

HKRSA

香港退休計劃協會

The Hong Kong Retirement Schemes Association

MPF – fund choices and implication to better retirement outcome

3 Sept 2021 Friday 3:00-4:00pm



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香港退休計劃協會

The Hong Kong Retirement Schemes Association

Opening Remarks



Ms. Janet Li

Immediate Past Chairman of the Executive Committee &
Chairman of the Business Strategy Sub-committee, HKRSA
Partner and Wealth Business Leader, Asia – Mercer HK



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Speaker for Part I



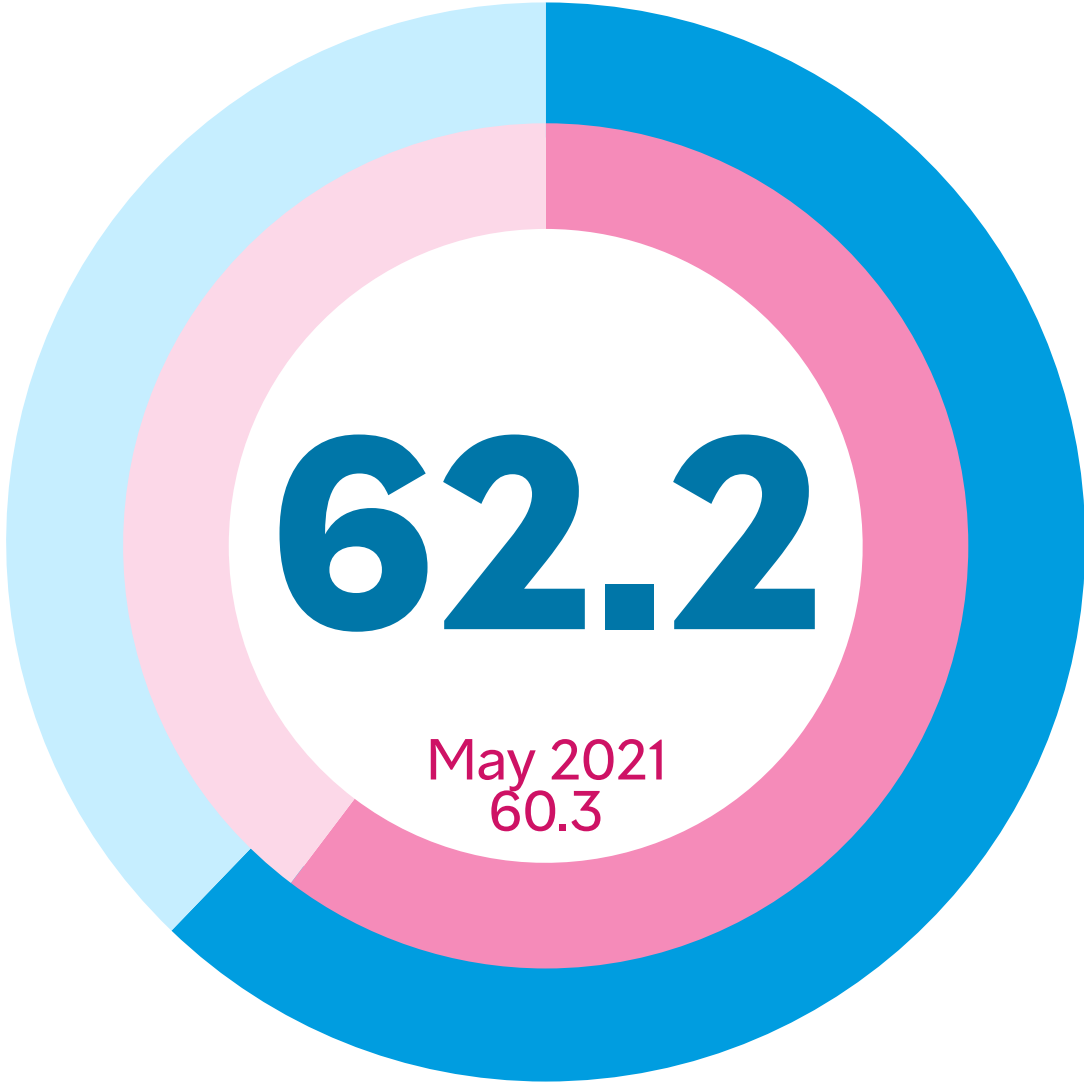
Mr. Freddie Cheng

Senior Consultant of the Wealth Business
Mercer HK

Mercer MPF Satisfaction Index

June 2021

Mercer MPF Satisfaction Index



The More Engaged, The More Satisfied

Time Horizon Until Retirement

Members who are closer to retirement age are more satisfied.



