



## Mass Mandatory Provident Fund Scheme

31 December 2023

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## Scheme report

### **Financial development of the Mass Mandatory Provident Fund Scheme (“the Scheme”)**

Hong Kong economy rebounded with GDP growth of 3.2% in 2023 due to the increasing number of visitors and the recovery of the employment market. In 2024, the Hong Kong economic growth is expected to continue as the tourism industry is improving, along with a steady inflation and the recovery of the property market. However, the economy is also affected by the Sino-US relations and the persistent high interest rates and therefore 2024 is expected to be another difficult year for Hong Kong.

During the reporting period, the total contributions received and receivable by the Scheme were HK\$514.7 million (2022: HK\$643.7 million). They consisted of HK\$218.3 million (2022: HK\$218.4 million) mandatory contributions, HK\$48.7 million (2022: HK\$62.0 million) voluntary contributions and HK\$247.7 million (2022: HK\$363.3 million) transfers-in contributions. The net assets of the Scheme amounted to HK\$4,615.7 million (2022: HK\$4,245.3 million) as at the year end.

### **Changes to the governing rules of the Scheme from 1 January 2023 to the date of this report**

The Trust Deed was amended by the Twentieth Deed of Amendment as 17 April 2023. Summaries of major changes as per the deed amendment are as following:

#### **Twentieth Deed of Amendment**

Revision in relation to the (i) the restructure of fund type of the Asian Balanced Fund from a mixed assets fund to a bond fund and (ii) the rename of the Asian Balanced Fund to the Asian Bond Fund.

## Scheme report (continued)

### Information concerning the Scheme and its operations

#### *The Scheme*

By a Trust Deed dated 27 January 2000, as amended by the deeds of amendment dated 24 October 2000, 15 August 2002, 27 February 2003, 20 January 2006, 1 March 2007, 30 September 2009, 1 May 2011, 15 November 2011, 13 June 2012, 31 January 2013, 17 July 2013, 27 August 2015, 24 December 2015, 21 November 2016, 2 December 2016, 11 January 2019, 14 March 2019, 1 May 2019, 16 March 2020 and 17 April 2023, YF Life Trustees Limited ("the Trustee") established the Scheme. Employers and employees, self-employed persons and any other persons covered by the Hong Kong Mandatory Provident Fund Schemes Ordinance ("the MPFSO") may participate in the Scheme.

The assets of the Scheme as at 31 December 2023 are invested in the Allianz Global Investors Choice Fund, the Principal Life Style Fund, the Principal Unit Trust Umbrella Fund, the BCT Pooled Invest Fund Series, the Schroder Institutional Pooled Funds, the JP Morgan SAR Greater China Fund, the Invesco Pooled Investment Fund and the Mass MPF Guaranteed Policy (the "APIF Policy"). The Allianz Global Investors Choice Fund, the Principal Life Style Fund, the Principal Unit Trust Umbrella Fund, the BCT Pooled Investment Fund Series, the Schroder Institutional Pooled Funds, the JP Morgan SAR Greater China Fund, the Invesco Pooled Investment Fund and the APIF Policy have been approved by the Hong Kong Mandatory Provident Fund Schemes Authority ("the MPFA") and authorised by the Securities and Futures Commission of Hong Kong ("the SFC") as approved pooled investment funds (the "APIFs"). However, such approval and authorisation do not imply any official recommendation.

The APIF Policy is underwritten by YF Life Insurance International Limited and was launched in January 2006.

HSBC Institutional Trust Services (Asia) Limited is the trustee of the Allianz Global Investors Choice Fund and Allianz Global Investors Asia Pacific Limited is the investment manager of the MPF Conservative Fund, Global Stable Fund, Global Growth Fund, Hong Kong Equities Fund in the Scheme and the APIF Policy. Each investment fund of the Allianz Global Investors Choice Fund is a pooled investment fund in accordance with Part IV of Schedule 1 of the Hong Kong Mandatory Provident Fund Schemes (General) Regulation ("the General Regulation").

Cititrust Limited is the trustee of the JP Morgan SAR Greater China Fund and JP Morgan Asset Management (Asia Pacific) Limited is the investment manager of the Greater China Equity Fund. The JP Morgan SAR Greater China Fund is a pooled investment fund in accordance with Part IV of Schedule 1 of the General Regulation.

Bank Consortium Trust Company Limited is the trustee of the Invesco Pooled Investment Fund and Invesco Hong Kong Limited is the investment manager of the Age 65 Plus Fund and Core Accumulation Fund. Each investment fund of the Invesco Pooled Investment Fund is a pooled investment fund in accordance with Part IV of Schedule 1 of the General Regulation.

## Scheme report (continued)

### Information concerning the Scheme and its operations (continued)

Principal Trust Company (Asia) Limited is the trustee of the Principal Life Style Fund and Principal Unit Trust Umbrella Fund and Principal Asset Management Company (Asia) Limited is the investment manager of the European Equity Fund, Asian Bond Fund and Global Bond Fund. Each investment fund of the Principal Life Style Fund and Principal Unit Trust Umbrella Fund is a pooled investment fund in accordance with Part IV of Schedule 1 of the General Regulation.

Bank Consortium Trust Company is the trustee of the BCT Pooled Investment Fund Series and Schroder Investment Management (Hong Kong) Limited is the investment manager of the US Equity Fund and Asian Pacific Equity Fund. Each Investment fund of the BCT Pooled Investment Fund Series is a pooled investment fund in accordance with Part IV of Schedule 1 of the General Regulation.

HSBC Institutional Trust Services (Asia) Limited is the trustee of Schroder Institutional Pooled Funds and Schroder Investment Management (Hong Kong) Limited is the investment manager of the Global Equity Fund. Each Investment fund of Schroder Institutional Pooled Funds is a pooled investment fund in accordance with Part IV of Schedule 1 of the General Regulation.

The MPF Scheme Brochure of the Scheme includes information regarding the Scheme and brief details of the APIF Policy. The Trustee can provide more information regarding the Scheme, the related sub-funds of Allianz Global Investors Choice Fund, JP Morgan SAR Greater China Fund, the related sub-funds of Invesco Pooled Investment Fund, the related sub-funds of Principal Unit Trust Umbrella Fund, the related sub-funds of Principal Life Style Fund, the related sub-funds of BCT Pooled Investment Fund Series and the related sub-funds of Schroder Institutional Pooled Funds upon request.

The Scheme is registered with the MPFA as a registered scheme under Section 21 of the MPFSO and is authorised by the SFC under Section 103 of the Securities and Futures Ordinance. Such registration and authorisation do not imply any official recommendation.

## Scheme report (continued)

### Information concerning the Scheme and its operations (continued)

#### ***Constituent funds***

The Scheme offers the following fourteen constituent funds with different investment objectives:

- Guaranteed Fund which is a balanced fund (with guaranteed features);
- Global Growth Fund which is a balanced fund;
- Global Stable Fund which is a balanced fund;
- MPF Conservative Fund which is a money market fund;
- Global Equity Fund which is an equity fund;
- Asian Bond Fund which is a bond fund;
- Global Bond Fund which is a bond fund;
- Hong Kong Equities Fund which is an equity fund;
- Asian Pacific Equity Fund which is an equity fund;
- European Equity Fund which is an equity fund;
- US Equity Fund which is an equity fund;
- Greater China Equity Fund which is an equity fund;
- Age 65 Plus Fund which is a mixed assets fund; and
- Core Accumulation Fund which is a mixed assets fund.

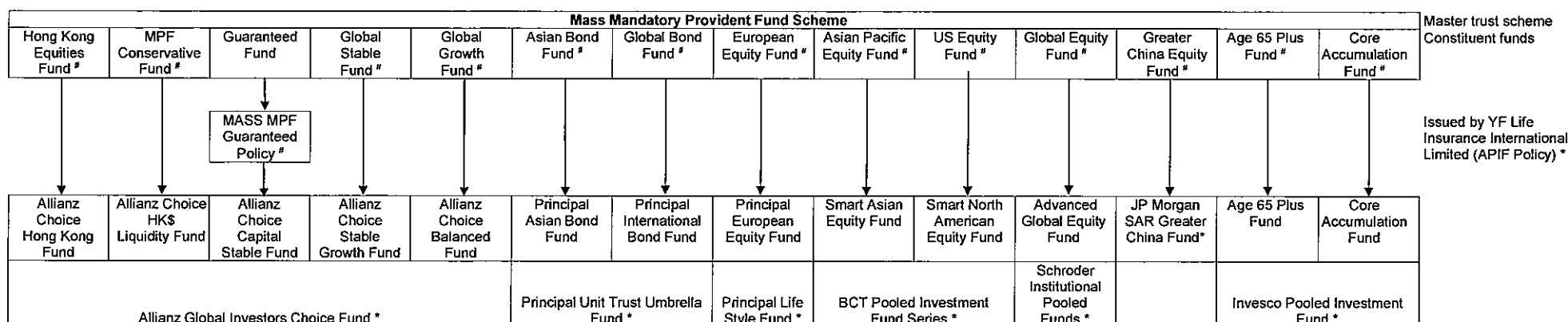
All the above constituent funds are unlisted funds.

## Scheme report (continued)

### Information concerning the Scheme and its operations (continued)

#### Constituent funds (continued)

All monies contributed to the above constituent funds are directly or indirectly (in the case of Guaranteed Fund) invested in the Allianz Global Investors Choice Fund, the Principal Unit Trust Umbrella Fund, the Principal Life Style Fund, the BCT Pooled Investment Fund Series, the Schroder Institutional Pooled Funds, the JP Morgan SAR Greater China Fund and the Invesco Pooled Investment Fund. They are established as pooled investment funds in accordance with Part IV of Schedule 1 to the General Regulation. For ease of reference, the structure of the Scheme is set out in the diagram below:



\* Approved Pooled Investment Funds

# Allianz Global Investors Asia Pacific Limited acts as the investment manager of the MPF Conservative Fund, Global Stable Fund, Global Growth Fund, Hong Kong Equities Fund in the Scheme and the APIF Policy. Principal Asset Management Company (Asia) Limited acts as the investment manager of the Asian Bond Fund, Global Bond Fund and European Equity Fund. Schroder Investment Management (Hong Kong) Limited acts as the investment manager of Asian Pacific Equity, US Equity Fund and Global Equity Fund. JP Morgan Asset Management (Asia Pacific) Limited acts as the investment manager of the Greater China Equity Fund. Invesco Hong Kong Limited acts as the investment manager of the Age 65 Plus Fund and Core Accumulation Fund.

## Scheme report (continued)

### Channels for acquiring further information about the Scheme

Members may obtain further information about the Scheme and its operations from the Trustee at its hotline number 2533 5522.

### Particulars of the Trustee, service providers, auditor, banks and promoter of the Scheme during the year

#### Trustee, Scheme Administrator and Custodian

YF Life Trustees Limited  
27th Floor,  
33 Lockhart Road  
Wanchai, Hong Kong

#### Investment Managers

Allianz Global Investors Asia Pacific Limited  
32/F, Two Pacific Place  
88 Queensway,  
Admiralty, Hong Kong

JP Morgan Asset Management (Asia Pacific) Limited  
21/F, Chater House  
8 Connaught Road  
Central, Hong Kong

Invesco Hong Kong Limited  
45/F, Jardine House  
1 Connaught Place  
Central, Hong Kong

Principal Assets Management Company (Asia) Limited (effective from 17 April 2023)  
30/F, Millennium City 6,  
392 Kwun Tong Road,  
Kwun Tong, Kowloon

Schroder Investment Management (Hong Kong) Limited (effective from 17 April 2023)  
Level 33, Two Pacific Place,  
88 Queensway,  
Hong Kong

Franklin Templeton Investments (Asia) Limited (effective up to 17 April 2023)  
17th Floor, Chater House  
8 Connaught Road  
Central, Hong Kong



## Scheme report (continued)

### **Auditor**

KPMG  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

### **Particulars of the Trustee, service providers, auditors, banks and promoter of the Scheme during the year (continued)**

#### **Banks**

Citibank N.A.  
50th Floor, Champion Tower  
3 Garden Road  
Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road  
Central, Hong Kong

The Bank of China (Hong Kong) Limited  
Bank of China Tower  
1 Garden Road  
Central, Hong Kong

#### **Promoter**

YF Life Insurance International Limited \*  
27th Floor,  
33 Lockhart Road  
Wanchai, Hong Kong

\* This is the immediate holding company of the Trustee.

## Scheme report (continued)

### Directors of the Trustee

The directors who held office during the year and up to the date of this report are:

Mr Yip Ka Lin Victor  
Mr Wong Gah Jih  
Mr Yu Tin Yau Elvin  
Mr Chan Man Ko  
Mr Tse Chi Hung  
Mr Lee Siu Chuen

(Resigned on 17 May 2023)

The business address of these directors is:

27th Floor,  
33 Lockhart Road  
Wanchai, Hong Kong

### Controllers of the associate of the Trustee

YF Life Insurance International Limited

The controllers during the year and up to the date of this report are:

Yunfeng Financial International Holdings Limited  
Yunfeng Financial Group Limited  
Yunfeng Financial Holdings Limited  
Key Imagination Limited  
Jade Passion Limited  
Massachusetts Mutual Life Insurance Company  
MassMutual International LLC  
Mr Yu Feng

### *Independent non-executive directors*

Ms Liu Shu Yen  
Mr Ng Yu Lam Kenneth  
Mr Qi Daqing  
Mr Chan Man Ko  
Mr Yu Feng  
Mr Huang Xin  
Mr Xu Jinghui  
Mr Adnan Omar AHMED

(Resigned on 30 June 2023)

The business/correspondence address of these controllers is:

27th Floor,  
33 Lockhart Road  
Wanchai, Hong Kong

## Investment report

### 1 Analysis of investments and Trustee's commentary

#### 1.1 MPF Conservative Fund

##### 1.1.1 Analysis of investments during the year

In 2023, the fund returned 3.26%\* versus the benchmark's return of 0.76%. The benchmark return of the fund was the Hong Kong Mandatory Provident Fund Scheme Authority's prescribed savings rate.

	Annualised return			Since launch
	1 year %	5 years %	10 years %	
MPF Conservative Fund (Launch date: 1 December 2000)	3.26	1.03	0.57	0.59
Benchmark	0.76	0.19	0.10	0.41
Deviation from the benchmark	2.50	0.84	0.47	0.18

##### 1.1.2 Trustee's commentary

The Fund outperformed the benchmark in the various periods.

The Hong Kong economy begun the year on a positive footing due to economic growth revival lasted through the year, helped by strong inbound tourism and robust private consumption. Labor market conditions also stayed buoyant, underpinned by tourism and consumption activity. For third quarter of 2023, the economy posting a strong quarterly growth of 4.1% year-on-year.

HK money market rates ended the year modestly higher, with the 3-month HIBOR adding 16bps to 5.15% at year-end. This however, masked the heightened volatility in HK short-end rates which fell to a low of 3.42% in February before reaching a high of 5.73% in the fourth quarter, in tandem with the sharp rise in US rates. Rate differentials between US and HK interest rates also fluctuated over the period, though the moves in HK rates have generally lagged its US counterparts. Liquidity conditions tightened over the period, with the Aggregate Balance declining to HKD 45 billion at the end of December. Against this backdrop, the HKD currency weakened against the USD, triggering The Hong Kong Monetary Authority ("HKMA") interventions to buy HKD and sell USD to maintain the peg, which helped to contain some of the weakness and provided stability to the HKD versus the USD.

Expectation of the Federal Reserve's ("Fed") policy rate path will likely remain in the current range until evidence of disinflationary trend to validate a more dovish implied Fed policy path.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.1 MPF Conservative Fund (continued)

##### 1.1.2 Trustee's commentary (continued)

Hong Kong benefits from the clear improvement of market sentiment driven by the April Politburo meeting, calling for more proactive measures to support the China economy. Capital flows shall remain supportive with abundant liquidity in the system to keep Hong Kong rates trading lower relative to the US.

\* Performance is calculated net of fees for the year 2023. Past performance is not indicative of future results.

#### 1.2 Guaranteed Fund

##### 1.2.1 Analysis of investments during the year

In 2023, the fund returned 2.35%\* versus the benchmark's return of 6.29%. The components of the benchmark were as follows: Financial Times Stock Exchange (FTSE) World Government Bond Index (WGBI) (60%), FTSE All-World (AW) North America (6%), FTSE AW Europe (6%), FTSE Japan (4%), FTSE AW Asia Pacific ex Japan ex Hong Kong (4%), FTSE MPF Hong Kong (10%) and Hong Kong Mandatory Provident Fund Schemes Authority's prescribed saving rate (10%).

	Annualised return			Since launch %
	1 year %	5 years %	10 years %	
Guaranteed Fund (Launch date: 20 January 2006)	2.35	(0.66)	(1.10)	0.05
Benchmark	6.29	1.49	2.02	3.42
Deviation from the benchmark	(3.94)	(2.15)	(3.12)	(3.37)

##### 1.2.2 Trustee's commentary

The fund has about 30% equities at 2023 year end and its return was behind the benchmark for various periods.

Global bonds closed a volatile year with positive returns. After trading in a relatively narrow range for the first half of the year, bond yields moved sharply higher towards the end of the summer as hopes of early cuts in interest rates were dashed by hawkish central bank statements and fears that rates would need to stay higher for longer. In October, the yield on the 10-year US Treasury bond rose above 5.0% for the first time since 2007 while 10-year German Bund yields briefly touched a 12-year high of 3.0%. But, with inflation slowing more than forecast, sentiment swung sharply in November and December. 10-year government bond yields in the US and Germany closed the year around 3.9% and 2.0%, respectively.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.2 *Guaranteed Fund (continued)*

##### 1.2.2 Trustee's commentary (continued)

While headline inflation declined sharply, a modest uptick in late summer, added to the Fed's narrative that rates would need to stay elevated for a considerable time. Having increased the federal funds rate to a 22-year high of 5.25%-5.5% in July, the Fed subsequently paused its rate-hiking cycle but continued to indicate that further hikes were likely before year end. However, weaker-than-expected jobs growth for October, as well as signs that inflation was decelerating once more, boosted speculation that the Fed may pivot to a more dovish stance. This was confirmed in December when US policymakers kept rates on hold and forecast 75 basis points of cuts in 2024.

Global equities closed the year sharply higher as slowing inflation raised hopes that interest rates were near their peak. At a sector level, growth-focused stocks in the information technology, communication services, consumer discretionary and industrials sectors performed the best. Much of the rally was driven by a narrow group of stocks (Amazon, Alphabet, Apple, Meta Platforms, Microsoft, NVIDIA and Tesla), dubbed the 'Magnificent Seven', which benefitted from growing interest in AI and its applications.

The investment manager is positioned tactically constructive in equities as the market resumed their strong upward trajectory on the back of softer-than-anticipated US labor market and US inflation data combined with solid growth and earnings data. Within equities, the investment manager favors HK/China equities due to the improved outlook on the latest stimulus measures from China to support real estate sector. In addition, some selected Asian countries will benefit from China's recovery and be less impacted by inflation headwind. Looking forward, however, fundamental indicators such as industrial output and global trade are expected to weaken further at a global level, and more hawkish than expected tones from major central banks would be potential downside risks to global equities.

The investment manager also maintains a positive view on fixed income in general. Despite no sufficient evidence on the sustained disinflationary trend to allow the Fed start lowering rates in the very near term, the Fed still believes that rates currently are restrictive and that the desired progress on inflation should be able to continue despite at a slower pace. While the easing trajectory in the US is still intact, it is very likely that multiple softer inflation and labor market prints would be required before the Fed begins the easing cycle. In Europe, despite some signs of pick-up in activity data, encouraging disinflationary trend with service inflation marked its first decline since November last year should bolster ECB's confidence to start reducing some level of restrictive monetary stance as soon as June.

\* Performance is calculated net of fees for the year 2023. Past performance is not indicative of future results.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.3 Global Stable Fund

##### 1.3.1 Analysis of investments during the year

In 2023, the fund returned 4.61%\* versus the benchmark's return of 7.44%. The components of the benchmark were as follows: FTSE WGBI (45%), FTSE AW North America (10%), FTSE AW Europe (10%), FTSE Japan (6.5%), FTSE AW Asia Pacific ex Japan ex Hong Kong (6.5%), FTSE MPF Hong Kong (17%) and Hong Kong Mandatory Provident Fund Schemes Authority's prescribed savings rate (5%).

	Annualised return			Since launch %
	1 year %	5 years %	10 years %	
Global Stable Fund (Launch date: 1 December 2000)	4.61	2.41	1.53	3.32
Benchmark	7.44	2.89	3.07	4.99
Deviation from the benchmark	(2.83)	(0.48)	(1.54)	(1.67)

##### 1.3.2 Trustee's commentary

The fund has about 50% equities at 2023 year end and its return in 2023 was behind the benchmark for various periods.

US stocks delivered robust gains in 2023, helped by robust rallies at the end of the year. In December, the broad-based S&P 500 Index closed the year close to the all-time high recorded in January 2022, while the tech-heavy Nasdaq Composite Index touched a fresh high. The rally was interrupted by two notable setbacks: the first, which was March's banking crisis, was allayed through swift intervention; the second, in October, was driven by fears that rates would need to stay higher for longer. European equities also rallied strongly over 2023, with the Stoxx 600 Index closing the year close to its highest level since January 2022. While economic growth remained muted at best, it proved to be far more resilient than the severe recession that had been feared at the start of the year. Asia ex Japan equities also advanced, although the region as a whole lagged returns in western markets due mainly to disappointing returns from China.

Global bonds closed a volatile year with positive returns, although they lagged equities. For the first seven months of 2023, the yield on the 10-year US Treasury bond mostly traded between 3.5% and 4.0% as stronger-than-expected economic data offset hopes that rates were at/near their peak. However, bond yields subsequently climbed sharply as stronger-than-expected growth and sticky inflation meant markets started to price in that rates would stay higher for longer. The narrative changed again in November as investors started to price in the potential for rate cuts in 2024. The yield on the 10-year US Treasury closed the year around 3.9%, close to levels at the start of January.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.3 Global Stable Fund (continued)

##### 1.3.2 Trustee's commentary (continued)

While headline inflation declined sharply, a modest uptick in late summer added to the Fed narrative that rates would need to stay elevated for a considerable time. Having increased the federal funds rate to a 22-year high of 5.25%-5.5% in July, the Fed subsequently paused its rate-hiking cycle but continued to indicate that further hikes were likely before year end. However, weaker-than-expected jobs growth for October, as well as signs that inflation was decelerating once more, boosted speculation that the Fed may pivot to a more dovish stance. This was confirmed in December when US policymakers kept rates on hold and forecast 75 bps of cuts in 2024.

The investment manager is positioned tactically constructive in equities as the market resumed their strong upward trajectory on the back of softer-than-anticipated US labor market and US inflation data combined with solid growth and earnings data. Within equities, the investment manager favors HK/China equities due to the improved outlook on the latest stimulus measures from China to support real estate sector. In addition, some selected Asian countries will benefit from China's recovery and be less impacted by inflation headwind. Looking forward, however, fundamental indicators such as industrial output and global trade are expected to weaken further at a global level, and more hawkish than expected tones from major central banks would be potential downside risks to global equities.

The investment manager also maintains a positive view on fixed income in general. Despite no sufficient evidence on the sustained disinflationary trend to allow the Fed start lowering rates in the very near term, the Fed still believes that rates currently are restrictive and that the desired progress on inflation should be able to continue despite at a slower pace. While the easing trajectory in the US is still intact, it is very likely that multiple softer inflation and labor market prints would be required before the Fed begins the easing cycle. In Europe, despite some signs of pick-up in activity data, encouraging disinflationary trend with service inflation marked its first decline since November last year should bolster ECB's confidence to start reducing some level of restrictive monetary stance as soon as June.

\* Performance is calculated net of fees for the year 2023. Past performance is not indicative of future results.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.4 Global Growth Fund

##### 1.4.1 Analysis of investments during the year

In 2023, the fund returned 4.86%\* versus the benchmark's return of 8.33%. The components of the benchmark were as follows: FTSE WGBI (25%), FTSE AW North America (14%), FTSE AW Europe (14%), FTSE Japan (9%), FTSE AW Asia Pacific ex Japan ex Hong Kong (9%), FTSE MPF Hong Kong (24%) and Hong Kong Mandatory Provident Fund Schemes Authority's prescribed savings rate (5%).

	Annualised return			Since launch %
	1 year %	5 years %	10 years %	
Global Growth Fund (Launch date: 1 December 2000)	4.86	3.77	2.28	3.92
Benchmark	8.33	4.29	4.05	5.56
Deviation from the benchmark	(3.47)	(0.52)	(1.77)	(1.64)

##### 1.4.2 Trustee's commentary

The fund has about 70% equities at 2023 year end and its return was behind the benchmark for various periods.

Global equities closed the year sharply higher as slowing inflation raised hopes that interest rates were near their peak. The rally was interrupted by two notable setbacks: the first, which was March's banking crisis, was allayed through swift intervention; the second, in October, was driven by fears that rates would need to stay higher for longer. However, global stocks ended the year on a strong note, with November the strongest month in three years, as falling inflation expectations boosted speculation that rates may be cut in 2024. The following month, this was reinforced by statements from the US Fed. Overall, the MSCI World Index recorded its strongest year since 2019.

At a sector level, growth-focused stocks in the information technology, communication services, consumer discretionary and industrials sectors performed the best. Much of the rally was driven by a narrow group of stocks (Amazon, Alphabet, Apple, Meta Platforms, Microsoft, NVIDIA and Tesla), dubbed the 'Magnificent Seven', which benefitted from growing interest in AI and its applications. At the other end of the scale, defensive stocks in the consumer staples, utilities and health care sectors barely rose, while energy stocks were held back by weakening oil and gas prices.



## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.4 Global Growth Fund (continued)

##### 1.4.2 Trustee's commentary (continued)

Global bonds closed a volatile year with positive returns, although they lagged equities. After trading in a relatively narrow range for the first half of the year, bond yields moved sharply higher towards the end of the summer as hopes of early cuts in interest rates were dashed by hawkish central bank statements and fears that rates would need to stay higher for longer. In October, the yield on the 10-year US Treasury bond rose above 5.0% for the first time since 2007 while 10-year German Bund yields briefly touched a 12-year high of 3.0%. But, with inflation slowing more than forecast, sentiment swung sharply in November and December. 10-year government bond yields in the US and Germany closed the year around 3.9% and 2.0%, respectively.

While headline rates of inflation decelerated sharply over 2023, core inflation proved stickier. Major central banks continued to hike rates during the first half of the year, although they moderated the pace at which rates were increased, before pausing their monetary tightening during the final six months of 2023. While policymakers remained hawkish, insisting they would stay the course until the inflation battle had been won, there was growing speculation that US rates may soon be lowered. In December, the US Fed pivoted to forecasting 75 basis points of rate cuts in 2024. Fears of a US recession appeared to be overblown and hopes grew of a Goldilocks outcome for the US economy (where growth was neither too hot nor too cold), although economic activity in Europe remained anemic at best. China's economic rebound from the easing of all pandemic restrictions disappointed, with the health of the property sector a major concern.

The investment manager is positioned tactically constructive in equities as the market resumed their strong upward trajectory on the back of softer-than-anticipated US labor market and US inflation data combined with solid growth and earnings data. Within equities, the investment manager favors HK/China equities due to the improved outlook on the latest stimulus measures from China to support real estate sector. In addition, some selected Asian countries will benefit from China's recovery and be less impacted by inflation headwind. Looking forward, however, fundamental indicators such as industrial output and global trade are expected to weaken further at a global level, and more hawkish than expected tones from major central banks would be potential downside risks to global equities.

The investment manager also maintains a positive view on fixed income in general. Despite no sufficient evidence on the sustained disinflationary trend to allow the Fed start lowering rates in the very near term, the Fed still believes that rates currently are restrictive and that the desired progress on inflation should be able to continue despite at a slower pace. While the easing trajectory in the US is still intact, it is very likely that multiple softer inflation and labor market prints would be required before the Fed begins the easing cycle. In Europe, despite some signs of pick-up in activity data, encouraging disinflationary trend with service inflation marked its first decline since November last year should bolster ECB's confidence to start reducing some level of restrictive monetary stance as soon as June.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.4 Global Growth Fund (continued)

##### 1.4.2 Trustee's commentary (continued)

\* Performance is calculated net of fees for the year 2023. Past performance is not indicative of future results.

#### 1.5 Asian Bond Fund

##### 1.5.1 Analysis of investments during the year

In 2023, the fund returned 6.55%\* versus the benchmark's return of 7.61% and the benchmark was ICE BofA Asian Dollar Investment Grade Index.

