



Default Investment Strategy (DIS)



Reasons for Launching the DIS

**Difficulty
in making
investment
choice**



**Default
arrangements
not standardized**

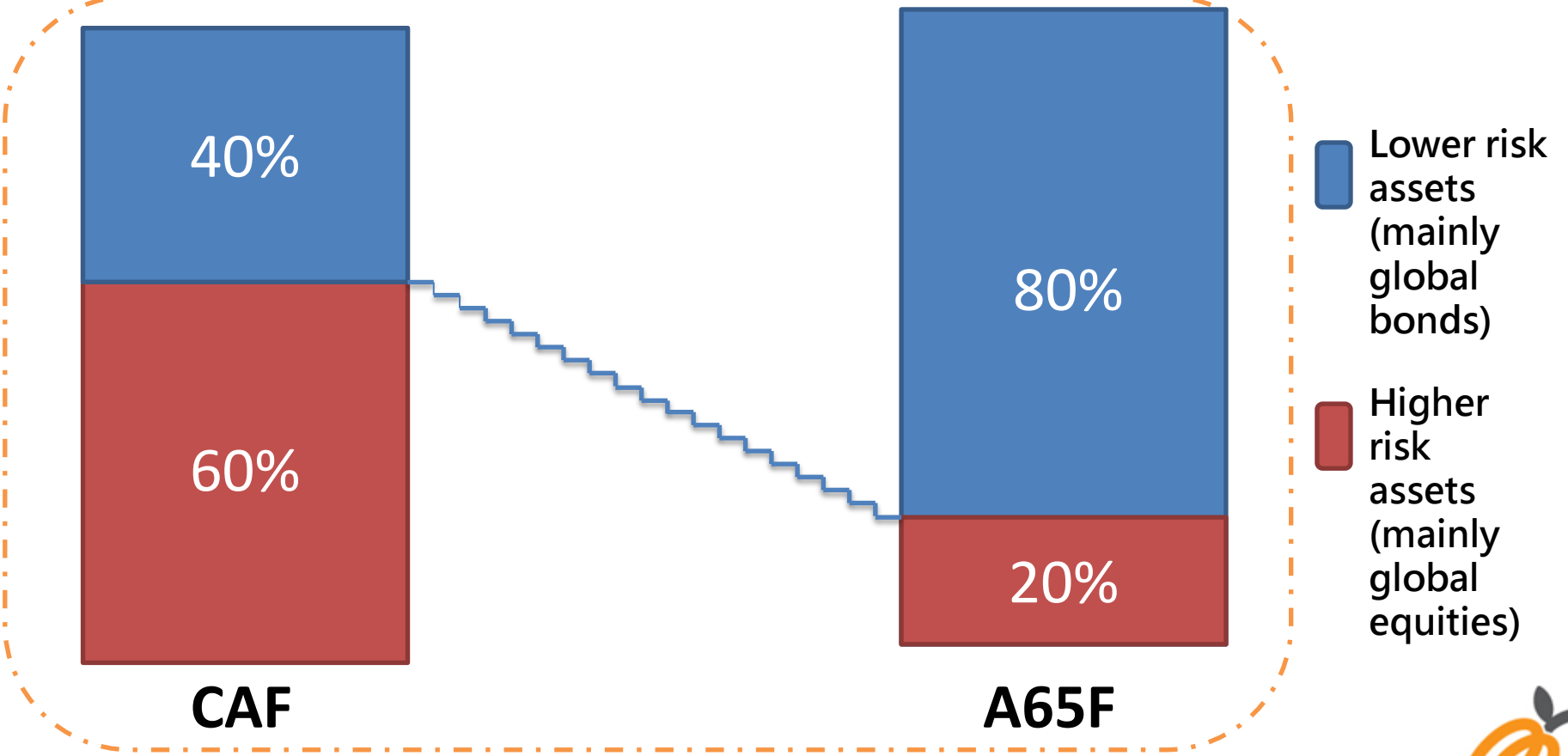


High fees



DIS

DIS : Mixed assets funds





Purposes of the Press Conference