Knowledge Level

Members who have better knowledge on MPF feel more satisfied.



Advice Seeking

Members who seek advice on MPF feel more satisfied.



Understanding of risk and return

Members who understand the risk and return of MPF investment are more satisfied.



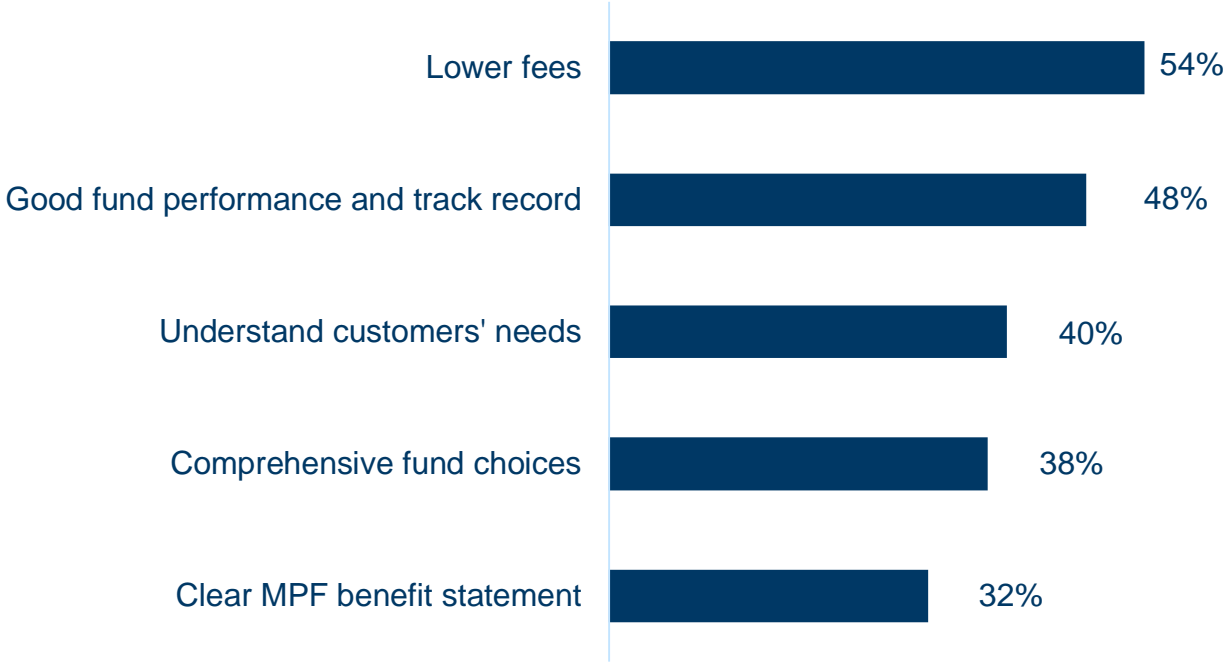
Member's expectations

Top three expectations from MPF members in June 2021

(Apart from good performance and low fees)

- 1. Understand customers' needs: 40%
- 2. Provide comprehensive fund choices: 38%
- 3. Clear MPF benefit statement: 32%

