KPMG

Mass Mandatory Provident Fund Scheme

31 December 2018

Contents	**Page(s)**

Scheme report

Financial development of the Mass Mandatory Provident Fund Scheme ("the Scheme")

Hong Kong economy expanded slowly by 3.0% in 2018 despite the factors such as low interest rate environment or full employment. The economy is slowing due to rising protectionism, inflationary pressure and interest rate hike. Moreover, there are uncertainties such as the trade war, US tariff measures, Brexit, asset market corrections in 2019, and hence the economy in HK can only improve through proactive fiscal policy, growing tourism market or participation in Greater Bay area development.

During the reporting period, the total contributions received and receivable by the Scheme were HK$349.5 million (2017: HK$392.1 million). They consisted of HK$176.2 million (2017: HK$181.3 million) mandatory contributions, HK$26.6 million (2017: HK$21.3 million) voluntary contributions and HK$146.7 million (2017: HK$189.5 million) transfers-in contributions. The net assets of the Scheme amounted to HK$2,739.2 million (2017: HK$3,067.9 million) as at the year end.

Changes to the governing rules of the Scheme from 1 January 2018 to the date of this report

The Trust Deed was amended by the Sixteenth Deed of Amendment as of January 11, 2019, and the Seventeenth Deed of Amendment as of March 14, 2019 and the Eighteenth Deed of Amendment as of May 1, 2019. Summaries of major changes as per these deeds of amendment are as follows:

Sixteenth Deed of Amendment

Revision in relation to setting withdrawal limitation of non-regular voluntary contribution which were effective on April 1, 2019.

Seventeenth Deed of Amendment

Revision in relation to the change of company names were effective on April 16, 2019.

Eighteenth Deed of Amendment

Revision in relation to the Tax Deductible Voluntary Contribution which were effective on May 1, 2019.

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 and 1 May 2019, YF Life Trustees Limited (formerly MassMutual 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 2018 are invested in the Allianz Global Investors Choice Fund, the Templeton MPF Investment Funds, the JP Morgan SAR Greater China Fund, the Invesco Pooled Investment Fund and the APIF Policy. The Allianz Global Investors Choice Fund, the Templeton MPF Investment 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 (formerly MassMutual Asia 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 Templeton MPF Investment Funds and Franklin Templeton Investments (Asia) Limited is the investment manager of the Asian Balanced Fund, Global Bond Fund, Global Equity Fund, Asian Pacific Equity Fund, European Equity Fund, and US Equity Fund. Each investment fund of the Templeton MPF Investment Funds is a pooled investment fund in accordance with Part IV of Schedule 1 of the General Regulation.

Cititrust Limited is the trustee of the JP Morgan SAR Greater China Fund and JF Asset Management 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.

Scheme report (continued)

Information concerning the Scheme and its operations (continued)

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.

The Principal 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, the related sub-funds of Templeton MPF Investment Funds, JP Morgan SAR Greater China Fund and the related sub-funds of Invesco Pooled Investment Fund 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 Balanced Fund which is a balanced 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 unitised funds.

Scheme report (continued)

Information concerning the Scheme and its operations (continued)

Constituent funds

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 Templeton MPF Investment 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:

Mass Mandatory Provident Fund Scheme															Master trust scheme
Hong Kong Equities Fund #	MPF Conservative Fund #	Guaranteed Fund	Global Stable Fund #	Global Growth Fund #	Global Equity Fund #	Asian Balanced Fund #	Global Bond Fund #	Asian Pacific Equity Fund #	European Equity Fund #	US Equity Fund #	Greater China Equity Fund #	Age 65 Plus Fund #	Core Accumulation Fund #		Constituent funds
		MASS MPF Guaranteed Policy #													Issued by YF Life Insurance International Limited (APIF Policy)*
Allianz Choice Hong Kong Fund	Allianz Choice HK$ Liquidity Fund	Allianz Choice Capital Stable Fund	Allianz Choice Stable Growth Fund	Allianz Choice Balanced Fund	Templeton MPF Global Equity Fund	Templeton MPF Asian Balanced Fund	Templeton MPF Global Bond Fund	Templeton MPF Asian Pacific Equity Fund	Templeton MPF European Equity Fund	Franklin MPF US Opportunities Fund	JP Morgan SAR Greater China Fund*	Age 65 Plus Fund	Core Accumulation Fund		
Allianz Global Investors Choice Fund*					Templeton MPF Investment Funds*							Invesco Pooled Investment Fund*			

