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## Media Release

### **2012 Survey on Member Behaviour in time of MPF Employee Choice Arrangement MPF Review and Market Outlook**

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#### **MPF ECA Soon in Commence and Survey Result Shows that People's Confidence Level to MPF Remained Low**

- Over sixty percent of the interviewees were not clear about which part of their assets became transferrable in MPF ECA times
- Half (51%) of Interviewed will not change schemes after implementation of ECA, "Afraid that it would be too much trouble" was the most common answer composed 29%
- 38% considered to or would transfer to other scheme after ECA implementation
- Confidence level to retirement protection from MPF was low, 28% voted 5 and 0-4 points comprised to 56% (rate scale from 0 to 10, from no confidence to 100% confident)

#### **MPF Overall Average YTD Percentage Growth Return at Positive rate of 5.13%**

- As of 31 July 2012, Equity Fund tops in year to date returns among all MPF fund categories at 5.85%
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**Hong Kong, 7 August 2012 – Gain Miles MPF Consultants Limited** is pleased to announce findings of 2012 Survey on Member Behaviour in time of MPF Employee Choice Arrangement (ECA) independently conducted by **The Public Opinion Programme (POP) at the University of Hong Kong** in the period of July 6 to 20, 2012. We aimed to collect views and expectation of MPF Members to the soon commenced MPF ECA, 1005 MPF Members, aged 18-65, were successfully interviewed. Results showed that MPF members still have doubts in protections to be brought by MPF and they may not be motivated to more active MPF management when ECA in commence though public acceptance is high.

**ECA Implementation May Not be a Positive Drive to Improve Employees' Attitude to MPF.** It was one of the two main purposes of MPFA's Introduction of the MPF Employee Choice Arrangement so as to encourage more active employee MPF management by enabling employees to enjoy greater autonomy of choice. Survey results shows that over sixty percent of the interviewees were not clear about which part of their assets became transferrable in MPF ECA times, 36% of them said that they have no idea and 30% picked the wrong answer and thought that employer's accrued benefits could be one of their choice. There are 11% indicated a confirmed intension of scheme transfer when MPF ECA is implemented whereas 51% of them will not do that and the top three reasons were "it's too much trouble", "there is no reason to change" and "I am satisfied to the current employer provided scheme". "Not clear and don't know were the most commonly seen answers in our past surveys and research projects when we asked employees about MPF, though it has been implemented for over ten years. We do not think that Hong Kong employees are ignorant, these past results were indeed valuable data for us to understand them more and these type of answers are good indicator of their attitude and lack of interests to MPF" Gloria Siu, the Chief Executive of Gain Miles MPF Consultants Limited shared, "We do encourage employees to use MPF ECA as an opportunity to invest time, interest and efforts to understand

MPF more in order to build a better performance retirement portfolio through MPF. The average per member asset has grown to 160,000 Hong Kong dollars in eleven and a half years time they like it or not, it turns to sizable cash to most general employees and it has potential to be much greater if proper and actively managed”.

**Result Shows High Expectations to MPF and More Matured Members Investment Behaviour Observed.** Survey also asked MPF members of their scheme selection criteria, top three in order are Fees & Charges, Own Investment and Risk Taking and Past Performance of Trustee. Compared to Gain Miles MPF’s year 2000 Employer Survey on similar questions, the most important selection criteria was also Fees & Charges, Past Performance came in second, Trustee Reputation and Management Experience were on third place. Benefited and experienced waves of global financial crisis, continuous education and emphasis on fees, members are more matured and rational, understand the importance to evaluate fees and their own needs before going further to select suitable schemes or providers.

70% of interviewed members want to have control on buy/sell timing and pricing. Members should be more familiar with the differences of stock trades and fund investment, on their nature and procedures. MPF funds are trade on forward pricings meaning it cannot be timed like stocks as no price can be fixed for buy or sell. Moreover, MPF members may need to adjust their expectation when transfer between schemes in times of MPF ECA because it would be much longer and complicated than fund transfers they most experienced. According to MPFA ECA education, it normally takes six to eight weeks to complete the transfer process, MPF members should prepare to expectation gaps and be patient by understanding more the system and operation mechanism of MPF. To ensure smooth start of ECA therefore, education of all sources should also be continued by the government, employer, provider and the intermediaries.

