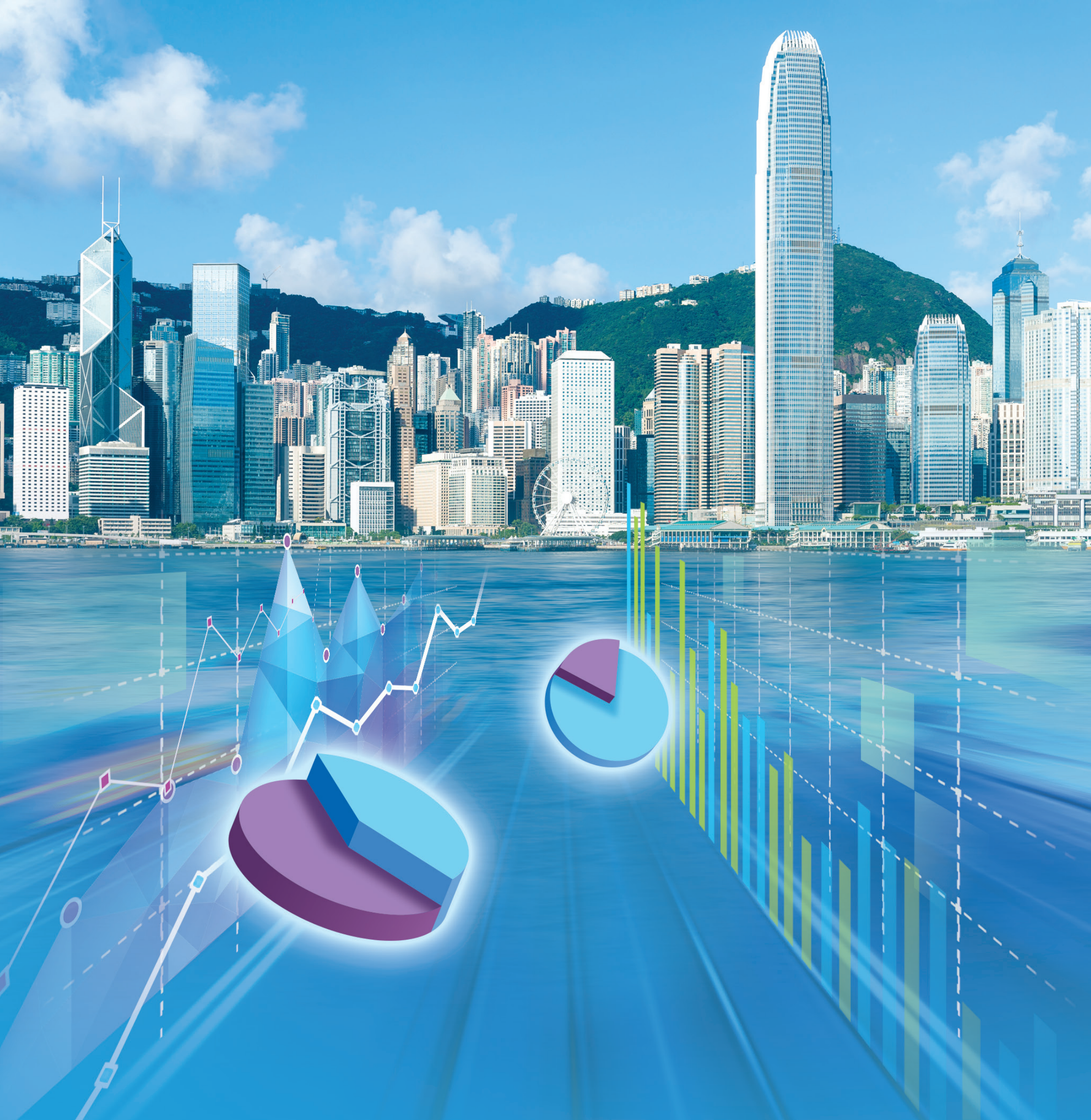
強積金 MPF

預設投資 DIS

MANDATORY PROVIDENT FUND
SCHEMES AUTHORITY

A New MPF Choice
A New Way Forward



The Default Investment Strategy (DIS) represents a major reform of the Mandatory Provident Fund (MPF) System. It aims to provide scheme members with better retirement protection. The DIS standardizes the default arrangements among all MPF schemes, and also addresses concerns about the high fee levels of MPF funds and scheme members' difficulties in making fund choices.

