

Gain Miles MPF Market Investment Updates



Most regional equity funds turned negative in Sep. The overall MPF return turned negative as well.

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MPF Market Performance (Sep 2021)

Major		Equities		Mixed Assets		Fixed Income	
Composite	-3.0%	Japan	3.1%	DIS Age 65	-1.8%	RMB MM	0.1%
Equities	-4.4%	Asia (ex-Jp)	-3.2%	Dynamic Allocation	-2.2%	Conservative	0.0%
Mixed Assets	-3.0%	Global	-4.1%	20% - 40%	-2.3%	HK Money	-0.1%
Fixed Income	-0.5%	Greater China	-4.3%	40% - 60%	-2.7%	RMB Bond	-0.2%
		US	-4.7%	DIS Core	-2.9%	Guaranteed	-0.7%
		HK Passive	-4.7%	60% - 80%	-3.2%	HKD Bond	-0.9%
		HK Active	-4.8%	Target Date	-3.2%	Global Bond	-1.7%
		Other Equity	-4.9%	80% - 100%	-3.5%	Asian Bond	-1.7%
		Europe	-5.4%				

Source: Gain Miles MPF Performance Index

In Sep 2021, the MPF market had delivered -3.0% net of fee return driven by the negative performance of all asset class.

Only Japan equity and RMB MM kept positive return in Sep while all asset class performed negatively.

MPF Market Performance (2021 YTD)

Major		Equities		Mixed Assets		Fixed Income	
Composite	-0.4%	US	15.8%	DIS Core	5.9%	RMB Bond	1.6%
Equities	-1.9%	Europe	13.4%	80% - 100%	2.7%	RMB MM	1.3%
Mixed Assets	1.6%	Japan	11.8%	Dynamic Allocation	2.2%	Conservative	0.0%
Fixed Income	-0.8%	Global	9.5%	Target Date	1.5%	HK Money	-0.2%
		Other Equity	8.8%	60% - 80%	1.0%	Guaranteed	-0.5%
		Asia (ex-Jp)	-0.5%	DIS Age 65	-0.2%	HKD Bond	-0.9%
		Greater China	-7.7%	40% - 60%	-0.5%	Asian Bond	-3.7%
		HK Passive	-8.2%	20% - 40%	-1.9%	Global Bond	-4.5%
		HK Active	-9.7%				

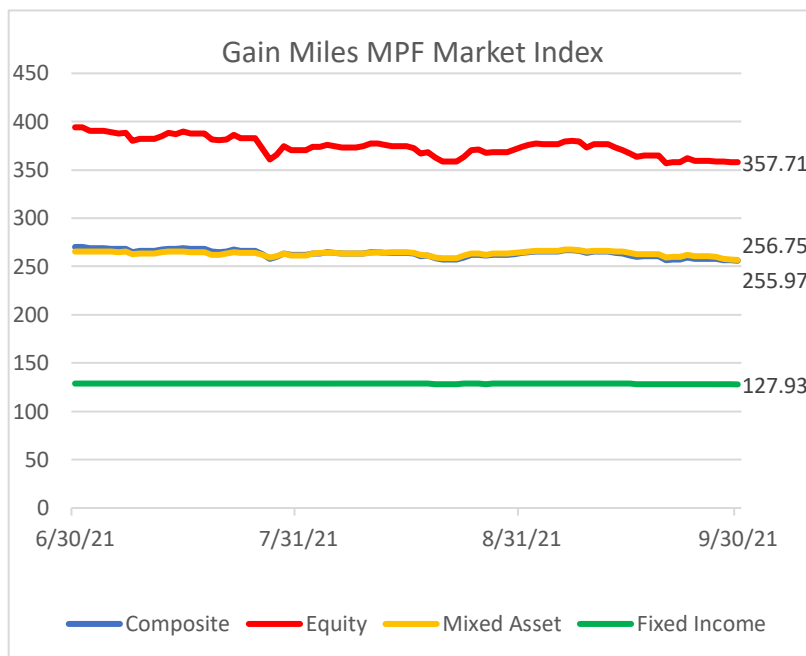
Source: Gain Miles MPF Performance Index

For 2021 YTD, the GM MPF Composite Index dropped 0.4%.

US continued its positive momentum in 2021 YTD, aligned with GM’s in-house views of US positive growth this year.

Overall stock market experienced a correction in Sep after being troubled by debt ceilings, tapering expectation, signs of stagflation, and 10-year interest rates surging to 1.54%.