Member's expectations



Existing Fund Choice preference

Top three Fund Choices from MPF members in June 2021

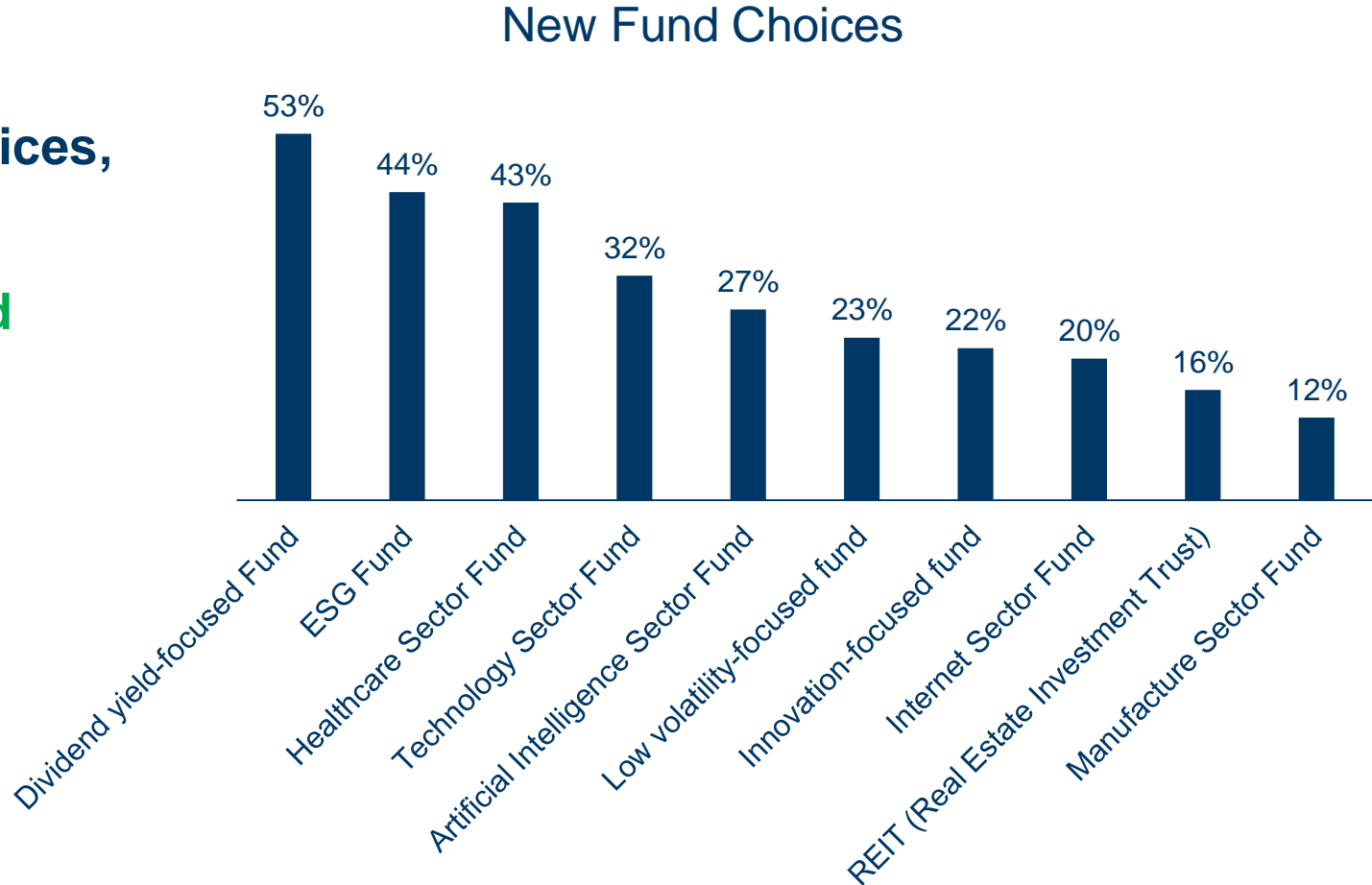
1. Equity Fund: 62%
2. MPF Conservative Fund : 42%
3. Bond Fund: 37%



New Fund Choices

Besides the traditional fund choices, most preferable products :

- 1. Dividend yield-focused Fund
- 2. ESG related Fund
- 3. Healthcare Sector Fund



