

CIO Series - Episode 1:

Seeking Yield in a Low Return Environment



In the inaugural HKRSA's CIO Series, held on February 2, 2018, Alan Liu, Head of Treasury for the Hong Kong Housing Society (HKHS or the Society) addressed association members. During

an hour long discussion he discussed issues relating to the management of the 70-year old institution's assets and shared his views on current market conditions.

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The Hong Kong Retirement Schemes Association (HKRSA) was established in 1996 to promote the interests and best practices of retirement schemes in Hong Kong including provident and pooled retirement funds. The HKRSA is a not-for-profit, non-political association, which represents retirement schemes and their members, providing a forum for discussion of issues of current and topical interest.



Explaining the structure of the investment committee, Mr. Liu noted that his role is to represent management and to propose investment ideas to the external committee members. The investment committee is then tasked with presenting the ideas they endorse to the executive committee consisting of the Society's board of directors for formal approval. He also explained how the institution's funds, currently amounting to around US\$5 billion are divided into short, medium and long-term portfolios, all of which have different objectives.

The objective of the HKHS in the long-term, he said, is to ensure that its estates are maintained and redeveloped by achieving a rate of return in excess of the Hong Kong building industry's inflation, which in good times is well over the Hong Kong CPI.

Employing a team of external fund managers, fixed income investment is based largely around the Barclays Global Aggregate benchmark, but looking forward he believes that asset owners and fund managers should be thinking more about what this benchmark is made up of, particularly in the event that China gets into the benchmark and whether

or not the fund managers are equipped to select Chinese credits.

Opening up to the floor, Mr. Liu shared his opinions in a Q&A session. He believes that the Society should be investing more in alternatives. However, he acknowledged that change does take time. While the Society does have a 10% allocation to hedge funds, he noted that it took close to a decade to increase the initial allocation from 5%, noting that the Society may benefit from being more progressive.

Asked how he determines how much money should be assigned to any one manager, he said it was dependent on a number of issues, not least being able to understand the strategic allocation of a particular asset and the investment vehicle. The starting point he noted was usually 5-10%, which he prefers to divide between at least two managers in order to encourage competition and transparency. On the objectives for returns, Mr. Liu noted that there is a return target for each fund pool, which is projected annually based on the Society's strategic allocation and included in the budget: 3% over the next five years for its medium-term portfolio and 6% for the long-term portfolio.

The session concluded with Mr. Liu acknowledging the Society's framework and his obligation to report monthly returns to the Board, as well providing a 3-year analysis within the Board report to keep things running smoothly.



CIO Series - Episode 2:

How are you going to pay for your retirement?



Mr. Jacob Tsang, Former Director of Group Treasury, Hong Kong Jockey Club (HKJC or the Club) kindly agreed to join as the guest CIO for the 2nd of our CIO series on 12 April 2018. Jacob shared his insights on the evolution of Investment Management at HKJC over the past 20 years which have shifted from a pure reporting & controlling type accounting function into a more strategic, facilitative and proactive investment management role within the Club. As a market practitioner with over 20 years tenure at the Club, he was the key driver in steering the Club's endowment portfolio from a plain vanilla style investments into a well-diversified global portfolio which grew from USD2bn (with 2 asset classes) to USD10bn (with 10 asset classes). It is important that the portfolio has the necessary resources and capabilities (either internally or externally) to understand the risks and to monitor the performance of a wider range of asset classes and asset allocation.

A few key takeaways include:

- “Be mindful of the risk of Private Equity, ensure your investment horizon is long enough to ride through the market cycles!” and “Bring your laptop on holidays to ensure you can fulfill the unexpected capital call requirements!”
- “Asset allocation drives 99% of investment returns.”
- “Income is important for retirees so floating rate notes may work well for this purpose.”
- “Take more risks when you are young!”

Special thanks to Elvin Tharm from Mercer who moderated this session.