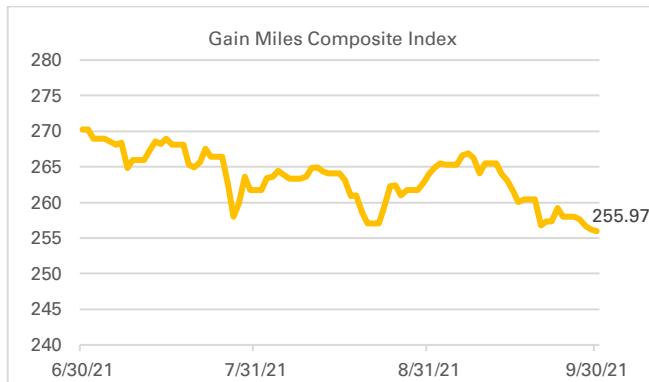
MPF Market Performance over the last 3 Months (Jul 2021 to Sep 2021)



The chart shows the past 3-month performance of Gain Miles MPF Market Index. The GM MPF Composite index has dropped slightly with the negative attributions from equities and mixed assets funds.

Most GM indexes have been moving downward over last 3 months.

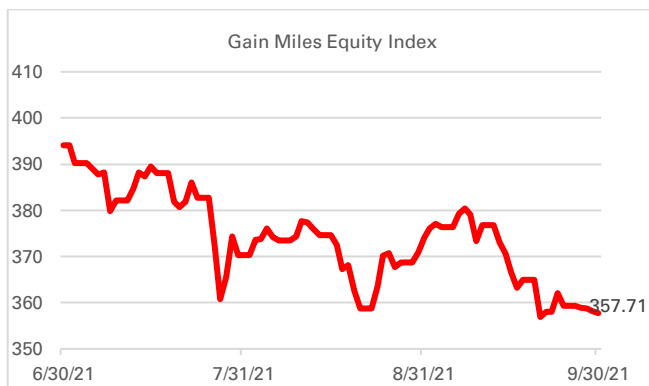
MPF Market Performance by Asset Classes over the last 3 Months



Composite

The points of GM MPF Composite index edged lower to 256, and it can be seen a dropping trend in Sep.

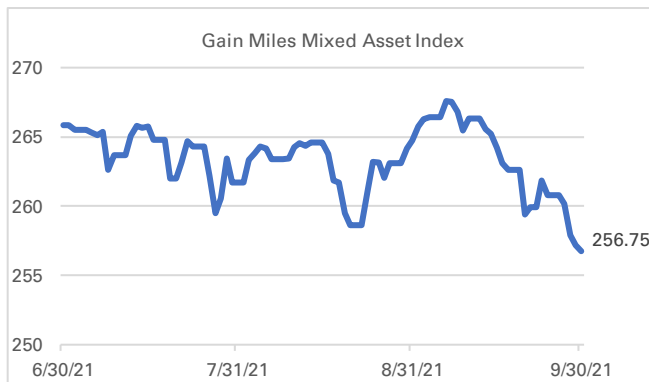
The attributions were contributed from the drop in most of the equity.



Equities

The GM MPF Equity Index lose 3.0% in Sep.

The US, Europe and Global equity funds turned downward while the return of HK funds in Sep kept .



Mixed Assets

The GM MPF Mixed Asset Index shows better performance than equity funds in Sep.



Fixed Income

There were some downward pressures in Fixed Income funds in Sep. Given its lower risk nature, the uptick is only hovering around the range from 127 to 129.

Top 10 Performing MPF Funds (Sep 2021)

Rank	Fund	Return	AUM (HK\$M)
1	BEA (MTS) Japan Equity	3.3%	91
2	BOC-Pru Easy Choice JP Eq	3.2%	496
3	Manulife GS MPF Japan Eq	3.1%	2306
4	BEA (MTS) RMB & HKD Money Market	0.1%	147
5	BEA (IS) RMB & HKD Money Market	0.1%	149
6	Sun Life MPF RMB & HKD A	0.1%	883
7	My Choice RMB & HKD Money Market Fund	0.1%	58
8	BCOM MPF Conservative Fund	0.0%	1262
9	BEA (MTS) Conservative	0.0%	1482
10	BEA (IS) MPF Conservative	0.0%	3189

*AUM means Asset Under Management

- JP was the regions with top performance in Sep.
- RMB & HKD and conservative funds became the 2nd and 3rd performer in Sep.