**Low Confidence to MPF Retirement Protection.** The average scoring results of the question to interviewees about their confidence to the protection brought by MPF is low at 3.7. 28% rated 5 and 56% comprised 0-4 points while point-0 represents no confidence and point-10 refers to 100% confident. “The contrast of low confidence level and reasonable investment concepts indicates again the low interest of members to MPF or it’s long term effect, the ability to protect them in times of retirement” says Gloria, it is slightly improved to a similar question when we asked employees about the confidence to MPF when it just started in year 2001, there were nearly 90% gave 5 or below points, though slow, there has been progress”. MPF implemented for the purposes to save for retirement through long term investment and management, it may take even longer for stock pricing sensitive Hong Kong people to adapt and accept, though it has been in forced for nearly 12 years. It has an aggregate value of nearly 400,000 million Hong Kong dollars as of July 2012, it is not a small number accumulated, bit by bit, time by time. If every member takes more effort to know and manage with more positive attitude, we are quite confident that MPF results better than today.

The MPF ECA era is expected to be blooming in all means in the industry since November 2012. MPF Trustees can consult ideas and suggestions more from members while standardizing and simplifying the procedures in order to make room for lower fees and charges and more satisfying members with greater interests to manage their own personal accounts. It’s the start of managing one’s personal retirement with choice, members should be more active by learning more about MPF ECA. Employers, experienced nearly 12 years of scheme and fund selection, can share their pros and cons to their employees by continuous education and enquiry support while serving employees with quality and improving image of caring employers. The MPF market will be more sophisticated in terms choice and investment complexity in time and due to market demands, there are more than 500 approved funds, 40 schemes and 19 trustees for choice and there will be more,

funds most likely, role of intermediaries, or retirement/ financial advisors more precisely can be a trend of services give a wide picture of MPF with quality to members in the coming time. The government suspended ECA in year 2010 seeing the trend and need for greater and more stringent regulation and education to all existing and future MPF intermediaries; members can now choose their area of strength by registration types of intermediaries to serve their different needs.

### MPF Performance and Market Outlook

MPF marked 45.44% since launch accumulative percentage growth market average return as of 31 July, 2012. The year to date (YTD) percentage return is also positive, at 5.13% and Equity Fund category topped at 5.85% among all fund categories in July 2012, followed by Balanced Fund at 4.72% and Bond Fund at 2.69% performed at the third place. "MPF ECA may involve lump sum transfer if employees opt to change scheme or providers, percentage returns would be more useful and be comparable reference to them than dollar cost of averaging they used to evaluate their portfolio performance of monthly contributing MPF account" Stanley Tsang, the Assistant General Manager, Head of Individual Business of Gain Miles Financial Planning Consultants Limited explained.

Table 1 – 2012 YTD MPF Top and Bottom Ten Funds as of 31 July 2012 (sort by percentage growth returns)

Fund Name	Fund Class	YTD % Growth Return	Rank
<b>Top 10</b>			
Manulife GS MPF Healthcare	Other Funds	13.88	1
Principal 800 Asian Eq D	Asian Ex Japan Equity	12.78	2
BCOM Asian Dynamic Equity CF	Asian Ex Japan Equity	12.29	3
Haitong Asia Pacific (ex-HK) A	Asian ex Japan ex HK Equity	11.86	4
Mass MPF Asian Pacific Equity	Asian Ex Japan Equity	11.5	5
BCT (Pro) Asian Equity Fund	Asian Ex Japan Equity	10.55	6
SCB MPF Ad-Schroder Asia	Asian Ex Japan Equity	10.45	7
BCT (Industry) Asian Equity Fund	Asian Ex Japan Equity	10.39	8
My Choice Hong Kong Tracking Provident	Hong Kong Equity	10.17	9
Schroder MPF Asian	Asian Ex Japan Equity	10.16	10
<b>Bottom Ten</b>			
AIA MPF - SVC Eurasia	Other Funds	-5.45	417
China Life Hong Kong Equity	Hong Kong Equity	-2.03	416
AIA MPF - SVC World	Global Equity	-1.94	415
Manulife GS MPF China Value	Greater China Equity	-1.74	414
Manulife GS MPF Japan Eq	Japanese Equity	-1.71	413
BOC-Pru Easy Choice Ch Eq HKD	Greater China Equity	-0.87	412
Hang Seng MPF-ValueChoice- HS H Idx Trck	Greater China Equity	-0.27	410
HSBC MPF-ValueChoice- HS H Index Trck	Greater China Equity	-0.27	410
BOC-Pru Easy Choice JP Eq	Japanese Equity	-0.02	409
SCB MPF Ad MPF Conservative	MPF Conservative Fund	-0.02	408