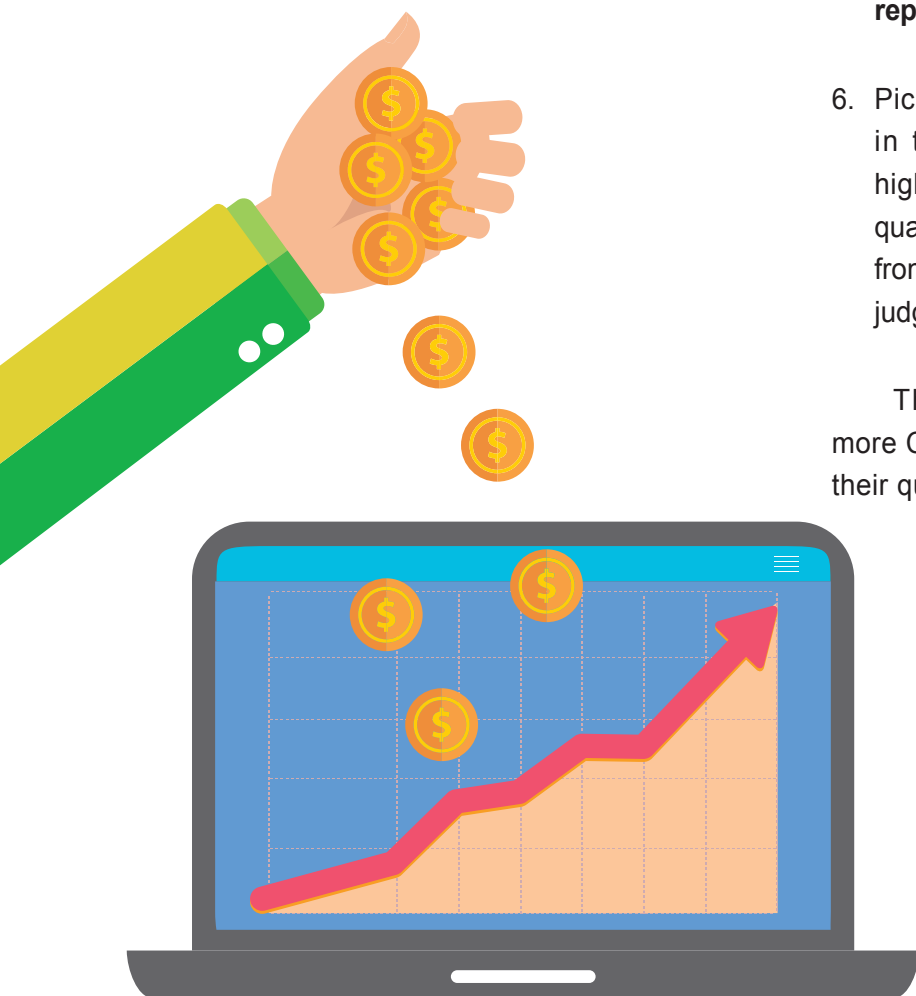
Additional Investment Philosophies Shared:

1. **Long-term investors outperform short term investors.**
2. Multi-asset portfolios continue to reap benefits from diversification. However, being able to look through the asset classes into 'risk betas' is critical to ensuring true diversification.
3. **Formulating an appropriate risk budget based on return targets and sticking to it will deliver the best results over the long-term.**
4. Extreme market environments occasionally provide tactical asset allocation opportunities that can enhance returns.



5. **A large proportion of asset managers do not justify their fees as their returns can be replicated with low cost passive instruments.**
6. Picking active managers that can outperform in the future requires deep research by a highly specialised team who conduct rigorous quantitative analysis to understand if returns are from manager skill or just market exposure; and judgment on whether this skill is sustainable.

The HKRSA looks forward to welcoming more CIOs to address its members and to discuss their questions and concerns.



Calling for Good MPF Employers in 2017-18!

The Good MPF Employer Award 2017-18 (GMEA), organized by the Mandatory Provident Fund Schemes Authority (MPFA), is inviting applications. If your company fulfils the requirements of a Good MPF Employer, please fill in the application form by 30 June and seize the chance to be publicly recognized as a Good MPF Employer!

You can submit your application form online on MPFA's Good MPF Employers Award website. You can also submit the form by email, fax or post, or in person.

In 2015, the MPFA launched the Good MPF Employer Award to promote and foster employers' compliance with MPF legislation; encourage employers to provide better retirement benefits for their employees; and recognize employers who are exemplary in enhancing the retirement benefits of their employees. In the first year, 654 organizations received the Award. In 2016-17, 879 received it.

For more information including the eligibility criteria, please browse the GMEA thematic website at:

<http://www.mpfa.org.hk/tch/goodMPFemployer/main/>



Mandatory Provident Fund Schemes Authority

Hotline: 2918 0102

Website: www.mpfa.org.hk



Upcoming HKRSA event

CIO Series — Episode 3

12 July 2018 **Mercer Office**

HKRSA Seminar

Mid-September

10th Cross Straits Forum

25 October 2018 **Conrad Hong Kong**

Upcoming external events

Infrastructure Conference 2018: The Path to a Green Belt and Road

29 June 2018 **Hong Kong Convention and Exhibition Centre**

10th HKIB Banking Conference

27 September 2018 **Hong Kong Convention and Exhibition Centre**

Members who are interested in the external events can register with the respective organisers. More details to the above events can be found in HKRSA's website.