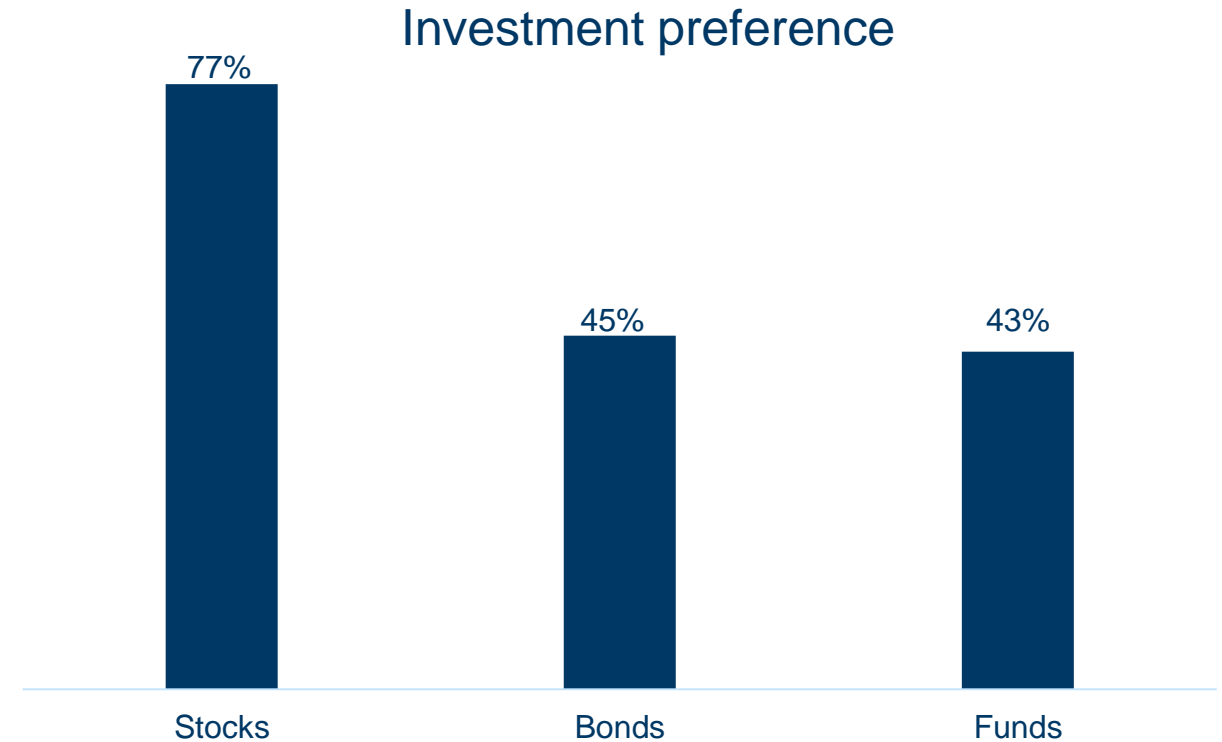
Thought about savings planning towards post-retirement expenses

- **13%** of the people have never thought about it.
- **60%** of the people have thought about planning for post-retirement expenses but have not really started.
- **26%** of the people have actually started.