	Annualised return			Since launch %
	1 year %	5 years %	10 years %	
Asian Bond Fund (Launch date: 17 March 2003)	6.55	0.33	0.47	4.65
Benchmark	7.61	2.73	3.52	4.70
Deviation from the benchmark	(1.06)	(2.40)	(3.05)	(0.05)

##### 1.5.2 Trustee's commentary

The Fund underperformed the benchmark for various periods.

For much of 2023, inflation stayed above the Fed target, forcing the Fed to stay hawkish for much of the year – hiking and keeping policy rate above market pricing. Indeed, the market was disappointed, and the January rally sputtered and completely lost grounds by February. This was interrupted in March by the US regional bank crisis, which coincided with the forced takeover of Credit Suisse by UBS in Europe. The short-lived crisis aside, the dominant fixed income market driver for much of 2023 was the market repricing towards central banks' more hawkish guidance. In these respects, the course of 2023 largely stable compared during the year. A key driver which did not followed our plot was growth in US – which proved surprisingly resilient in 2023. This was due to stronger than expected consumer spending, which in turn came about from excess savings from covid stimulus support, increase in consumer leverage, and lagged effects of policy tightening as most US households exercised their option not to refinance their mortgages.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.5 Asian Bond Fund (continued)

##### 1.5.2 Trustee's commentary (continued)

Over the year, China activity came in on the soft side, triggering concerns that the reopening momentum has waned. Rising default risks have led to a focus on the China local government financing vehicles (LGFV) given the size of the LGFV debt and its potential impact on the banking sector. The slew of weaker than expected hard and soft data has led to increased expectations of macro policy support though policymakers have been reticent in rolling out significant growth measures at one go. Given the concern about the sustainability of the post reopening recovery in China, there was a broad-based reduction in growth expectations in China growth for this year led by domestic weakness but offset by export strength. China's sovereign rating outlook was downgraded from stable to negative by Moody's, due to the rating agency's longer-term view towards the China property sector. This saw minimal impact to the China IG credit space as the underlying drivers have been priced in by creditors, with most of the potential fallen angle risks limited other than the local government financing vehicles and the asset management companies.

Asia credit space have held in well and grinded tighter throughout the year, largely due to a lack of supply and supportive technical while fundamentals remained largely intact with China the major economy undergoing the medium-term transition. Asia investment grade credit spreads tightened close to 40bp on the year and returned 7.5% in total returns as the asset class benefited from both lower yields, tighter spreads and carry.

The fund underperformed relative to benchmark in a year of strong returns for the asset class. Almost all of the returns came from credit excess returns where spreads performed strongly. The portfolio gained on a relative basis on excess returns via strong contribution in bottom-up credit selection and sector rotation. Specifically the portfolio benefited from allocations to Hong Kong, Singapore, Australia and Japan but the lack of China SOE IG and idiosyncratic property names led to a detraction in China. Within the BBB space, our underweight in Indonesia credits also detracted as the sector continued to grind tighter through the year though this was offset by higher carry we have in the quasi and corporate space. Duration was a drag overall given the long bias but the portfolio caught up with duration trading returns in the last quarter when the market turned positive on rates with a falling inflation trajectory, triggering increased expectations of rate cuts into 2024.

\* Performance is calculated net of fees for the year 2023. Past performance is not indicative of future results.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.6 Global Bond Fund

##### 1.6.1 Analysis of investments during the year

In 2023, the fund returned 4.35%\* versus the benchmark's return of 7.09%. The components of the benchmark were as follows: Bloomberg Global Aggregate Securitized TR Index Value Unhedged USD (HK\$ return).

	Annualised return			Since launch %
	1 year %	5 years %	10 years %	
Global Bond Fund (Launch date: 17 March 2003)	4.35	(2.29)	(2.14)	0.87
Benchmark	7.09	0.39	0.88	2.75
Deviation from the benchmark	(2.74)	(2.68)	(3.02)	(1.88)

##### 1.6.2 Trustee's commentary

The Fund underperformed its benchmark for various periods.

For much of 2023, inflation stayed above the Fed target, forcing the Fed to stay hawkish for much of the year – hiking and keeping policy rate above market pricing. Indeed, the market was disappointed, and the January rally sputtered and completely lost grounds by February. This was interrupted in March by the US regional bank crisis, which coincided with the forced takeover of Credit Suisse by UBS in Europe. The short-lived crisis aside, the dominant fixed income market driver for much of 2023 was the market repricing towards central banks' more hawkish guidance. In these respects, the course of 2023 largely followed the plot in the outlook we gave in December 2022. A key driver which did not follow our plot was growth in US – which proved surprisingly resilient in 2023. This was due to stronger than expected consumer spending, which in turn came about from excess savings from covid stimulus support, increase in consumer leverage, and lagged effects of policy tightening as most US households exercised their option not to refinance their mortgages. Across the Atlantic, European households bore the full brunt of monetary policy tightening, as most mortgage rates were floating in nature. Governments planned to revert towards fiscal discipline, suspended due to covid. Businesses were further hit by weak demand from China. As a result, the European economy contracted in pretty much a textbook reaction to policy tightening even as US remained resilient.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.6 Global Bond Fund (continued)

##### 1.6.2 Trustee's commentary (continued)

As weaker growth and sharply decelerating price pressures reverberate around most of the world, DM central banks mostly decided to hit the breaks on policy tightening towards the end of the year. Many emerging markets have already begun cutting rates over the course of the year itself, including Poland, Czech Republic, Hungary, Chile, Peru and Brazil. Japan proved to be the exception, with business optimism and inflation at the highest levels seen in 3 decades, Bank of Japan looks set to normalize monetary policy next year.

For 2023, the global bond market, as represented by the Bloomberg global aggregate, delivered +5.7% return. Bond yields fell across the board due to rising expectations of broad-based rate cuts in the year ahead. The dollar depreciated 2.1%. US treasuries returned 4.1%, European government bonds returned 10.4% from lower bond yields and stronger Euro. In emerging markets, local markets returned +6.9%, led by Latam, while Asia was weighed down by relatively lacklustre return from China, which offset strong performance from Indonesia, Philippines, Korea and India. In credits, emerging market also proved resilient with +6.6% return. US IG outperformed with +8.5% return as recession concerns fade, and companies in US was supported by Fed term funding programs implemented after the regional bank crisis in March, which boosted the stock market to finish the year at a record high.

The underlying fund outperformed the benchmark by 7bp over the year. Performance was distributed in a diversified manner across multiple risk drivers, including duration, curve, currency, fixed income sector selection, and credit selection within US corporates. These positions are actively managed over the course of the year.

Duration and curve contributed +46bp, about evenly split between outright duration and curve exposures. US and Europe duration overweight are the main contributors, followed by active management of curve positions. Select overweight duration in higher yielding developed markets and key emerging markets also contributed to performance. This is partially offset by UK duration, Europe curve, as well as an underweight in select Asia local rates market. Currencies saw a modest +5bp contribution. This came from overweight in high yielding currencies with strong fundamentals, such as Norwegian Kroner, New Zealand Dollar, Mexican Peso and Polish Zloty.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.6 Global Bond Fund (continued)

##### 1.6.2 Trustee's commentary (continued)

Allocation and selection contributed +12bp of outperformance. This came mainly from bottoms up credit selection from our US IG analyst team. These credits have strong and improving fundamentals. Their spreads tightened over the course of the year more than the broader US investment grade credit universe. These credits are diversified across industrials and financial sectors, including AT&T, Warner, Morgan Stanley, Abbvie, and also select picks within Food and Beverage, Basic materials and Energy sectors. Over the course of the year, the fund was able to benefit by adding credit exposure as spreads widened out in March, as well as supply induced cheapening of high-quality financials in September and October. The fund also avoided credit events that occurred in the year, namely in regional banks, Credit Suisse, and US utilities sectors' exposure to wildfire liabilities. Outside credits, the fund also benefited from overweight allocation to TIPs in Q1, and European government bonds in Q3 which outperformed US Treasuries as weaker growth and more muted inflation tamed the rise in yields there versus US Treasuries.

Against peers, the underlying fund regained top quartile performance after a 3-year hiatus. Over the course of the year, the underlying fund's performance was in top quartile for 3 out of 4 quarters. The underlying fund underperformed peers in Q3, but stayed with our conviction position and are gratified to deliver outperformance for clients that stayed invested throughout. Notably, this top quartile performance was achieved with lower tracking error than most peers. Over the year, the underlying fund's tracking error against global fixed income markets was 4<sup>th</sup> quartile relative to the peer group.

\* Performance is calculated net of fees for the year 2023. Past performance is not indicative of future results.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.7 Global Equity Fund

##### 1.7.1 Analysis of investments during the year

The fund returned 22.03%\* in 2023 compared with a 22.33% return for its benchmark, the FTSE MPF All World Index.

	Annualised return			Since launch %
	1 year %	5 years %	10 years %	
Global Equity Fund (Launch date: 17 March 2003)	22.03	7.88	4.12	6.25
Benchmark	22.33	11.95	8.27	9.26
Deviation from the benchmark	(0.30)	(4.07)	(4.15)	(3.01)

##### 1.7.2 Trustee's commentary

The Fund underperformed its benchmark for various periods.

Global equities' prices were higher in full year 2023, with a positive start in the first quarter. The collapse of Silicon Valley Bank in US led to significant volatility in bank shares, followed by the financial turbulent in Europe during March driven by the troubled lender Credit Suisse. However, investors fought off fears in second half of March as recession worries in developed markets receded against the expectations of an end of hiking cycle amid cooling inflation.

The advance in global equities continued in the second quarter, led by developed markets notably the US. The bulk of gains made in June amid moderating inflation and signs that the US economy remains resilient. The Fed raised interest rates by 25 basis points in May, but it did not hike rates in June. The IT sector led the advance in stock markets as fervour around AI and the potential for a boom in related technology drove chipmakers higher.

After strong gains in the first half of 2023, global equities posted a negative return in Q3. Investors entered the quarter optimistic that the Fed had orchestrated a soft landing for the economy and the era of policy tightening rates would soon end. That enthusiasm withered in August, however, as the prospect of higher rates sank in after a revised hawkish Fed "dot plot". There were concerns over the negative effects of interest rate rises on global economic growth.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.7 Global Equity Fund (continued)

##### 1.7.2 Trustee's commentary (continued)

Global shares registered strong gains since late October as the US Fed signalled that interest rate cuts may be on the way. Softer inflation figures in the US and Eurozone reinforced market expectations that the central banks are closed to finishing rate hiking cycle and will move towards cuts in 2024. Overall, major equity indices ended the year in positive territory.

\* Performance is calculated net of fees for the year 2023. Past performance is not indicative of future results.

#### 1.8 Asian Pacific Equity Fund

##### 1.8.1 Analysis of investments during the year

The fund returned 4.04%\* in 2023 compared with a 6.35% return for its benchmark, the FTSE MPF Asia Pacific ex-Japan ex-Australia ex New Zealand Index.

	Annualised return			Since launch %
	1 year %	5 years %	10 years %	
Asian Pacific Equity Fund (Launch date: 19 March 2007)	4.04	(1.91)	0.05	2.11
Benchmark	6.35	4.14	4.26	4.96
Deviation from the benchmark	(2.31)	(6.05)	(4.21)	(2.85)

##### 1.8.2 Trustee's commentary

The Fund underperformed its benchmark for various periods.

Asia Pacific ex Japan equities started the year with positive performance in the first quarter, supported by strong gains in Taiwan, Singapore and South Korea equities. Fears of a global recession weakened investor sentiment towards the region in February as investors took profits following a strong performance in January. The region's equities were broadly higher in March as fears of market contagion following the collapse of Silicon Valley Bank eased.



## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.8 Asian Pacific Equity Fund (continued)

##### 1.8.2 Trustee's commentary (continued)

Asia ex Japan equities were lower in the second and third quarter given worries over China growth. The economic rebound following the China's reopening after the Covid-19 crisis started to cool, while investors focused on China's property sector and doubted that Beijing will deliver enough stimulus to put the economy back on track. Investor enthusiasm for AI-related stocks boosted share prices in Taiwan and South Korea in the second quarter, but the momentum faded in the following quarter. Specifically, South Korea indicated a weaker factory output and slowing retail sales while Taiwan equities tumbled on investor fears that debt issues engulfing several Chinese property companies could trigger financial crisis.

Later in the fourth quarter, Asian equities rebounded as hopes that US interest rates may have peaked led to renewed investor appetite for risk assets across the region. Major Asia ex Japan market index ended the quarter in positive territory apart from China, where shares fell due to ongoing concerns over weaker economic growth. Taiwan and South Korea recorded strong gains as investor enthusiasm over AI continued to accelerate.

\* Performance is calculated net of fees for the year 2023. Past performance is not indicative of future results.

#### 1.9 European Equity Fund

##### 1.9.1 Analysis of investments during the year

The fund returned 20.83%\* in 2023 compared with a 19.33% return for its benchmark, the FTSE MPF Europe Index.

	Annualised return			
	1 year %	5 years %	10 years %	Since launch %
European Equity Fund (Launch date: 19 March 2007)	20.83	5.29	2.66	1.69
Benchmark	19.33	10.31	4.90	4.15
Deviation from the benchmark	1.50	(5.02)	(2.24)	(2.46)

##### 1.9.2 Trustee's commentary

The Fund outperformed its benchmark for 2023 and its return was behind the benchmark for five years, ten years and since inception.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.9 European Equity Fund (continued)

##### 1.9.2 Trustee's commentary (continued)

2023 started off strong until a fresh wave of volatility gripped the capital markets as the bank failures of Silvergate Capital and Silicon Valley Bank spread fears across regional banks leading to additional concerns in Europe with long-beleaguered Credit Suisse. This led to massive emergency intervention by the Swiss National Bank and UBS, culminating in the arranged merger of the country's two largest banking and wealth management institutions. Investors piled into money market funds, short-term Treasuries, and blue-chip growth stocks, foreshadowing ongoing pressures for rate-sensitive commercial real estate, private equity, and venture capital. As the first quarter ended, volatility subsided considerably, underpinning further gains in equity markets, and relative stability in credit markets.

Equity markets continued their 2023 ascent in the second quarter but not without skepticism as global Central Banks took center stage and broadly struck a more hawkish and cautionary tone surrounding inflation and monetary policy outlooks. Previous gains had been attributable to optimism about a "pivot" to more dovish monetary policy, but latest meetings painted a different picture as the European Central Bank raised rates after acknowledging that inflation was projected to remain high for the time being.

European equity markets posted declining returns within the third quarter hindered by ongoing rate rises, elevated food prices and weakening economies. This has been driven by fears of higher petroleum/gasoline prices dampening consumer demand and leading to inflationary pressures reappearing.

Investor optimism was building as the fourth quarter progressed, powered by further declines in inflation and slowing job growth, prompting signals from the Fed and other western Central Banks of the final innings of monetary policy tightening. The quarter also delivered a significant improvement in market breadth, as smaller-company shares and interest-rate sensitive, lower quality cyclical stocks finally began to participate in the market advancement, after struggling for much of the year.

3i Group was a top contributor overall in 2023. FX, Action growth and solid performance across the broader Private Equity portfolio are driving NAV progress. As a balance sheet investment vehicle, 3i is insensitive to industry fund raising concerns, and less sensitive to deployment/realization trends. Their key holding is discount retailer Action has driven upgrades to the net asset value.

Consumer discretionary was another area of relative strength led by an overweight position in Pandora. The company reported strong third quarter like for like sales growth that handily outpaced expectations. Better pricing is also supporting margin expansion well input costs remain low. The more mature markets continue to drive the upside led by the U.S. and Germany. Pandora is seeing strength both in the US market, and in lab grown diamonds which are seen as more ethically sourced.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.9 European Equity Fund (continued)

##### 1.9.2 Trustee's commentary (continued)

The portfolio also benefitted from the GLP-1 drug phenomenon after drugs trials showed positive results fighting diabetes and curbing obesity. This was led by Novo Nordisk which has continued to report strong results. For 2023, the company brought two additional fill & finish facilities that should provide ample capacity for long-term obesity treatment Wegovy's growth.

Holdings of Siemens AG and CNH Industrial drove the industrials underperformance. We sold Siemens following concerns about their digital industries division which is performing below expectations. In addition, their subsidiary Siemens Energy is struggling in the higher rate environment. Weak automation orders driven by a slowdown in China will likely continue to be a headwind moving forward. CNH had to cut guidance as the South American market results came in weaker than expected in the agriculture segment. We have since exited the position.

Health care was also a relative distractor over the year. The was driven by AstraZeneca and Roche. AstraZeneca reported an in-line 3Q with modestly raised EPS guidance. Core products were mixed but nothing concerning on long-term growth trajectories. Upcoming debate will be 2024 guidance with focus on margins, per usual, with the company continuing to progress a broad pipeline. Roche continued to face headwinds with lower-than-expected COVID related growth in therapeutics and diagnostics. However, Roche is trading at a discount relative to peers with similar growth projections and any clarity the pipeline a should provide upside specifically in the diagnostics business.

\* Performance is calculated net of fees for the year 2023. Past performance is not indicative of future results.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.10 Hong Kong Equities Fund

##### 1.10.1 Analysis of investments during the year

The fund returned -17.97%\* in 2023 compared with a -11.81% return for its benchmark, the FTSE MPF Hong Kong Index.

	Annualised return			Since launch %
	1 year %	5 years %	10 years %	
Hong Kong Equities Fund (Launch date: 19 March 2007)	(17.97)	(2.67)	(0.48)	0.25
Benchmark	(11.81)	(4.14)	0.29	2.27
Deviation from the benchmark	(6.16)	1.47	(0.77)	(2.02)

##### 1.10.2 Trustee's commentary

The Fund underperformed its benchmark for one year, ten years and since launch while it outperformed for five years period.

Hong Kong equities declined over 2023. The FTSE MPF Hong Kong Index ended the year down 11.8% in HKD terms. Stocks initially surged in 2023, boosted by hopes of a swift rebound after the removal of pandemic restrictions. However, the rally soon ran out of steam as economic data disappointed. A series of policy initiatives were implemented to stimulate economic activity, but in general, the measures underwhelmed. The property sector in China also remained a source of weakness as both property prices and sales declined through the year.

The portfolio underperformed the benchmark over the year of 2023. Key detractor came from stock selection in financials. Negative stock picks in consumer discretionary and healthcare sectors also offset the positive stock selection in the technology sector. At a single stock level, the top detractor was a nationwide duty-free store operator in China. The share price of the company initially rallied following China's exit from zero Covid policy, but subsequently pulled back as the economic recovery was softer-than-expected and consumer confidence remained fragile. We have exited the position given the earnings risk posed by the ongoing consumption weakness.

On the other hand, a key contributor was an ecommerce business focused on low price items – a sign of the times in China as consumers trade down in the depressed economic environment. The company also announced exceptional results from its international sales platform.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.10 Hong Kong Equities Fund (continued)

##### 1.10.2 Analysis of investments during the year (continued)

Looking forward, China is undoubtedly facing a growth challenge. While there are some significant structural issues that lie behind the weak economy, in our view there are also cyclical factors which can be alleviated by more supportive government policy.

The investment manager expects to see further monetary and fiscal policy support, which should help to stabilize the macro-economic situation. While market valuations are depressed, and therefore provide some downside support, it is likely that greater confidence in the economic outlook is needed to be restored as a first step for a more significant market advance.

\* Performance is calculated net of fees for the year 2023. Past performance is not indicative of future results.

#### 1.11 US Equity Fund

##### 1.11.1 Analysis of investments during the year

The fund returned 28.27%\* in 2023 compared with a 26.02% return for its benchmark, the FTSE MPF North America Index.

	Annualised return			Since launch %
	1 year %	5 years %	10 years %	
US Equity Fund (Launch date: 19 March 2007)	28.27	11.91	9.21	7.36
Benchmark	26.02	15.03	11.15	8.93
Deviation from the benchmark	2.25	(3.12)	(1.94)	(1.57)

##### 1.11.2 Trustee's commentary

The Fund outperformed its benchmark for 2023 and its return was behind the benchmark for five years, ten years and since inception.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.11 US Equity Fund (continued)

##### 1.11.2 Trustee's commentary (continued)

US shares notched up gains in the first two quarters. The short-lived market turbulence that followed the collapse of Silicon Valley Bank in March did not dampen investor optimism. Investors sentiment improved as the Fed expressed confidence in the resilience of the US banking system and the expectation of limited further rate hikes given weaker-than-expected inflation in March. The advance continued in the second quarter with the bulk of gains made in June. The advance came amid moderating inflation and signs that the US economy remained resilient. The Fed raised interest rates by 25 basis points in May but enacted a "hawkish pause" in June as inflation was cooling. The IT sector led the stock market as fervour around AI and the potential for a boom in related technology drove chipmakers higher.

Investors entered the second half of 2023 optimistic that the Fed had orchestrated a soft landing for the economy, and that the era of policy tightening rates would soon end. However, US equities were weaker between August to October as the enthusiasm waned due to the prospect of a sustained period of higher rates. In the last two months of the year, rate cut expectation shifted as the inflation prints released was softer than expected. The expectation that rate cuts may be approaching has driven strong gains in US shares, resulting in a positive year for US equities.

\* Performance is calculated net of fees for the year 2023. Past performance is not indicative of future results

#### 1.12 Greater China Equity Fund

##### 1.12.1 Analysis of investments during the year

The fund returned -9.82%\* in 2023 compared with a -1.90% return for its benchmark, the FTSE MPF Greater China (Total Net) index.

	Annualised return			Since launch
	1 year %	5 years %	10 years %	
Greater China Equity Fund (Launch date: 1 May 2011)	(9.82)	3.92	3.43	3.05
Benchmark	(1.90)	1.70	3.70	3.10
Deviation from the benchmark	(7.92)	2.22	(0.27)	(0.05)

##### 1.12.2 Trustee's commentary

The Fund underperformed its benchmark in 2023, ten years and since inception while it outperformed its benchmark for five years.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.12 Greater China Equity Fund (continued)

##### 1.12.2 Trustee's commentary (continued)

2023 was a year of headwinds mostly for growth names in China, due to a combination of exogenous (e.g. global rate environment) and domestic factors (e.g. lack of consumer confidence, property downturn, regulatory uncertainties), which impacted market performance and led to a prevailing risk-off sentiment. The risk-off sentiment led to the market favouring defensive, state-owned names with generally a lack of profitability mindset.

The Taiwanese market, in contrast, was one of the best performing major markets within Asia in 2023. The technology sector led the market backed by the AI-related optimism. Mid-way through the year market sentiment was uplifted further by upbeat results and outlook from Nvidia as its incremental computing capabilities were expected to support increasing demand from AI applications. Downstream PC names contributed towards the rally later in the year on the back of expectations around upgrade demand from incremental AI functionality.

China's composite PMI staged a visible and broad-based improvement in March which was a positive shift from average Jan-Feb numbers. That said, will be important to track data over the next couple of months to better understand and gauge the underlying growth trajectory of the economy. The economy's ability to produce more output is not a major challenge, rather the core challenge comes from the ability of domestic and global demand to absorb this output. We believe economic activity will witness a better near-term momentum towards the end of the first quarter as evidenced by the pick-up in export orders (indicated by March PMI), as well as the impact of domestic policy support announced and implemented in recent months.

The portfolio positioning has been consistent, retaining an overweight in technology (particularly AI proxies) and renewable energy (through solar and EV supply chain). In Taiwan, the investment manager continues to overweight the technology sector for its secular growth opportunities. The investment manager also maintains the position built over the past few months in contrarian cyclical. In Taiwan, the investment manager continues to overweight the technology sector for its secular growth opportunities.

\* Performance is calculated net of fees for the year 2023. Past performance is not indicative of future results.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.13 Age 65 Plus Fund

##### 1.13.1 Analysis of investments during the year

In 2023, the fund returned 8.36%\* compared with a 7.22% return for its benchmark. The components of the benchmark were as follows: FTSE MPF All-World Index (20%), FTSE MPF WGBI (77%) and Hong Kong Mandatory Provident Fund Schemes Authority's prescribed savings rate (3%).

	Annualised return			Since launch %
	1 year %	5 years %	10 years %	
Age 65 Plus Fund (Launch date: 1 April 2017)	8.36	2.02	-	1.69
Benchmark	7.22	1.73	-	1.59
Deviation from the benchmark	1.14	0.29	-	0.10

##### 1.13.2 Trustee's commentary

The fund is a relatively 'low risk' fund and has about 20% equities at 2023 year end and its return outperformed the benchmark in 2023 and various periods.



## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.13 Age 65 Plus Fund (continued)

##### 1.13.2 Trustee's commentary (continued)

The Age 65 Plus Funds is managed during the reporting year as per the strategic asset allocation (20/80) and rebalanced periodically. Therefore, there isn't any active component from asset allocation, while individual asset class performance will dominate the outcome on a yearly basis.

In 2023, the equity portion showed a return of 24.56% net of fees, thereby outperforming its benchmark (22.33%). Our strategy invests globally in stocks, in alignment with the MPF regulations. For the portfolio we favour companies that, in our view, are attractively valued, have good earnings and price momentum and evidence that management supports shareholder value.

The global equity strategy follows a systematic multi-factor stock selection approach. While Companies are selected using a proprietary multi-factor model that is built on proven return-seeking factors Momentum, Quality and Value. Over the period, Quality performed best but all three factors had a positive impact on the overall performance.

In 2023, the fixed income portion returned 5.50% net of fees and versus 4.99% from benchmark.

Throughout 2023 the portfolio was tilted towards bond markets exhibit attractive value, quality, carry characteristics and select exposures to Emerging Market sovereign bonds. Our active positioning contributed positively to performance over the period. Overweight exposures to those markets exhibiting strong Value, Carry and Value characteristics all delivered positive performance. This outweighed a negative contribution from underweight exposures to our funding markets of mainly the US, Germany and the UK.

\* Performance is calculated net of fees for the year 2023. Past performance is not indicative of future results.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.14 Core Accumulation Fund

##### 1.14.1 Analysis of investments during the year

In 2023, the fund returned 16.07%\* compared with a 14.03% return for its benchmark. The components of the benchmark were as follows: FTSE MPF All-World Index (60%), FTSE MPF WGBI (37%) and Hong Kong Mandatory Provident Fund Schemes Authority's prescribed savings rate (3%).

	Annualised return			Since launch %
	1 year %	5 years %	10 years %	
Core Accumulation Fund (Launch date: 1 April 2017)	16.07	6.77	-	5.27
Benchmark	14.03	6.49	-	5.28
Deviation from the benchmark	2.04	0.28	-	(0.01)

##### 1.14.2 Trustee's commentary

The fund is a relatively 'high risk' fund and has about 60% equities at 2023 year end and its return outperformed the benchmark for one year and five years.

There was a material deviation (i.e. over 2%) for one year period and this was due to positive equities and bonds selections as well as the positive allocation to various markets.

The Core Accumulation is managed during the reporting year as per the strategic asset allocation (60/40) and rebalanced periodically. Therefore, there isn't any active component from asset allocation, while individual asset class performance will dominate the outcome on a yearly basis.

In 2023, the equity portion showed a negative return of 24.56% net of fees, thereby outperforming its benchmark (22.33%). Our strategy invests globally in stocks, in alignment with the MPF regulations. For the portfolio we favour companies that, in our view, are attractively valued, have good earnings and price momentum and evidence that management supports shareholder value.

The global equity strategy follows a systematic multi-factor stock selection approach. Companies are selected using a proprietary multi-factor model that is built on proven return-seeking factors Momentum, Quality and Value. Over the period, Quality performed best but all three factors had a positive impact on the overall performance.

In 2023, the fixed income portion returned 5.50% net and versus 4.99% from benchmark.

## Investment report (continued)

### 1 Analysis of investments and Trustee's commentary (continued)

#### 1.14 Core Accumulation Fund (continued)

##### 1.14.2 Trustee's commentary (continued)

Throughout the period the portfolio was tilted towards bond markets exhibiting attractive value, quality and carry characteristics and select exposures to Emerging Market sovereign bonds. Our active positioning contributed strong Value, Carry and Value characteristics all delivered positive performance. This outweighed a negative contribution from underweight exposures to our funding markets of mainly the US, Germany and the UK.

\* Performance is calculated net of fees for the year 2023. Past performance is not indicative of future results.

#### 1.15 Trustee's commentary and performance assessment

We are of the view that:

- (a) the investments made complied with the Scheme rules; and
- (b) the investment strategy of our constituent funds followed the investment objectives specified in the MPF Scheme Brochure.

On a regular basis, the directors of YF Life Trustees Limited review the funds' performances and discuss with the Investment Managers on ways to improve their funds' performance, if necessary. Moreover, an Investment Committee was established to closely monitor the funds' performance and provide advice on follow up actions where necessary.

