4.60	16.25	16.25	38.41	34.73	11.44	6.14	11.23	12.81	14.40	
FTSE MPF Asia Pacific ex Japan incl. HSBC Hedged Index	5.17	8.66	4.60	16.25	16.25	38.37	35.28	11.43	6.23	11.23	12.81	14.40	
FTSE MPF Emerging Markets Index	5.54	9.96	6.25	17.33	17.33	39.51	30.36	11.74	5.45	10.35	12.86	14.49	
FTSE MPF Emerging Markets Hedged Index	4.84	8.99	6.22	16.47	16.47	35.80	29.49	10.74	5.30	9.28	11.58	12.48	
FTSE MPF Europe Index	3.52	8.41	6.80	23.85	23.85	34.63	31.57	10.42	5.64	11.71	12.04	12.96	
FTSE MPF Europe Hedged Index	3.00	7.31	7.25	25.00	25.00	34.18	38.73	10.30	6.77	11.25	11.21	11.91	
FTSE MPF Japan Index	1.67	7.09	10.80	18.59	18.59	29.99	47.96	9.14	8.15	12.59	12.46	12.25	
FTSE MPF Japan Hedged Index	1.67	7.77	11.67	19.21	19.21	28.29	44.22	8.66	7.60	12.34	12.81	13.08	
FTSE MPF North America Index	2.52	8.46	10.23	30.29	30.29	50.72	66.79	14.65	10.77	12.55	11.58	12.04	
FTSE MPF North America Hedged Index	2.65	8.65	10.30	30.16	30.16	49.25	65.47	14.28	10.60	12.52	11.60	12.00	
FTSE MPF USA Index	2.54	8.69	10.44	30.39	30.39	52.14	69.93	15.01	11.19	12.83	11.75	12.09	
FTSE MPF USA Hedged Index	2.72	8.91	10.52	30.35	30.35	50.68	68.11	14.64	10.95	12.83	11.80	12.14	

* Based on annualised daily total simple returns.

** Based on annualised monthly total simple returns.

Source: FTSE Russell, data as at: 31 December 2019

Past performance is no guarantee of future results.

Reference Portfolio 參考投資組合	Last 1 Month (%) 過去一個月 (%)	Last 3 Months (%) 過去三個月 (%)	YTD (%) 年度至今 (%)	Last 1 Year (%) 過去一年 (%)	Since Launch (% pa) 發行至今 (每年*)
FTSE MPF DIS Core Accumulation Fund RP 核心累積基金 (FRMPFCF)	1.51	4.17	17.03	17.03	7.17
FTSE MPF DIS Age 65 Plus Fund RP 65歲後基金 (FRMPFAPF)	0.03	0.22	9.63	9.63	4.18

* Return less than one year is not annualised 少於一年的回報並非年度化

Reference Portfolio 參考投資組合	Proportions by Asset Classes (%) 按資產類別劃分的比例 (%)			
	Global Equity 環球股票	Global Bond 環球債券	HK Cash 港元	Total 合計
	FTSE MPF All-World Index (HKD unhedged total return) 富時強積金環球指數 (港元非對沖總回報)	FTSE MPF World Government Bond Index (HKD hedged total return) 富時強積金世界國債指數 (港元對沖總回報)	MPFA Prescribed savings rate 積金局訂明儲蓄利率	
FTSE MPF DIS Core Accumulation Fund RP 核心累積基金 (FRMPFCF)	60	37	3	100
FTSE MPF DIS Age 65 Plus Fund RP 65歲後基金 (FRMPFAPF)	20	77	3	100

Source: FTSE Russell, data as at: 31 December 2019

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