If, for any reasons, scheme members do not give their trustees any investment instructions for their MPF benefits (for example, because they do not know how to or are not interested), their MPF benefits will be invested automatically according to the DIS. Scheme members can also choose to invest their MPF benefits either according to the DIS or in the two individual funds under the DIS.

The design of the DIS

All MPF schemes are required by law to offer the DIS. Like other MPF funds, DIS funds are managed by investment managers appointed by the trustees. The DIS:

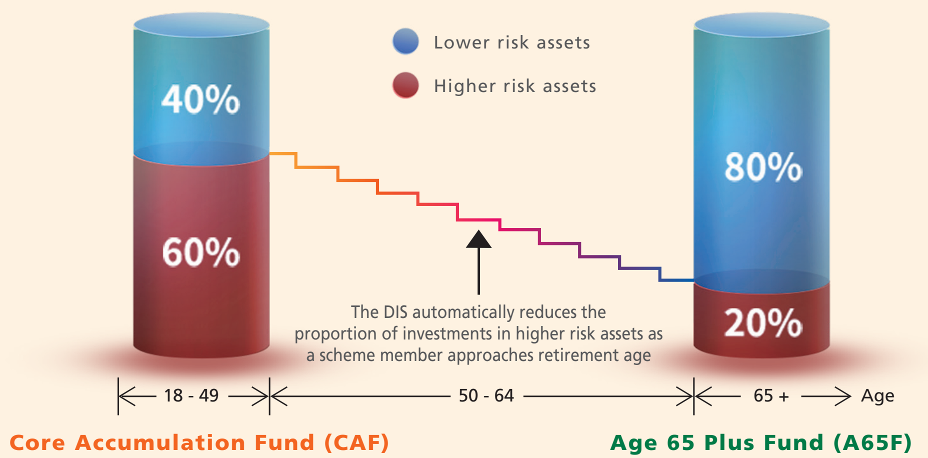
Is 1 Ready-made Investment Solution

The DIS is primarily designed for scheme members who do not choose MPF funds. It helps these scheme members manage their retirement savings over a period of several decades by providing them with a ready-made investment solution. The DIS will invest MPF benefits in different asset classes according to a pre-set proportion automatically so that scheme members do not need to worry about adjusting their MPF investment portfolios themselves. Other scheme members can also choose to invest according to the DIS.

Uses 2 Mixed Assets Funds

The DIS is made up of the Core Accumulation Fund (CAF) and the Age 65 Plus Fund (A65F).

- **CAF:** about 60% of the assets of the fund is invested in higher risk assets (mainly global equities), and the rest in lower risk assets (mainly global bonds).
- **A65F:** about 20% of the assets of the fund is invested in higher risk assets (mainly global equities), and the rest in lower risk assets (mainly global bonds).



Has 3 Key Features

Feature 1 Automatic reduction of investment risk as members approach retirement age (Automatic de-risking)

- **Below age 50:** All MPF benefits in a scheme member's account are invested in the CAF.
- **From age 50 to age 64:** Once a scheme member turns 50, the trustee will automatically reduce the scheme member's investments in the CAF while increasing those in the A65F on a yearly basis. Each year the proportion of the CAF in the scheme member's investment portfolio will be automatically reduced by approximately 6.7%. In other words, the scheme member's investments in higher risk assets are reduced gradually as the scheme member increases in age. The last automatic de-risking will be carried out when the scheme member reaches the age of 64.
- **After age 64:** All MPF benefits in the scheme member's account will be invested in the A65F.

The automatic de-risking strategy can help reduce the impact of large market fluctuations on a scheme member's MPF investments as the scheme member approaches retirement age.

Feature 2 Fee caps set at 0.95% (and it will be further reduced to 0.85% after individual trustees and schemes have onboarded the eMPF Platform)

- **Management fees:** not more than 0.75% per annum of the net asset value of the fund (calculated on a daily basis).
- **Recurrent out-of-pocket expenses:** not more than 0.2% per annum of the net asset value of the fund (and it will be further reduced to 0.1% after individual trustees and schemes have onboarded the eMPF Platform).

When fees are lower, then a fund's net returns will improve, all other factors remain unchanged.