On April 17, 2023, the investment manager of Asian Balanced Fund, Global Bond Fund and European Fund was changed from Franklin Templeton Investments (Asia) Limited to Principal Asset Management Company (Asia) Limited while the investment manager of Asian Pacific Equity Fund, Global Equity Fund and US Equity Fund was changed from Franklin Templeton Investments (Asia) Limited to Schroder Investment Management (HK) Limited. The performance of those investment managers will be closely monitored to ensure the fund performance is line with the markets. Furthermore, the Asian Balanced Fund was restructured and renamed to Asian Bond Fund on April 17, 2023.

Moreover, the directors also review the variety of Fund choices offered to members, the size of each constituent fund and the fee level to ensure Mass Mandatory Provident Fund Scheme is competitive in the market.

## Investment report (continued)

### 2 Particulars of the investment policy during the year

#### 2.1 *Statement of investment policy*

##### 2.1.1 MPF Conservative Fund

The investment objective of the MPF Conservative Fund is to provide a convenient and easily realisable medium of investment for investors who require a level of income combined with a high degree of capital protection by investing in HK dollar denominated bank deposits and other high quality HK dollar denominated fixed interest and other monetary instruments. The MPF Conservative Fund seeks to achieve the above objective by investing into the Allianz Choice HK\$ Liquidity Fund of the Allianz Global Investors Choice Fund.

As a result of investing into the Allianz Choice HK\$ Liquidity Fund of the Allianz Global Investors Choice Fund, the MPF Conservative Fund may invest in any or a combination of (a) deposits for a term not exceeding 12 months; (b) unrestricted investments having a remaining maturity period of no more than 2 years; (c) debt securities (other than unrestricted investments) with a remaining maturity period of no more than 1 year and which satisfy the minimum credit rating set by the MPFA or (d) any other assets permitted for investment by Capital Preservation Fund pursuant to the General Regulation.

The MPF Conservative Fund will maintain an average portfolio maturity of not more than 90 days and an effective currency exposure (as defined in the General Regulation) to Hong Kong dollars equal to the latest available NAV of the Allianz Choice HK\$ Liquidity Fund of the Allianz Global Investors Choice Fund.

The MPF Conservative Fund is a low-risk investment option which protects investors against investment losses resulting from market fluctuations or volatility. The MPF Conservative Fund may not engage in financial futures contracts or financial option contracts or currency forward contracts or in securities lending.

The inherent risk in implementing the above investment policy is considered low.

## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 Statement of investment policy (continued)

##### 2.1.2 Guaranteed Fund and Mass MPF Guaranteed Policy (the "APIF Policy")

The primary investment objective of the Guaranteed Fund and the underlying APIF Policy are identical. The Guaranteed Fund and the underlying APIF policy aim at achieving long-term capital appreciation by investing in a diversified portfolio of global equities and fixed-interest securities.

The assets of the Guaranteed Fund are invested solely in the underlying APIF Policy. The assets of the underlying APIF Policy, in turn, are invested solely in the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund.

As a result of the investments in the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund, the Guaranteed Fund and the underlying APIF Policy are expected to invest 30% of their assets in equities and 70% in fixed-interest securities. The fixed income portion of the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund will consist of a range of instruments issued in countries around the world. The equity portion of the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund will be invested primarily in the Hong Kong, Japan, North American and European markets with a smaller proportion, being invested, at the discretion of the investment manager, in other Asian countries and emerging markets. Such smaller proportion of the equity portion of the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund may be invested in China A-Shares, in which the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund may invest in less than 30% of its equity portion in China A-Shares. For the avoidance of doubt, the limit of the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund's investment in China A-Shares is calculated based on the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund's equity portion (instead of the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund's net asset value).

The Guaranteed Fund maintains an "effective currency exposure" to Hong Kong dollars (as defined in the General Regulation) of not less than 30 per cent.

The underlying APIF Policy may not engage in financial futures contracts, financial option contracts and currency forward contracts. Moreover, neither the Guaranteed Fund nor the underlying APIF Policy engages in securities lending. However, the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund may engage in financial futures contracts, financial option contracts, and currency forward contracts for hedging purposes only. The assets of the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund may also be applied for the purpose of entering into stock lending transactions. Any such use of stock lending transactions or repurchase agreements will be effected in accordance with the applicable regulatory requirements and the terms of the constitutive documents of the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund.

## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 *Statement of investment policy (continued)*

##### 2.1.2 Guaranteed Fund and Mass MPF Guaranteed Policy (the "APIF Policy") (continued)

The inherent risk in implementing the above investment policy is considered low to medium. The Guaranteed Fund is expected to provide investors with capital preservation combined with steady capital appreciation over the long term by investing in a diversified portfolio of global equities and fixed-interest securities.

Subject to the occurrence of qualifying events, the Guaranteed Fund will provide guarantee on net contributions only made by or for a member (i.e. contribution monies less any offer spread imposed).

The Guaranteed Fund in the Scheme invests in an insurance policy which includes a guarantee. The insurance policy is issued by the insurer, YF Life Insurance International Limited.

Given that all the assets of the Guaranteed Fund are invested in the underlying APIF Policy issued by YF Life Insurance International Limited, the guarantee offered by the Guaranteed Fund is effectively provided by YF Life Insurance International Limited. As a result of this guarantee feature, the performance of the Guaranteed Fund may be diluted.

##### 2.1.3 Global Stable Fund

The Global Stable Fund seeks to achieve a stable overall return over the long term by investing in a diversified portfolio of global equities and fixed-interest securities. The Global Stable Fund seeks to achieve the above objectives by investing its assets into the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund. The criteria for selecting the specific Underlying Investment Fund of the Allianz Global Investors Choice Fund for the Global Stable Fund are as follows: meets our investment objectives, balances between fixed income and equities, risk considerations and strategy formulation with the investment manager.

## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 *Statement of investment policy (continued)*

##### 2.1.3 Global Stable Fund (continued)

As a result of investing into the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund, the Global Stable Fund is expected to invest 50% of its assets in equities and 50% in fixed-interest securities. The fixed income portion of the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund will consist of a range of instruments issued in countries around the world. The equity portion of the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund will be invested primarily in the Hong Kong, Japan, North American and European markets with a smaller proportion being invested, at the discretion of the investment manager, in other Asian countries and emerging markets. Such smaller proportion of the equity portion of the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund may be invested in China A-Shares, in which the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund may invest less than 30% of its equity portion. For the avoidance of doubt, the limit of the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund's investment in China A-Shares is calculated based on the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund's equity portion (instead of the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund's net asset value).

The Global Stable Fund will maintain an "effective currency exposure" to Hong Kong dollars (as defined in the General Regulation) of not less than 30 per cent.

The Global Stable Fund may not engage in financial futures contracts, financial option contracts and currency forward contracts. Moreover, the Global Stable Fund will not engage in securities lending. However, the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund may engage in financial futures contracts, financial option contracts and currency forward contracts for hedging purposes only. The assets of the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund may also be applied for the purpose of entering into stock lending transactions. Any such use of stock lending transactions or repurchase agreements will be effected in accordance with the applicable regulatory requirements and the terms of the constitutive documents of the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund.

The inherent risk in implementing the above investment policy is considered medium.

## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 Statement of investment policy (continued)

##### 2.1.4 Global Growth Fund

The Global Growth Fund seeks to achieve a high level of overall return over the long term by investing in a diversified portfolio of global equities and fixed-interest securities. The Global Growth Fund seeks to achieve the above objectives by investing its assets into the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund. The criteria for selecting the specific Underlying Investment Fund of the Allianz Global Investors Choice Fund for the Global Growth Fund are as follows: meets our investment objectives, balances between fixed income and equities, risk considerations and strategy formulation with the investment manager.

As a result of investing into the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund, the Global Growth Fund is expected to invest 70% of its assets in equities and 30% in fixed-interest securities. The fixed income portion of the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund will consist of a range of instruments issued in countries around the world. The equity portion of the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund will be invested primarily in the Hong Kong, Japan, North American and European markets with a smaller proportion, being invested, at the discretion of the investment manager, in other Asian countries and emerging markets. Such smaller proportion of the equity portion of the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund may be invested in China A-Shares, in which the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund may invest less than 30% of its equity portion. For the avoidance of doubt, the limit of the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund's investment in China A-Shares is calculated based on the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund's equity portion (instead of the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund's net asset value).

The Global Growth Fund will maintain an "effective currency exposure" to Hong Kong dollars (as defined in the General Regulation) of not less than 30 per cent.

The Global Growth Fund may not engage in financial futures contracts, financial option contracts and currency forward contracts. Moreover, the Global Growth Fund will not engage in securities lending. However, the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund may engage in financial futures contracts, financial option contracts and currency forward contracts for hedging purposes only. The assets of the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund may also be applied for the purpose of entering into stock lending transactions. Any such use of stock lending transactions or repurchase agreements will be affected in accordance with the applicable regulatory requirements and the terms of the constitutive documents of the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund.

The inherent risk in implementing the above investment policy is considered medium to high.



## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 *Statement of investment policy (continued)*

##### 2.1.5 Asian Bond Fund

The investment objective of the Asian Bond Fund is to seek a return consisting of income and capital growth over medium to long term. The Asian Bond Fund seeks to achieve the above objective by investing solely into the Principal Asian Bond Fund of the Principal Unit Trust Umbrella Fund.

As a result of investing into the Principal Asian Bond Fund of the Principal Unit Trust Umbrella Fund, the portfolio of the Asian Bond Fund will invest a majority of its assets in Asian debt securities, including but not limited to sovereign, quasi-sovereign, agency, corporate bonds, of varying maturities issued by the government, multi-lateral agencies or by companies, and denominated primarily in U.S. dollars and major Asian currencies. The types of debt securities that the Principal Asian Bond Fund of the Principal Unit Trust Umbrella Fund intends to primarily invest into are government bonds, corporate bonds/debentures, floating rate notes, bills, commercial papers and certificates of deposit. In addition, the Principal Asian Bond Fund of the Principal Unit Trust Umbrella Fund invests not more than 30% of its assets in time deposits or may hold cash.

Other than U.S. dollars and Hong Kong dollars, exposure to any single Asian currency, including but not limited to China Renminbi, South Korean Won and Singaporean dollars, will not exceed 30% of the total assets of the Principal Asian Bond Fund of the Principal Unit Trust Umbrella Fund. During special circumstances, such as periods of uncertainty or high volatility in Asian debt securities markets, the Principal Asian Bond Fund of the Principal Unit Trust Umbrella Fund may invest up to 30% of its assets in non-Asian assets to protect the Principal Asian Bond Fund. During periods of high volatility, Asian debt securities may be less liquid or with higher bid-offer spreads etc. making them more difficult and expensive to transact in the market. In those cases, to help the Principal Asian Bond Fund of the Principal Unit Trust Umbrella Fund maintain liquidity and buffer against market volatility, Principal may choose to invest in non-Asian assets, such as US Treasuries, non-Asian highly rated sovereign debt securities, which are more liquid and have lower bid-offer spread etc.

## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 Statement of investment policy (continued)

##### 2.1.5 Asian Bond Fund (continued)

The target ranges of asset allocation and geographic allocation of the Asian Bond Fund through its investment in Principal Asian Bond Fund of the Principal Unit Trust Umbrella Fund are as follows:

	<i>% of net asset value</i>
Asset allocation	Range
Debt securities	70 – 100%
Cash and time deposits	0 – 30%
Geographic allocation	Range
Asia	70 – 100%
Others	0 – 30%

The Asian Bond Fund will have a minimum of 30% of its net assets in Hong Kong dollar currency investments. The Asian Bond Fund will therefore have a maximum of 70% of its net assets in non-Hong Kong dollar currency investments, which will have an Asian investment mandate.

The Asian Bond Fund may not engage in financial futures and financial option contracts. The Asian Bond Fund may not engage in currency forward contracts. Moreover, the Asian Bond Fund will not engage in security lending.

The Asian Bond Fund is subject to market fluctuations, and to the risks inherent in all investments. Investors should regard the Asian Bond Fund as a medium risk investment.

## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 Statement of investment policy (continued)

##### 2.1.6 Global Bond Fund

The investment objective of the Global Bond Fund is to protect and maximize real asset value in terms of international purchasing power. The Global Bond Fund seeks to achieve the above objective by investing solely into the Principal International Bond Fund of Principal Unit Trust Umbrella Fund.

As a result of investing into the Principal International Bond Fund of Principal Unit Trust Umbrella Fund, the portfolio of the Global Bond Fund will invest mainly in the global bond markets, both sovereign or non-sovereign debt securities, of varying maturities and denominated in the world's major currencies.

The target ranges of asset allocation and geographic allocation of the Global Bond Fund through its investment in the Principal International Bond Fund of Principal Unit Trust Umbrella Fund are as follows:

	<i>% of net asset value</i>
Asset allocation	Range
Debt securities	70 – 100%
Cash and Short-term Investment (e.g. bills and deposits)	0 – 30%
Geographic allocation	Range
Asia (ex-Japan)	0 – 50%
Europe	0 – 50%
Japan	0 – 50%
North America	15 – 85%
Other countries (each)	0 – 20%

The Global Bond Fund will have a minimum of 30% of its net assets in Hong Kong dollar currency investments. This fund will therefore have a maximum of 70% of its net assets in non-Hong Kong dollar currency investments, which will have a global investment mandate.

The Global Bond Fund may not engage in financial futures and financial option contracts. The Global Bond Fund may not engage in currency forward contracts. Moreover, the Global Bond Fund will not engage in security lending.

The Global Bond Fund is subject to market fluctuations, and to the risks inherent in all investments. Investors should regard the Global Bond Fund as a low risk investment.

## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 Statement of investment policy (continued)

##### 2.1.7 Global Equity Fund

The investment objective of the Global Equity Fund is to seek capital growth through investing in a diversified global equity portfolio. The Global Equity Fund seeks to achieve the above objective by investing solely into the Advanced Global Equity Fund of Schroder Institutional Pooled Funds.

As a result of investing into the Advanced Global Equity Fund of Schroder Institutional Pooled Funds, the portfolio of the Global Equity Fund may invest up to 100% in a portfolio of global equities in a globally diversified manner with relative emphasis on the United States and Europe.

The portfolio of the Global Equity Fund may hold up to 10% of its net asset value in cash or cash equivalents for the purpose of portfolio management, and up to 30% of its net asset value in cash or cash equivalents in times of extreme market conditions such as in times of a prolonged bearish market or a severe and rapid economic downturn in order to protect the assets of the Global Equity Fund, mitigate risk or maintain liquidity of the Global Equity Fund.

The current proposed asset allocation of the Global Equity Fund through its investment in the Advanced Global Equity Fund of Schroder Institutional Pooled Funds is set out below. Investors should note that the actual allocation may at times be varied from that shown below as market, economic and other conditions change.

	<i>% of net asset value</i>
Asset allocation	Range
Debt securities	70 – 100%
Cash and cash equivalents	0 – 30%
Geographic allocation	Range
Asia Pacific excluding Japan	0 – 50%
United States	10 – 70%
Japan	0 – 25%
Europe	10 – 50%
Others	0 – 30%

## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 *Statement of investment policy (continued)*

##### 2.1.7 Global Equity Fund (continued)

The Global Equity Fund will have a minimum of 30% of its net assets in Hong Kong dollar currency investments. The Global Equity Fund will therefore have a maximum of 70% of its net assets in non-Hong Kong dollar currency investments, which will have a global investment mandate.

The Global Equity Fund may not engage in financial futures and financial option contracts. The Global Equity Fund will engage in currency forward contracts for hedging purpose. Moreover, the Global Equity Fund will not engage in security lending.

The Global Equity Fund is subject to market fluctuations, and to the risks inherent in all investments. Investors should regard the Global Equity Fund as a high risk investment.

##### 2.1.8 Asian Pacific Equity Fund

The investment objective of the Asian Pacific Equity Fund is to provide long term capital appreciation. The Asian Pacific Equity Fund seeks to achieve the above objective by investing solely into the Smart Asian Equity Fund of BCT Pooled Investment Fund Series.

The Smart Asian Equity Fund of BCT Pooled Investment Fund Series, will apply a "Smart Beta" investment strategy in a portfolio of Asia Pacific (excluding Japan, Australia and New Zealand) equity securities that are constituent stocks of the FTSE MPF Asia Pacific ex Japan, Australia and New Zealand Index (or equity-related securities which are receipts or certificates entitling the holder to the economic benefits of ownership of such constituent stocks ("Proxies"), including depositary receipts and non-voting depositary receipts). The invested markets primarily include Hong Kong, China (including, but not limited to China A-Shares via Stock Connect), Taiwan, South Korea, Singapore, Malaysia, Thailand, Philippines, Indonesia and India.

As the Asian Pacific Equity Fund through its investment in Smart Asian Equity Fund of BCT Pooled Investment Fund Series does not invest by replicating a designated index (as in the case of a typical index tracking fund), Asian Pacific Equity Fund is not an index tracking fund with passive management strategies. The use of the "Smart Beta" investment strategy will involve the utilization of a proprietary rule-based quantitative screening of securities in the selection of constituents (or their Proxies) from the said index. The weighting of the constituents (or their Proxies) invested by the Smart Asian Equity Fund of BCT Pooled Investment Fund Series may be different from reference index. The Smart Asian Equity Fund will also seek to maintain a relatively low performance variation between the Smart Asian Equity Fund and the said index with a view to delivering a risk-and-return profile which is similar to that of the said index. While the said rule-based investment strategy will be adhered to without discretion in the said selection process, those rules will be subject to reviews and may be changed from time to time.

## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 Statement of investment policy (continued)

##### 2.1.8 Asian Pacific Equity Fund (continued)

The Asian Pacific Equity Fund through its investment in Smart Asian Equity Fund of BCT Pooled Investment Fund Series has no prescribed allocations for investments in any specific countries or currencies in the Asia Pacific (excluding Japan, Australia and New Zealand).

The target ranges of asset allocation of the Asian Pacific Equity Fund through its investment in the Smart Asian Equity Fund of BCT Pooled Investment Fund Series are as follows:

	<i>% of net asset value</i>
Asset allocation	Range
Listed equity securities	70 – 100%
Cash and cash equivalents	0 – 30%

The Asian Pacific Equity Fund will have a minimum of 30% of its net assets in Hong Kong dollar currency investments. The Asian Pacific Equity Fund will therefore have a maximum of 70% of its net assets in non-Hong Kong dollar currency investments, which will have an Asian investment mandate.

The Asian Pacific Equity Fund may not engage in financial futures and financial option contracts. The Asian Pacific Equity Fund will engage in currency forward contracts for hedging purposes. Moreover, the Asian Pacific Equity Fund will not engage in security lending.

The Asian Pacific Equity Fund is subject to market fluctuations and to the risks inherent in all investments. Investors should regard the Asian Pacific Equity Fund as a high risk investment.

## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 Statement of investment policy (continued)

##### 2.1.9 European Equity Fund

The investment objective of the European Equity Fund is to achieve capital growth over the long-term by investing mainly in European equity markets. The European Equity Fund seeks to achieve the above objective by investing solely into the Principal European Equity Fund of Principal Life Style Fund.

As a result of investing into the Principal European Equity Fund of Principal Life Style Fund, the portfolio of the European Equity Fund will invest primarily in listed equities issued by companies established in Europe or by companies whose shares are listed in Europe or by companies that are listed elsewhere but have substantial business in Europe.

The European Equity Fund through its investment in Principal European Equity Fund of Principal Life Style Fund may hold cash and short-term investments for cash management purpose.

The target ranges of asset allocation and geographic allocation of the European Equity Fund through its investment in the Principal European Equity Fund of Principal Life Style Fund are as follows:

	<i>% of net asset value</i>
Asset allocation	Range
Equity Securities	70 – 100%
Cash and Short-term Investment (e.g. bills and deposits)	0 – 30%
Geographic allocation	Range
Europe	70 – 100%
Other countries	0 – 30%

The European Equity Fund will have a minimum of 30% of its net assets in Hong Kong dollar currency investments. The European Equity Fund will therefore have a maximum of 70% of its net assets in non-Hong Kong dollar currency investments, which will have a European investment mandate.

The European Equity Fund may not engage in financial futures and financial option contracts. The European Equity Fund may not engage in currency forward contracts. Moreover, the European Equity Fund will not engage in security lending

The European Equity Fund is subject to market fluctuations, and to the risks inherent in all investments. Investors should regard the European Equity Fund as a high risk investment.

## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 *Statement of investment policy (continued)*

##### 2.1.10 Hong Kong Equities Fund

The Hong Kong Equities Fund seeks to achieve long-term capital growth by investing primarily in Hong Kong equities, including Chinese securities listed in Hong Kong. The Hong Kong Equities Fund seeks to achieve the above objectives by investing its assets into the Allianz Choice Hong Kong Fund of the Allianz Global Investors Choice Fund. The criteria for selecting the specific Underlying Investment Fund of the Allianz Global Investors Choice Fund for the Hong Kong Equities Fund are as follows: meets our investment objectives, risk considerations and strategy formulation with the investment manager. As a result of investing into the Allianz Choice Hong Kong Fund of the Allianz Global Investors Choice Fund, the Hong Kong Equities Fund is expected to invest not less than 70% of net asset value in Hong Kong equities, including Chinese securities listed in Hong Kong. For the remaining portion of its assets, the Hong Kong Equities Fund may invest less than 30% of its net asset value in China A-Shares, which are related to Hong Kong by either being traded via the Stock Connect or having businesses in or relations to Hong Kong (e.g. part of the revenues being derived in Hong Kong and/or providing goods/services and/or having operations in Hong Kong). Such investment in China A-Shares may be made either (i) directly via the Stock Connect and/or the QFI Regime or (ii) (where applicable) indirectly through other eligible instruments (if any) as permitted by the relevant regulations from time to time.

The Hong Kong Equities Fund will maintain an “effective currency exposure” to Hong Kong dollars (as defined in the General Regulation) of not less than 30 per cent.

The Hong Kong Equities Fund may not engage in financial futures contracts, financial option contracts and currency forward contracts. Moreover, the Hong Kong Equities Fund will not engage in securities lending. However, the Allianz Choice Hong Kong Fund of the Allianz Global Investors Choice Fund may engage in financial futures contracts, financial option contracts and currency forward contracts for hedging purposes only. The assets of the Allianz Choice Hong Kong Fund of the Allianz Global Investors Choice Fund may also be applied for the purpose of entering into stock lending transactions. Any such use of stock lending transactions or repurchase agreements will be effected in accordance with the applicable regulatory requirements and the terms of the constitutive documents of the Allianz Choice Hong Kong Fund of the Allianz Global Investors Choice Fund.

The inherent risk in implementing the above investment policy is considered high.



## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 Statement of investment policy (continued)

##### 2.1.11 US Equity Fund

The investment objective of the US Equity Fund is to provide long term capital appreciation. The US Equity Fund seeks to achieve the above objective by investing solely into Smart North American Equity Fund of BCT Pooled Investment Fund Series.

Smart North American Equity Fund of BCT Pooled Investment Fund Series, will apply a "Smart Beta" investment strategy in a portfolio of North American equity securities that are constituent stocks of the FTSE MPF North America Index (or equity-related securities which are receipts or certificates entitling the holder to the economic benefits of ownership of such constituent stocks ("Proxies"), including depositary receipts and non-voting depositary receipts).

As the US Equity Fund through its investment in Smart North American Equity Fund of BCT Pooled Investment Fund Series does not invest by replicating a designated index (as in the case of a typical index tracking fund), the US Equity Fund is not an index tracking fund with passive management strategies. The use of the "Smart Beta" investment strategy will involve the utilization of a proprietary rule-based quantitative screening of securities in the selection of constituents (or their Proxies) from the said index. The weighting of the constituents (or their Proxies) invested by the Smart North American Equity Fund may be different from that of the reference index. The Smart North American Fund will also seek to maintain a relatively low performance variation between the Smart North American Fund and the said index with a view to delivering a risk-and-return profile which is similar to that of the said index. While the said rule-based investment strategy will be adhered to without discretion in the said selection process, those rules will be subject to reviews and may be changed from time to time.

The target ranges of asset allocation of the US Equity Fund through its investment in the Smart North American Equity Fund of BCT Pooled Investment Fund Series are as follows:

	<i>% of net asset value</i>
Asset allocation	Range
Listed equity securities	70 – 100%
Cash and cash equivalents	0 – 30%

The US Equity Fund will have a minimum of 30% of its net assets in Hong Kong dollar currency investments. The US Equity Fund will therefore have a maximum of 70% of its net assets in non Hong Kong dollar currency investments, which will have a US investment mandate.

## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 Statement of investment policy (continued)

##### 2.1.11 US Equity Fund (continued)

The US Equity Fund may not engage in financial futures and financial option contracts. The US Equity Fund may engage in currency forward contracts for hedging purposes. Moreover, the US Equity Fund will not engage in security lending.

The US Equity Fund is subject to market fluctuations, and to the risks inherent in all investments. Investors should regard the US Equity Fund as a high risk investment.

##### 2.1.12 Greater China Equity Fund

The investment objective of the Greater China Equity Fund is to provide investors with long-term capital growth. This fund seeks to achieve the above objective by investing into the JP Morgan SAR Greater China Fund.

As a result of investing into the JP Morgan SAR Greater China Fund, the portfolio of the Greater China Equity Fund will invest primarily in securities of companies based or operating principally in the People's Republic of China, Hong Kong, Macau or Taiwan ("Greater China Region") and the majority of these companies will be listed on a stock exchange in Hong Kong or Taiwan. The Greater China Equity Fund may invest (directly or indirectly) less than 30% of its net assets in China A and/or B shares. This fund will not invest (directly or indirectly) more than 10% of its net assets in China A and/or B shares.

The Greater China Equity Fund through its investment in the JP Morgan SAR Greater China Fund will have the following ranges of asset allocations:

70 - 100%	net asset value in Greater China equities
0 - 30%	net asset value in other equities
0 - 30%	net asset value in bonds*

\* For cash management purposes only.

## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 Statement of investment policy (continued)

##### 2.1.12 Greater China Equity Fund (continued)

The Greater China Equity Fund will have a minimum of 30% of its net assets in Hong Kong dollar currency investments.

The Greater China Equity Fund may not engage in financial futures contracts and financial option contracts. Moreover, the Greater China Equity Fund will not engage in security lending.

The Greater China Equity Fund through JP Morgan SAR Greater China Fund invests in securities. Investments by the JP Morgan SAR Greater China Fund are restricted by the terms of the Trust Deed of the JP Morgan SAR Greater China Fund and by the General Regulation. Subject to the limits set out in the investment restrictions specific in the Trust Deed of the JP Morgan SAR Greater China Fund and in the General Regulation, the investment manager may invest in financial options and warrants and enter into financial futures contracts for hedging purposes. The investment manager has the discretion under the Trust Deed of the JP Morgan SAR Greater China Fund to enter into securities lending arrangements under specific circumstances where the relevant guidelines issued by the MPFA are complied with. However, the investment manager of the JP Morgan SAR Greater China Fund does not currently intend to enter into such arrangements.

The Greater China Equity Fund is subject to market fluctuations and to the risks inherent in all investments. Investors should regard the Greater China Equity Fund as a high risk investment.

## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 Statement of investment policy (continued)

##### 2.1.13 Age 65 Plus Fund

The investment objective of the Age 65 Plus Fund is to achieve stable growth by investing in a globally diversified manner.

The Age 65 Plus Fund through the underlying approved pooled investment funds ("APIFs") of the Underlying Investment Fund adopts active investment strategy. The Underlying Investment Fund, through its APIFs, aim to achieve returns above the MPF industry developed Reference Portfolio for the Age 65 Plus Fund through active management of portfolio by making reference to the MPF industry developed Reference Portfolio for the Age 65 Plus Fund but may not be identical to the MPF industry developed Reference Portfolio for the Age 65 Plus Fund in terms of security selection and weighting and may selectively react to the movement of dealings in the portfolios or market fluctuation. This strategy aims to promote efficiency and minimize cost for the purpose of default investment strategy asset rebalancing.

The Age 65 Plus Fund shall be invested in an approved pooled investment fund named the Age 65 Plus Fund of Invesco Pooled Investment Fund, which in turn primarily invests in a combination of global equities and bonds in a global diversified manner (through investment in the Global Strategic Equity Fund and the Global Strategic Bond Fund of Invesco Pooled Investment Fund which are approved pooled investment funds) as allowed under the General Regulation.