Features of the DIS

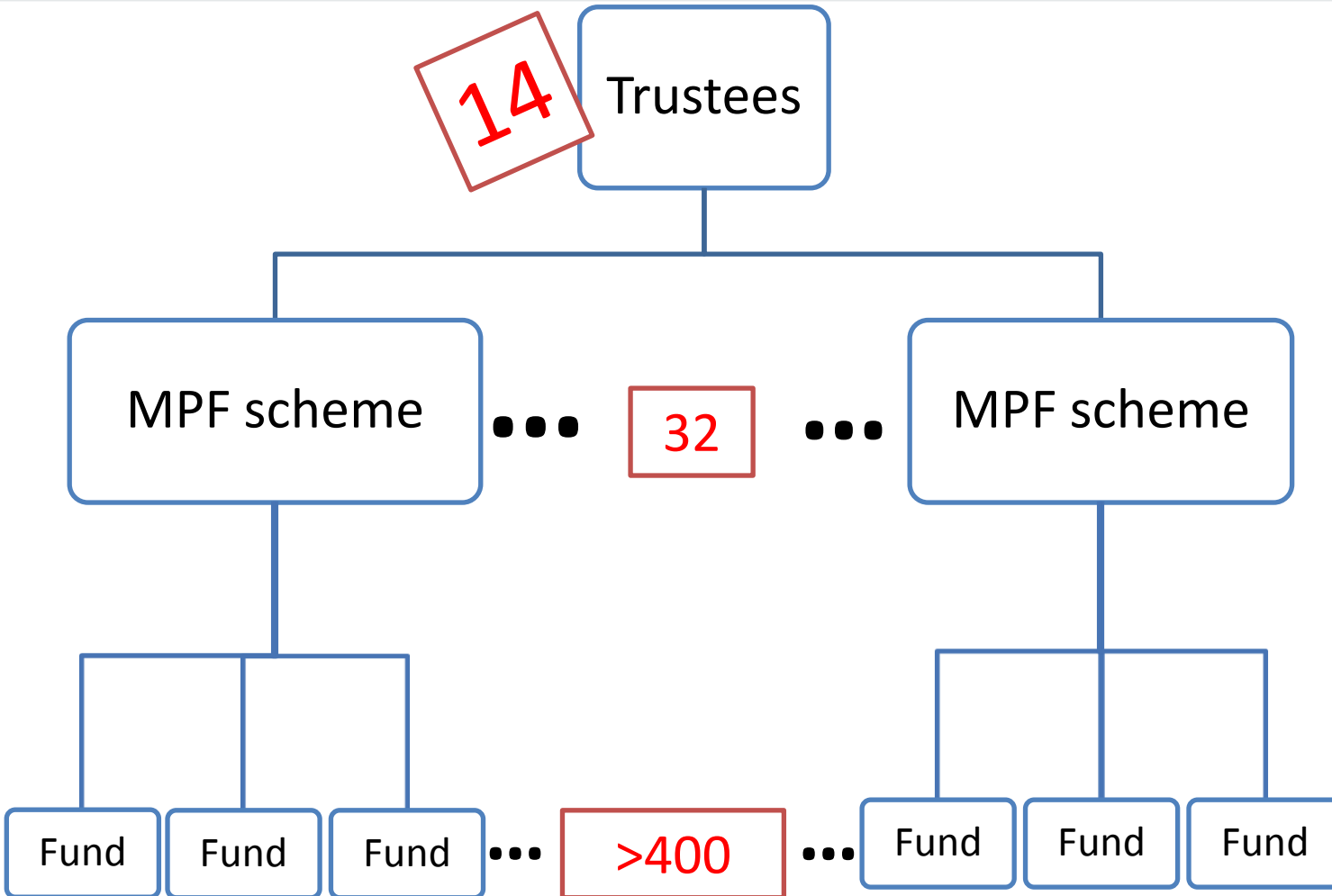


Impact on scheme members



Important points to note

Operation of the MPF System





Operation of the MPF System

Total assets \$655 billion

Annualized net rate of return 3.3%