Top 10 Performing MPF Funds (2021 YTD)

Rank	Fund	Return	AUM (HK\$M)
1	Manulife GS MPF Euro Eq	17.5%	5953
2	Hang Seng MPF-ST Plus-ValueChoice US Eq	17.1%	1391
3	HSBC MPF-ST Plus-ValueChoice US Equity	17.1%	5482
4	Manulife GS MPF N Amer Eq	16.8%	18496
5	BOC-Pru Easy Choice North America Idx-Tr	15.6%	3917
6	Manulife GS MPF Japan Eq	15.6%	2306
7	Hang Seng MPF-ST Plus-North America Eq	15.2%	3638
8	HSBC MPF-ST Plus-North America Equity	15.2%	11272
9	AIA MPF - PVC North American Equity	14.8%	5635
10	Principal 800 US Eq I	14.8%	3647

*AUM means Asset Under Management

- Europe, US & JP equity funds are the best performing regions by far in 2021 YTD.
- Manulife GS MPF Euro Eq is the best performing European fund, which has outperformed the GM Europe Equity Index by 4.1%, due to positive attribution from the region allocation and investment manager capabilities.
- The top 10 funds in 2021 YTD were all equity funds.

Worst 10 Performing MPF Funds (Sep 2021)

Rank	Fund	Return	AUM (HK\$M)
1	Manulife GS MPF Euro Eq	-7.6%	5953
2	Sun Life FTSE MPF Hong Kong Index A	-5.6%	1800
3	BEA (MTS) Hong Kong Equity	-5.3%	983
4	BEA (IS) Hong Kong Eq	-5.3%	526
5	BOC-Pru Easy Choice HK Eq	-5.3%	9555
6	Manulife GS MPF N Amer Eq	-5.3%	18496
7	Sun Life MPF Hong Kong Eq A	-5.2%	41488
8	BCOM Hong Kong Dynamic Equity (CF) Fund	-5.2%	498
9	Manulife GS MPF HK Eq	-5.2%	15570
10	Principal 800 HK Equity I	-5.2%	4212

*AUM means Asset Under Management

- The worst 10 performing funds were mixed of EU, HK, US.
- Some of the HK equity funds followed the downward in Aug which had extended the magnitude.
- Investors who are investing in HK and China regions are advised to monitor their investment and keep a longer investment horizons in mind.

Worst 10 Performing MPF Funds (2021 YTD)

Rank	Fund	Return	AUM (HK\$M)
1	BEA (MTS) China Tracker	-17.2%	126
2	Hang Seng MPF-ST Plus-HS Chn Ens Idx Trk	-17.2%	292
3	HSBC MPF-ST Plus-HS Chn Ens Idx Trk	-17.2%	1006
4	BEA (IS) BEA China Tracker	-17.2%	95
5	Hang Seng MPF-ST Plus-Chinese Eq	-14.4%	4459
6	HSBC MPF-ST Plus-Chinese Equity	-14.4%	10802
7	Invesco MPF HK And China Eq A	-14.2%	4669
8	AMTD Invesco Hong Kong and China	-14.1%	154
9	BCT (Industry) Hong Kong Equity Fund	-11.4%	811
10	Fidelity RMT-Hong Kong Equity	-11.3%	7759

*AUM means Asset Under Management

- Those HK and Greater China equity fund followed the downward in Aug which had extended the magnitude.
- HK and Greater China equities were the worst performing funds in 2021 YTD which were affected by the recent China crackdown and the uncertainty of tightening regulation.

Watch out Market Drivers: Stagflation, Tapering, Global Supply Chain, Rise of Energy Price.



U.S. stocks experienced a recent market correction after being troubled by debt ceilings, tapering expectation, signs of stagflation, and 10-year interest rates surging to 1.54%. Market conditions will continue to fluctuate due to different factors. It will take a long time for different negative factors to become clear before it can return to a significant upward trend.

China’s dual energy consumption control policy and rising fuel prices triggered power cuts and reduced production, which seriously affected manufacturing capacity. The global supply chain was once again in chaos, and China’s manufacturing PMI was in contraction. The domestic real estate sector was in crisis due to the Evergrande incident. A bottom-seeking pattern appeared in the HK/China market.

The European Central Bank announced that it would reduce PPEP debt purchases. The UK took the lead in raising taxes and fuel supply was blocked. After the German election, a cross-party coalition government may need to be organized. European economic data slowed down and inflation rates in various countries rose further, urging European stocks to pull back.

Fumio Kishida defeated Reform Minister Taro Kono to become the new prime minister. The disappointment of reform expectations caused the stock market to pull back from a high level. The market expected Fumio Kishida to continue its fiscal policy and the continued depreciation of the yen offset part of the stock market's performance.

Affected by the variant virus and the coexistence policy of some regions with the virus, the economies of some developing regions in Asia have shrunk, and market conditions have developed individually.