The Age 65 Plus Fund, through the Underlying Investment Fund, targets to invest 20% of its net assets in Higher Risk Assets (such as global equities), with the remainder investing in Lower Risk Assets (such as global bonds, cash and money market instruments). The asset allocation to Higher Risk Assets may vary between 15% and 25% due to differing price movements of various equity and bond markets. The asset allocation to the Higher Risk Assets (ranged from 15% to 25%) is subject to the discretion of investment manager of the Age 65 Plus Fund.

There is no prescribed allocation for investments in any specific countries or currencies.

The Age 65 Plus Fund through its Underlying Investment Fund will maintain an effective currency exposure to Hong Kong dollars (as defined in the General Regulation) of not less than 30% through currency hedging operations.

The Age 65 Plus Fund and its Underlying Investment Fund will not enter into financial future contracts, financial option contracts and will not engage in security lending directly. However, the Age 65 Plus Fund and Underlying Investment Fund, through its APIFs, will enter into financial futures contracts and financial options contracts for hedging purposes only. Besides, the Age 65 Plus Fund will not engage in currency forward contracts.

## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 Statement of investment policy (continued)

##### 2.1.13 Age 65 Plus Fund (continued)

Investment in the Age 65 Plus Fund is subject to market fluctuations and to the risk inherent to investing in securities. Because the asset allocation of Higher Risk Assets of the Age 65 Plus Fund may vary between 15% to 25%, based on the percentage of assets invested in equities (i.e. Higher Risk Assets), investors should regard the Age 65 Plus Fund as a low to medium risk investment. The return of the Age 65 Plus Fund over the long term is expected to be at least similar to the return of the MPF industry developed Reference Portfolio for the Age 65 Plus Fund.

##### 2.1.14 Core Accumulation Fund

The investment objective of the Core Accumulation Fund is to achieve capital growth by investing in a globally diversified manner.

The Core Accumulation Fund through the APIFs of the Underlying Investment Fund adopts active investment strategy. The Underlying Investment Fund, through its APIFs, aim to achieve returns above the MPF industry developed Reference Portfolio for the Core Accumulation Fund through active management of portfolio by making reference to the MPF industry developed Reference Portfolio for the Core Accumulation Fund but may not be identical to the MPF industry developed Reference Portfolio for the Core Accumulation Fund in terms of security selection and weighting and may selectively react to the movement of dealings in the portfolios or market fluctuation. This strategy aims to promote efficiency and minimize cost for the purpose of default investment strategy asset rebalancing.

The Core Accumulation Fund shall invest in an approved pooled investment fund named the Core Accumulation Fund of Invesco Pooled Investment Fund, which in turn primarily invests in a combination of global equities and bonds in a globally diversified manner (through investment in the Global Strategic Equity Fund and the Global Strategic Bond Fund of Invesco Pooled Investment Fund which are approved pooled investment funds) as allowed under the General Regulation.

The Core Accumulation Fund, through the underlying investment fund, targets to invest 60% of its net assets in Higher Risk Assets (such as global equities), with the remainder investing in Lower Risk Assets (such as global bonds, cash and money market instruments). The asset allocation to Higher Risk Assets may vary between 55% and 65% due to differing price movements of various equity and bond markets. The asset allocation to the Higher Risk Assets (ranged from 55% to 65%) is subject to the discretion of investment manager of the Core Accumulation Fund.

There is no prescribed allocation for investments in any specific countries or currencies.

## Investment report (continued)

### 2 Particulars of the investment policy during the year (continued)

#### 2.1 *Statement of investment policy (continued)*

##### 2.1.14 Core Accumulation Fund (continued)

The Core Accumulation Fund through its Underlying Investment Fund will maintain an effective currency exposure to Hong Kong dollars (as defined in the General Regulation) of not less than 30% through currency hedging operations.

The Core Accumulation Fund and its Underlying Investment Fund will not enter into financial future contracts, financial option contracts and will not engage in security lending directly. However, the Core Accumulation Fund and Underlying Investment Fund, through its APIFs, will enter into financial futures and options contracts for hedging purposes only. Besides, the Core Accumulation Fund will not engage in currency forward contracts.

Investment in the Core Accumulation Fund is subject to market fluctuations and to the risk inherent to investment in securities. Because the asset allocation of Higher Risk Assets of the Core Accumulation Fund may vary between 55% to 65%, based on the percentage of assets invested in equities (i.e. Higher Risk Assets), investors should regard the Core Accumulation Fund as a medium to high risk investment. The return of the Core Accumulation Fund over the long term is expected to be at least similar to the return of the MPF industry developed Reference Portfolio for the Core Accumulation Fund.

#### 2.2 *Change of investment policy*

Subject to the approval of the MPFA and the SFC,

- (i) the Trustee may change the investment policy of any constituent fund by one month's prior written notice (or such longer period not exceeding three months as may be imposed by the SFC) to the scheme participants; and
- (ii) the Insurer may change the investment policy of the APIF Policy by one month's prior written notice to the policyholders of the underlying APIF Policy.

## Investment report (continued)

### 3 Performance table

#### 3.1 MPF Conservative Fund

	2023 HK\$	2022 HK\$	2021 HK\$	2020 HK\$	2019 HK\$
Net loss excluding capital appreciation/(depreciation)	(3,118,246)	(3,778,685)	(118,011)	(1,503,341)	(1,557,560)
Capital appreciation - realised and unrealised	20,536,640	5,501,322	122,191	2,819,164	4,606,327
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	546,118,015	551,659,226	441,205,339	352,953,847	270,068,507
Total net asset value	545,644,630	551,181,290	441,169,028	352,778,941	269,811,359
Net asset value per unit	11.4507	11.0888	11.0534	11.0533	11.0021

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2023	11.4510	11.0928	3.264
2022	11.0890	11.0523	0.320
2021	11.0534	11.0533	0.001
2020	11.0534	11.0028	0.465
2019	11.0021	10.8786	1.147
2018	10.8773	10.8161	0.566
2017	10.8161	10.8154	0.007
2016	10.8154	10.8146	0.007
2015	10.8146	10.8139	0.086
2014	10.8139	10.8118	(0.071)
2013	10.8221	10.8107	(0.083)
2012	10.8220	10.8185	0.004
2011	10.8297	10.8214	(0.074)
2010	10.8368	10.8283	(0.063)
2009	10.8618	10.8346	(0.244)
2008	10.8630	10.7666	0.938
2007	10.7555	10.5180	2.336
2006	10.5137	10.2640	2.486
2005	10.2597	10.1640	0.616
2004	10.2360	10.1956	(0.376)

\* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 1 December 2000 was HK\$10.00 per unit.

# The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2023, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation of the investments as stated above.

## Investment report (continued)

### 3 Performance table (continued)

#### 3.2 Guaranteed Fund

	2023 HK\$	2022 HK\$	2021 HK\$	2020 HK\$	2019 HK\$
Net loss excluding capital appreciation/(depreciation)	-	-	-	-	-
Capital appreciation/(depreciation) - realised and unrealised	7,613,439	(31,115,235)	(5,805,981)	17,766,550	10,924,167
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	205,956,565	184,381,735	206,261,609	195,554,254	158,820,443
Total net asset value	205,956,565	184,381,735	206,261,609	195,554,254	158,820,443
Net asset value per unit	10.0918	9.8611	11.7716	12.1819	11.1154

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2023	10.3917	9.4104	2.339
2022	11.7644	9.2462	(16.230)
2021	12.4802	11.7027	(3.368)
2020	12.1819	9.9699	9.595
2019	11.1169	10.3945	6.542
2018	11.7546	10.3678	(8.212)
2017	11.3938	10.2917	10.141
2016	10.9875	10.1218	(1.169)
2015	11.3261	10.3833	(4.973)
2014	11.4376	10.9584	(2.500)
2013	11.4607	10.8076	0.919
2012	11.1864	10.4330	6.859
2011	11.2364	10.1280	(4.201)
2010	11.2159	10.1653	2.431
2009	10.9253	9.1197	5.911
2008	11.4559	9.2591	(12.250)
2007	11.6250	10.5509	7.705

\* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 20 January 2006 was HK\$10.00 per unit.

# The constituent fund is a feeder fund which invests in an approved pooled investment fund policy. During the year ended 31 December 2023, there was no distribution income from the approved pooled investment fund policy. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.



## Investment report (continued)

### 3 Performance table (continued)

#### 3.3 Global Stable Fund

	2023 HK\$	2022 HK\$	2021 HK\$	2020 HK\$	2019 HK\$
Net loss excluding capital appreciation/(depreciation)	(3,610,862)	(3,714,104)	(4,307,967)	(3,645,072)	(3,423,304)
Capital appreciation/(depreciation) - realised and unrealised	15,027,683	(43,824,867)	4,022,411	43,191,811	29,778,475
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	260,287,434	247,833,966	304,181,928	303,645,277	259,673,372
Total net asset value	259,740,683	247,292,639	303,536,885	303,007,587	259,219,349
Net asset value per unit	21.2718	20.3364	24.1278	24.1547	20.9987

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2023	21.7500	19.6652	4.600
2022	24.2179	18.5591	(15.714)
2021	25.3719	23.8026	(0.111)
2020	24.1547	17.8119	15.030
2019	21.0172	18.7159	11.204
2018	21.9188	18.6924	(9.386)
2017	20.8406	17.7065	17.546
2016	18.6861	16.4841	1.404
2015	19.2950	17.1085	(3.576)
2014	18.8920	17.6903	(0.766)
2013	18.3013	16.7209	8.034
2012	16.9481	15.1325	11.808
2011	16.5870	14.1999	(4.421)
2010	16.1790	14.1562	5.751
2009	15.2839	11.3606	15.989
2008	16.3415	11.6726	(21.573)
2007	16.8285	14.5219	12.680
2006	14.6015	12.9097	14.871
2005	12.7515	12.0488	2.712
2004	12.3746	10.6553	11.542

\* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 1 December 2000 was HK\$10.00 per unit.

# The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2023, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

## Investment report (continued)

### 3 Performance table (continued)

#### 3.4 Global Growth Fund

	2023 HK\$	2022 HK\$	2021 HK\$	2020 HK\$	2019 HK\$
Net loss excluding capital appreciation/(depreciation)	(5,719,481)	(5,808,856)	(6,621,169)	(5,491,937)	(5,298,244)
Capital appreciation/(depreciation) - realised and unrealised	24,736,004	(70,009,498)	15,169,689	76,339,899	55,226,383
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	408,367,720	398,343,589	468,521,616	466,897,517	404,252,930
Total net asset value	407,512,733	397,480,197	467,533,078	465,923,131	403,552,853
Net asset value per unit	24.2861	23.1625	27.5726	27.0903	22.9699

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2023	25.0616	22.3941	4.851
2022	27.7765	20.6631	(15.995)
2021	29.1323	26.9902	1.780
2020	27.0903	18.2928	17.938
2019	23.0107	19.9159	13.792
2018	24.5815	19.9333	(12.356)
2017	23.0351	18.7364	23.031
2016	19.6294	16.6970	1.582
2015	20.9811	17.7788	(3.999)
2014	20.1650	18.4415	(1.000)
2013	19.3902	17.1365	13.257
2012	17.1663	14.8903	14.267
2011	17.0810	13.6501	(7.345)
2010	16.4475	13.9331	6.741
2009	15.3648	10.4915	23.310
2008	17.8525	10.9519	(32.124)
2007	18.7732	15.5949	15.400
2006	15.6860	13.3519	19.945
2005	13.1375	12.0343	5.221
2004	12.4277	10.8135	13.115

\* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 1 December 2000 was HK\$10.00 per unit.

# The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2023, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

## Investment report (continued)

### 3 Performance table (continued)

#### 3.5 Asian Bond Fund

	2023 HK\$	2022 HK\$	2021 HK\$	2020 HK\$	2019 HK\$
Net loss excluding capital appreciation/(depreciation)	(4,316,279)	(1,780,982)	(1,996,101)	(1,902,709)	(2,059,145)
Capital appreciation/(depreciation) - realised and unrealised	25,651,936	(49,618,528)	(2,598,776)	14,858,630	33,357,434
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	344,742,922	331,194,608	379,269,327	418,335,119	415,732,794
Total net asset value	343,898,646	330,772,032	378,824,795	417,837,207	415,207,050
Net asset value per unit	25.7140	24.1360	27.8924	28.3129	27.3360

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2023	26.0488	23.9949	6.538
2022	28.4426	21.5497	(13.467)
2021	31.1347	27.2410	(1.485)
2020	28.3129	20.6411	3.574
2019	27.3711	24.2548	8.063
2018	30.8194	25.0947	(14.239)
2017	29.4996	24.1916	22.201
2016	24.6728	20.9557	3.452
2015	27.0394	22.0959	(6.350)
2014	26.3826	23.4201	1.555
2013	25.9563	23.1044	2.598
2012	23.9113	20.7711	15.894
2011	23.0117	19.7580	(7.645)
2010	22.3603	18.9547	13.879
2009	19.4947	14.0094	28.596
2008	21.6534	14.2003	(31.084)
2007	22.5464	19.2512	14.100
2006	16.6412	19.4015	16.855
2005	16.6045	15.1339	7.613
2004	15.4272	13.0641	12.446

\* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 17 March 2003 was HK\$10.00 per unit.

# The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2023, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

## Investment report (continued)

### 3 Performance table (continued)

#### 3.6 Global Bond Fund

	2023 HK\$	2022 HK\$	2021 HK\$	2020 HK\$	2019 HK\$
Net loss excluding capital appreciation/(depreciation)	(1,519,504)	(683,312)	(739,636)	(720,075)	(691,064)
Capital appreciation/(depreciation) - realised and unrealised	6,772,752	(17,845,903)	(5,230,003)	2,275,000	3,104,727
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	130,186,278	115,750,992	138,215,622	140,953,767	128,671,628
Total net asset value	129,882,142	115,609,123	138,061,711	140,791,462	128,514,763
Net asset value per unit	11.9788	11.4818	13.2831	13.8715	13.7154

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2023	12.0314	10.8805	4.329
2022	13.2227	10.8462	(13.561)
2021	13.9092	13.2126	(4.242)
2020	13.8715	13.1312	1.138
2019	13.7154	13.4444	1.961
2018	13.8406	13.1895	(1.365)
2017	13.8691	13.1797	3.210
2016	13.8084	13.1845	(3.044)
2015	14.5711	13.5671	(6.367)
2014	15.1989	14.5351	(2.136)
2013	15.2620	14.5139	(1.294)
2012	15.0680	14.0105	7.790
2011	14.7443	13.7910	(0.074)
2010	14.3564	12.8854	8.179
2009	13.0847	11.1446	8.552
2008	12.5670	11.0927	0.492
2007	12.0106	11.1040	5.966
2006	11.3005	10.7781	3.580
2005	11.2871	10.6522	(4.841)
2004	11.3495	10.1913	6.122

\* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 17 March 2003 was HK\$10.00 per unit.

# The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2023, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

## Investment report (continued)

### 3 Performance table (continued)

#### 3.7 Global Equity Fund

	2023 HK\$	2022 HK\$	2021 HK\$	2020 HK\$	2019 HK\$
Net loss excluding capital appreciation/(depreciation)	(3,315,246)	(1,308,253)	(1,365,524)	(1,018,863)	(1,077,545)
Capital appreciation/(depreciation) - realised and unrealised	53,764,626	(68,100,382)	51,178,663	19,031,449	32,835,053
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	278,225,753	231,443,329	299,259,181	225,132,039	216,580,643
Total net asset value	279,484,982	231,142,181	298,912,105	224,861,373	216,304,290
Net asset value per unit	35.2935	28.9274	37.5478	30.8328	28.3052

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2023	35.4043	28.9480	22.007
2022	37.5915	26.3526	(22.958)
2021	38,1169	30,7962	21.779
2020	30.8328	19.3553	8.930
2019	28.4076	24.0373	17.131
2018	30.4612	23.5492	(15.279)
2017	28.5608	24.7231	16.633
2016	24.6911	19.2851	7.559
2015	25.1565	21.3455	(4.297)
2014	25.0765	22.2170	0.794
2013	23.5709	19.1187	25.222
2012	18.9420	15.3107	17.979
2011	18.8723	14.5469	(7.328)
2010	17.2165	14.2041	6.675
2009	16.1896	10.1606	25.162
2008	21.3141	11.4726	(41.325)
2007	23.2129	20.5837	5.022
2006	20.9271	17.2629	23.568
2005	17.0080	15.0956	7.023
2004	15.8234	13.1472	13.984

\* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 17 March 2003 was HK\$10.00 per unit.

# The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2023, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

## Investment report (continued)

### 3 Performance table (continued)

#### 3.8 Asian Pacific Equity Fund

	2023 HK\$	2022 HK\$	2021 HK\$	2020 HK\$	2019 HK\$
Net loss excluding capital appreciation/(depreciation)	(2,864,866)	(1,276,285)	(1,531,397)	(1,328,776)	(1,500,718)
Capital appreciation/(depreciation) - realised and unrealised	12,103,319	(58,063,515)	(8,943,352)	18,442,065	23,426,188
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	244,487,027	232,031,625	280,632,898	305,711,248	295,340,675
Total net asset value	244,939,722	231,734,135	280,303,793	305,348,829	294,967,579
Net asset value per unit	14.1834	13.6346	17.2336	17.9324	16.8512

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2023	15.2142	12.8684	4.025
2022	17.8300	11.4667	(20.884)
2021	20.4386	16.6236	(3.897)
2020	17.9324	10.8647	6.416
2019	17.3536	14.5798	7.868
2018	20.1514	15.3485	(18.143)
2017	19.0873	14.1042	36.226
2016	14.8787	11.4581	6.555
2015	16.5244	12.4430	(9.922)
2014	15.8544	13.1142	3.452
2013	14.8350	12.7741	3.003
2012	13.6975	11.2112	23.531
2011	13.0446	10.1754	(9.141)
2010	12.2665	9.5443	16.814
2009	10.2897	6.0054	57.873
2008	11.2614	6.0252	(42.682)

\* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 19 March 2007 was HK\$10.00 per unit.

# The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2023, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

## Investment report (continued)

### 3 Performance table (continued)

#### 3.9 European Equity Fund

	2023 HK\$	2022 HK\$	2021 HK\$	2020 HK\$	2019 HK\$
Net loss excluding capital appreciation/(depreciation)	(1,306,831)	(471,366)	(459,831)	(390,926)	(422,738)
Capital appreciation/(depreciation) - realised and unrealised	18,252,114	(9,612,512)	3,593,740	(1,914,179)	12,039,779
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	107,688,333	78,093,530	86,063,194	71,049,380	74,597,656
Total net asset value	107,427,817	77,989,001	85,959,687	70,957,632	74,498,222
Net asset value per unit	13.2451	10.9631	12.3449	11.7697	12.0718

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2023	13.2900	11.1623	20.815
2022	12.6316	9.5176	(11.193)
2021	12.8375	11.5198	4.887
2020	12.1539	8.0032	(2.503)
2019	12.1282	10.1244	17.890
2018	12.6320	10.0022	(14.125)
2017	12.0110	10.0583	19.700
2016	9.9619	8.0227	5.418
2015	10.4644	8.8133	2.995
2014	10.6668	8.7725	(9.966)
2013	10.1985	7.7446	33.288
2012	7.6862	5.8722	18.747
2011	7.9347	5.7303	(8.094)
2010	7.1234	5.9442	1.143
2009	7.0720	4.3835	21.290
2008	9.5319	4.9302	(41.909)

\* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 19 March 2007 was HK\$10.00 per unit.

# The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2023, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

## Investment report (continued)

### 3 Performance table (continued)

#### 3.10 Hong Kong Equities Fund

	2023 HK\$	2022 HK\$	2021 HK\$	2020 HK\$	2019 HK\$
Net loss excluding capital (depreciation)/appreciation	(5,350,829)	(5,265,708)	(5,512,959)	(4,232,943)	(3,916,766)
Capital (depreciation)/appreciation - realised and unrealised	(68,351,623)	(49,808,327)	(44,879,206)	85,616,201	34,381,023
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	344,155,460	393,798,125	379,571,222	377,357,213	290,564,140
Total net asset value	343,418,624	392,977,343	378,769,008	376,578,953	290,065,655
Net asset value per unit	10.4208	12.7034	14.8159	16.8741	13.2857

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2023	14.6570	9.9770	(17.968)
2022	15.7415	9.2895	(14.258)
2021	19.8825	14.3853	(12.197)
2020	16.8741	10.3906	27.009
2019	13.9915	11.5534	11.339
2018	16.1100	11.4778	(17.461)
2017	14.5820	10.8868	33.594
2016	11.6763	8.9468	0.690
2015	14.1390	10.0351	(6.251)
2014	11.7593	9.8941	4.824
2013	11.5142	9.2715	0.038
2012	10.9323	8.8298	18.453
2011	12.3011	7.8526	(21.155)
2010	12.6515	9.6137	8.735
2009	11.0622	6.0293	56.596
2008	13.5555	6.0162	(49.674)

\* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 19 March 2007 was HK\$10.00 per unit.

# The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2023, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the (depreciation)/appreciation of the investments as stated above.



## Investment report (continued)

### 3 Performance table (continued)

#### 3.11 US Equity Fund

	2023 HK\$	2022 HK\$	2021 HK\$	2020 HK\$	2019 HK\$
Net (loss)/gain excluding capital appreciation/(depreciation)	(5,153,073)	141,289	179,085	(11,490)	(38,256)
Capital appreciation/(depreciation) - realised and unrealised	191,429,112	(370,980,368)	114,412,169	129,992,787	41,736,423
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	863,119,912	646,988,949	989,654,277	572,795,003	230,163,272
Total net asset value	870,411,400	646,452,308	988,953,442	572,379,291	229,974,214
Net asset value per unit	32.9193	25.6693	40.7132	35.0662	24.4598

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2023	33.0313	25.1644	28.244
2022	40.5833	24.9001	(36.951)
2021	43.2182	32.7711	16.104
2020	35.0662	18.8106	43.363
2019	24.6165	18.1960	30.384
2018	22.7878	17.3957	(1.583)
2017	19.2594	15.2167	26.696
2016	15.3378	12.8351	(1.449)
2015	16.4709	14.1146	5.112
2014	14.7888	12.7755	6.451
2013	13.6437	10.2317	36.523
2012	10.3225	9.1580	9.680
2011	10.0570	8.2608	(4.075)
2010	9.5012	7.8833	10.261
2009	8.6833	5.3381	29.111
2008	9.9090	5.9919	(34.956)

\* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 19 March 2007 was HK\$10.00 per unit.

# The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2023, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

## Investment report (continued)

### 3 Performance table (continued)

#### 3.12 Greater China Equity Fund

	2023 HK\$	2022 HK\$	2021 HK\$	2020 HK\$	2019 HK\$
Net loss excluding capital (depreciation)/appreciation	(7,989,315)	(8,114,215)	(10,388,505)	(4,806,330)	(3,716,644)
Capital (depreciation)/appreciation - realised and unrealised	(47,895,678)	(204,769,329)	(62,469,517)	158,265,323	72,388,783
Income derived from investment <sup>#</sup>	-	-	-	-	-
Value of scheme assets derived from investment	501,424,675	548,465,709	717,337,995	521,489,259	268,699,445
Total net asset value	500,324,549	547,258,417	715,603,965	520,319,221	267,743,510
Net asset value per unit	14.6239	16.2196	22.8531	24.5744	16.2691

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2023	18.3683	13.9341	(9.838)
2022	22.8886	12.4744	(29.027)
2021	29.9035	22.2144	(7.004)
2020	24.5744	12.9591	51.050
2019	16.3476	11.5763	34.599
2018	16.6890	11.6303	(20.633)
2017	15.4837	10.3727	47.053
2016	11.4956	8.5158	1.336
2015	13.1753	9.5152	(6.844)
2014	11.3512	9.5145	4.918
2013	10.5845	8.6086	11.327
2012	9.4156	7.5260	24.939

\* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 1 May 2011 was HK\$10.00 per unit.

# The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2023, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the (depreciation)/appreciation of the investments as stated above.

## Investment report (continued)

### 3 Performance table (continued)

#### 3.13 Age 65 Plus Fund

	2023 HK\$	2022 HK\$	2021 HK\$	2020 HK\$	2019 HK\$
Net loss excluding capital appreciation/(depreciation)	(503,881)	(476,588)	(450,182)	(282,206)	(177,205)
Capital appreciation/(depreciation) - realised and unrealised	6,946,625	(11,599,276)	840,372	4,199,385	2,234,031
Income derived from investment <sup>#</sup>	-	-	-	-	-
Value of scheme assets derived from investment	87,216,439	71,354,732	79,002,395	60,158,982	32,452,782
Total net asset value	87,116,649	71,267,542	78,921,574	60,095,234	32,411,453
Net asset value per unit	11.1970	10.3345	12.1808	12.1026	11.0418

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2023	11.2321	10.3474	8.346
2022	12.1578	10.0283	(15.157)
2021	12.3511	11.8280	0.646
2020	12.1026	10.5248	9.607
2019	11.0736	10.1402	8.971
2018	10.3963	10.0340	(1.562)

\* The net annualized investment return is calculated by comparing the net asset value per unit at the period end against the initial offer price per unit. The initial offer price for the constituent fund as at 1 April 2017 was HK\$10.00 per unit.

# The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2023, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

## Investment report (continued)

### 3 Performance table (continued)

#### 3.14 Core Accumulation Fund

	2023 HK\$	2022 HK\$	2021 HK\$	2020 HK\$	2019 HK\$
Net loss excluding appreciation/(depreciation)	(1,421,001)	(1,194,881)	(948,132)	(578,497)	(403,154)
Capital appreciation/(depreciation)					
- realised and unrealised	34,096,589	(32,160,841)	14,436,820	13,041,117	8,638,189
Income derived from investment <sup>#</sup>	-	-	-	-	-
Value of scheme assets derived from investment	256,378,899	187,745,340	185,362,350	118,631,436	72,704,592
Total net asset value	256,110,063	187,534,584	185,192,316	118,517,281	72,610,367
Net asset value per unit	14.1403	12.1842	14.6000	13.2742	11.7984

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2023	14.1704	12.2470	16.054
2022	14.6314	11.4948	(16.547)
2021	14.6407	13.2229	9.988
2020	13.2742	9.5918	12.508
2019	11.8329	10.1154	15.726
2018	11.3854	9.9343	(6.607)

\* The net annualized investment return is calculated by comparing the net asset value per unit at the period end against the initial offer price per unit. The initial offer price for the constituent fund as at 1 April 2017 was HK\$10.00 per unit.

<sup>#</sup> The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2023, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

## Investment report (continued)

### 4 Fund expense ratio

	<i>Fund expense ratio</i>	
	2023 %	2022 %
MPF Conservative Fund	0.91464	1.10
Guaranteed Fund	3.37451	3.39
Global Stable Fund	1.51947	1.55
Global Growth Fund	1.51986	1.54
Asian Bond Fund	1.63940	1.71
Global Bond Fund	1.55776	1.60
Global Equity Fund	1.63973	1.67
Asian Pacific Equity Fund	1.74510	1.74
European Equity Fund	1.71262	1.87
Hong Kong Equities Fund	1.48871	1.50
US Equity Fund	1.08660	1.11
Greater China Equity Fund	1.54653	1.50
Age 65 Plus Fund	0.84822	0.85
Core Accumulation Fund	0.83938	0.84

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings

#### 5.1 MPF Conservative Fund

<i>Quoted investment</i>	<i>Holdings Units</i>	<i>2023</i>	
		<i>Market value HK\$</i>	<i>% of net assets</i>
Allianz Choice HK\$ Liquidity Fund #	39,618,842.8244	546,118,015	100.09
Total investment, at market value		546,118,015	100.09
Total investment, at cost		520,591,769	

<i>Name of investment</i>	<i>2023</i>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Allianz Choice HK\$ Liquidity Fund #	41,574,101.5469	8,396,478.7802	10,351,737.5027	39,618,842.8244

# Approved Pooled Investment Fund of the Allianz Global Investors Choice Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.2 Guaranteed Fund

<i>Quoted investment</i>	<u>2023</u>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Mass MPF Guaranteed Policy	20,327,057.5250	205,956,565	100.00
Total investment, at market value		<u>205,596,565</u>	<u>100.00</u>
Total investment, at cost		<u>221,398,812</u>	

<i>Name of investment</i>	<u>2023</u>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Mass MPF Guaranteed Policy	18,626,831.2449	3,387,115.1729	1,686,888.8928	20,327,057.5250

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.3 Global Stable Fund

<i>Quoted investment</i>	<i>Holdings Units</i>	<i>2023</i>	
		<i>Market value HK\$</i>	<i>% of net assets</i>
Allianz Choice Stable Growth Fund #	11,057,240.1483	260,287,434	100.21
Total investment, at market value		260,287,434	100.21
Total investment, at cost		215,282,623	

<i>Name of investment</i>	<i>2023</i>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Allianz Choice Stable Growth Fund #	11,168,723.1201	572,275.1594	683,758.1312	11,057,240.1483

# Approved Pooled Investment Fund of the Allianz Global Investors Choice Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.



## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.4 Global Growth Fund

<i>Quoted investment</i>	<i>Holdings Units</i>	<i>2023</i>	
		<i>Market value HK\$</i>	<i>% of net assets</i>
Allianz Choice Balanced Fund #	9,314,957.1499	408,367,720	100.21
Total investment, at market value		408,367,720	100.21
Total investment, at cost		310,244,661	

<i>Name of investment</i>	<i>2023</i>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Allianz Choice Balanced Fund #	9,661,498.6519	306,713.1837	653,254.6857	9,314,957.1499

# Approved Pooled Investment Fund of the Allianz Global Investors Choice Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.5 Asian Bond Fund

<i>Quoted investment</i>	<u>2023</u>		<i>% of net assets</i>
	<i>Holdings Units</i>	<i>Market value HK\$</i>	
Templeton MPF Asian Balanced Fund *	-	-	-
Total investment, at market value		-	-
Total investment at cost		-	

<i>Name of investment</i>	<u>2023</u>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Templeton MPF Asian Balanced Fund *	12,212,190.5960	146,149.1300	12,358,339.7260	-

\* Approved Pooled Investment Fund of the Templeton MPF Investment Funds

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.5 Asian Bond Fund (continued)

<i>Quoted investment</i>	<i>2023</i>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Principal Asian Bond Fund *	35,531,716.0426	344,742,922	100.25
Total investment, at market value		344,742,922	100.25
Total investment at cost		344,063,136	

<i>Name of investment</i>	<i>2023</i>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Principal Asian Bond Fund*	-	37,589,881.8613	2,058,165.8187	35,531,716.0426

\* Approved Pooled Investment Fund of the Principal Unit Trust Umbrella Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.6 Global Bond Fund

<i>Quoted investment</i>	<i>2023</i>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Templeton MPF Global Bond Fund *	-	-	-
Total investment, at market value		-	-
Total investment, at cost		-	

<i>Name of investment</i>	<i>2023</i>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Templeton MPF Global Bond Fund *	6,448,523.1890	504,259.5450	6,952,782.7340	-

\* Approved Pooled Investment Fund of the Templeton MPF Investment Funds

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.6 Global Bond Fund (continued)

<i>Quoted investment</i>	<i>2023</i>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Principal International Bond Fund *	5,687,126.0897	130,186,278	100.23
Total investment, at market value		130,186,278	100.23
Total investment, at cost		126,265,629	

<i>Name of investment</i>	<i>2023</i>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Principal International Bond Fund *	-	6,144,562.2796	457,436.1899	5,687,126.0897

\* Approved Pooled Investment Fund of the Principal Unit Trust Umbrella Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.7 Global Equity Fund

<i>Quoted investment</i>	<i>2023</i>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Templeton MPF Global Equity Fund *	-	-	-
Total investment, at market value		-	-
Total investment, at cost		-	

<i>Name of investment</i>	<i>2023</i>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Templeton MPF Global Equity Fund *	9,040,755.0350	115,125.5200	9,155,880.5550	-

\* Approved Pooled Investment Fund of the Templeton MPF Investment Funds

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.7 Global Equity Fund (continued)

<i>Quoted investment</i>	<i>Holdings Units</i>	<i>2023</i>	
		<i>Market value HK\$</i>	<i>% of net assets</i>
Advanced Global Equity Fund *	15,058,032.1054	278,225,753	99.55
Total investment, at market value		278,225,753	99.55
Total investment, at cost		250,269,432	

<i>Name of investment</i>	<i>2023</i>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Advanced Global Equity Fund *	-	15,374,485.8030	316,453.6976	15,058,032.1054

\* Approved Pooled Investment Fund of the Schroder Institutional Pooled Funds

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.8 Asian Pacific Equity Fund

Quoted investment	2023		% of net assets
	Holdings Units	Market value HK\$	
Templeton MPF Asian Pacific Equity Fund *	-	-	-
Total investment, at market value		-	-
Total investment, at cost		-	

Name of investment	2023			Holdings as at 31 December 2023 Units
	Holdings as at 1 January 2023 Units	Additions Units	Disposals Units	
Templeton MPF Asian Pacific Equity Fund *	10,461,299.5670	245,527.4890	10,706,827.0560	-

\* Approved Pooled Investment Fund of the Templeton MPF Investment Funds

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.



## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.8 Asian Pacific Equity Fund (continued)

Quoted investment	Holdings Units	2023	
		Market value HK\$	% of net assets
Smart Asian Equity Fund *	23,848,437.5645	244,487,027	99.82
Total investment, at market value		244,487,027	99.82
Total investment, at cost		243,104,614	

Name of investment	2023			Holdings as at 31 December 2023 Units
	Holdings as at 1 January 2023 Units	Additions Units	Disposals Units	
Smart Asian Equity Fund *	-	24,416,800.9046	568,363.3401	23,848,437.5645

\* Approved Pooled Investment Fund of the BCT Pooled Investment Fund Series

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.9 European Equity Fund

<i>Quoted investment</i>	<i>2023</i>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Templeton MPF European Equity Fund *	-	-	-
Total investment, at market value		-	-
Total investment, at cost		-	

<i>Name of investment</i>	<i>2023</i>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Templeton MPF European Equity Fund *	4,444,708.5920	317,818.7700	4,762,527.3620	-

\* Approved Pooled Investment Fund of the Templeton MPF Investment Funds

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.9 European Equity Fund (continued)

<i>Quoted investment</i>	<i>2023</i>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Principal European Equity Fund *	4,630,023.7364	107,688,333	100.24
Total investment, at market value		107,688,333	100.24
Total investment, at cost		102,655,184	

<i>Name of investment</i>	<i>2023</i>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Principal European Equity Fund *	-	4,974,263.9506	344,240.2142	4,630,023.7364

\* Approved Pooled Investment Fund of the Principal Life Style Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.10 Hong Kong Equities Fund

<i>Quoted investment</i>	<i>Holdings Units</i>	<i>2023</i>	
		<i>Market value HK\$</i>	<i>% of net assets</i>
Allianz Choice Hong Kong Fund #	7,973,944.8633	344,155,460	100.21
Total investment, at market value		344,155,460	100.21
Total investment, at cost		397,575,928	

<i>Name of investment</i>	<i>2023</i>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Allianz Choice Hong Kong Fund #	7,589,094.7039	1,344,703.5496	959,853.3902	7,973,944.8633

# Approved Pooled Investment Fund of the Allianz Global Investors Choice Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.11 US Equity Fund

<i>Quoted investment</i>	<i>2023</i>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Franklin MPF US Opportunities Fund *	-	-	-
Total investment, at market value		-	-
Total investment, at cost		-	

<i>Name of investment</i>	<i>2023</i>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Franklin MPF US Opportunities Fund *	20,591,627.9250	975,466.9480	21,567,094.8730	-

\* Approved Pooled Investment Fund of the Templeton MPF Investment Funds

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.11 US Equity Fund (continued)

<i>Quoted investment</i>	<i>Holdings Units</i>	<i>2023</i>	
		<i>Market value HK\$</i>	<i>% of net assets</i>
Smart North American Equity Fund *	46,949,771.9097	863,119,912	99.16
Total investment, at market value		863,119,912	99.16
Total investment, at cost		750,391,786	

<i>Name of investment</i>	<i>2023</i>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Smart North American Equity Fund *	-	48,575,285.5340	1,625,513.6243	46,949,771.9097

\* Approved Pooled Investment Fund of the BCT Pooled Investment Fund Series

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.12 Greater China Equity Fund

<i>Quoted investment</i>	<i>2023</i>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
JP Morgan SAR Greater China Fund *	2,764,955.4750	501,424,675	100.22
Total investment, at market value		501,424,675	100.22
Total investment, at cost		592,903,390	

<i>Name of investment</i>	<i>2023</i>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
JP Morgan SAR Greater China Fund *	2,767,512.9140	219,093.9870	221,651.4260	2,764,955.4750

\* Approved Pooled Investment Fund of the JP Morgan SAR Greater China Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.13 Age 65 Plus Fund

<i>Quoted investment</i>	<i>Holdings Units</i>	<i>2023</i>	
		<i>Market value HK\$</i>	<i>% of net assets</i>
Age 65 Plus Fund *	7,406,413.0040	87,216,439	100.11
Total investment, at market value		87,216,439	100.11
Total investment, at cost		86,429,938	

<i>Name of investment</i>	<i>2023</i>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Age 65 Plus Fund *	6,615,433.9070	2,165,913.7820	1,374,934.6850	7,406,413.0040

\* Approved Pooled Investment Fund of the Invesco Pooled Investment Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.



## Investment report (continued)

### 5 Investment portfolio and statement of movements in portfolio holdings (continued)

#### 5.14 Core Accumulation Fund

<i>Quoted investment</i>	<i>Holdings Units</i>	<i>2023</i>	
		<i>Market value HK\$</i>	<i>% of net assets</i>
Core Accumulation Fund *	17,278,068.9520	256,378,899	100.10
Total investment, at market value		256,378,899	100.10
Total investment, at cost		225,117,731	

<i>Name of investment</i>	<i>2023</i>			<i>Holdings as at 31 December 2023 Units</i>
	<i>Holdings as at 1 January 2023 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Core Accumulation Fund *	14,785,076.6800	3,650,630.8430	1,157,638.5710	17,278,068.9520

\* Approved Pooled Investment Fund of the Invesco Pooled Investment Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

# Independent auditor's report

To the Trustee of Mass Mandatory Provident Fund Scheme

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Mass Mandatory Provident Fund Scheme ("the Scheme") set out on pages 95 to 138, which comprise the statement of net assets available for benefits as at 31 December 2023, the statement of comprehensive income, the statements of changes in net assets attributable to members – master trust scheme and constituent funds and cash flow statement – master trust scheme for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Scheme as at 31 December 2023, and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") and with reference to Practice Note 860.1 (Revised), *The Audit of Retirement Schemes* issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Scheme in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Financial Statements and Auditor's Report Thereon

The Trustee is responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Independent auditor's report (continued)**

To the Trustee of Mass Mandatory Provident Fund Scheme

### **Report on the Audit of the Financial Statements (continued)**

#### **Responsibilities of Trustee and Those Charged with Governance for the Financial Statements**

The Trustee is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

In addition, the Trustee is required to ensure that the financial statements have been properly prepared in accordance with sections 80, 81, 83 and 84 of the Mandatory Provident Fund Schemes (General) Regulation ("General Regulation").

Those charged with governance are responsible for overseeing the Scheme's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, in accordance with section 102 of the General Regulation, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Scheme have been properly prepared, in all material respects, in accordance with sections 80, 81, 83 and 84 of the General Regulation.

## Independent auditor's report (continued)

To the Trustee of Mass Mandatory Provident Fund Scheme

### Report on the Audit of the Financial Statements (continued)

#### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.
- Conclude on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Independent auditor's report (continued)**  
To the Trustee of Mass Mandatory Provident Fund Scheme

**Report on matters under the Mandatory Provident Fund Schemes (General) Regulation**

- a. In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with sections 80, 81, 83 and 84 of the General Regulation.
- b. We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

**27 JUN 2024**

## Independent auditor's assurance report

To the Trustee of Mass Mandatory Provident Fund Scheme

We have audited the financial statements of Mass Mandatory Provident Fund Scheme ("the Scheme") for the year ended 31 December 2023 in accordance with Hong Kong Standards on Auditing and with reference to Practice Note 860.1 (Revised), *The Audit of Retirement Schemes* ("PN 860.1 (Revised)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and have issued an unqualified auditor's report thereon dated **27 JUN 2024**.

Pursuant to section 102 of the Mandatory Provident Fund Schemes (General) Regulation ("General Regulation"), we are required to report whether the Scheme complied with certain requirements of the Mandatory Provident Fund Schemes Ordinance ("MPFSO") and the General Regulation.

### Trustee's Responsibility

The General Regulation requires the Trustee to ensure that:

- a. proper accounting and other records are kept in respect of the constituent funds of the Scheme, the Scheme assets and all financial transactions entered into in relation to the Scheme;
- b. the requirements specified in the guidelines made by the Mandatory Provident Fund Schemes Authority ("MPFA") under section 28 of the MPFSO with respect to forbidden investment practices and the requirements of sections 37(2), 51 and 52 and Part X of, and Schedule 1 to, the General Regulation are complied with;
- c. the requirements under sections 34DB(1)(a), (b), (c) and (d), 34DC(1), and 34DD(1) and (4) of the MPFSO are complied with; and
- d. the Scheme assets are not subject to any encumbrance, otherwise than as permitted by the General Regulation.

### Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Independent auditor's assurance report (continued)

To the Trustee of Mass Mandatory Provident Fund Scheme

### Auditor's Responsibility

Our responsibility is to report solely to you, on the Scheme's compliance with the above requirements based on the results of the procedures performed by us, in accordance with section 102 of the General Regulation, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and with reference to PN 860.1 (Revised) issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance on whether the Scheme has complied with the above requirements.

We have planned and performed such procedures as we considered necessary with reference to the procedures recommended in PN 860.1 (Revised), which included reviewing, on a test basis, evidence obtained from the Trustee regarding the Scheme's compliance with the above requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

Based on the foregoing:

1. in our opinion:
  - a. proper accounting and other records have been kept during the year ended 31 December 2023 in respect of the constituent funds of the Scheme, the Scheme assets and all financial transactions entered into in relation to the Scheme;
  - b. the requirements specified in the guidelines made by the MPFA under section 28 of the MPFSO with respect to forbidden investment practices and the requirements of sections 37(2), 51 and 52 and Part X of, and Schedule 1 to, the General Regulation have been complied with, in all material respects, as at 31 December 2023, 30 September 2023 and 30 June 2023;
  - c. the requirements specified in the MPFSO under sections 34DB(1)(a), (b), (c) and (d), 34DC(1) and 34DD(1) and (4)(a) with respect to the investment of accrued benefits and control of payment for services relating to the Core Accumulation Fund and the Age 65 Plus Fund have been complied with, in all material respects, as at 31 December 2023, 30 September 2023 and 30 June 2023; and

## Independent auditor's assurance report (continued)

To the Trustee of Mass Mandatory Provident Fund Scheme

### Opinion (continued)

- d. the requirements specified in section 34DD(4)(b) of the MPFSO with respect to the controls of out-of-pocket expenses of the Core Accumulation Fund and the Age 65 Plus Fund have been complied with, in all material respects, as at 31 December 2023.
2. as at 31 December 2023, the Scheme assets were not subject to any encumbrance, otherwise than as permitted by the General Regulation.

### Other Matter

The requirements specified in the MPFSO under sections 34DI(1) and (2) and 34DK(2) with respect to the transfer of accrued benefits to an account and specified notice, and 34DJ(2), (3), (4) and (5) with respect to locating scheme members relating to the Core Accumulation Fund and the Age 65 Plus Fund are not applicable to the Trustee during the year ended 31 December 2023 as the Trustee has completed the relevant transitional provisions and the default investment arrangement of the Scheme prior to 1 April 2017 was not guaranteed funds. Accordingly, there is no reporting on these sections.

### Intended Users and Purpose

This report is intended solely for submission by the Trustee to the MPFA pursuant to section 102 of the General Regulation, and is not intended to be, and should not be, used by anyone for any other purpose.



Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

27 JUN 2024



# Statement of comprehensive income for the year ended 31 December 2023 (Expressed in Hong Kong dollars)

		2023						
	Note	MPF Conservative Fund \$	Guaranteed Fund \$	Global Stable Fund \$	Global Growth Fund \$	Asian Bond Fund \$	Global Bond Fund \$	Global Equity Fund \$
Income								
Interest income		-	-	-	-	-	-	-
Net realised gain/(loss) on investments		4,444,847	1,430,009	2,432,856	6,237,247	59,887,884	(12,107,388)	75,779,769
Net realised loss on derivative financial instruments		-	-	-	-	-	-	(229,561)
Net unrealised gain/(loss) on investments		16,091,793	6,183,430	12,594,827	18,498,757	(34,235,948)	18,880,140	(21,687,053)
Net unrealised loss on derivative financial instruments		-	-	-	-	-	-	(98,529)
Rebates and other income	5(c), 5(d)	539,455	-	-	-	550,095	159,565	390,487
Total income		21,076,095	7,613,439	15,027,683	24,736,004	26,202,031	6,932,317	54,155,113
Expenses								
Bank charges		-	-	-	-	-	-	2,518
Trustee fees	5(a)	3,309,548	-	2,415,902	3,857,293	3,397,691	1,100,732	2,553,542
Fund administration fees	5(b)	58,500	-	58,500	58,500	58,500	58,500	58,500
Investment management fee	5(e) to 5(h)	-	-	993,603	1,586,596	1,224,921	442,484	938,671
Auditor's remuneration		78,496	-	37,787	59,318	50,043	18,958	40,657
Other expenses		211,157	-	105,070	157,774	135,219	58,395	111,845
Total expenses		3,657,701	-	3,610,862	5,719,481	4,866,374	1,679,069	3,705,733
Increase/(decrease) in net assets attributable to members		17,418,394	7,613,439	11,416,821	19,016,523	21,335,657	5,253,248	50,449,380

Statement of comprehensive income  
for the year ended 31 December 2023 (continued)  
(Expressed in Hong Kong dollars)

Note	2023								Total \$
	Asian Pacific Equity Fund \$	European Equity Fund \$	Hong Kong Equities Fund \$	US Equity Fund \$	Greater China Equity Fund \$	Age 65 Plus Fund \$	Core Accumulation Fund \$	The Scheme \$	
<b>Income</b>									
Interest income	-	-	-	-	-	-	-	9,968	9,968
Net realised gain/(loss) on investments	19,365,939	13,216,473	226,948	(34,608,663)	(4,576,290)	(781,506)	1,063,785	-	132,011,910
Net realised loss on derivative financial instruments	-	-	-	(693,601)	-	-	-	-	(923,162)
Net unrealised gain/(loss) on investments	(7,213,510)	5,035,641	(68,578,571)	227,101,457	(43,319,388)	7,728,131	33,032,804	-	170,112,510
Net unrealised loss on derivative financial instruments	(49,110)	-	-	(370,081)	-	-	-	-	(517,720)
Rebates and other income	5(c), 5(d) 390,723	140,705	-	1,124,486	-	-	-	-	3,295,516
<b>Total income</b>	<b>12,494,042</b>	<b>18,392,819</b>	<b>(68,351,623)</b>	<b>192,553,598</b>	<b>(47,895,678)</b>	<b>6,946,625</b>	<b>34,096,589</b>	<b>9,968</b>	<b>303,989,022</b>
<b>Expenses</b>									
Bank charges	2,729	-	-	3,027	-	-	-	1,300	9,574
Trustee fees	5(a) 2,401,692	963,101	3,619,046	3,596,095	5,488,904	446,671	1,277,365	-	34,427,582
Fund administration fees	5(b) 58,500	58,500	58,500	58,500	58,500	-	-	-	643,500
Investment management fee	5(e) to 5(h) 657,608	359,517	1,486,119	2,171,140	2,177,418	-	-	-	12,038,077
Auditor's remuneration	35,534	15,629	50,123	127,124	72,298	13,914	40,953	-	640,834
Other expenses	99,526	50,789	137,041	321,673	192,195	43,296	102,683	-	1,726,663
<b>Total expenses</b>	<b>3,256,589</b>	<b>1,447,536</b>	<b>5,350,829</b>	<b>6,277,559</b>	<b>7,989,315</b>	<b>503,881</b>	<b>1,421,001</b>	<b>1,300</b>	<b>49,486,230</b>
<b>Increase/(decrease) in net assets attributable to members</b>	<b>9,238,453</b>	<b>16,945,283</b>	<b>(73,702,452)</b>	<b>186,276,039</b>	<b>(55,884,993)</b>	<b>6,442,744</b>	<b>32,675,588</b>	<b>8,668</b>	<b>254,502,792</b>

Statement of comprehensive income  
for the year ended 31 December 2023 (continued)  
(Expressed in Hong Kong dollars)

		2022						
	Note	MPF Conservative Fund \$	Guaranteed Fund \$	Global Stable Fund \$	Global Growth Fund \$	Asian Balanced Fund \$	Global Bond Fund \$	Global Equity Fund \$
<b>Income</b>								
Interest income		-	-	-	-	-	-	-
Net realised gain/(loss) on investments		1,021,633	1,412,077	4,112,693	3,828,330	2,281,686	(1,790,573)	5,351,108
Net unrealised gain/(loss) on investments		4,479,689	(32,527,312)	(47,937,560)	(73,837,828)	(51,900,213)	(16,055,330)	(73,451,490)
Rebates and other income	5(c), 5(d)	486,531	-	-	1,368	1,868,630	548,238	1,354,327
<b>Total income</b>		<u>5,987,853</u>	<u>(31,115,235)</u>	<u>(43,824,867)</u>	<u>(70,008,130)</u>	<u>(47,749,897)</u>	<u>(17,297,665)</u>	<u>(66,746,055)</u>
<b>Expenses</b>								
Bank charges		-	-	-	-	-	-	-
Trustee fees	5(a)	3,909,346	-	2,483,539	3,909,240	3,392,484	1,095,977	2,460,079
Fund administration fees	5(b)	82,875	-	58,500	58,500	58,500	58,500	58,500
	5(e) to	-	-	-	-	-	-	-
Investment management fee	5(h)	-	-	1,021,236	1,607,557	-	-	-
Auditor's remuneration		73,430	-	36,526	58,718	48,856	17,083	34,140
Other expenses		199,565	-	114,303	176,209	149,773	59,990	109,861
<b>Total expenses</b>		<u>4,265,216</u>	<u>-</u>	<u>3,714,104</u>	<u>5,810,224</u>	<u>3,649,613</u>	<u>1,231,550</u>	<u>2,662,580</u>
<b>Increase/(decrease) in net assets attributable to members</b>		<u>1,722,637</u>	<u>(31,115,235)</u>	<u>(47,538,971)</u>	<u>(75,818,354)</u>	<u>(51,399,510)</u>	<u>(18,529,215)</u>	<u>(69,408,635)</u>

Statement of comprehensive income  
for the year ended 31 December 2023 (continued)  
(Expressed in Hong Kong dollars)

	Note	2022							Total
		Asian Pacific Equity Fund \$	European Equity Fund \$	Hong Kong Equities Fund \$	US Equity Fund \$	Greater China Equity Fund \$	Age 65 Plus Fund \$	Core Accumulation Fund \$	
<b>Income</b>									
Interest income		-	-	-	-	-	-	-	1,142
Net realised gain/(loss) on investments		911,483	380,337	1,372,565	175,739	(1,909,202)	(529,093)	626,249	17,245,032
Net unrealised gain/(loss) on investments		(58,974,998)	(9,992,849)	(51,180,892)	(371,156,107)	(202,860,127)	(11,070,183)	(32,787,090)	(1,029,252,290)
Rebates and other income	5(c), 5(d)	1,318,430	434,344	2,463	4,030,889	-	-	-	10,045,220
<b>Total income</b>		<u>(56,745,085)</u>	<u>(9,178,168)</u>	<u>(49,805,864)</u>	<u>(366,949,479)</u>	<u>(204,769,330)</u>	<u>(11,599,276)</u>	<u>(32,160,841)</u>	<u>(1,001,960,899)</u>
<b>Expenses</b>									
Bank charges		-	-	-	-	-	-	-	1,300
Trustee fees	5(a)	2,393,413	790,473	3,530,914	3,451,149	5,716,880	425,450	1,078,834	34,637,778
Fund administration fees	5(b)	58,500	58,500	58,500	58,500	58,500	-	-	667,875
Investment management fee	5(e) to 5(h)	-	-	1,448,041	-	2,023,337	-	-	6,100,171
Auditor's remuneration		34,225	11,521	58,422	95,434	80,844	11,865	31,302	592,366
Other expenses		108,577	45,216	172,294	284,517	234,654	39,273	84,745	1,778,977
<b>Total expenses</b>		<u>2,594,715</u>	<u>905,710</u>	<u>5,268,171</u>	<u>3,889,600</u>	<u>8,114,215</u>	<u>476,588</u>	<u>1,194,881</u>	<u>43,778,467</u>
<b>Increase/(decrease) in net assets attributable to members</b>		<u>(59,339,800)</u>	<u>(10,083,878)</u>	<u>(55,074,035)</u>	<u>(370,839,079)</u>	<u>(212,883,544)</u>	<u>(12,075,864)</u>	<u>(33,355,722)</u>	<u>(1,045,739,363)</u>

The notes on pages 114 to 138 form part of these financial statements.