Average Fund Expense Ratio 1.56%





What is the DIS

3 key features

A

Globally diversified investment

B

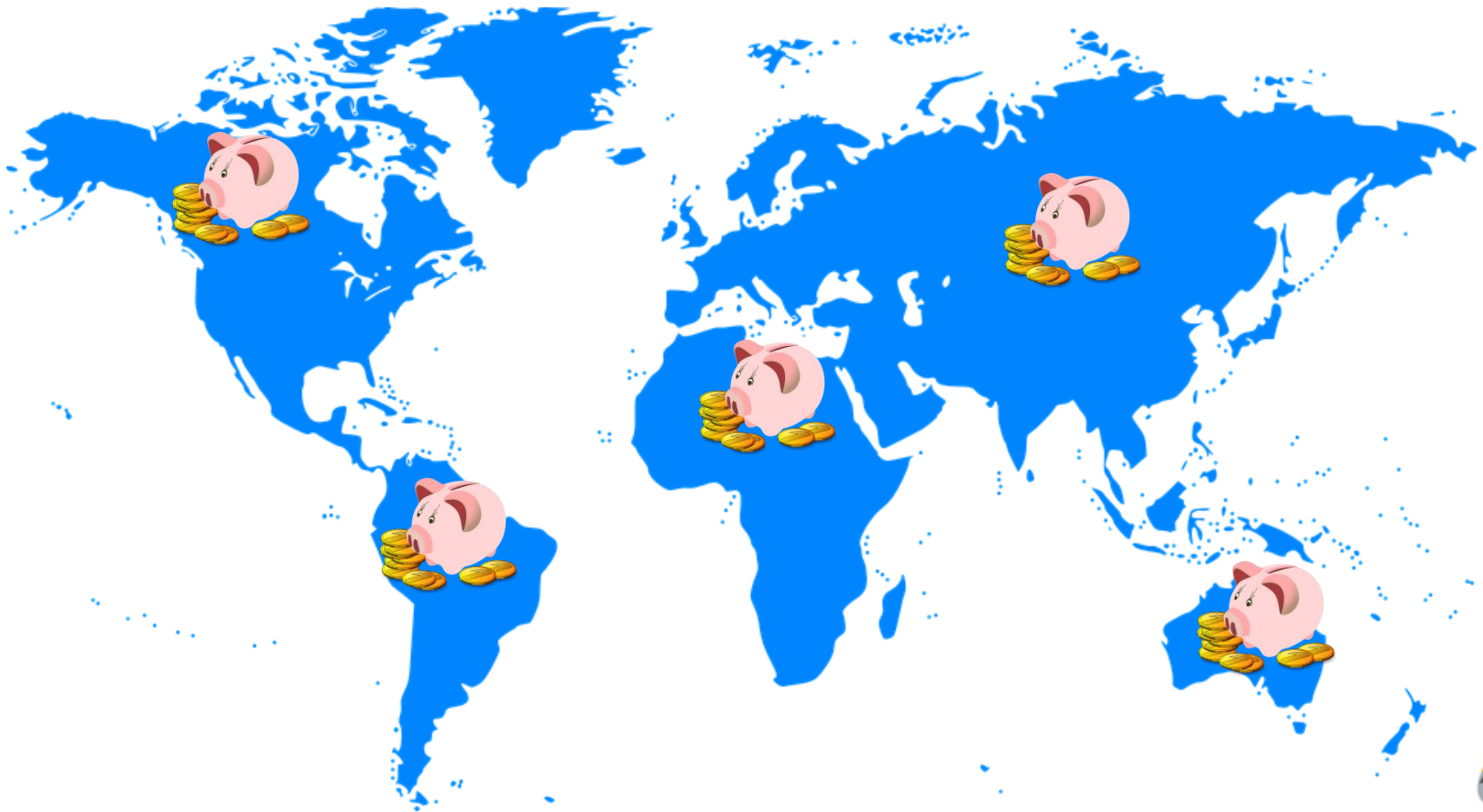
Fee caps

C

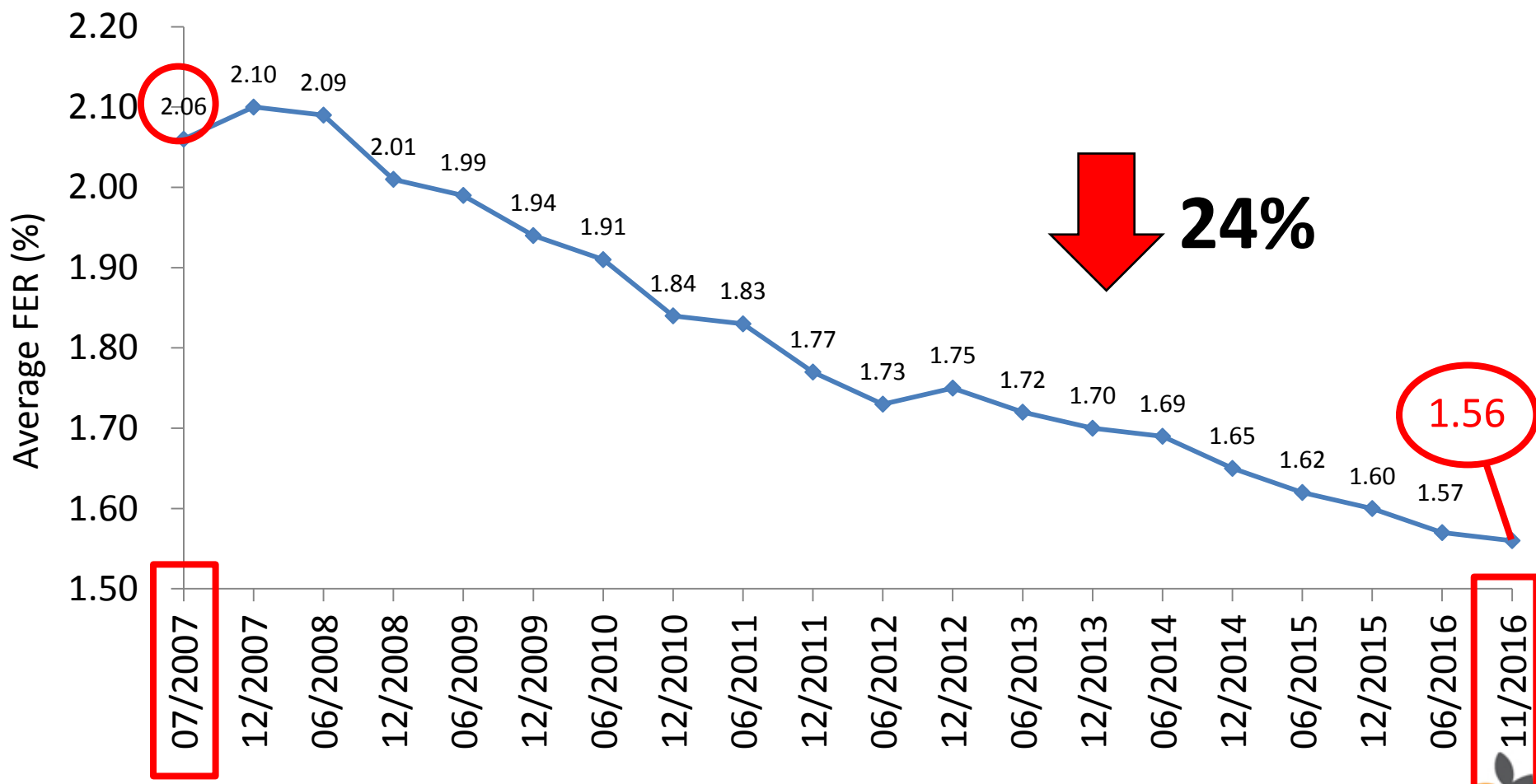
Automatic reduction in investment risk as scheme members approach retirement age