* 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. Franklin Templeton Investments (Asia) Limited acts as the investment manager of the Global Equity Fund, Asian Balanced Fund, Global Bond Fund, Asian Pacific Equity Fund, European Equity Fund and US Equity Fund. JF Asset Management 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, auditors, 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
27/F, ICBC Tower
3 Garden Road
Central, Hong Kong

Franklin Templeton Investments (Asia) Limited
17th Floor, Chater House
8 Connaught Road
Central, Hong Kong

JF Asset Management Limited
21/F, Chater House
8 Connaught Road
Central, Hong Kong

Invesco Hong Kong Limited
41/F, Champion Tower
3 Garden Road
Central, Hong Kong

Auditor

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

Scheme report (continued)

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 an immediate holding company of the Trustee.

Directors of the Trustee

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

Mr Keng Puang Tay
Mr Victor Ka Lin Yip
Mr Gah Jih Wong
Mr Siu Chuen Lee
Mr Jonas Chun Leung Wong

The business address of these directors is:

27th Floor,
33 Lockhart Road
Wanchai, Hong Kong

Scheme report (continued)

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 Keng Puang Tay	
Mr Adnan Omar AHMED	
Mr Chan Man Ko	(appointed on 16 November 2018)
Mr Yu Feng	(appointed on 16 November 2018)
Ms Li Ting	(appointed on 16 November 2018)
Mr Eric William Partlan	(resigned on 16 November 2018)
Mr Yip Ka Lin Victor	(resigned on 16 November 2018)

Independent non-executive directors

Ms Liu Shu Yen	(appointed on 16 November 2018)
Mr Ng Yu Lam Kenneth	(appointed on 16 November 2018)
Mr Qi Daqing	(appointed on 16 November 2018)
Mr Jark Pui Lee	(resigned on 16 November 2018)
Mr Thomas J Finnegan Jr.	(resigned on 16 November 2018)

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 2018, the fund returned 0.57%* versus the benchmark's return of 0.04%. The benchmark return of the fund was the Hong Kong Mandatory Provident Fund Scheme Authority's prescribed savings rate.

	Annualised return			
	1 year %	*5 years* %	*10 years* %	*Since launch* %
MPF Conservative Fund (Launch date: 1 December 2000)	0.57	0.12	0.01	0.47
Benchmark	0.04	0.01	0.01	0.47
Deviation from the benchmark	0.53	0.11	0.00	0.00

1.1.2 Trustee's commentary

Over the past year, the fund's performance was helped by active comparisons and investments into HKD money market products to achieve the best returns versus MPF Prescribed savings rate.

In the first half of 2018, abundant interbank liquidity lent support to short term Hong Kong interest rates and as a result of the speculative carry-trades with the wide HIBOR – LIBOR interest rate differential, the HKD currency depreciated and touched 7.85 (i.e. the weaker end of the convertibility undertaking) a few times since 12 April 2018, this triggered interventions from the Hong Kong Monetary Authority ("HKMA") and withdrew a total of HKD 70 billion from the system. As a result, HKD HIBOR rose and narrowed the gap between US and HK 3-month LIBOR-HIBOR spread.

In the second half of 2018, Aggregate Balance continued to fall in the third quarter as USD/HKD remained on the weak side and touched 7.85 several times since the beginning of August on the back of equity market sentiment and lack of near-term large new IPOs. In September, HKD strengthened significantly, caused by a number of factors including the expectation that HK local banks may start to follow the Fed to raise the prime rate, and unwinding of carry positions. After US Fed raised interest rate in the September Federal Open Market Committee meeting, major Hong Kong banks followed suit to raise prime lending rate for the first time in 12 years. After the September quarter-end, liquidity eased and HIBOR rates retreated in October and November before edging higher in December as banks prepare for year-end liquidity. The HKD HIBOR fixings reached a peak of 2.44% in mid-December. Overall, the 3-month HKD HIBOR rose from 2.2% as at end of September to 2.33% as at end of December. While the US Fed raised interest rates by 25bp in December, Hong Kong banks decided to keep the prime rate unchanged.