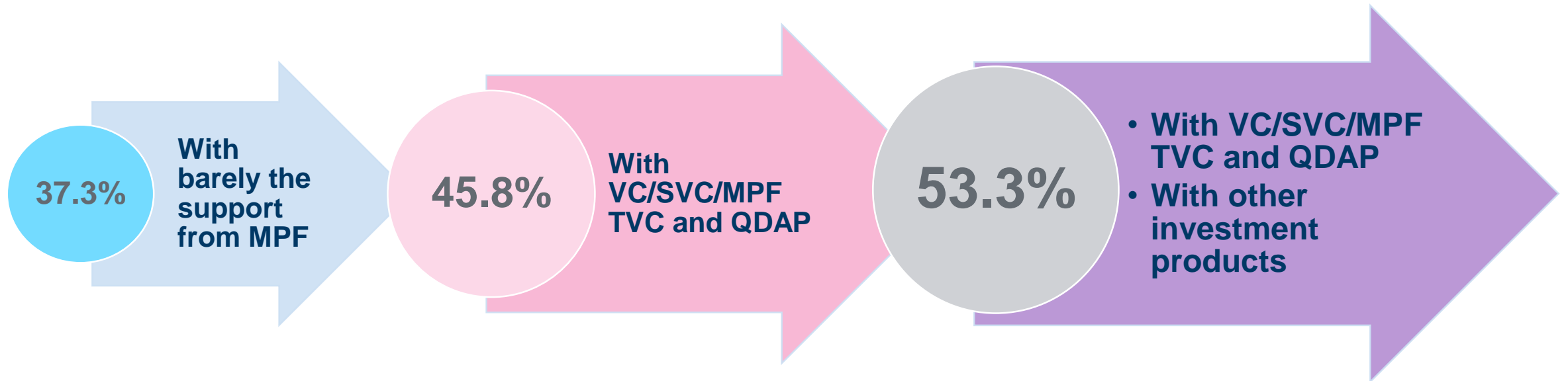
Investment preference

For those who have started planning for post-retirement expenses

- Most people choose to buy investment products (91%).
- Stocks (77%), Bonds (45%) and Funds (43%) being the top 3 choices.



Coverage of post-retirement expenses



- Voluntary Contribution (VC)
- Special Voluntary Contribution (SVC)
- Tax Deductible Voluntary Contribution in MPF (TVC)
- Qualifying Deferred Annuity Policy from insurance companies

MPF TVC/QDAP/VC and SVC



- Averagely year contribution in HKD



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Speaker for Part II



Ms. Adeline Tan

Wealth Business Leader
Mercer HK



REITS in retirement funds and in the MPF

August 2021

Adeline Tan
Wealth Business Leader, Hong Kong

welcome to brighter



REITs in Retirement Funds

A brief overview and recent news

Recent approval of REITs in MPF

- Hong Kong's Mandatory Provident Fund Schemes Authority (MPFA) has recently relaxed regulations for REITs to be offered in the Hong Kong MPF
 - The **10% aggregate investment cap on Hong Kong REITs was removed with effect from May 2020** (i.e. MPF funds may invest 100% in Hong Kong REITs)
 - **REITs listed in Canada, France, Japan, Singapore or the Netherlands are restricted to a maximum of 10% of the assets of MPF funds**



Source: MPFA, SFC



Retirement funds in RoW	Allocation to direct property or REITs
Nest 2040 Retirement Fund (UK)	3.8% (30/06/21)
Nest Ethical Fund (UK)	8.4% (30/06/21)
Aviva My Future Focus Growth (UK)	7.7% (31/07/21)
Aviva My Future Focus Consolidation (UK)	1.9% (30/06/21)
Aon MySuper High Growth Portfolio (AU)	7.0% (30/06/20)
Mercer High Growth (AU)	7.4% (30/06/21)

Source: Nest, Trustnet, Aon & Mercer

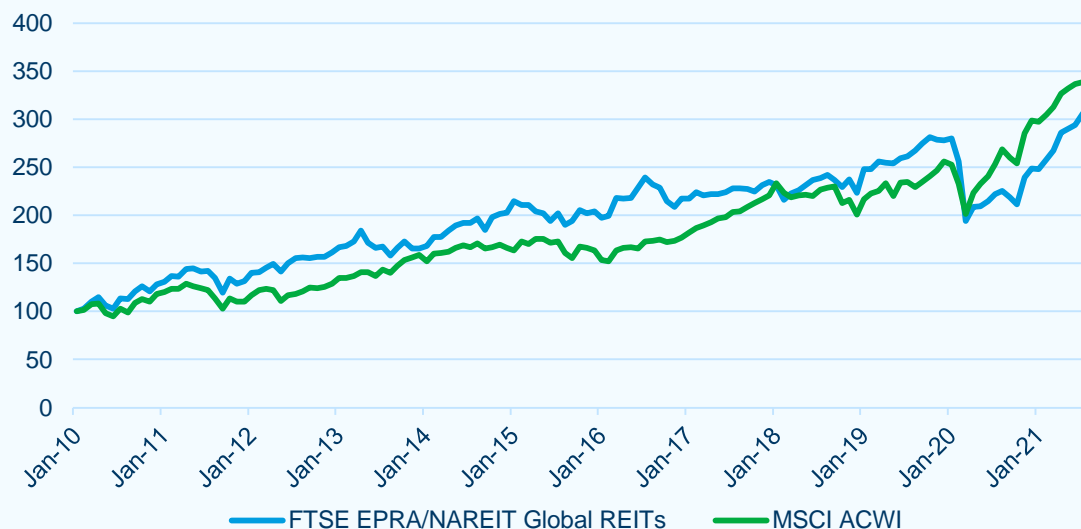
REITs and Equities – How do they differ?