Globally Diversified Investment

Mixed assets funds



Average Fund Expense Ratio



Fee Caps

Management fees
≤0.75% of the fund's
net asset value per year



Recurrent out-of-pocket expenses
≤0.2% of the fund's
net asset value per year



Benefits Accumulated

Assumption :

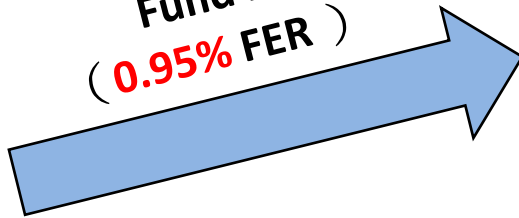
Annual gross return = 5%

25 years old



Monthly income
\$15,000

Fund B
(0.95% FER)



65 years old



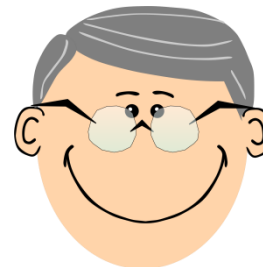
Total contributions by the employer and employee : \$720,000

MPF benefits

\$1,795,256

↑ \$260,000

65 years old

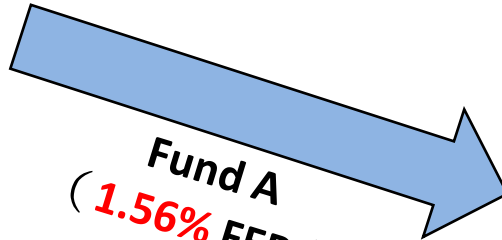


Total contributions by the employer and employee : \$720,000

MPF benefits

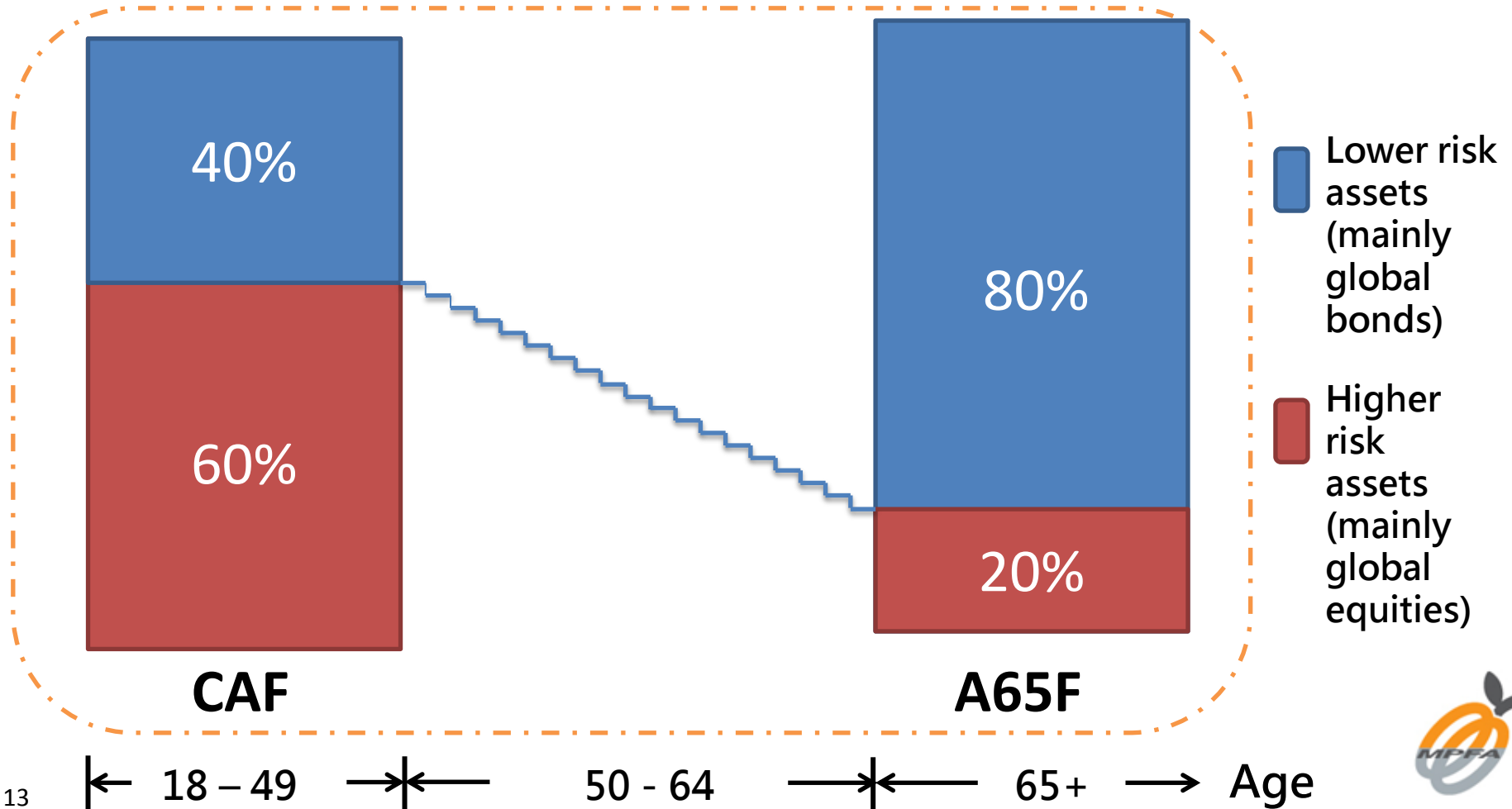
\$1,544,258

Fund A
(1.56% FER)

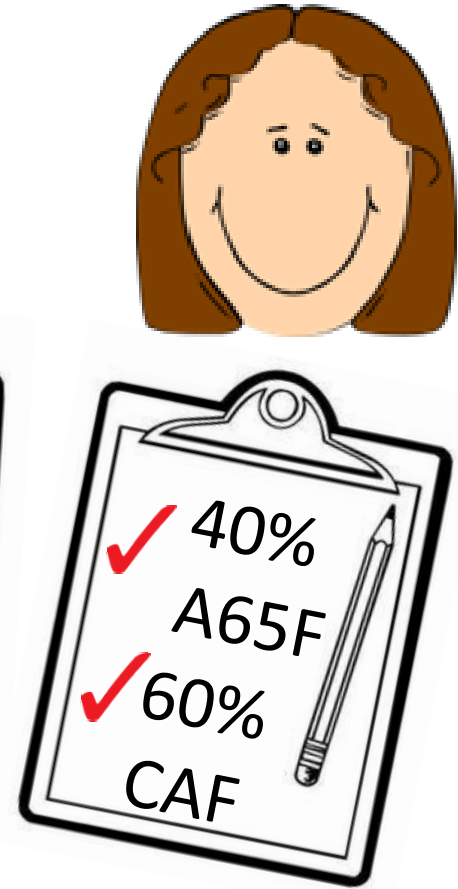
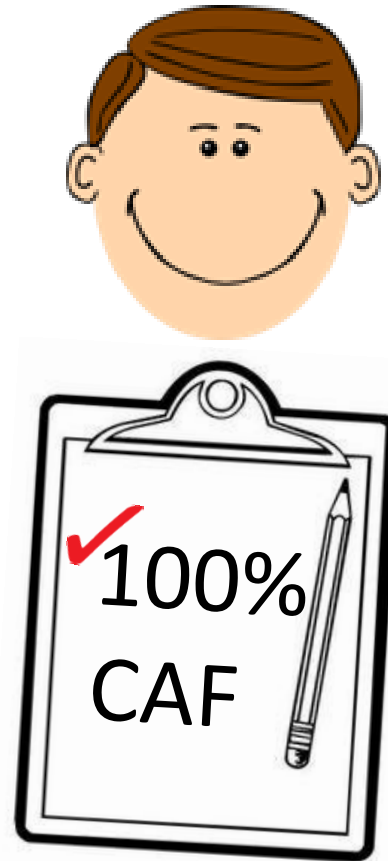