**2H 2012 Market Outlooks**, the global market performance may vary considerably among regions. *US (Outlook – Neutral)* - Although US corporate earnings continue to improve, growth for Q2 may not as strong as previous quarters. QEIII is less likely to be implemented this year unless unemployment worsen drastically. Presidential election by year end may suppress investment sentiment.

*Europe (Outlook – Negative)* - Growth in Euro Zone is still negative, even currently for Germany. Concrete solution for sovereign bonds takes very time to reach Severe budget cuts limit governments to boost economy by spending.

*Asia Pacific ex Japan (Outlook – Slightly Positive)* - Situations are mixed and segmented but mainly focused on the following issues of each country in the region: export/currencies, corporate earnings, inflation, interest rate, overall valuation highly depend on global risk appetite and liquidity.

Therefore, diversification is important in order to lower single country risk in the region.

*Hong Kong (Outlook – Slightly Positive)* - Highly affected by global issues; Local corporate earnings will still maintain high but scandals in various compliance and corporate governance issues affect sentiments in particular industries. Over-optimistic and over-pessimistic sentiment may impact stock market alternatively and thus volatility will be high. Liquidity in and out of the market will further enhance unpredictability. Lower interest rate / inflation in China will have positive effects in lowering inflation in HK. Valuation is near historical low in terms of dividend yield and Price/Earnings. However, political instability may hinder any revaluation before year end.

*Sovereign & Corporate Bonds* - Risk adverse sentiment push high-rated sovereign bond prices like US, Germany and Japan to historical high. Due to the interest rate difference between US and Asian countries, bond yields in Asian bond are more attractive. Assuming limited corporate default risk and continuous diminishing credit spread between high yield bonds and medium-term Treasury Bonds, High Yield Bonds will also be attractive considering current risk/return.

## Conclusion

“The long waited MPF Employee Choice Arrangement will be in commence in November 2012. After the launch of ECA, employees will be allowed to transfer their accrued benefits to an MPF trustee and scheme once a year of their own choice. It is the responsibility of the regulators, trustees, services providers, intermediaries and employers to help improve the confidence level of employees and members to MPF through continuous education and adjustments” Gloria concludes.

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## About Gain Miles

Over 30 years' experience in the pensions industry, Gain Miles is one of Hong Kong's most trusted independent MPF advisors. As a market-leading MPF specialist, we aim to deliver professional analysis, in-depth market knowledge and centered-around advice. Gain Miles has been committed to MPF healthy development in Hong Kong, by forming HR Task Group and MPF Club to employers and employees, we helped to prepare the Hong Kong market for the launch of MPF since December 2000 – organizing hundreds of seminars and workshops to educate organization and their staff on the active management of Mandatory Provident Fund schemes. In addition to the independent advisory assisting our clients in choosing the right service providers and schemes, our effort has extended to online services aimed to facilitate our clients and their staff to self-manage their MPF account with ease.

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## NOTE:

- i. Source: The Public Opinion Programme (POP) at the University of Hong Kong, The Mandatory Provident Fund Scheme Authority, MorningStar, Gain Miles MPF Consultants Limited and Gain Miles Financial Planning Consultants Limited
- ii. All performances are data as of 31 July 2012
- iii. All performances and returns are percentage growth returns

*This document contains forward-looking statements that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. These forward-looking statements are, by their nature, subject to significant risks. When used in this document, the words “will”, “plan”, “should” and similar expressions are intended to identify forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. Actual results and events may differ materially from information contained in the forward-looking statements. Investment involves risks.*

*Past performance is for illustration only and is no guarantee of future returns.*