## Statement of net assets available for benefits as at 31 December 2023

(Expressed in Hong Kong dollars)

	2023							
	MPF Conservative Fund \$	Guaranteed Fund \$	Global Stable Fund \$	Global Growth Fund \$	Asian Bond Fund \$	Global Bond Fund \$	Global Equity Fund \$	Asian Pacific Equity Fund \$
<b>Assets</b>								
Investments	546,118,015	205,956,565	260,287,434	408,367,720	344,742,922	130,186,278	278,225,753	244,487,027
Contributions receivable								
- from employers	-	-	-	-	-	-	-	-
- from members	-	-	-	-	-	-	-	-
Transfers in receivable	-	-	-	-	-	-	-	-
Amounts receivable on subscriptions	9,730,386	1,136,176	391,179	418,089	158,844	584,417	842,958	363,795
Amounts receivable on sales of investments	1,111,685	468,070	21,471	351,669	144,425	183,744	-	-
Other receivables	45,812	-	-	-	-	-	-	-
Cash at bank	-	-	-	-	-	-	1,402,354	1,000,512
<b>Total assets</b>	<b>557,005,898</b>	<b>207,560,811</b>	<b>260,700,084</b>	<b>409,137,478</b>	<b>345,046,191</b>	<b>130,954,439</b>	<b>280,471,065</b>	<b>245,851,334</b>
<b>Liabilities</b>								
Derivative financial instruments	-	-	-	-	-	-	98,529	49,110
Benefits payable	-	-	-	-	-	-	-	-
Transfers out payable	-	-	-	-	-	-	-	-
Forfeitures payable	-	-	-	-	-	-	-	-
Amounts payable on redemptions	1,111,685	468,070	21,471	351,669	144,425	183,744	219,946	341,010
Amounts payable on purchases of investments	9,776,198	1,136,176	391,179	418,089	158,844	584,417	-	-
Other payables	473,385	-	546,751	854,987	844,276	304,136	667,608	521,492
<b>Total liabilities (excluding net assets attributable to members)</b>	<b>11,361,268</b>	<b>1,604,246</b>	<b>959,401</b>	<b>1,624,745</b>	<b>1,147,545</b>	<b>1,072,297</b>	<b>986,083</b>	<b>911,612</b>
<b>Net assets attributable to members</b>	<b>545,644,630</b>	<b>205,956,565</b>	<b>259,740,683</b>	<b>407,512,733</b>	<b>343,898,646</b>	<b>129,882,142</b>	<b>279,484,982</b>	<b>244,939,722</b>

# Statement of net assets available for benefits as at 31 December 2023 (continued)

(Expressed in Hong Kong dollars)

	2023								
	European Equity Fund \$	Hong Kong Equities Fund \$	US Equity Fund \$	Greater China Equity Fund \$	Age 65 Plus Fund \$	Core Accumulation Fund \$	The Constituent Funds \$	The Scheme \$	Total \$
<b>Assets</b>									
Investments	107,688,333	344,155,460	863,119,912	501,424,675	87,216,439	256,378,899	4,578,355,432	-	4,578,355,432
Contributions receivable									
- from employers	-	-	-	-	-	-	-	9,252,614	9,252,614
- from members	-	-	-	-	-	-	-	8,710,777	8,710,777
Transfers in receivable	-	-	-	-	-	-	-	13,804,647	13,804,647
Amounts receivable on subscriptions	833,425	1,967,705	5,619,514	1,387,988	1,019,351	972,565	25,426,392	(25,426,392)	-
Amounts receivable on sales of investments	32,470	3,337,332	-	296,492	99,800	197,244	6,244,402	-	6,244,402
Other receivables	-	-	-	-	-	-	45,812	4,523,459	4,569,271
Cash at bank	-	-	7,602,453	-	-	-	10,005,319	24,636,275	34,641,594
<b>Total assets</b>	<b>108,554,228</b>	<b>349,460,497</b>	<b>876,341,879</b>	<b>503,109,155</b>	<b>88,335,590</b>	<b>257,548,708</b>	<b>4,620,077,357</b>	<b>35,501,380</b>	<b>4,655,578,737</b>
<b>Liabilities</b>									
Derivative financial instruments	-	-	370,081	-	-	-	517,720	-	517,720
Benefits payable	-	-	-	-	-	-	-	6,689,662	6,689,662
Transfers out payable	-	-	-	-	-	-	-	3,112,356	3,112,356
Forfeitures payable	-	-	-	-	-	-	-	-	-
Amounts payable on redemptions	32,470	3,337,332	4,140,398	296,492	99,800	197,244	10,945,756	(10,945,756)	-
Amounts payable on purchases of investments	833,425	1,967,705	-	1,387,988	1,019,351	972,565	18,645,937	-	18,645,937
Other payables	260,516	736,836	1,420,000	1,100,126	99,790	268,836	8,098,739	2,811,179	10,909,918
<b>Total liabilities (excluding net assets attributable to members)</b>	<b>1,126,411</b>	<b>6,041,873</b>	<b>5,930,479</b>	<b>2,784,606</b>	<b>1,218,941</b>	<b>1,438,645</b>	<b>38,208,152</b>	<b>1,667,441</b>	<b>39,875,593</b>
<b>Net assets attributable to members</b>	<b>107,427,817</b>	<b>343,418,624</b>	<b>870,411,400</b>	<b>500,324,549</b>	<b>87,116,649</b>	<b>256,110,063</b>	<b>4,581,869,205</b>	<b>33,833,939</b>	<b>4,615,703,144</b>

## Statement of net assets available for benefits as at 31 December 2023 (continued)

(Expressed in Hong Kong dollars)

	2022							
	<i>MPF Conservative Fund</i> \$	<i>Guaranteed Fund</i> \$	<i>Global Stable Fund</i> \$	<i>Global Growth Fund</i> \$	<i>Asian Balanced Fund</i> \$	<i>Global Bond Fund</i> \$	<i>Global Equity Fund</i> \$	<i>Asian Pacific Equity Fund</i> \$
<b>Assets</b>								
Investments	551,659,226	184,381,735	247,833,966	398,343,589	331,194,608	115,750,992	231,443,329	232,031,625
Contributions receivable								
- from employers	-	-	-	-	-	-	-	-
- from members	-	-	-	-	-	-	-	-
Transfers in receivable	-	-	-	-	-	-	-	-
Amounts receivable on subscriptions	10,661,198	1,073,699	111,640	119,879	236,738	75,275	59,049	164,346
Amounts receivable on sales of investments	429,526	101,640	34,025	45,213	11,065	59,561	-	1,523
Other receivables	45,388	-	-	-	154,248	44,055	110,258	107,818
Cash at bank	-	-	-	-	-	-	-	-
<b>Total assets</b>	<u>562,795,338</u>	<u>185,557,074</u>	<u>247,979,631</u>	<u>398,508,681</u>	<u>331,596,659</u>	<u>115,929,883</u>	<u>231,612,636</u>	<u>232,305,312</u>
<b>Liabilities</b>								
Benefits payable	-	-	-	-	-	-	-	-
Transfers out payable	-	-	-	-	-	-	-	-
Forfeitures payable	-	-	-	-	-	-	-	-
Amounts payable on redemptions	429,526	101,640	34,025	45,213	11,065	59,561	-	1,523
Amounts payable on purchases of investments	10,706,586	1,073,699	111,640	119,879	390,986	119,330	169,307	272,164
Other payables	477,936	-	541,327	863,392	422,576	141,869	301,148	297,490
<b>Total liabilities (excluding net assets attributable to members)</b>	<u>11,614,048</u>	<u>1,175,339</u>	<u>686,992</u>	<u>1,028,484</u>	<u>824,627</u>	<u>320,760</u>	<u>470,455</u>	<u>571,177</u>
<b>Net assets attributable to members</b>	<u>551,181,290</u>	<u>184,381,735</u>	<u>247,292,639</u>	<u>397,480,197</u>	<u>330,772,032</u>	<u>115,609,123</u>	<u>231,142,181</u>	<u>231,734,135</u>

## Statement of net assets available for benefits as at 31 December 2023 (continued)

(Expressed in Hong Kong dollars)

	2022								
	European Equity Fund \$	Hong Kong Equities Fund \$	US Equity Fund \$	Greater China Equity Fund \$	Age 65 Plus Fund \$	Core Accumulation Fund \$	The Constituent Funds \$	The Scheme \$	Total \$
<b>Assets</b>									
Investments	78,093,530	393,798,125	646,988,949	548,465,709	71,354,732	187,745,339	4,219,085,454	-	4,219,085,454
Contributions receivable									
- from employers	-	-	-	-	-	-	-	8,593,684	8,593,684
- from members	-	-	-	-	-	-	-	7,976,844	7,976,844
Transfers in receivable	-	-	-	-	-	-	-	13,153,022	13,153,022
Amounts receivable on subscriptions	155,803	1,519,123	1,417,912	1,939,204	456,726	214,928	18,205,520	(18,205,520)	-
Amounts receivable on sales of investments	1,832	2,490,013	81,219	79,080	-	23,734	3,358,431	-	3,358,431
Other receivables	36,545	-	309,566	-	-	-	807,878	9,371,802	10,179,680
Cash at bank	-	-	-	-	-	-	-	16,864,273	16,864,273
<b>Total assets</b>	<b>78,287,710</b>	<b>397,807,261</b>	<b>648,797,646</b>	<b>550,483,993</b>	<b>71,811,458</b>	<b>187,984,001</b>	<b>4,241,457,283</b>	<b>37,754,105</b>	<b>4,279,211,388</b>
<b>Liabilities</b>									
Benefits payable	-	-	-	-	-	-	-	2,072,947	2,072,947
Transfers out payable	-	-	-	-	-	-	-	3,815,187	3,815,187
Forfeitures payable	-	-	-	-	-	-	-	116,571	116,571
Amounts payable on redemptions	1,832	2,490,013	81,219	79,080	-	23,734	3,358,431	(3,358,431)	-
Amounts payable on purchases of investments	192,348	1,519,123	1,727,478	1,939,204	456,726	214,928	19,013,398	-	19,013,398
Other payables	104,529	820,782	536,641	1,207,292	87,190	210,755	6,012,927	2,895,249	8,908,176
<b>Total liabilities (excluding net assets attributable to members)</b>	<b>298,709</b>	<b>4,829,918</b>	<b>2,345,338</b>	<b>3,225,576</b>	<b>543,916</b>	<b>449,417</b>	<b>28,384,756</b>	<b>5,541,523</b>	<b>33,926,279</b>
<b>Net assets attributable to members</b>	<b>77,989,001</b>	<b>392,977,343</b>	<b>646,452,308</b>	<b>547,258,417</b>	<b>71,267,542</b>	<b>187,534,584</b>	<b>4,213,072,527</b>	<b>32,212,582</b>	<b>4,245,285,109</b>



## Statement of net assets available for benefits as at 31 December 2023 (continued)

(Expressed in Hong Kong dollars)

		2023							
	Note	MPF Conservative Fund \$	Guaranteed Fund \$	Global Stable Fund \$	Global Growth Fund \$	Asian Bond Fund \$	Global Bond Fund \$	Global Equity Fund \$	
Representing:									
Net assets attributable to members		545,644,630	205,956,565	259,740,683	407,512,733	343,898,646	129,882,142	279,484,982	
Total number of units in issue		6	47,651,711.5664	20,408,287.5951	12,210,561.6894	16,779,683.2043	13,373,961.2055	10,842,647.1381	7,918,886.8031
Net asset value per unit			11.4507	10.0918	21.2718	24.2861	25.7140	11.9788	35.2935

		2023							
	Note	Asian Pacific Equity Fund \$	European Equity Fund \$	Hong Kong Equities Fund \$	US Equity Fund \$	Greater China Equity Fund \$	Age 65 Plus Fund \$	Core Accumulation Fund \$	
Representing:									
Net assets attributable to members		244,939,722	107,427,817	343,418,624	870,411,400	500,324,549	87,116,649	256,110,063	
Total number of units in issue		6	17,269,504.6125	8,110,786.7781	32,954,976.9385	26,440,781.6595	34,212,909.2518	7,780,362.5381	18,112,130.8980
Net asset value per unit			14.1834	13.2451	10.4208	32.9193	14.6239	11.1970	14.1403

## Statement of net assets available for benefits as at 31 December 2023 (continued)

(Expressed in Hong Kong dollars)

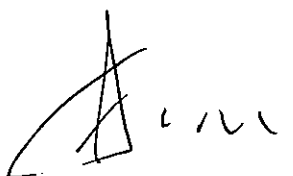
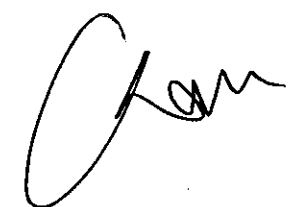
		2022							
	Note	MPF Conservative Fund \$	Guaranteed Fund \$	Global Stable Fund \$	Global Growth Fund \$	Asian Balanced Fund \$	Global Bond Fund \$	Global Equity Fund \$	
Representing:									
Net assets attributable to members		551,181,290	184,381,735	247,292,639	397,480,197	330,772,032	115,609,123	231,142,181	
Total number of units in issue		6	49,706,293.4667	18,697,834.1569	12,160,108.9598	17,160,489.8513	13,704,505.9455	10,068,919.4092	7,990,421.1236
Net asset value per unit			11.0888	9.8611	20.3364	23.1625	24.1360	11.4818	28.9274

## Statement of net assets available for benefits as at 31 December 2023 (continued)

(Expressed in Hong Kong dollars)

		2022							
	Note	Asian Pacific Equity Fund \$	European Equity Fund \$	Hong Kong Equities Fund \$	US Equity Fund \$	Greater China Equity Fund \$	Age 65 Plus Fund \$	Core Accumulation Fund \$	
Representing:									
Net assets attributable to members		231,734,135	77,989,001	392,977,343	646,452,308	547,258,417	71,267,542	187,534,584	
Total number of units in issue		6	16,996,087.4406	7,113,767.6026	30,934,933.4743	25,183,848.4652	33,740,589.8924	6,896,078.0417	15,391,656.6864
Net asset value per unit			13.6346	10.9631	12.7034	25.6693	16.2196	10.3345	12.1842

Approved and authorised for issue by the Trustee on **27 JUN 2024**

)  
)  
) For and on behalf of  
) YF Life Trustees Limited  
)  
)

The notes on pages 114 to 138 form part of these financial statements.

**Statement of changes in net assets attributable to members**  
**- Master trust scheme**  
**for the year ended 31 December 2023**  
(Expressed in Hong Kong dollars)

	2023 \$	2022 \$
<b>Net assets attributable to members brought forward</b>	<u>4,245,285,109</u>	<u>4,998,806,474</u>
<b>Contributions received and receivable from employers</b>		
From employers		
- Mandatory	101,333,455	99,790,784
- Additional voluntary	29,379,488	34,373,375
From members		
- Mandatory	116,335,087	118,066,553
- Additional voluntary	19,319,000	27,647,695
<b>Contribution surcharge received and receivable</b>	645,964	528,424
<b>Transfers in</b>		
Group transfers in from other schemes	36,293,916	25,949,045
Individual transfers in from other schemes	<u>211,423,872</u>	<u>337,352,285</u>
	<u>514,730,782</u>	<u>643,708,161</u>

**Statement of changes in net assets attributable to members**  
**- Master trust scheme**  
**for the year ended 31 December 2023 (continued)**  
*(Expressed in Hong Kong dollars)*

	2023 \$	2022 \$
<b>Benefits paid and payable</b>		
Retirement	56,745,703	66,156,555
Early retirement	19,072,490	16,806,153
Death	4,598,323	2,428,006
Permanent departure	30,703,166	26,621,465
Total incapacity	1,847,797	1,219,536
Small balance	-	4,780
Refund of additional voluntary contributions to leavers	11,738,249	2,015,765
Terminal illness	871,197	354,585
<b>Transfers out</b>		
Group transfers out to other schemes	31,071,128	24,700,123
Individual transfers out to other schemes	210,678,946	189,349,097
<b>Forfeitures</b>	10,791,880	5,836,521
<b>Withdrawal of additional voluntary contributions</b>	8,836,109	6,967,855
<b>Long services payments</b>	11,860,551	9,029,722
	<u>398,815,539</u>	<u>351,490,163</u>
<b>Increase/(decrease) in the net assets attributable to members for the year</b>	<u>254,502,792</u>	<u>(1,045,739,363)</u>
<b>Net assets attributable to members carried forward</b>	<u>4,615,703,144</u>	<u>4,245,285,109</u>

The notes on pages 114 to 138 form part of these financial statements.

## Cash flow statement - Master trust scheme for the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	2023 \$	2022 \$
<b>Operating activities</b>		
Increase/(decrease) in net assets attributable to members	254,502,792	(1,045,739,363)
Adjustments for:		
Interest income	(9,968)	(1,142)
Net (gain)/loss on investments	(302,124,420)	1,045,739,205
Net loss on derivative financial instruments	1,440,882	-
Net changes in working capital:		
Decrease/(increase) in other receivables	5,610,409	(6,819,091)
Increase in other payables	2,001,742	429,064
Payment for purchases of investments	(1,168,485,396)	(1,596,078,129)
Proceeds from sales of investments	1,108,086,406	1,283,573,598
Net proceeds of derivative financial instruments	(923,162)	-
<b>Net cash used in operating activities</b>	<u>(99,900,715)</u>	<u>(318,895,858)</u>
<b>Investing activity</b>		
Interest received	9,968	1,142
<b>Net cash generated from investing activity</b>	<u>9,968</u>	<u>1,142</u>
<b>Financing activities</b>		
Contributions and transfers in received	512,686,294	659,232,397
Benefits, transfers out, forfeitures, long service payments and initial charges paid	(395,018,226)	(349,653,286)
<b>Net cash generated from financing activities</b>	<u>117,668,068</u>	<u>309,579,111</u>

**Cash flow statement - Master trust scheme  
for the year ended 31 December 2023 (continued)**  
(Expressed in Hong Kong dollars)

	2023 \$	2022 \$
<b>Net increase/(decrease) in cash and cash equivalents</b>	17,777,321	(9,315,605)
<b>Cash and cash equivalents at 1 January</b>	<u>16,864,273</u>	<u>26,179,878</u>
<b>Cash and cash equivalents at 31 December</b>	<u><u>34,641,594</u></u>	<u><u>16,864,273</u></u>
<b>Analysis of balance of cash and cash equivalents:</b>		
Cash at bank	<u>34,641,594</u>	<u>16,864,273</u>

The notes on pages 114 to 138 form part of these financial statements.

## Statement of changes in net assets attributable to members - Constituent funds for the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	2023						
	<i>MPF Conservative Fund</i> \$	<i>Guaranteed Fund</i> \$	<i>Global Stable Fund</i> \$	<i>Global Growth Fund</i> \$	<i>Asian Bond Fund</i> \$	<i>Global Bond Fund</i> \$	<i>Global Equity Fund</i> \$
<b>Net assets attributable to members brought forward</b>	<u>551,181,290</u>	<u>184,381,735</u>	<u>247,292,639</u>	<u>397,480,197</u>	<u>330,772,032</u>	<u>115,609,123</u>	<u>231,142,181</u>
Proceeds on units issued	306,414,366	58,350,835	27,161,572	35,892,476	31,644,235	32,652,637	31,838,060
Payments on units redeemed	<u>(329,369,420)</u>	<u>(44,389,444)</u>	<u>(26,130,349)</u>	<u>(44,876,463)</u>	<u>(39,853,278)</u>	<u>(23,632,866)</u>	<u>(33,944,639)</u>
	<u>(22,955,054)</u>	<u>13,961,391</u>	<u>1,031,223</u>	<u>(8,983,987)</u>	<u>(8,209,043)</u>	<u>9,019,771</u>	<u>(2,106,579)</u>
Increase/(decrease) in net assets attributable to members for the year	<u>17,418,394</u>	<u>7,613,439</u>	<u>11,416,821</u>	<u>19,016,523</u>	<u>21,335,657</u>	<u>5,253,248</u>	<u>50,449,380</u>
<b>Net assets attributable to members carried forward</b>	<u>545,644,630</u>	<u>205,956,565</u>	<u>259,740,683</u>	<u>407,512,733</u>	<u>343,898,646</u>	<u>129,882,142</u>	<u>279,484,982</u>



Statement of changes in net assets attributable to members - Constituent funds  
for the year ended 31 December 2023 (continued)  
(Expressed in Hong Kong dollars)

	2023									
	Asian Pacific Equity Fund \$	European Equity Fund \$	Hong Kong Equities Fund \$	US Equity Fund \$	Greater China Equity Fund \$	Age 65 Plus Fund \$	Core Accumulation Fund \$	The Constituent Funds \$	Scheme	Total
Net assets attributable to members brought forward	231,734,135	77,989,001	392,977,343	646,452,308	547,258,417	71,267,542	187,534,584	4,213,072,527	32,212,582	4,245,285,109
Proceeds on units issued	36,405,154	34,641,789	143,790,308	244,873,643	122,758,855	34,550,425	84,300,576	1,225,274,931	(710,544,149)	514,730,782
Payments on units redeemed	(32,438,020)	(22,148,256)	(119,646,575)	(207,190,590)	(113,807,730)	(25,144,062)	(48,400,685)	(1,110,972,377)	712,156,838	(398,815,539)
	3,967,134	12,493,533	24,143,733	37,683,053	8,951,125	9,406,363	35,899,891	114,302,554	1,612,689	115,915,243
Increase/(decrease) in net assets attributable to members for the year	9,238,453	16,945,283	(73,702,452)	186,276,039	(55,884,993)	6,442,744	32,675,588	254,494,124	8,668	254,502,792
Net assets attributable to members carried forward	244,939,722	107,427,817	343,418,624	870,411,400	500,324,549	87,116,649	256,110,063	4,581,869,205	33,833,939	4,615,703,144

## Statement of changes in net assets attributable to members - Constituent funds for the year ended 31 December 2023 (continued)

(Expressed in Hong Kong dollars)

	2022						
	<i>MPF Conservative Fund \$</i>	<i>Guaranteed Fund \$</i>	<i>Global Stable Fund \$</i>	<i>Global Growth Fund \$</i>	<i>Asian Balanced Fund \$</i>	<i>Global Bond Fund \$</i>	<i>Global Equity Fund \$</i>
<b>Net assets attributable to members brought forward</b>	<u>441,169,028</u>	<u>206,261,609</u>	<u>303,536,885</u>	<u>467,533,078</u>	<u>378,824,795</u>	<u>138,061,711</u>	<u>298,912,105</u>
Proceeds on units issued	450,637,386	72,624,568	31,445,467	45,710,167	35,055,313	31,674,353	38,878,748
Payments on units redeemed	<u>(342,347,761)</u>	<u>(63,389,207)</u>	<u>(40,150,742)</u>	<u>(39,944,694)</u>	<u>(31,708,566)</u>	<u>(35,597,726)</u>	<u>(37,240,037)</u>
	<u>108,289,625</u>	<u>9,235,361</u>	<u>(8,705,275)</u>	<u>5,765,473</u>	<u>3,346,747</u>	<u>(3,923,373)</u>	<u>1,638,711</u>
Increase/(decrease) in net assets attributable to members for the year	<u>1,722,637</u>	<u>(31,115,235)</u>	<u>(47,538,971)</u>	<u>(75,818,354)</u>	<u>(51,399,510)</u>	<u>(18,529,215)</u>	<u>(69,408,635)</u>
<b>Net assets attributable to members carried forward</b>	<u>551,181,290</u>	<u>184,381,735</u>	<u>247,292,639</u>	<u>397,480,197</u>	<u>330,772,032</u>	<u>115,609,123</u>	<u>231,142,181</u>

**Statement of changes in net assets attributable to members - Constituent funds**  
**for the year ended 31 December 2023 (continued)**  
(Expressed in Hong Kong dollars)

	2022									
	<i>Asian Pacific Equity Fund</i>	<i>European Equity Fund</i>	<i>Hong Kong Equities Fund</i>	<i>US Equity Fund</i>	<i>Greater China Equity Fund</i>	<i>Age 65 Plus Fund</i>	<i>Core Accumulation Fund</i>	<i>The Constituent Funds</i>	<i>Scheme</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$	\$	\$		
<b>Net assets attributable to members brought forward</b>	280,303,793	85,959,687	378,769,008	988,953,442	715,603,965	78,921,574	185,192,316	4,948,002,996	50,803,478	4,998,806,474
Proceeds on units issued	39,328,676	25,918,272	196,804,924	327,264,010	176,687,854	32,213,752	91,194,329	1,595,437,819	(951,729,658)	643,708,161
Payments on units redeemed	(28,558,534)	(23,805,080)	(127,522,554)	(298,926,065)	(132,149,858)	(27,791,920)	(55,496,339)	(1,284,629,083)	933,138,920	(351,490,163)
	10,770,142	2,113,192	69,282,370	28,337,945	44,537,996	4,421,832	35,697,990	310,808,736	(18,590,738)	292,217,998
<b>Increase/(decrease) in net assets attributable to members for the year</b>	(59,339,800)	(10,083,878)	(55,074,035)	(370,839,079)	(212,883,544)	(12,075,864)	(33,355,722)	(1,045,739,205)	(158)	(1,045,739,363)
<b>Net assets attributable to members carried forward</b>	231,734,135	77,989,001	392,977,343	646,452,308	547,258,417	71,267,542	187,534,584	4,213,072,527	32,212,582	4,245,285,109

The notes on pages 114 to 138 form part of these financial statements.

## Notes to the financial statements

(Expressed in Hong Kong dollars)

### 1 The Scheme

Mass Mandatory Provident Fund Scheme ("the Scheme") is a master trust scheme established under a trust deed dated 27 January 2000, as amended by the deeds of amendment dated 24 October 2000, 15 August 2002, 27 February 2003, 20 January 2006, 1 March 2007, 30 September 2009, 1 May 2011, 15 November 2011, 13 June 2012, 31 January 2013, 17 July 2013, 27 August 2015, 24 December 2015, 21 November 2016, 2 December 2016, 11 January 2019, 14 March 2019, 1 May 2019, 16 March 2020 and 17 April 2023 with YF Life Trustees Limited as the Trustee. The Scheme is registered under Section 21 of the Hong Kong Mandatory Provident Fund Schemes Ordinance ("the MPFSO").

Under the trust deed, the Trustee is required to establish and maintain separate constituent funds into which contributions may be invested. The constituent funds are established within the Scheme and are only available for investment by members of the Scheme.

The Scheme had the following constituent funds during the year ended 31 December 2023:

- MPF Conservative Fund
- Guaranteed Fund
- Global Stable Fund
- Global Growth Fund
- Asian Bond Fund (previously known as Asian Balanced Fund)
- Global Bond Fund
- Global Equity Fund
- Asian Pacific Equity Fund
- European Equity Fund
- Hong Kong Equities Fund
- US Equity Fund
- Greater China Equity Fund
- Age 65 Plus Fund
- Core Accumulation Fund

## **2 Material accounting policies**

### **(a) Statement of compliance**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the relevant disclosure requirements of the MPFSO, the Hong Kong Mandatory Provident Fund Schemes (General) Regulation ("the General Regulation"), the Hong Kong Code on MPF Investment Funds ("the MPF Code") and Guidelines II.4 ("the MPF Guidelines") issued by the Hong Kong Mandatory Provident Fund Schemes Authority. Material accounting policies adopted by the Scheme are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Scheme. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Scheme for the current and prior accounting periods reflected in these financial statements.

### **(b) Basis of preparation of the financial statements**

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss which are measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### **(c) Revenue recognition**

Provided it is probable that the economic benefits will flow to the Scheme and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:

- Distributions from approved pooled investment funds ("APIFs") are recognised only when declared.
- Rebates income is recognised when the right to receive payment is established.
- Interest income is recognised as it accrues using the effective interest method.

## **2 Material accounting policies (continued)**

### **(d) Contributions/subscriptions for units**

Contributions/subscriptions for units are accounted for on an accrual basis.

Contributions receivable are initially recognised at fair value and thereafter stated at amortised cost less allowance for credit losses, except where effect of discounting would be immaterial. In such cases, contributions receivable is stated at cost less allowance for credit losses. Contributions receivable are assessed for expected credit losses ("ECLs") in accordance with the policy set out in note 2(g)(vi).

### **(e) Amounts paid and payable on redemption of units**

Amounts paid and payable on redemption of units are accounted for on an accrual basis.

Redemptions payable is initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case it is stated at cost.

### **(f) Other expenses**

Other expenses are accounted for on an accrual basis.

### **(g) Financial assets and financial liabilities**

#### **(i) Recognition and initial measurement**

Financial assets and financial liabilities at fair value through profit or loss are initially recognised on the trade date, which is the date on which the Scheme becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

#### **(ii) Classification**

On initial recognition, the Scheme classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and Interest ("SPPI").

All other financial assets of the Scheme are measured at FVTPL.

## 2 Material accounting policies (continued)

### *Business model assessment*

In making an assessment of the objective of the business model in which a financial asset is held, the Scheme considers all of the relevant information about how the business is managed. The Scheme has determined that it has two business models:

- Held-to-collect: this includes cash at bank, amounts receivable on sales of investments, amounts receivable on subscriptions, contributions receivable, transfers in receivable and other receivables.
- Other: this includes investments where their performance is evaluated on a fair value basis with frequent sales taking place.

### *Assessment whether contractual cash flows are SPPI*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Scheme considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

### (iii) Measurement

All investments have been classified by the Trustee as "financial assets at fair value through profit or loss" at inception.

Purchases and sales of investments are accounted for on the trade date basis. Investments are initially recognised at fair value, excluding transaction costs which are expensed as incurred, and are subsequently re-measured at fair value. Realised and unrealised gains and losses on investments are included in the statement of comprehensive income in the period in which they arise. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Scheme has transferred substantially all risks and rewards of ownership.

Investments that are listed or traded on an exchange are valued based on quoted bid prices.

Investments which are not listed on an exchange are valued by using bid price quotes from brokers.

Investments in debt securities are presented inclusive of accrued interest.

## 2 Summary of accounting policies (continued)

### (iv) Fair value measurement principles

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Scheme has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Scheme measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Scheme measures instruments quoted in an active market at a bid price.

If there is no quoted price in an active market, then the Scheme uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Scheme recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

### (v) Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount and, for financial assets, adjusted for any loss allowance.

### (vi) Impairment

The Scheme recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. A loss allowance on financial assets carried at amortised cost would be recognised with reference to credit losses expected to arise on the financial asset, discounted where the effect would be material, and taking into account whether the credit risk of the financial asset had increased significantly since initial recognition.

At each reporting date, the Scheme assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Scheme has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.



## 2 Summary of accounting policies (continued)

### (vii) Derecognition

The Scheme derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Scheme neither transfer nor retain substantially all of the risks and rewards of ownership and do not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Scheme is recognised as a separate asset or liability.

The Scheme enters into transactions whereby they transfer assets recognised on the statement of net assets available for benefits, but retain either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

The Scheme derecognises a financial liability when the contractual obligations are discharged or cancelled, or expire.

### (viii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of net assets available for benefits when, and only when, the Scheme has a legal right to offset the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

### (ix) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

## **2 Material accounting policies (continued)**

### **(h) Units in issue**

The Scheme classifies financial instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

A puttable financial instrument that includes a contractual obligation for the Scheme to repurchase or redeem that instrument for cash or another financial assets is classified as equity instrument if it has all of the following conditions:

- it entitles the holder to a pro rata share of the Scheme's net assets in the event of the Scheme's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that are subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Scheme to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of Scheme over the life of the instrument.

The redeemable units are not in the class of instruments that are subordinate to all other classes of instruments which have identical features. Therefore, they do not meet the criteria for equity classification and are therefore classified as financial liabilities. They are measured at the present value of the redemption amounts.

Incremental costs directly attributable to the issue or redemption of redeemable units are recognised directly in the statement of changes in net assets attributable to members - Master trust scheme as a deduction from the proceeds or part of the acquisition cost.

### **(i) Translation of foreign currencies**

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the date of the statement of net assets available for benefits. Exchange gains and losses are recognised in the statement of comprehensive income.

## 2 Material accounting policies (continued)

### (j) Related parties

- (1) A person, or a close member of that person's family, is related to the Scheme if that person:
- (i) has control or joint control over the Scheme;
  - (ii) has significant influence over the Scheme; or
  - (iii) is a member of the key management personnel of the Scheme.
- (2) An entity is related to the Scheme if any of the following conditions applies:
- (i) The entity and the Scheme are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Scheme or an entity related to the Scheme;
  - (vi) The entity is controlled or jointly controlled by a person identified in (1);
  - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Scheme.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### (k) Obligations to pay retirement benefits in the future

No provision is made in the financial statements for these obligations, except to the extent indicated in note 2(e).