Automatic Reduction in Investment Risk as Scheme Members Approach Retirement Age

DIS

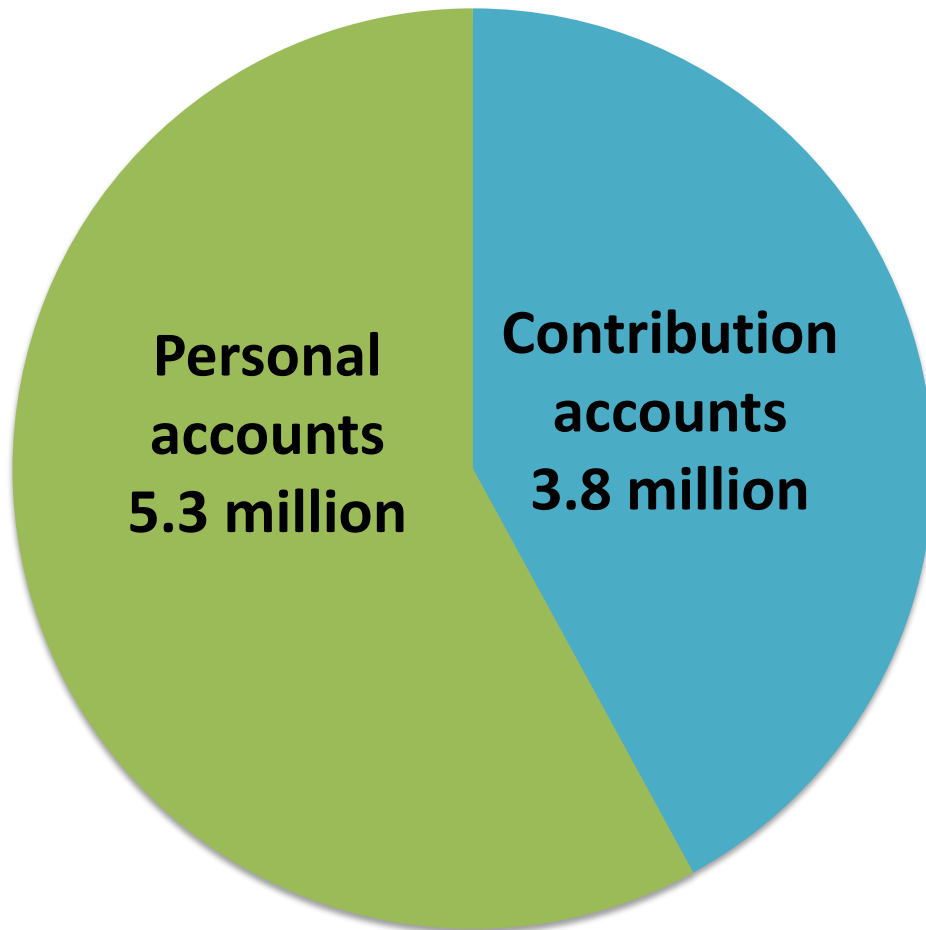


“A Product for All”



MPF Accounts

9.1 million accounts



4.1 million
members



After the Law Takes Effect

① **New MPF benefits**

(whether the accounts are set up before or after 1 April 2017)

- No investment instructions
 - ◆ Will be invested according to the DIS



After the Law Takes Effect

② MPF benefits **accrued** before 1 April 2017

- Without investment instructions and currently in default investment arrangements (DIA), will in general be invested according to the DIS
 - ◆ Transitional arrangements for about 700,000 accounts
 - ◆ The members will receive a DIS Re-investment Notice (DRN) and can choose to opt out of the DIS



After the Law Takes Effect

③ MPF accounts not dealt with after leaving jobs → personal accounts

- MPF benefits accrued before 1 April 2017
 - ◆ Investment arrangement remains unchanged
- New benefits
 - ◆ Will be invested according to the DIS