	REITs 	Equities 
Nature	<ul style="list-style-type: none"> • Owns and operate properties to generate revenue • Must distribute at least 90% of taxable income to shareholders • Do not pay any corporate tax – “pass through” companies 	<ul style="list-style-type: none"> • Claims of ownership in a corporation • Discretionary dividends • Companies are required to pay corporate tax
Return Driver	<ul style="list-style-type: none"> • Primarily through rental income • Capital gains through property revaluation 	<ul style="list-style-type: none"> • Dividend yield • Earnings growth
Risk Driver	<ul style="list-style-type: none"> • Quality of the property portfolio • Quality of Management • Interest rate 	<ul style="list-style-type: none"> • Expectations of companies’ future earnings and perceived growth

Due to the ‘pass through’ nature of REITs, they tend to offer a higher dividend yield than property-related equity funds

REITs with Other Asset Classes

Global REITs vs Global Equities (Total Return)



	FTSE EPRA/NAREIT Global REITs		MSCI ACWI	
	Total Return	Standard Deviation	Total Return	Standard Deviation
1 year	37.80%	15.35%	33.75%	14.38%
3 year (p.a.)	8.60%	20.66%	14.27%	17.92%
5 year (p.a.)	5.06%	17.04%	14.39%	14.45%

Source: Mercer



Yield

Indices	Yield (As of July 2021)
S&P U.S. High Yield Corporate Bond Index	4.47%
FTSE EPRA/NAREIT Global REITs index	3.18%
Bloomberg Barclays Global Aggregate Bond Index	0.98%

Source: S&P Dow Jones Indices, State Street Global Advisors, FTSE Russell

Correlation with Global REITs

	FTSE EPRA/NAREIT Global REITs
NCREIF Property Index Total Return	0.12
MSCI ACWI	0.78

Source: Mercer

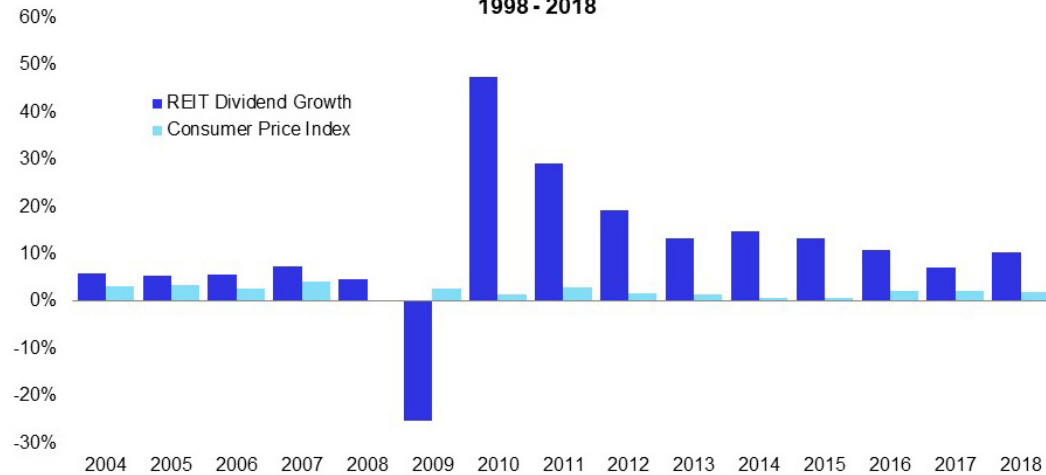
REITs are more correlated to the equity market than illiquid private properties, so it is important not to assume investment in REITs is the same as holding property

What MPF members should understand about REITs?