Feature 3 Global investment for risk diversification

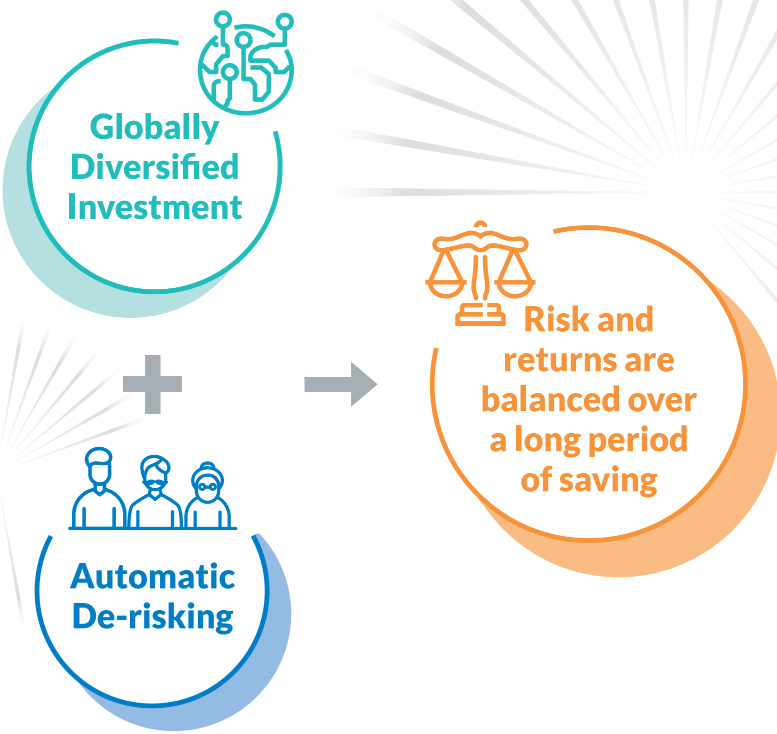
- The CAF and the A65F are mixed assets funds. Both funds invest globally in different markets and in different asset classes (e.g. equities, bonds, money market instruments).

The globally diversified approach of asset allocation in different markets and in different asset classes can help diversify investment risks.

Risks and Returns of the DIS

Like other investments, investing according to the DIS also involves investment risks, and returns are not guaranteed. In addition, although all the DIS under the MPF schemes adopt similar investment objectives, they may not deliver similar investment returns. This is because of differences in their approaches to asset allocation, and in the investment holdings and markets they invest in.

However, the diversified approach to asset allocation and the automatic de-risking strategy adopted by the DIS can help reduce investment risks over a long MPF contribution period. Scheme members should read the MPF Scheme Brochures carefully to learn more about the investment risks and the potential returns associated with the DIS under individual schemes.



Selecting the DIS

Scheme members can choose different investment portfolios for each of their MPF accounts. If scheme members consider that the DIS or the funds under the DIS suit their needs, they can choose to invest their MPF benefits:

1. Entirely according to the DIS; or
2. Entirely in one or more MPF funds (including the CAF, the A65F and other funds); or
3. In a combination of the DIS and other MPF funds (the availability of this option is subject to the governing rules of the respective MPF schemes; please contact the trustees for details).

Please note: If scheme members invest in the CAF and/or the A65F as standalone investments, rather than as part of the DIS, their investments in these two funds will still benefit from the fee caps and the globally diversified approach, but the automatic de-risking will not apply to these investments.

Scheme members should consider their personal needs and risk tolerance level before making a choice.

A reminder for scheme members who have left a job but have not managed their MPF

Trustees are required by law to open an MPF personal account automatically for scheme members who leave a job but do not give instruction on how to handle their MPF benefits, and do not have a personal account under the same MPF scheme. Scheme members, therefore, usually have not given any investment instructions for these automatically opened personal accounts.

In these cases, the MPF benefits in these personal accounts will be handled as follows:

1 **Accrued** MPF benefits

Any MPF benefits accrued from previous employment and transferred to the scheme member's personal account will continue to be invested in the same fund(s) they are already invested in. These MPF benefits will not be invested according to the DIS.

2 **Future** MPF benefits

Any future MPF benefits* put into that personal account will be invested according to the DIS.

Scheme members should contact their trustees to check whether they have previously given any investment instructions for that new personal account. Scheme members who do not want to invest their MPF benefits according to the DIS should give their trustees investment instructions when they put any MPF benefits into a personal account. Please contact the trustees to find out more about the relevant procedures.

*Subject to some specific exceptions under the law, such as MPF benefits transferred from another account under the same scheme.

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More on the DIS

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