After the Law Takes Effect

④ Scheme members can choose

Example 1

MPF scheme

DIS

- 0% Equity fund
- 0% Conservative fund
- 0% Bond fund
- 0% CAF
- 0% A65F

Example 2

MPF scheme

DIS

- 0% Equity fund
- 0% Conservative fund
- 0% Bond fund
- 100% CAF
- 0% A65F

Example 3

MPF scheme

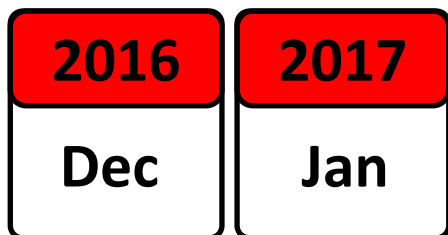
DIS

- 30% Equity fund
- 0% Conservative fund
- 0% Bond fund
- 0% CAF
- 70% A65F



DIS Pre-implementation Notice (DPN)

DPN



Trustees



**9.1 million
account holders**



DIS Pre-implementation Notice (DPN)

1 DPN

2 MPFA's flyer

DIS Pre-Implementation Notice
to Participating Employers and Members

Attention: This notice is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice. The Trustee accepts responsibility for the information contained in this document.

This notice only summarises the changes to the Scheme with regard to Default Investment Strategy ("DIS"). Details of the DIS are set out in the First and Second Addenda of the Principal Brochure of the Scheme (the "Principal Brochure"). Members should refer to the Principal Brochure for details of the DIS. The Principal Brochure and its addenda will be available on mpf.aia.com.hk or you may obtain copies at 1/F, AIA Building, 1 Stubbs Road, Hong Kong or by calling our employer hotline on (852) 2100 1888 or our member hotline on (852) 2200 6288.

You should consider your own risk tolerance level and financial circumstances. You should note that the Core Accumulation Fund ("CAF") and the Age 65+ Fund ("DIS Funds") may not be suitable for you, and there may be a risk mismatch between your risk profile and the resulting portfolio risk. You should seek financial and / or professional advice if you are in doubt as to whether the DIS Funds are suitable for you, and make the investment decision most suitable for you taking into account your own circumstances.

Dear participating employers and members,

We are writing to you because important changes to the Mandatory Provident Fund Scheme will be effective on 1 April 2017 ("Effective Date"). From the Effective Date, the default investment strategy of the Scheme will be the DIS replacing the Existing Default Fund (as defined below) of the Scheme.

You should read this notice carefully because the changes made to the MPF legislation from 1 April 2017 will affect your MPF account. Capitalised terms not defined herein shall have the meanings as ascribed to them in the Principal Brochure of the Scheme.

1. What is DIS?

- DIS is a default investment arrangement as stipulated in accordance with the Fund Schemes Ordinance. For members who do not make a fund choice, their accrued benefits and future investments (i.e. future contributions and benefits transferred from another MPF scheme) (the "Future Investments") will be invested in the DIS. The DIS is also available as an investment choice itself for members.
- The DIS is not a fund - it is a strategy that uses two constituent funds, namely the Core Accumulation Fund and the Age 65+ Fund. The DIS Funds automatically reduce the risk exposure as the member approaches retirement. The DIS Funds invest in a globally diversified manner and invest in different assets (e.g. equities, bonds, etc.). Details of the investment objectives and policies of each of the DIS Funds are set out in the Appendix to this notice. The DIS Funds are subject to fee and expense legislation.

ABC Trustee Company

Mi Chun Tai Man
Flat 1150
On Sun House
1234 Choi Koon Road
Hong Kong

強積金 MPF
預設投資 DIS

預設投資 DIS

The Default Investment Strategy ("DIS") will be launched on 1 April 2017. The DIS involves changes to the MPF legislation, which may affect your MPF account. Please read the notice sent by your trustee carefully.

Ready-made investment solution

Uses 2 Constituent Funds

- 60% Core Accumulation Fund (Lower risk investment)
- 40% Age 65 Plus Fund (Higher risk investment)

Key Features

- Automatic reduction of investment risk according to members' age
- Fee caps
 - Management fees: 0.75% maximum
 - Recurrent out-of-pocket expenses: 0.2% maximum
- Globally diversified investment

For enquiries about your MPF accounts or investment choices, please contact your trustee.

Hotline: 2918 0102 Website: www.mpfa.org.hk/DIS

December 2016

Next Steps

Ensure trustees
have your current
address



Read the DPNs
carefully



Consider whether
to invest your MPF
according to the
DIS



Hotline centres of the MPFA and all trustees are ready

Publicity and Education

The MPFA will roll out a series of publicity and education programmes on the DIS from today

- TV and radio APIs
- Newspaper, website, bus-body, MTR station advertisements
- Leaflets, comic strips
- District activities
- Briefings



To introduce the features and impacts of the DIS



To raise awareness of the the transitional arrangement and actions that have to be taken by scheme members





TV API

A New MPF Choice
A New Way Forward

強積金 MPF
預設投資 DIS


MANDATORY PROVIDENT FUND
SCHEMES AUTHORITY

Hotline: 2918 0102
Website: www.mpfa.org.hk

Please read the notice sent by your trustee



Three Parties to Work Together

Scheme members:
Actively manage
their accounts and
investments

“A Product for All”