Inflation hedge and implications on the MPF market

Inflation Hedging Benefit

Chart 1: REIT Dividend Growth per Share vs. Consumer Price Index
1998 - 2018



Source: Nareit

- Real estate rents and values tend to increase when prices do
- In all but three of the last 20 years, REITs' dividend increases have outpaces inflation as measured by Consumer Price Index

REITs in the MPF market



- REITs are conceptually a suitable investment with its income stream, but we note that in MPF, the income is reinvested into the same REIT
- The recent approval of REITs will be welcomed by MPF managers and will contribute to development of MPF products

Hong Kong REITs outlook

Hong Kong REITs market

There are currently **11 REITs listed in Hong Kong** and the top 5 have an aggregate market cap of HKD217bn*

Underlying properties are all commercial buildings such as offices.

- Developments can be anticipated for China onshore REITs being offered through the Stock Connect, and therefore a permissible investment by MPF asset managers.

*Source: HKEX, data as at 1 Sep 2021

**Source: Bloomberg, data as at 1 Sep 2021

China REITs market

Recently, **9 new REITs were launched in China**

- Listed in Shenzhen: 4 and an aggregate market cap of CNY 14.6bn**
- Listed in Shanghai: 5 with an aggregate market cap of CNY17.7bn**

Underlying properties of these China REITs include China infrastructure assets like roads and sewage plants.



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Panel Discussion

Panelist



Mr. John LUI

Facilitator



Ms. Mandy CHAN

Panelist



Mr. Andy YEUNG

Chief Investment Strategist
Sun Life Asset Management (HK) Limited

Senior Consultant of the Wealth Business
Mercer HK

Head of Pension Sales and Servicing, Pensions
HSBC



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Closing Remarks



Ms. Doreen Siu

Member of Executive Committee, HKRSA
Human Resources General Manager, MTR Corporation



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We are glad to have you joining this webinar and would like to collect your opinion for improving our upcoming events.

Evaluation form to be sent via email to you.
Please complete and return to us.

<https://surveyhero.com/c/kreqcfa9>

No personal data including email address will be collected by us for this evaluation





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Webinar Series of retirehk.com: Investment Journey for Life 2.0



15 September, 2021



Topic: Multi-asset funds – One-stop retirement solution

13 October, 2021

Topic: Goal-based investment – achieving your life goals

15 November, 2021

Topic: Greater Bay Area – what it means for your retirement?

Please stay tuned!



退休的迷思

未來 總是未知... 未知 要如何計劃... 計劃 應何時開始...

投資有道生活2.0系列

當生活2.0代表你人生工作的部份，你退休來的日子就升級為生活2.0。

要退休後生活無憂，精明理財非常重要。退休的旅程一旦展開，退休的同時，也應考慮利用已累積的財富開拓新收入來源，究竟如何善用穩著投資，退休才可以安枕無憂？

網絡研討會內容
多元資產基金 一站式退休方案

詳情
網絡研討會平台：Zoom (確認報名的參加者將在講座前一天或之前經電郵收到登入連結)
日期及時間：2021年9月15日 (星期三) 中午12:00 - 下午1:00
對象：5-10年內退休人士
語言：廣東話
費用：全免

投資市場瞬息萬變，在疫情的陰霾下，各國的量化寬鬆政策導致海量的資金遊走於各資產類別，與其投資特定資產項目，退休人士更可考慮多元資產入息基金，資產升值的同時亦都可以享有固定入息。

多元資產基金經理擁有對廣闊資產類別的豐富投資經驗，可以因應市場趨勢，在既定的可承受風險下，在不同資產類別之間作出調配，不受制於指定區域或個別資產，免卻退休人士換股。

講者會分享為何多元資產基金可以作為退休投資的一個選項。

主持：何淑明女士 香港退休計劃協會 主席
嘉賓講者：周文輝先生 富蘭克林鄧普頓投資方案團隊 副總裁、基金經理
李澤麟先生 BCT銀聯集團 首席業務總監

每次網絡研討會的參與者，當中8位將有機會獲得4堂免費儲蓄課程，**萬勿錯過！** 好好準備強健體魄，迎接精彩退休人生。

報名：按此
查詢：2147-0090 或 events@hkrsa.org.hk

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Stay tuned to our next Webinar on 7 Oct

Topic: Sustainable Retirement Income Solution



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Thank you!



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