Produced by the Member Communication Sub-committee

首席投資官講座系列 • 第一場：

在低回報環境下獲利



在 2018 年 2 月 2 日舉行的第一場香港退休計劃協會首席投資官講座，香港房屋協會（房協）的庫務主管廖志崙先生向協會會員發

表了講話。在大約一小時的討論中，他討論了關於這個具有七十年歷史機構的資產管理問題，並分享了他對目前市場環境的看法。

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但他指出，這是花了近十年時間才能由最初的 5% 增加至這個數字，如果房協能更為進取，將會受惠更多。

被問及他如何界定應向投資經理分派多少投資資金，他表示這要視乎幾個問題，尤其是要理解特定資產和投資工具的戰略分配。他指開始時通常是 5-10%，建議分給至少兩名投資經理以鼓勵競爭和增加透明度。至於回報方面，廖先生指每個基金池都有一個回報目標，根據房協的戰略分配每年進行預測並列入預算：未來五年中期投資組合為 3%，長期投資組合則為 6%。

在講座尾聲，廖先生講解了房協的框架和他向董事局的每月匯報，以及在董事局報告中提供 3 年分析，使管理得以順利進行。

即使在本港建築業的通脹遠超過本港消費物價指數的情況下，仍能獲得超額回報，使其轄下的屋邨得以進行維修和重建。

房協的投資團隊聘用了外部投資經理，而大部分債券投資均以 Barclays Global Aggregate 為基準。然而，展望將來，他認為資產所有者和投資經理應更多地考慮這些基準是以甚麼組成的，特別是在中國加入基準，以及投資經理是否有能力選擇中國信貸等情況。

在問答環節中，廖先生也發表了他的見解。他認為房協應更多地投資於另類投資。然而，他承認改變是需要時間的。雖然房協有 10% 分配予對沖基金，



首席投資官講座系列 • 第二場： 如何支付你的退休金？



我們很榮幸得到馬會庫務部前總監曾翀先生成為於 2018 年 4 月 12 日舉行的第二場首席投資官講座的嘉賓。曾先生分享了他對馬會投資管理二十年來的演變的見解，而此演變是由純粹的匯報和控制類型的會計功能，演變為馬會內一個更具戰略性、推動性和積極性的投資管理角色。超過二十年來作為馬會的市場從業員，他是將馬會的捐贈組合從簡單的傳統投資風格變為多元化的全球投資組合的主要推動者，令該投資組合從二十億美元（擁有兩個資產類別）增加到一百億美元（擁有十個資產類別）。重要的是，該計劃具有必要的資源和能力（內部或外部）以了解風險，並監控廣泛的資產類別和資產分配的表現。

重點包括：

- 留意私募股權基金的風險，確保你的投資期限足以渡過市場周期，以及放假時也要攜帶手提電腦，確保你可以滿足突如其來的注資通知要求！
- 資產分配帶動 99% 的投資回報！
- 收入對退休人士來說非常重要，所以浮息票據可能適用於這個目的！
- 年輕時不妨冒更多風險！

特別鳴謝主持講座美世的譚旭耀。

2017-18 年度「積金好僱主」大召集！

強制性公積金計劃管理局（積金局）2017-18 年度「積金好僱主」嘉許計劃已經接受申請。各位好老闆如欲成為「積金好僱主」，請於今年 6 月 30 日前在積金局網站的「積金好僱主」專頁填寫電子表格及遞交，此外亦可透過電郵、傳真、郵寄或親身遞交至積金局。

自 2015 年起，積金局舉辦「積金好僱主」

嘉許計劃，旨在促進僱主履行強積金責任，並鼓勵他們為僱員提供更好的退休福利，同時表揚致力保障及加強僱員退休福利的模範僱主。獲嘉許的公司／機構由首屆有 654 間，增至上屆的 879 間。

詳細嘉許資格等資料，請參閱「積金好僱主」專頁 <http://www.mpfa.org.hk/tch/goodMPFEmployer/main/>。



強制性公積金計劃管理局

熱線：2918 0102

www.mpfa.org.hk



香港退休計劃協會即將舉行的活動

投資總監系列 (CIO series)

2018 年 7 月 12 日，美世諮詢辦公室

香港退休計劃協會研討會

2018 年 9 月

2018 年度「兩岸四地養老保險與退休基金制度管理研討會」

2018 年 10 月 25 日，香港港麗酒店

即將舉行的其他外部活動

基建峰會：邁向綠色一帶一路

2018 年 1 月 15 至 16 日，香港會議展覽中心

香港銀行家峰會

2018 年 9 月 27 日，香港會議展覽中心

會員如欲參與，可向各主辦機構登記。上述活動詳情載於本會網站。

由成員通訊小組委員會編制