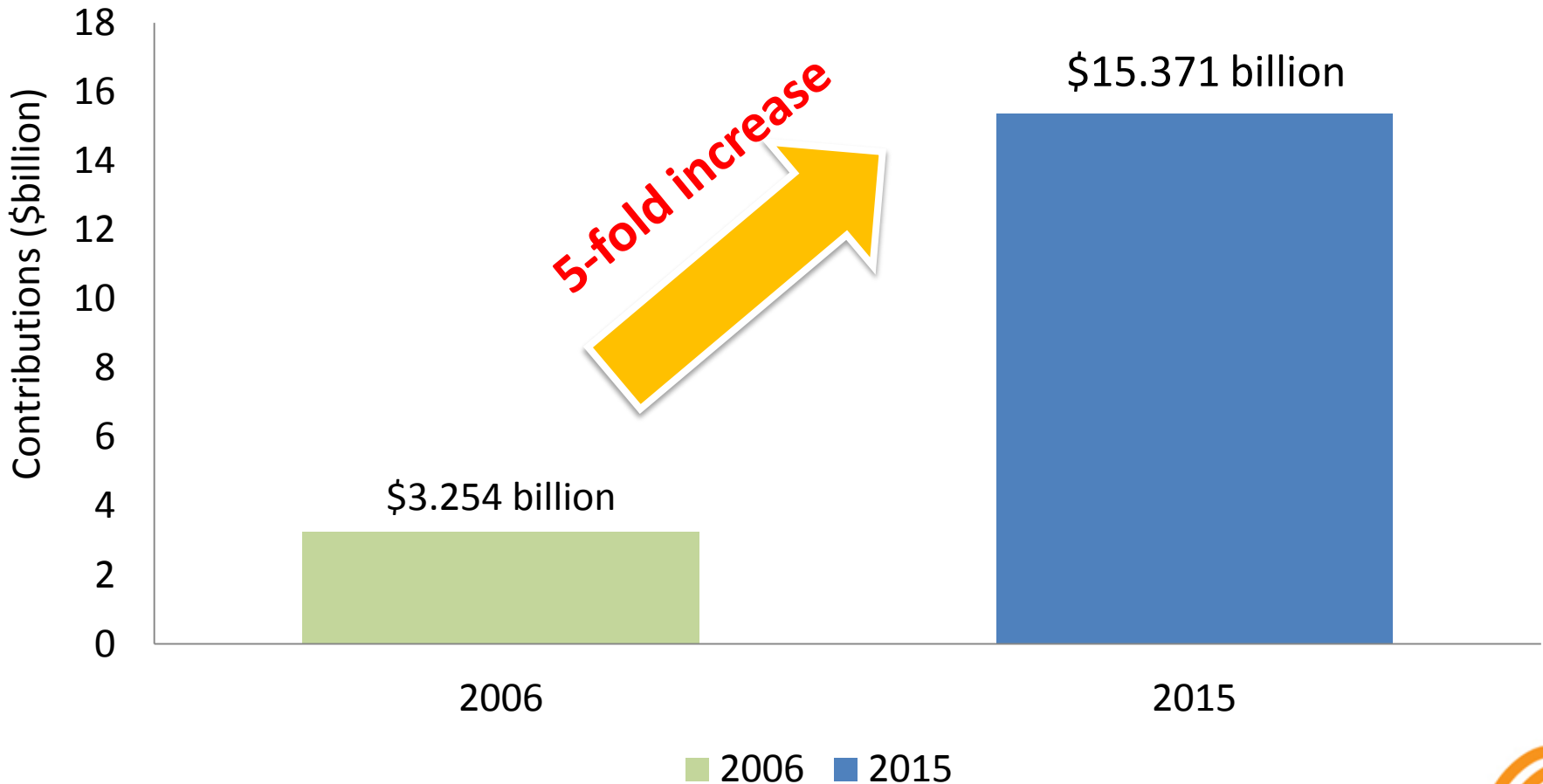
MPFA:
Implement the DIS

Trustees :
Launch the DIS funds
and make the
necessary
arrangements



Increase in Voluntary Contributions

Voluntary contributions



Actively Manage Your MPF

1. How many accounts I am holding

2. Which schemes my accounts are with

3. Which funds I have chosen

4. How much the funds charge

5. How the funds perform





Actively Manage Your MPF

- ✓ Review your portfolios and make adjustments if necessary
- ✓ Ensure trustees have your current address
- ✓ Read all the letters and notices sent by your trustees



Take Control of Your MPF



Spend
some time to
learn more
about the new
product



It's your MPF;
it's your choice