Feedback to
MPF Core Fund Consultation Paper
Submitted on 30 September 2014

While seeing no particular relevance of the standard consultation questionnaire set out on the MPFA website, I furnish below views from a standpoint of MPF member since 2001.

1. Fee
Whether confined to 0.75% annual fee for core fund is not a concern. If they return, like the mainland money funds (理财产品), 7%-12% pa, I won't mind giving out one to two percent of annual fee. Limiting the fee income of intermediaries will suffocate their interests in competing in the market, like the MPF vs unit trust fund markets at present.

2. Passive management
Core fund should track index, bond yields, bank saving rates, etc in a passive manner. For aggressive investors, they should have opted for European equity funds in 2013 and Japanese equity fund in 2012. Core funds anyway are not their cup of tea.

3. Cash holding
Core fund should allow for retaining a higher percentage of cash, or such cash-like instruments as Certificate of Deposit, Exchange Fund Note, bank deposit, etc. Investors of risk averse therefore will not be "forced" to participate in volatile markets not of their wills. Or even investors are allowed to devise their own ideal portion of cash holding in the core fund.

4. Fund's swapping out
Unlike some guaranteed funds operated now by some intermediaries (eg AXA MPF), swapping out from the fund should not be subject to any mandatory rate of deduction, currently set at 5% the highest).

5. Performance tracking
Current intermediaries cunningly use various benchmark to compare their funds, of course to their own interest of boosting up performance and/or concealing poor performance. Core fund should track money market instruments such as EFN, short-term bond yields, HIBOR of one year to three years tenures. Defined benchmark should be used.

6. Breakdowns
Core fund should have limits in their portfolio holdings by geographical markets, currency and instruments held. Such information should be disclosed as updated as the past immediate month.

7. Disclosure timeliness
One of the fatal structures of current MPFs is that all information released, including but not limited to statements, fund literature, manager comments, benchmark performances, are dated. Some annual statements will only have them printed two months after and mailed out to members nearly three months after the cut-off month. Fund literatures are of four months ago, like English literature. This is a great nonsense in the volatile markets of far shorter "long-term".

8. Administration
Given the capabilities of MPFA seen over the past decades, I have serious doubt whether any authorities could manage and administer the core fund. I am inclined that the core fund is managed by existing intermediaries, if they are interested (compared to retail unit trust funds, mutual funds, private investment funds, the whole MPFs appeal just as peanuts to them!).

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