Market Outlook

US – Neutral



- U.S. Treasury yields continued to rise. As of September 29, the 10-year Treasury yield rose to 1.540%, the high level since Jun 2021.
- The Fed announced its September monetary policy decision, maintaining the target range of the federal funds rate unchanged at 0.00%-0.25%, and continuing to purchase at least US\$120 billion in bonds each month. The market predicts that the Fed will begin to reduce purchases as early as early November. The reduction of debt is estimated to be a monthly reduction of US\$10 billion in U.S. Treasury bonds and US\$5 billion in mortgage-backed securities (MBS).
- Fed Chairman Powell said on September 29 that there is a high degree of uncertainty in the outlook for the US economy, and the bottleneck of the supply chain is dragging down the economy. The current pressure is expected to continue until 2022. He also reiterated that high inflation is temporary, and the Fed's rate hike will not proceed until at least the end of 2022.

Europe – Neutral

- The European Central Bank's statement on interest rates revealed that it will moderately slow down PEPP's bond purchases, and the scale of purchases will be lower than in the previous two quarters. European Central Bank President Lagarde said that the euro zone's economy continues to rebound and the recovery is strong enough to reduce some of its support. However, she emphasized that it was not the beginning of tapering, but just re-adjusting the pace of PEPP buying bonds in the next three months.
- British Prime Minister Johnson proposed a plan to increase the payroll tax rate paid by companies to National Insurance by 1.25 percentage points; the dividend tax rate will also be raised by 1.25 percentage points.
- The shortage of truck drivers in the UK affects logistics supply and aggravates fuel shortages. British Petroleum (BP) said on September 26 that nearly one-third of its 1,200 gas station network has no major gasoline supply.
- As a result of the German general election, the CDU lost the vote to the Social Democratic Party by a slight margin, but neither side exceeded 30%, which means that the next German government will be a cross-party coalition government.



HK & China – Slightly Negative

- China's non-manufacturing activity index returned to an expansion level. The National Bureau of Statistics said that the non-manufacturing business activity index rose to 53.2 in September (expected 49.8).
- China's manufacturing activities are in contraction. The National Bureau of Statistics announced that the manufacturing purchasing managers' index (PMI) fell to 49.6 (expected 50) in September, which was lower than 50.1 in August and fell below the threshold.
- China has strengthened the implementation of the policy of dual control of energy consumption, triggering a power rationing crisis in China's manufacturing industry, and the global supply chain has once again fallen into chaos.
- Reuters reported that the current debt scale of Evergrande Group, as high as 305 billion US dollars, is facing a "border of bankruptcy." Chinese officials are planning that state-owned enterprises and real estate developers with official background will come forward to acquire Evergrande's assets. As for the government, it will not directly intervene.

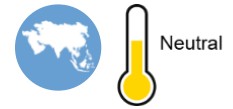


Japan – Neutral

- The pandemic in Japan has cooled down. On September 30, the emergency declarations in 19 prefectures across the country were lifted, and key measures were taken to prevent the spread of the eight prefectures.
- The election of the president of the Liberal Democratic Party of Japan was held on September 29. Former foreign minister Fumio Kishida defeated Taro Kono, the minister in charge of administrative reform, and was elected as the new president. He is determined to become the new prime minister. Kono Taro, who belongs to the party's reformist, was far ahead in the polls, but he lost the election without the support of party veterans. Kishida Fumio promised to put forward an economic stimulus plan of tens of trillions of yen in 2021.
- Japan's August industrial production fell 3.2% month-on-month (expected to fall by 0.5%), which is the second consecutive month of decline. On an annual basis, industrial production rose by 9.3% in August.



Asia Pacific ex Japan – Neutral



- Economic data across Asia showed mixed performance. South Korea's August industrial production increased for the 10th consecutive month on a year-on-year basis, with an increase of 9.6% (expected 8.2%), mainly due to the strong market demand for chips, which increased by 7.7% in July. According to data released by the Singapore Economic Development Board (EDB) on September 24, after 10 consecutive months of expansion, the output value of the manufacturing industry grew to +11.2% year-on-year in August, the slowest growth rate in 4 months, due to the supply chain With disruptions and reduced external demand, the slowdown in Singapore's manufacturing growth will continue. According to an announcement by the Australian Bureau of Statistics (ABS) on September 28, as Delta swept across the east coast and the largest cities, retail sales fell 1.7% month-on-month in August, a third consecutive month of decline.
- Many Asian countries are turning to "coexistence with the COVID-19 virus." For example, Malaysia, which has 90% of adults vaccinated against the COVID-19 virus, is planning to further restart the economy from October. South Korea is expected to adopt the "coexistence with the COVID-19 virus" plan by the end of October-November.

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About Gain Miles

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