## **2 Material accounting policies (continued)**

### **(l) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

### **(m) Segment reporting**

An operating segment is a component of the Scheme that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Scheme's other components, whose operating results are reviewed regularly by the chief operating decision maker ("the CODM") to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Chief Executive Officer of the Trustee acting as the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## **3 Changes in accounting policies**

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Scheme.

- Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*
- Amendments to HKAS 8, *Definition of accounting estimates*

None of these developments have had a material effect on how the Scheme's results and financial position for the current and prior periods have been prepared or presented. The Scheme has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## **4 Taxation**

The Scheme is registered under the MPFSO and is therefore a recognised scheme for Hong Kong Profits Tax purposes. The policy of the Hong Kong Inland Revenue Department ("IRD"), as set out in IRD Practice Note No. 23, is that "recognised retirement schemes and their Trustees are not considered to be subject to profits tax on their investment income". Accordingly, no provision for Hong Kong Profits Tax has been made in the Scheme's financial statements.

## **5 Transactions with related parties**

The following is a summary of transactions with related parties during the year. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

## 5 Transactions with related parties (continued)

- (a) The Trustee is entitled to receive a trustee fee accrued daily and payable monthly at an annual rate of 0.47% to 1.00% of the net asset value of the respective constituent funds. During the year, the Trustee received \$34,427,582 (2022: \$34,637,778) trustee fees, of which is nil (2022: \$1,850,101) represents deferred trustee fee that were deducted from the assets of MPF Conservative Fund in accordance with section 37 of the General Regulation (see note 8(b)).
- (b) The Trustee is entitled to receive a fund administration fee at an annual rate of US\$7,500 (approximately \$58,500) per constituent fund including MPF Conservative Fund, Global Stable Fund, Global Growth Fund, Asian Bond Fund, Asian Pacific Equity Fund, European Equity Fund, Hong Kong Equities Fund, Global Bond Fund, Global Equity Fund, US Equity Fund and Greater China Equity Fund. During the year, the Trustee received \$643,500 (2022: \$667,875) fund administration fees, of which \$0 (2022: \$24,375) represents deferred administrative expenses that were deducted from the assets of MPF Conservative Fund in accordance with section 37 of the General Regulation (see note 8(b)).

The fund administration fee for the Guaranteed Fund was borne by Mass MPF Guaranteed Policy in accordance with the MPF Scheme brochure of the Scheme.

- (c) During the year, rebates of \$539,455 (2022: \$486,531), calculated at an annual rate of 0.10% of the net asset value of Allianz Choice HK\$ Liquidity Fund of the Allianz Global Investors Choice Fund, were received from the Investment Manager, Allianz Global Investors Asia Pacific Limited, and were reinvested into Allianz Choice HK\$ Liquidity Fund of the Allianz Global Investors Choice Fund.
- (d) During the year, rebates of \$2,756,061 (2022: \$9,554,858), calculated at an annual rate of 0.45% to 0.55% of the net asset value of the respective sub-funds of the Templeton MPF Investment Funds held by the constituent funds, were received from the Investment Manager, Franklin Templeton Investments (Asia) Limited, and were reinvested into the respective sub-funds of the Templeton MPF Investment Funds.
- (e) During the year, investment management fee of \$4,066,318 (2022: \$4,076,834), calculated at an annual rate of 0.33% to 0.43% of the net asset value of the underlying investment funds of Global Stable Fund, Global Growth Fund and Hong Kong Equities Fund, were paid to the Investment Manager, Allianz Global Investors Asia Pacific Limited.
- (f) During the year, investment management fee of \$2,177,418 (2022: \$2,023,337), calculated at an annual rate of up to 0.50% of the net asset value of the underlying investment fund of Greater China Equity Fund were paid to the Investment Manager, JP Morgan Asset Management (Asia Pacific) Limited.
- (g) During the year, investment management fee of \$3,767,419 (2022: Nil), calculated at an annual rate of 0.39% to 0.51% of the net asset value of the underlying investment fund of Global Equity Fund, Asian Pacific Equity Fund and US Equity Fund were paid to the Investment Manager, Schroder Investment Management (Hong Kong) Limited.

## 5 Transactions with related parties (continued)

- (h) During the year, investment management fee of \$2,026,922 (2022: Nil), calculated at an annual rate 0.51% of the net asset value of the underlying investment fund of Asian Bond Fund, Global Bond Fund and European Equity Fund were paid to the Investment Manager, Principal Asset Management Company (Asia) Limited.
- (i) The transactions with related parties as stated in notes 5(a) to 5(h) are within the definition of transactions with associates in accordance with the MPFSO and MPF Guidelines II.4 Annex CI(D)2.

## 6 Units in issue

	Balance at 1 January 2023	Issued during the year	Redeemed during the year	Balance at 31 December 2023
MPF Conservative Fund	49,706,293.4667	27,224,219.4724	29,278,801.3727	47,651,711.5664
Guaranteed Fund	18,697,834.1569	5,859,172.6664	4,148,719.2282	20,408,287.5951
Global Stable Fund	12,160,108.9598	1,302,823.2191	1,252,370.4895	12,210,561.6894
Global Growth Fund	17,160,489.8513	1,500,491.8555	1,881,298.5025	16,779,683.2043
Asian Balanced Fund	13,704,505.9455	1,269,316.8691	1,599,861.6091	13,373,961.2055
Global Bond Fund	10,068,919.4092	2,814,069.3457	2,040,341.6168	10,842,647.1381
Global Equity Fund	7,990,421.1236	984,720.2621	1,056,254.5826	7,918,886.8031
Asian Pacific Equity Fund	16,996,087.4406	2,610,551.1633	2,337,133.9914	17,269,504.6125
European Equity Fund	7,113,767.6026	2,779,686.8726	1,782,667.6971	8,110,786.7781
Hong Kong Equities Fund	30,934,933.4743	11,913,234.6864	9,893,191.2222	32,954,976.9385
US Equity Fund	25,183,848.4652	8,282,797.3711	7,025,864.1768	26,440,781.6595
Greater China Equity Fund	33,740,589.8924	7,529,370.6960	7,057,051.3366	34,212,909.2518
Age 65 Plus Fund	6,896,078.0417	3,236,130.2180	2,351,845.7216	7,780,362.5381
Core Accumulation Fund	15,391,656.6864	6,396,361.0427	3,675,886.8311	18,112,130.8980

## 7 Soft commission arrangements

During the year ended 31 December 2023, the Investment Managers and their associates did not enter into any soft commission arrangements with brokers in relation to dealings in the assets of the Scheme and its constituent funds (2022: Nil).

## 8 Expenses

### (a) Marketing expenses

There were no advertising expenses, promotional expenses, commissions or brokerage fees payable to the MPF intermediaries of the Scheme deducted from the constituent funds during the year ended 31 December 2023 (2022: Nil).

### (b) Fees and charges from MPF Conservative Fund

The MPF Conservative Fund is a capital preservation fund. Fees and charges may only be deducted in the following circumstances:

- (i) if the amount of income from the investment of the MPF Conservative Fund in a particular month exceeds the amount of interest that would be earned if those funds had been placed on deposit in a Hong Kong dollar savings account at the prescribed saving rate, an amount not exceeding the excess may be deducted from the Member's Accrued Benefits as administrative expenses for that month; or

## **8 Expenses (continued)**

- (ii) if in a particular month no amount is deducted as administrative expenses under (i) above or the amount that is deducted is less than the actual administrative expenses for the month, the deficiency may be deducted from the amount of any excess that may remain in any of the following 12 months after deducting the administrative expenses applicable to that following month.

The total amount of fees and charges deducted from the assets of the MPF Conservative Fund for the year ended 31 December 2023 is \$3,657,701 (2022: \$4,265,216).

## **9 Bank loans and other borrowings**

The Scheme had no bank loans or other borrowings as at 31 December 2023 (2022: Nil).

## **10 Commitments**

The Scheme had no commitments as at 31 December 2023 (2022: Nil).

## **11 Contingent liabilities**

The Scheme had no contingent liabilities as at 31 December 2023 (2022: Nil).

## **12 Negotiability of assets**

At 31 December 2023, there was no statutory or contractual requirement restricting the negotiability of the assets of the Scheme (2022: Nil).

## **13 Financial risk management**

The Scheme is exposed to various risks which are discussed below:

### **(a) Market risk**

Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk and other price risk.

The Scheme only invests its funds in the APIFs managed by the Investment Managers, Allianz Global Investors Asia Pacific Limited, Franklin Templeton Investments (Asia) Limited, JP Morgan Asset Management (Asia Pacific) Limited and Invesco Hong Kong Limited, Principal Asset Management Company (Asia) Limited and Schroder Investment Management (Hong Kong) Limited. The investment objectives of each of the constituent funds under the Scheme have been set out in Section 2 of the Investment Report.

The Scheme's strategy on the management of investment risk is driven by the Scheme investment objectives of the constituent funds. The Scheme's market risk is managed on an ongoing basis by the Investment Manager in accordance with policies and procedures in place. The Scheme's overall market positions are monitored by the Trustee.

### 13 Financial risk management (continued)

#### (i) Other price risk

Other price risk is the risk that value of the investments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Scheme's investments are subject to other price risk inherent in all investments i.e. the value of holdings may fall as well as rise.

The Scheme's other price risk is managed through diversification of the underlying investment portfolio of the Scheme.

#### *Sensitivity analysis*

A 10% (2022: 10%) increase in the underlying fund price of the constituent funds under the Scheme at 31 December 2023 would have increased the respective net profit and net asset value by the following amounts:

<i>Name of the constituent fund</i>	<i>2023 Increase in net income/ net asset value \$</i>	<i>2022 Increase in net income/ net asset value \$</i>
MPF Conservative Fund	54,611,802	55,165,923
Guaranteed Fund	20,595,656	18,438,174
Global Stable Fund	26,028,743	24,783,397
Global Growth Fund	40,836,772	39,834,359
Asian Bond Fund	34,474,292	33,119,461
Global Bond Fund	13,018,628	11,575,099
Global Equity Fund	27,822,575	23,144,333
Asian Pacific Equity Fund	24,448,703	23,203,163
European Equity Fund	10,768,833	7,809,353
Hong Kong Equities Fund	34,415,546	39,379,813
US Equity Fund	86,311,991	64,698,895
Greater China Equity Fund	50,142,468	54,846,571
Age 65 Plus Fund	8,721,644	7,135,473
Core Accumulation Fund	25,637,890	18,774,534
	<u>457,835,543</u>	<u>421,908,548</u>

Any equal change in the opposite direction would have decreased the net profit and the net asset value by an equal but opposite direction.



### 13 Financial risk management (continued)

#### (ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Scheme's financial assets are non-interest bearing, except for the bank balance at the Scheme level.

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Scheme's net profit and net asset value by approximately \$317,475 (2022: \$111,039).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date. The 100 basis point increase or decrease represents Trustee's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2022.

The Investment Funds, consisting of MPF Conservative Fund, Guaranteed Fund, Global Stable Fund, Global Growth Fund, Asian Bond Fund, Global Bond Fund, Age 65 Plus Fund and Core Accumulation Fund, holding interest rate debt securities are exposed to interest rate risk, where the value of these securities may fluctuate as a result of changes in interest rate. In general, if interest rates rise, the income potential of the floating interest rate securities also rises but the value of fixed rate securities declines. A fall in interest rates would generally have the opposite effect. Aligning the portfolio maturity profile to that of the internal benchmark (for Investment Funds that use such internal benchmarks like Financial Times Stock Exchange World Government Bond Index) and keeping deviations within certain limits is an important way of controlling relative interest rate risk. The Investment Managers of the Investment Funds are also aware of the running yield of the portfolio, in absolute and relative terms, based on which they adjust portfolio holdings with the objective of optimising total portfolio returns from the two sources i.e. running yield and expected price changes.

#### (iii) Currency risk

The constituent funds hold investments in various currencies and are therefore exposed to currency risk that the exchange rate may change in a manner that has an adverse effect on the value of the constituent fund's investments.

The currency exposure of the constituent funds is managed by the Investment Managers and the Trustee. They would monitor the currency positions of the constituent funds on an ongoing basis to ascertain that the currency exposures are within an acceptable range and are complied with the requirements of the General Regulation.

### 13 Financial risk management (continued)

At 31 December, the constituent funds have the following currency exposure:

	2023	2022
<b>MPF Conservative Fund</b>		
- Hong Kong dollars	100%	100%
<b>Guaranteed Fund</b>		
- Hong Kong dollars	37%	41%
- United States dollars	31%	24%
- Euro	14%	14%
- Japanese Yen	10%	10%
- Others	8%	11%
<b>Global Stable Fund</b>		
- Hong Kong dollars	35%	38%
- United States dollars	31%	23%
- Euro	14%	13%
- Japanese Yen	11%	11%
- Others	9%	15%
<b>Global Growth Fund</b>		
- Hong Kong dollars	35%	38%
- United States dollars	31%	20%
- Euro	13%	11%
- Japanese Yen	12%	11%
- Others	9%	20%
<b>Asian Bond Fund</b>		
- United States dollars	67%	-
- Hong Kong dollars	33%	46%
- Korean Won	-	12%
- Singapore dollars	-	3%
- Australian dollars	-	2%
- Thai Baht	-	4%
- Japanese Yen	-	5%
- New Taiwanese dollars	-	7%
- Indian Rupee	-	6%
- Others	-	15%
<b>Global Bond Fund</b>		
- Hong Kong dollars	33%	33%
- Japanese Yen	12%	13%
- Euro	20%	20%
- United States dollars	15%	27%
- Others	20%	7%

### 13 Financial risk management (continued)

	2023	2022
Global Equity Fund		
- Hong Kong dollars	33%	48%
- United States dollars	33%	18%
- Euro	9%	12%
- Great British Pound	4%	7%
- Japanese Yen	6%	4%
- Korean Won	2%	-
- Swiss Franc	3%	4%
- Others	10%	7%
Asian Pacific Equity Fund		
- Hong Kong dollars	32%	43%
- Korean Won	13%	14%
- Thai Baht	2%	2%
- Singapore dollars	1%	3%
- New Taiwanese dollars	15%	12%
- Australian dollars	-	5%
- Indian Rupee	19%	14%
- United States dollars	7%	-
- Renminbi	5%	-
- Others	6%	7%
European Equity Fund		
- Hong Kong dollars	35%	45%
- Euro	32%	38%
- Great British Pound	19%	11%
- Swiss Franc	4%	3%
- Others	10%	3%
Hong Kong Equities Fund		
- Hong Kong dollars	94%	92%
- Others	6%	8%
US Equity Fund		
- United States dollars	63%	54%
- Hong Kong dollars	33%	46%
- Others	4%	-
Greater China Equity Fund		
- Hong Kong dollars	44%	50%
- Others	56%	50%

### 13 Financial risk management (continued)

	2023	2022
Age 65 Plus Fund		
- Hong Kong dollars	78%	79%
- United States dollars	14%	13%
- Euro	2%	2%
- Japanese Yen	1%	1%
- Others	5%	5%
Core Accumulation Fund		
- Hong Kong dollars	40%	40%
- United States dollars	40%	38%
- Euro	5%	5%
- Japanese Yen	4%	4%
- Others	11%	13%

For any change in the exchange rate, the resulting impact on the constituent funds would be reflected as a change in the underlying fund price of the constituent funds.

#### *Sensitivity analysis*

The following table indicates the instantaneous change in the Scheme's net profit and net asset value that would arise if foreign exchange rates to which the Scheme has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

### 13 Financial risk management (continued)

(Expressed in HKD)	2023		2022	
	Increase/ (decrease) in foreign exchange rates	Effect on net profit and net asset value \$'000	Increase/ (decrease) in foreign exchange rates	Effect on net profit and net asset value \$'000
Australian dollars	10% (10%)	- -	10% (10%)	2,782 (2,782)
Euros	10% (10%)	22,072 (22,072)	10% (10%)	19,313 (19,313)
Great British Pounds	10% (10%)	3,159 (3,159)	10% (10%)	2,897 (2,897)
Indian Rupee	20% (20%)	9,308 (9,308)	20% (20%)	10,392 (10,392)
Japanese Yen	10% (10%)	14,195 (14,195)	10% (10%)	13,757 (13,757)
Korean Won	5% (5%)	1,872 (1,872)	5% (5%)	3,642 (3,642)
New Taiwanese dollars	5% (5%)	1,837 (1,837)	5% (5%)	2,564 (2,564)
Singapore dollars	10% (10%)	245 (245)	10% (10%)	1,606 (1,606)
Swiss Franc	20% (20%)	2,493 (2,493)	20% (20%)	2,132 (2,132)
Thai Baht	10% (10%)	490 (490)	10% (10%)	1,878 (1,878)
Others	10% (10%)	52,734 (52,734)	10% (10%)	52,046 (52,046)

### 13 Financial risk management (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the constituent funds' net profit and net asset value measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Scheme which expose the Scheme to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2022.

#### (b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment to pay dues in time.

The APIF's Investment Manager has a credit review process in place. This ensures that credit quality and credit risk exposure are reviewed and monitored regularly on an ongoing basis, which helps protect portfolios from anticipated negative credit events. The APIF's credit risk is also mitigated through diversification and control on exposure to any single issuer in the APIF.

Credit risk of the APIFs arising on debt securities is mitigated by investing primarily in rated securities or securities issued by rated counterparties of minimum credit ratings ("BBB" by Standard and Poor's). Typically, in cases where credit rating of an investment falls below the above minimum ratings, the Investment Manager disposes it as soon as practical.

As at 31 December 2023, the Scheme net assets amounted to \$4,615,703,144 (2022: \$4,245,285,109) and the investment in APIFs amounted to \$4,578,355,432 (2022: \$4,219,085,454).

With respect to credit risk arising from the other financial assets of the Scheme which comprise cash and cash equivalents, the Scheme's exposure equal to the carrying amount of these instruments. The MPFA requests the Scheme to place deposits with an authorised financial institution or an eligible overseas bank according to the requirement in Schedule 1 to the General Regulation. The credit risk is not considered to be significant.

#### (c) Liquidity risk

The major liquidity requirement of the Scheme is to meet benefit payments. The Scheme's investments are made in active markets and are liquid. The Investment Managers would monitor the liquidity positions of the APIFs on an ongoing basis.

### 13 Financial risk management (continued)

#### (d) Fair value information

All of the Scheme's investments are carried at fair value on the statement of net assets available for benefits. Usually the fair value of investments is determined based on the net asset value attributable to the Scheme determined by the respective fund manager and can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including contributions receivable, transfers in receivable, amounts receivable on subscriptions, amounts receivable on sales of investments, other receivables, benefits payable, transfers out payable, forfeitures payable, amounts payable on redemptions, amounts payable on purchases of investments and other payables, the carrying amounts approximate their fair value due to the immediate or short-term nature of these financial instruments.

The following table presents the fair value of the Scheme's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

At 31 December 2023

	Level 1	Level 2	Level 3	Total
<i>Financial assets – Investment fund</i>				
MPF Conservative Fund	546,118,015	-	-	546,118,015
Guaranteed Fund	205,956,565	-	-	205,956,565
Global Stable Fund	260,287,434	-	-	260,287,434
Global Growth Fund	408,367,720	-	-	408,367,720
Asian Bond Fund	-	344,742,922	-	344,742,922
Global Bond Fund	-	130,186,278	-	130,186,278
Global Equity Fund	-	278,225,753	-	278,225,753
Asian Pacific Equity Fund	-	244,487,027	-	244,487,027
European Equity Fund	-	107,688,333	-	107,688,333
Hong Kong Equities Fund	344,155,460	-	-	344,155,460
US Equity Fund	-	863,119,912	-	863,119,912
Greater China Equity Fund	501,424,675	-	-	501,424,675
Age 65 Plus Fund	-	87,216,439	-	87,216,439
Core Accumulation Fund	-	256,378,899	-	256,378,899

### 13 Financial risk management (continued)

At 31 December 2023

	Level 1	Level 2	Level 3	Total
<i>Financial liabilities – Derivative financial instruments</i>				
Global Equity Fund	-	98,529	-	98,529
Asian Pacific Equity Fund	-	49,110	-	49,110
US Equity Fund	-	370,081	-	370,081

At 31 December 2022

	Level 1	Level 2	Level 3	Total
<i>Financial assets – Investment fund</i>				
MPF Conservative Fund	551,659,226	-	-	551,659,226
Guaranteed Fund	184,381,735	-	-	184,381,735
Global Stable Fund	247,833,966	-	-	247,833,966
Global Growth Fund	398,343,589	-	-	398,343,589
Asian Balanced Fund	-	331,194,608	-	331,194,608
Global Bond Fund	-	115,750,992	-	115,750,992
Global Equity Fund	-	231,443,329	-	231,443,329
Asian Pacific Equity Fund	-	232,031,625	-	232,031,625
European Equity Fund	-	78,093,530	-	78,093,530
Hong Kong Equities Fund	393,798,125	-	-	393,798,125
US Equity Fund	-	646,988,949	-	646,988,949
Greater China Equity Fund	548,465,709	-	-	548,465,709
Age 65 Plus Fund	-	71,354,732	-	71,354,732
Core Accumulation Fund	-	187,745,339	-	187,745,339

There were no transfers between Level 1 and Level 2 during the year (2022: Nil).

### 14 Segment information

The CODM of the Scheme makes the strategic resource allocations on behalf of the Scheme. The operating segments were determined based on the reports reviewed by the CODM, which are used to make strategic decisions. The CODM is responsible for the Scheme's entire portfolio and considers the business to have a single operating segment.

The asset allocation decisions are based on a single, integrated investment strategy, and the Scheme's performance is evaluated on an overall basis.

The internal reporting provided to the CODM for the Scheme's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of HKFRSs.



#### 14 Segment information (continued)

The segment information provided to the CODM is the same as that disclosed in the statement of comprehensive income.

The Scheme has a diversified population of members. No individual member holds more than 10% of the net assets of the Scheme. The Scheme has no assets classified as non-current assets as at 31 December 2023 and 2022.

#### 15 Involvement with unconsolidated structured entities

The table below describes the types of structured entities that the Scheme does not consolidate but in which it holds an interest.

<i>Type of structured entity</i>	<i>Nature and purpose</i>	<i>Interest held by the Scheme</i>
Investment fund	To manage assets on behalf of the investors and earn fees for the investment manager.  These vehicles are financed through the issue of units to investors.	Investments in units issued by the investment fund

The table below sets out interests held by the Scheme in unconsolidated structured entities as at year end. The maximum exposure to loss is the carrying amount of the financial assets held by the Scheme.

##### **As at 31 December 2023**

<i>Structured entity</i>	<i>Number of investee funds</i>	<i>Total net assets</i> \$	<i>Carrying amount included in investment</i> \$
Unlisted open-ended investment funds	14	52,801,778,078	4,578,355,432

##### **As at 31 December 2022**

<i>Structured entity</i>	<i>Number of investee funds</i>	<i>Total net assets</i> \$	<i>Carrying amount included in investment</i> \$
Unlisted open-ended investment funds	14	41,463,442,251	4,219,085,454

During the year, the Scheme did not provide financial support to unconsolidated structured entities and had no intention of providing financial or other support.

The Scheme can redeem units in the above investment funds on a daily basis.

**16 Payments charged to default investments strategy constituent funds or scheme members who invest in the constituent funds**

Age 65 Plus Fund and Core Accumulation Fund are designated as default investment strategy ("DIS") constituent funds with effect from 1 April 2017. Payments for services and out-of-pocket expenses charged to the DIS constituent funds are disclosed below. Payments for services and out-of-pocket expenses are those defined in the MPFSO.

*During the year ended 31 December 2023*

	<i>Age 65 Plus Fund \$</i>	<i>Core Accumulation Fund \$</i>
<b>Payments for services</b>		
- Trustee fees	446,671	1,277,365
<b>Total payments for services</b>	<u>446,671</u>	<u>1,277,365</u>
<b>Out-of-pocket expenses</b>		
- Auditor's remuneration	13,914	40,953
- Printing and postage	16,146	47,522
- Insurance	14,502	42,513
- Price listing	12,648	12,648
<b>Total out-of-pocket expenses</b>	<u>57,210</u>	<u>143,636</u>
<b>Total payments</b>	<u>503,881</u>	<u>1,421,001</u>
Out-of-pocket expenses expressed as a percentage of net asset value of the DIS constituent funds *	<u>0.07%</u>	<u>0.07%</u>

\* The net asset value used for calculating the percentage is the average of the net asset value of the DIS constituent funds as at the month end during the year ended 31 December 2023.

**16 Payments charged to default investments strategy constituent funds or scheme members who invest in the constituent funds (continued)**

*During the year ended 31 December 2022*

	<i>Age 65 Plus Fund \$</i>	<i>Core Accumulation Fund \$</i>
<b>Payments for services</b>		
- Trustee fees	425,450	1,078,834
<b>Total payments for services</b>	425,450	1,078,834
<b>Out-of-pocket expenses</b>		
- Auditor's remuneration	11,865	31,302
- Printing and postage	17,700	46,709
- Insurance	8,925	25,388
- Price listing	12,648	12,648
<b>Total out-of-pocket expenses</b>	51,138	116,047
<b>Total payments</b>	476,588	1,194,881
Out-of-pocket expenses expressed as a percentage of net asset value of the DIS constituent funds *	0.07%	0.06%

\* The net asset value used for calculating the percentage is the average of the net asset value of the DIS constituent funds as at the month end during the year ended 31 December 2022.

**17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023**

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These include the following which may be relevant to the Scheme.

*Effective for  
accounting periods  
beginning on or after*

Amendments to HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i>	1 January 2024
Amendments to HKAS 1, <i>Presentation of financial statements: Non-current liabilities with covenants</i>	1 January 2024
Amendments to HKFRS 16, <i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to HKAS 7, <i>Statement of cash flows</i> and HKFRS 7, <i>Financial Instruments: Disclosures: Supplier finance arrangements</i>	1 January 2024
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025

The Trustee is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Scheme's financial statements.

# MASS Mandatory Provident Fund Scheme

## GOVERNANCE REPORT

For The Year  
Ended 31 December 2023

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## SECTION ONE

## TRUSTEE'S GOVERNANCE FRAMEWORK

YF Life Trustees Limited ("YFT") is wholly owned by YF Life Insurance International Limited ("YFL"), a member of Yunfeng Financial Group. YFT was approved by the Mandatory Provident Fund Schemes Authority ("MPFA") as the MPF Trustee on 30 October 1999. The MASS Mandatory Provident Fund Scheme (the "Scheme") was approved by the MPFA on 31 January 2000 and was launched on 1 December 2000.

YFL is the promotor of the Scheme. While acting as the Trustee, YFT also serves as the Administrator and Custodian of the Scheme.

YFT has appointed external Investment Manager(s) ("IM(s)") to manage the Scheme's investments:

- Allianz Global Investors Asia Pacific Limited
- Invesco Hong Kong Limited
- J.P. Morgan Asset Management (Asia Pacific) Limited
- Franklin Templeton Investments (Asia) Limited<sup>1</sup>
- Principal Asset Management Company (Asia) Limited
- Schroder Investment Management (Hong Kong) Limited

Auditor of the Scheme is KPMG.

With an aim at providing clients with quality service and advice, YFT has put in place a professional alliance scheme in which different specialized companies perform different roles and functions in managing the Scheme.

As a signatory to the MPFA's Governance Charter for MPF Trustees, YFT commits to adopting the MPFA's Governance Principles and acknowledges it should exercise same rigour and professionalism when supervising the services being offered by its in-house service providers than an external service provider. Moreover, YFT also thoroughly understands its duties and at all times acts in the best interests of scheme members.

YFT understands it has important fiduciary responsibilities in protecting the members' retirement savings invested into the Scheme. YFT is acutely aware that having a sound governance framework is fundamental to fulfilling its responsibilities.

Key elements of a sound governance framework may include:

- Clearly defined Trustee oversight and control roles and responsibilities of Trustee Board of Directors;
- Properly composed Trustee Committees, including investment governance body, and with clearly defined and documented authorities delegated by the Trustee/Trustee Board; and
- Well established and effective reporting mechanisms.

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<sup>1</sup> Franklin Templeton Investments (Asia) Limited has been replaced by Principal Asset Management Company (Asia) Limited and Schroder Investment Management (Hong Kong) Limited with effect from 17 April 2023.

## 1.1 TRUSTEE OVERSIGHT & CONTROL

MPF Trustees are required to ensure that its Board is properly composed and that its role and any delegated authorities are properly defined, documented and monitored. YFT exercises effective oversight and control over delegates and service providers through the maintenance of a robust governance framework and ensures that its Board is properly composed for the oversight and management of its MPF business and operations.

The Board of YFT maintains a documented terms of reference for its Board of Directors which defines the roles and responsibilities of the Board including:

- The Board plays an important role in the strategic planning and policy formulation of YFT and in monitoring its management;
- The Board at all times ensures YFT act in the best interest of members;
- The Board ensures YFT has established and maintained a strong, comprehensive and robust governance framework for the oversight and management of its MPF business and operations;
- The Board ensures the obligations to discharge the trustee's duty is reflected in governance framework and procedure to facilitate good decision making and deliver value for money to its scheme members;
- The Board ensures proper policies and procedures are in place to effectively identify, manage and address conflicts of interest;
- The Board reviews and discuss the nomination of a new director and termination of an existing director;
- The Board approves hiring/termination of IMs, and addition/replacement/termination of Constituent Funds ("CFs") or underlying funds under the Scheme; and
- The Independent Non-Executive Directors ("INEDs") serve to maintain appropriate checks and balances and provides an independent perspective to, and a broader outlook on, the decision-making of YFT.

The Board presently meets regularly where business updates including fund performance, financial results, compliance manual updates, summary of complaint cases, Compliance report, and Internal Audit Report are standing agenda items. The Board consists of six directors with a broad and diverse range of knowledge, experience and expertise. Two directors are INEDs.

## 1.2 FIT AND PROPER & SUITABLY QUALIFIED

YFT maintains a formal training program for new Directors and understands it needs to ensure all Board members are fit and proper and suitably qualified to perform their duties. Going forward, YFT will have procedures for evaluating and monitoring the performance of the Board and performance of Directors.

## 1.3 DELEGATED AUTHORITY

YFT delegates authority into three key areas (Investment, Compliance and Risk) to its established Committees. These Committees support YFT and its process. All committees are clearly defined, documented and monitored. There are INED(s) sitting on the Investment Committee and Compliance Committee.



### 1.3.1 Investment Committee

The primary responsibility of YFT's Investment Committee is to oversee the IMs' performance in terms of fund investment and mandate compliance on behalf of the Board and report the results of their activities to the Board. The Investment Committee reviews, evaluates and monitors fund performance, and formulates policies and procedures in relation to the fund performance review and follow up. Moreover, and as required, the Committee undertakes analysis for Board approval, on hiring and termination of IMs, and the addition or replacement of CFs (or underlying funds) under the Scheme. It oversees and approves investment governance framework in the best interests of members, and also reports to the Board where incidents are considered by the Committee as material at the time and frequency as the Committee sees fit. The Committee presently meets regularly and reviews its Terms of Reference ("ToR") annually at a minimum to ensure the ToR is updated as per industry needs.

YFT implements a 3-tier monitoring mechanism for CFs with a 3-year investment time horizon, during which 3-month, 1-year and 3-year performance is monitored.

### 1.3.2 Compliance Committee

The Compliance Committee is established to implement corporate governance oversight of YFT's business conduct, compliance with laws, regulations and relevant codes of conduct. It also assists the Board of Directors of YFT to oversee YFT's activities in the areas of compliance with laws and regulations applicable to its business.

The Compliance Committee presently meets regularly. Members of the Committee receive Compliance Reports (which covers regulatory changes, internal audit findings, complaint cases, non-compliance issues and applications to regulators) twice a year, and the report is discussed during the Committee meetings.

### 1.3.3 Risk Committee

The Risk Committee has its sole and exclusive function, responsibility for the oversight of the risk management policies and practices of YFT's operations and of the operation of the YFT's risk management framework. It assists the Board of Directors to fulfil its oversight responsibilities with regard to YFT's risk appetite, risk management and compliance framework, and the governance structure that supports it. The Committee is responsible for identifying, assessing and monitoring key risk parameters associated with MPF business and operations, evaluating major investigations findings on risk management matters as delegated by the Board or on its own initiative and management's response, and advising the Board on risk-related issues as requested by the Board or in the opinion of the Committee which require the Board's attention.

The Risk Committee presently meets regularly where Key Risk Indicator ("KRI") report is formally circulated to the Committee members and outlier items are reported and discussed in the meeting. The progress of eMPF project is also updated to the Committee regularly.

YFT has put in place a governance infrastructure to promote a culture of risk management, and protocol and process monitoring. YFT's risk management framework presently includes three lines of defense of the overall risk management model organized by (1) Key Business Functions, (2) Risk Committee and (3) Internal Audit.

## SECTION TWO

# ASSESSMENT AREAS

## 2.1 VALUE FOR MONEY ASSESSMENT

MPF Trustees should deliver value for money MPF schemes and services to its members and should determine the parameters and criteria for measuring what represents good value for money to scheme members.

As a concept, Value for Money is simple but in practice, particularly for retirement savings schemes, it can be complex and far-ranging.

MPF is designed for long term investment and retirement purposes. However, by the nature of staff employment, members' account consolidation and change of investment choices, MPF schemes will have members for varying time periods so long, mid and short term investment horizons should be reviewed.

The parameters by which YFT defines its Scheme's Value for Money revolves around a robust, secure and proven governance framework which protects member balances while also providing investment returns within a fee structure that should assist most members meet their retirement savings goals, and that the entirety of the scheme offerings should deliver value-added services to members and employers.

Notably, the most significant determinant to investment returns are movements in investment markets, and this is beyond the control of MPF schemes so no scheme can, on a pure performance basis, provide the best value for money to all of its scheme members all of the time. It is therefore important that trustees look for constant, ongoing improvement in its Value for Money proposition, and an obligation to which YFT is committed.

Key considerations in assessing the value for MPF scheme members may include:

- Overall performance of CFs (where after-fees performance is assessed);
- Level of fees and other charges;
- Service quality provided to employers and members;
- Communication and Education;
- MPF fund range and suitability as part of the retirement solutions offered to MPF scheme members;
- IM selection, ongoing review and monitoring; and
- Conflict of interest monitoring.

### 2.1.1 Investment Performance Monitoring

Please refer to section 1 “Analysis of investments and Trustee’s commentary” in the Scheme’s Annual Consolidated Report for the year ended 31 December 2023 for the analysis of investment returns of individual CFs under the Scheme against benchmark.

Fund price variances are monitored daily. In case where variances exceeding thresholds or are inconsistent with major indices, an explanation from the relevant IMs is required. Peer group relative fund performance is reviewed monthly and IMs are asked to explain underperformance where necessary.

Fund performance is also monitored quarterly. For CFs with 3-year track record, YFT implements a 3-tier monitoring mechanism where 3-month, 1-year and 3-year performance is reviewed. In addition, as part of the ongoing monitoring process, if the fund performs beyond our tolerance level, IMs are required to formally report to YFT yearly through an annual due diligence questionnaire and ESG questionnaire.

The Guaranteed fund, which is managed by Allianz, performed beyond our tolerance level during the 2<sup>nd</sup> and 3<sup>rd</sup> quarter of 2023. YFT has held performance review meeting with Allianz in order to understand more on their investment strategy. Under our monitoring, the fund has shown a sign of improvement.

The Greater China Equity Fund, which is managed by JPMorgan, performed beyond our tolerance level during the 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2023. YFT has also queried JPMorgan on such performance. We will put the fund under close monitoring and looking forward for its improvement.

### 2.1.2 Fees & Charges

The stated management fee of a scheme is a forward insight and includes fees charged by one or more of the trustee, custodian, administrator, IMs and sponsor or promotor of a scheme for providing their services to the fund as well as the underlying Approved Pooled Investment Funds (“APIFs”). It is a fee which an MPF scheme or a fund is expected to pay.

The Fund Expense Ratio (“FER”) is the actual expenses members were charged as a percentage of fund assets.

YFT reviews the FER of the CFs annually against the relevant industry information. The preliminary FER of Hong Kong Equities Fund and US Equity Fund is below the average FER within the MPF market (Source: MPFA website).

### 2.1.3 Services to Employers & Members

The parameters for Value for Money extend beyond performance and fees, it also includes services to members. The Scheme continues to provide balanced suite of member and employer services and functions, and it also plays an active role in improving its service quality and system functionalities. For more information about our service pledges, please refer to our website ([www.yflife.com](http://www.yflife.com)).

#### 2.1.3.1 Employer Experience

The obligation to select an initial MPF Scheme lies with the employers. It is therefore critical that MPF schemes provide services that make employers’ MPF workload simpler and more efficient, and it remains important that participating employers have a positive experience in arranging enrollment, remitting contributions, generating reports, adding and terminating members. The Scheme provides a comprehensive suite of employer services and functions.

The Scheme sends monthly contribution reminders to its participating employers in terms of pre-printed remittance statements by mail. The Scheme offers multiple payment methods for making MPF contributions including direct deposit, cheque, direct debit authorization, bank transfer and Faster Payment System ("FPS"). Moreover, there are various methods for submitting contribution data to the Administrator including by walk-in to our Customer Service Center, post, fax, email or online submission via our website.

In terms of employers' account information accessibility, employers can access their account information including contribution history, outstanding contributions and Annual Benefits Statement etc. on our website. Besides, employers can make enquiry through the MASS MPF Hotline.

YFT plays an active role in improving its employer experience. Also, YFT understands under a fiercely competitive market environment, technology is playing a critical role in business growth as digital technologies come to the fore in enhancing operational efficiency and boosting competitiveness. As a service enhancement to its employer customers, YFT joined hands with a local technology company, YOOV, to launch the YOOV Work App in July 2022 as a range of value-added services designed for MPF Corporate clients including a digitalized HR management and workflow approval system and a "no-code development platform" to facilitate HR payroll and management.

### **2.1.3.2 Member Experience**

As MPF account balances grow, member services and experience expectations will also increase accordingly. The implementation of Employee Choice Arrangement ("ECA") on 1 November 2012 and the increasing numbers in personal accounts encourage active MPF management by members. Therefore, this has created a competitive MPF environment where Member Experience becomes increasingly crucial. The Scheme provides a comprehensive suite of member services and functions.

While online account opening and the use of digital platform are becoming popular, the Scheme presently allows members to open a personal account and a self-employed person ("SEP") account online via MPF intermediaries. Transfer of MPF benefits from another MPF scheme into the Scheme can also be made online via MPF intermediaries. Investment instructions can be placed by either submitting a paper form, via YFT's website or mobile app - ("YFLink").

The Scheme's member website offers an online dashboard to members to view MPF account balances, account gain/loss, net contributions and net transfer-in, and fund allocations. Moreover, members can also change their personal information, enquire about their account balance by fund and by source of contribution type, current investment mandate, contribution history, investment instructions, transfer in/out history and set fund price alert etc.

YFLink is a one-stop platform for MPF, individual insurance and employee benefit account management. Through YFLink, members can switch between linked accounts under YF Life. Members can also review MPF account and asset allocation details, change personal information, place investment instructions, view documents and price history, and set fund price alert and receive notifications.

### **2.1.4 Communication & Education**

As account balances grow, MPF schemes are realizing the importance of communicating and educating members. The Scheme provides a series of communication services and education to its members.

Through our website, members can access Default Investment Strategy (DIS) and transfer of MPF benefits information, global insights/wealth building tips and market analysis. We also conduct MPF member seminars routinely.

Member Benefits Statements are available online half-yearly and fund fact sheets are issued monthly, differentiating the Scheme in a market where the majority of MPF schemes issue them quarterly.

Apart from utilizing traditional communication methods, the Scheme has a growing social media presence to reach, inform and educate its wide audience. We also offer an email address ([mpf@yflife.com](mailto:mpf@yflife.com)) for receiving MPF enquiries and complaints.

YFT plays an active role in improving its communication and education to members as well as increasing the use of e-channels. YFT has launched various promotional activities to enhance digital take up and to encourage members to manage their MPF through e-services.

### 2.1.5 Range of MPF Funds & Suitability

A well rounded MPF scheme should have a broad selection of fund choices and should offer a full range of mixed asset (diversified) funds to cater for all members based on their risk profile and their investment objectives.

The Scheme has diverse selection of 14 3rd party actively managed investment funds covering equities (local, regional and global), bonds, mixed assets, guaranteed fund and money markets.

The Scheme offers a Guaranteed Fund providing guarantees on both capital and return subject to conditions. The guarantee will be provided under qualifying events.

YFT reviews its fund range annually and on a need basis, and YFT has historically demonstrated a willingness to act in members' best interests. To broaden the Scheme's fund choices, the Asian Balanced Fund was restructured to Asian Bond Fund with effect from 17 April 2023.

### 2.1.6 Investment Manager Selection, Ongoing Review & Monitoring

YFT actively reviews the IMs' performance and has an effective fund performance monitoring mechanism.

While the primary responsibility of the Investment Committee is to oversee the IMs' performance in terms of funds and integrity on behalf of the Board, the Committee will advise the Board on the fund performance where necessary. The Committee also makes analysis and advise for Board approval, on hiring and termination of IMs, and the addition or replacement of CFs (or underlying funds) under the Scheme.

YFT considered that the economic environment for the year ended 31 December 2023 has been challenging for all IMs. YFT continues to take proper actions with regards to CFs with underperformance issues by requesting IMs to provide detail explanations on underperformance. YFT will arrange meetings with the IMs if the fund continues to underperform, then seek the Board's direction on whether to continue using the IMs. In view of the underperformance of the funds managed by Templeton, YFT has replaced it by Principal and Schroders effective from 17 April 2023.

### 2.1.7 Conflict of Interest Monitoring

Conflicts of interest within an MPF Scheme can erode confidence and value of the Scheme to scheme members. Accordingly, YFT maintains conflict of interest policies and procedures for identifying, assessing and managing actual and potential conflicts, and it understands it needs to maintain a standard and documented item at all Board meetings to determine new or existing conflicts of interest of Directors or Executives. YFT also promotes segregation of duties and prevention of conflicts of interest between various units by implementing three lines of defence (at Business Departments and Units level, Risk and Compliance level, and Internal Audit Function). In addition, to aid transparency, the names and appointment dates of Directors and INEDs are disclosed in annual reports.

### 2.1.8 Conclusion

On an overall basis, YFT is satisfied that the Scheme members have been receiving Value for Money from the scheme over various periods. As this report demonstrates, the Scheme is well balanced across various assessment criteria consistent with YFT's parameters to assess Value for Money (including Investment performance, fees and charges, service quality, e-channel functionalities, fund choices, IM selection, ongoing review and monitoring, and conflict of interest) and importantly it is done in a robust, secure and proven governance framework.

The Scheme provides performance and features that should assist most members to meet their retirement savings goals.

## 2.2 SUSTAINABLE INVESTING STRATEGY & IMPLEMENTATION PROGRESS

Environmentally aware, Socially conscious and good Governance (“ESG”) themed investing has been a serious trustee consideration for some years and continues to become a formal strategy throughout 2023 with the issuing of the MPFA’s “Principles for Adopting Sustainable Investing in the Investment and Risk Management Processes of MPF Funds” in November 2021, development of formal Sustainable investing processes and strategies has accelerated and for YFT is a cornerstone to our MPF member value proposition.

YFT is committed to the MPFA ESG framework and is acutely aware of ESG factors as a source of financial risk and its impact over investment risk and return outcomes of the MPF scheme. YFT requires the IMs to provide relevant information through the annual ESG questionnaire.

### 2.2.1 Trustee’s View on the Impact of ESG Factors

YFT considers that ESG factors including climate change, social factors and business ethics can have a financially material impact over the investment risk and return outcomes of an MPF scheme particularly given their long term nature. It is in members’ best interests that ESG factors are taken into account in the investment and risk management processes. YFT has an obligation to act in the best interest of members at all times and this includes considering the impact of ESG factors.

YFT is acutely aware that to discharge its fiduciary duty and to mitigate material impact of long term investment risk and return outcomes it needs to fulfil its sustainable investing obligations across four broad areas:

1. **Governance:** To be mindful of all material financial risks impacting the interest of MPF scheme members, of which ESG factors may be a source and therefore assume oversight of the integration of ESG factors into the investment and risk management processes;
2. **Strategy:** By understanding the impact of ESG factors, YFT incorporates and documents how ESG, along with other significant financial factors, are factored into our overall strategy at the MPF scheme level;
3. **Risk Management:** YFT considers ESG factors with no prejudice for the objective of obtaining an appropriate risk-return profile on purely financial grounds; and
4. **Disclosure:** YFT is committed to transparency and as such it commits to provide Trustee Governance Report to its members and the MPFA annually on YFT’s ESG integration strategy and its ongoing refinement.

### 2.2.2 ESG Integration Strategy & Implementation

YFT expects IMs to take into account financially material ESG considerations when making investment decisions, maintain good stewardship and follow the industry’s best practices. IMs should also adhere to globally recognized standards or support to other sustainable goals (such as Principles of Responsible Ownership issued by the SFC, Common Ground Taxonomy (“CGT”), EU’s Sustainable Finance Disclosure Regulation (“SFDR”), signatory to the United Nations Principles for Responsible Investment (“UNPRI”) etc.).

Within the Scheme, where the physical investment management function is carried out by IMs, YFT empowers the IMs to determine the relevance and materiality of different ESG factors. It should be made clear that the empowering of IMs to determine relevance and materiality does not discharge YFT from its duty to monitor and provide oversight. While IMs determine relevance and materiality at an investment level, as the Trustee, YFT will assess the IMs’ ability to align with the Scheme’s ESG integration strategy including:

- How IMs factor ESG into their relevant investment strategies/policies to demonstrate a clear intent of ESG integration;
- How the identification, assessment and management of ESG risks are incorporated and established in the investment process of IMs and backed by evidence and examples;
- IMs' policies on engagement activities; and
- How IMs report their ESG integration.

In undertaking such oversight, YFT has learned different IMs may take differing views and approaches. Positively, this assists in introducing new ideas and initiatives for considerations and YFT sees part of its responsibility is to harness the different approaches of the IMs to ensure that the governance, operations and investment processes fit appropriately into the Scheme's governance framework and investment objectives. As part of YFT's commitment to reporting transparency and to highlight the unique differences in approach to ESG by its IMs, YFT has summarized each IM's approach in the Appendix of this report.

### 2.2.3 Monitoring of ESG Integration Progress by the Trustee Board

YFT's commitment to ESG is reflected in it being a standing Trustee Board meeting agenda item where the implementation and progress of ESG integration strategies are monitored regularly. In the unlikely case where an IM fails to adhere to the Scheme's ESG integration policy, YFT will discuss with the relevant IMs on how alignment may be improved. YFT may terminate an IM's appointment if the outcome still cannot satisfy YFT's expectations.

### 2.2.4 Incorporation of ESG Factors into Relevant Investment Strategies

The learnings YFT accrues from inputs from IMs cannot be underestimated, particularly as IMs are requested to report on their ESG related risks and policies and relevant information. Each IM has a unique approach to their ESG strategy due to their respective approaches to investing, their philosophy, risk profile and investment objectives but crucially all YFT's appointed IMs are signatories to the UNPRI<sup>2</sup> which has arguably the highest ESG investment standards globally.

YFT also supports the Principles of Responsible Ownership published by the SFC and expects the IMs to have corporate governance policies in place which comply with the principles or other similar principles.

### 2.2.5 Incorporation & Establishment of ESG Risk Identification, Assessment & Management in the Investment Managers' Investment Process

YFT would assess IMs on how relevant and material ESG factors are taken into account regarding investment and risk management processes. YFT expects IMs to demonstrate the capacity to analyze and act on ESG considerations; and to provide clear and structured integration of ESG factors and data into the investment decision making process and examples of where these have been considered.

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<sup>2</sup> UNPRI signatory directory: <https://www.unpri.org/signatories/signatory-resources/signatory-directory>



## 2.2.6 Investment Managers Reporting on ESG Integration

YFT requires IMs to report to YFT on ESG and stewardship matters on a regular basis and be responsive to queries from YFT. To achieve these, YFT would adopt the following methods:

- Refer to IM's website, annual report, Task Force on Climate-Related Financial Disclosures ("TCFD") report etc to ensure their policies are applied in practice; and
- As part of the ongoing monitoring and oversight process, IMs are required to formally report to YFT yearly through annual due diligence questionnaire and ESG questionnaire for tracking if they comply with YFT's standards.

## 2.2.7 The Future of ESG & MPF

YFT understands that ESG investing is fluid and implementation and Sustainable investment strategies are dynamic requiring ongoing refinement of Sustainably Investing Strategy and Implementation Progress.

Sustainable investing and the complexities around strategy, investing, oversight and monitoring are evolving. YFT's current initiatives and our commitment to developing ongoing processes and frameworks serves to reinforce YFT's commitment and understanding that ESG risk are among those evolving long term investment risks that need to be taken into account of in the investment and risk management processes.

## APPENDIX – INVESTMENT MANAGERS' APPROACH TO ESG

### Allianz Global Investors Asia Pacific Limited

Allianz started its sustainable investing journey over 20 years ago and were among the first 50 asset managers to sign the UNPRI in 2007. They believe that sustainable investing can generate positive financial outcomes not just for their clients, but for the community at large.

Given the diversity of investors' objectives and requirements they provide sustainable investing processes with a broad range of approaches, adaptable to different levels of ESG incorporation and client preferences. These enhance client investment decisions while helping create benefits for society as a whole.

Allianz believes ESG factors are important investment performance drivers, from both a return and a risk perspective. They use ESG insights across its whole offering to generate value for clients.

As an active investor, research is core to their ability to generate returns and have an active programme of engagement and stewardship and ESG research available to all investors across Allianz.

**Source:** <https://www.allianzgi.com/en-gb/our-firm/esg/our-approach>

### Invesco Hong Kong Limited

Invesco is committed to being a responsible investor and its ESG investing practices are fully aligned to Invesco's purpose of helping people get more out of life.

Invesco is a strong advocate of responsible investing practices for its clients. They're an active member and supporter of several external organizations as well as participants in various advocacy groups such as:

- PRI Investor Signatory with A or A+ ratings across all categories in 2020
- Supporter and discloser of Task Force for Climate Related Disclosure
- Leader and participant in Climate Action 100+

Invesco integrates ESG practices into their investment processes, tailoring their approach for each asset class, and working with the companies in which they invest. As such assessments of the following core ESG aspects are part of a holistic consideration of the risk and opportunity.

- Materiality
- ESG momentum
- Engagement

Engaging with companies Invesco invests in on behalf of their clients is integral to its investment process. This helps manage risk, enhance returns and deliver better outcomes for clients. It also enriches their understanding of unfolding challenges and opportunities.

**Source:** <https://www.invesco.com/apac/en/institutional/who-we-are/esg.html>

**J.P. Morgan Asset  
Management (Asia Pacific)  
Limited**

J.P. Morgan Asset Management defines ESG integration as the systematic inclusion of financially material ESG factors (including sustainability risks) as additional inputs into investment analysis and investment decision-making, where possible and appropriate. ESG factors encompass a wide range of issues including (but not limited to) climate risk, natural resource use, human capital management, diversity, business conduct, governance practices, shareholder rights and executive compensation, as they can impact negatively the value of an investment.

J.P. Morgan Asset Management considers financially material ESG factors when assessing an investee company's performance. ESG integration is used to support mitigating risk and can unlock opportunities in an investment portfolio. By considering financially material ESG factors, they believe that ESG integration can inform better long-term investment decision making and can help build stronger portfolios for clients.

Active ownership is a key component of both standard investment processes and a commitment to ESG integration. It is used to not only to understand how companies and issuers consider issues related to ESG but also to try to influence their behaviour and encourage best practices, for the purpose of enhancing returns for their clients.

Engagement is defined as active interaction with investee companies or issuers, exercising its professional investment voice as a long-term investor through industry participation and proxy voting. Active ownership in the context of ESG integration allows it to manage ESG risks and to systematically incorporate insights gained from engagement into investment decisions.

**Source:** <https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/sustainable-investing/esg-integration-approach.pdf>

**Franklin Templeton  
Investments (Asia) Limited<sup>3</sup>**

Franklin Templeton believes sustainable investing and a focus on ESG analysis can help deliver better outcomes for clients. They believe being stewards of clients' capital gives them the opportunity to effect real change and sustainable investing can be a vital tool for delivering long-term value to their clients.

Franklin Templeton also believes integration of ESG considerations in the investment process can enable stronger investment performance and better client outcomes. As the ESG landscape continues its rapid transformation Franklin Templeton aspires to be a global leader in stewardship and sustainability.

Here's how they think about sustainability:

- There is an increasing body of data that points to sustainability as a driver of long-term value creation and portfolio performance.
- Part of successful investing is reinforcing sustainable social, environment and governance structures, which create the conditions for issuers to succeed.
- To drive the change required for issuers to evolve, IMs and other shareholders must provide strong engagement and demonstrate active ownership.

**Source:** <https://www.franklintempleton.com/about-us/sustainable-investing?subPage=community>

<sup>3</sup> Franklin Templeton Investments (Asia) Limited has been replaced by Principal Asset Management Company (Asia) Limited and Schroder Investment Management (Hong Kong) Limited with effect from 17 April 2023.

**Schroder Investment  
Management (Hong Kong)  
Limited**

Schroders sees themselves as long term stewards of their clients' capital, and this philosophy leads them to focus on the long-term prospects for the assets in which they invest. It is central to their investment process to analyse each investment's ability to create, sustain and protect value to ensure that it can deliver returns in line with their clients' objectives. Where appropriate Schroders also look to engage and to vote with the objective of improving performance in these areas.

Schroders believes the responsibility of investors includes protecting the interests of their clients from the impacts of financial and non-financial risks. Assessing and engaging on sustainability is becoming more important to investment processes.

In Schroders' view, ESG and industrial trends are intrinsically linked. Companies face competitive pressures from a wider range of sources, on a larger scale and at a faster pace than ever before. Investors no longer have a choice over whether to seek exposure to ESG risks and opportunities; all companies and portfolios will be impacted.

Sustainability is fundamental to their investment principles at Schroders and they have an experienced and well-resourced Sustainable Investment team, who are embedded within their Investment function. As at December 2023, the team comprises over 50 dedicated ESG dedicated sustainability professionals. Schroders are a global team, spread across four regional hubs in London, Paris, Singapore and New York, aiming to ensure that sustainability is embedded through our global investment teams and client functions.

**Source:** <https://mybrand.schroders.com/m/98020e8100ca31e2/original/schroders-esg-policy.pdf>

**Principal Asset Management  
Company (Asia) Limited**

Principal has delegated part of the investment management function, including fund-level risk management to Principal Global Investors, LLC and its affiliates. Principal leverages the group resources in helping to manage investment risks, including ESG related risks. Principal Global Investor LLC ("PGI") has been a signatory to Principles for Responsible Investment ("The PRI") since 2010, highlighting the firm's dedication to Environmental Social and Governance (ESG) issues. The latest PRI Assessment Report can be found here GetFile (principal.com). PGI believes ESG integration can foster stronger relationships with investors and communities by aligning with their values, improving security analysis potential by providing a holistic view of factors driving risk and return, and potentially aiding investment outcomes by considering climate, regulatory, and environmental factors within client portfolios.

Over the years, their processes have grown to include engagement with companies on ESG issues and they believe that direct communication between investors and companies on ESG matters is an important element of the portfolio management services provided to clients. Engagement may lead them to make decisions that favor actions intended to maximize a company's shareholder value and contribute to their overall research to develop a holistic fundamental view of the company. Principal takes seriously their commitment to their community and society. Principal believes that they must take responsibility for educating others and ourselves by addressing a range of ESG issues that influence the wellbeing of their community and society and may enhance shareholder value. As a result, they commit to:

- Engage and collaborate with the companies they invest in using their shareholder advantage to encourage responsible ESG practices by the company when aligned with their investment thesis of the company.
- Encourage greater transparency by the companies on their ESG practices.

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- Encourage companies to manage risks related to ESG factors and react swiftly to achieve a competitive advantage relative to peers regarding remuneration, boards/directors, audit issues, regulations, litigations, another market factors that could impact a company.
  - Encourage companies to disclose through public reporting relevant ESG metrics and how it may fit into the company's overall business activities

The relevant ESG policies and reports of the investment manager (e.g. UNPRI assessment report, Public transparency report from UNPRI, Sustainability Report, TCFD Index and SASB Index) which describe how ESG are integrated into the investment process are made available on the company website.

Separately, the investment manager collects and analyze the ESG related data of the portfolios (e.g. MSCI ESG rating, portfolio's ESG Leaders and Laggards etc.) , and report to the trustee of the MPF Schemes on quarterly basis.

**Source:** <https://www.principal.com/sustainability/esg-data-center>

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## BOARD ENDORSEMENT

The MASS Mandatory Provident Fund Scheme Governance Report has been endorsed by the Board of YFT on 28/06/2024.