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)

Overall, in the year 2018, the 3-month HIBOR rose by over 100bp to 2.33% as at the end of December 2018. The HKMA withdrew a total of HKD 101 billion from the system, leaving HKD 78.6 billion in the Aggregate Balance.

Global economy is facing a deceleration with Eurozone and China being the most disappointing geographic areas, while US remains as the healthiest economy. Recent economic data also suggested that US economy is far from recessionary levels which may not warrant any monetary policy easing measures. Minimal inflation pressures should allow the Fed to remain "patient". Thus, we expect rates will likely to remain on hold for the remainder of this year given the hurdle for the Fed to cut or to hike rates is relatively high. US Treasury will likely engage in a range trading mode with short to medium part of the curve anchored by the Fed Fund rates.

In Hong Kong, we expect short term Hong Kong rates would become more volatile given Aggregate Balance has decreased to close to HKD 50 billion after several rounds of HKMA's interventions in 2018 and 2019. This implies a relatively smaller buffer to smooth any liquidity mismatch. Looking at the HKD space, we believe the HKD-USD peg should stay solid for the foreseeable future.

* Performance is calculated net of fees since 1 January 2018. Past performance is not indicative of future results.

Investment report (continued)

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

1.2 Guaranteed Fund

1.2.1 Analysis of investments during the year

In 2018, the fund returned (8.21%) * versus the benchmark's return of (3.24%) 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			
	1 year	*5 years*	*10 years*	*Since launch*
	%	%	%	%
Guaranteed Fund				
(Launch date: 20 January 2006)	(8.21)	(1.53)	0.34	0.33
Benchmark	(3.24)	2.54	4.33	4.18
Deviation from the benchmark	(4.97)	(4.07)	(3.99)	(3.85)

1.2.2 Trustee's commentary

The fund has about 29% equities at 2018 year end and its return was behind benchmark.

Over the past year, global equities were impacted by fears of a global trade war and impact of higher tariffs. The fund's performance was detracted mainly by the equity portion, especially HK/China equities. On the fixed income portion, the detraction came from JPY bonds as the fund underweight the long end of JGBs due to expensive valuation. And the investment manager has taken necessary measures including adjusting the relative benchmark positions relative to sectors at the portfolio level and focus on stock selection as the source of alpha.

Global equities retreated sharply over the year, with many markets suffering their worst losses since 2008. Shares started the year strongly, boosted by optimism over the global economy and expectations that tax reforms would lift US company profits. However, stocks suffered significant corrections in February and March amid concerns over rising inflation and fears of a global trade war. Most markets recouped these losses over the summer months – by the end of September, US stocks had reached fresh peaks while Japanese equities were trading at multi-year highs – but a sudden rise in bond yields at the start of October sent global stocks into reverse. The selloff intensified as the fourth quarter progressed: worries over earnings added to concerns over the impact of higher tariffs and the outlook for global growth, causing many markets to enter bear territory.

Investment report (continued)

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

1.2 Guaranteed Fund (continued)

1.2.2 Trustee's commentary (continued)

Global bonds experienced a rollercoaster ride over the year. In general, government bonds delivered slight gains while corporate bonds lost ground. Yields rose sharply at the start of the year as rising inflationary pressures raised speculation that central banks would become more hawkish. Thereafter, bond yields oscillated, falling during periods of heightened political risks and stock market volatility and rising on news of stronger-than-expected economic activity and inflation.

We are neutral on equities as we expect market volatility to increase and escalated US-China trade tension will likely weigh on market sentiment and risky assets. However, we expect global central banks will respond with accommodative monetary and fiscal measures to counter cyclical slowdown in growth. The fund retains a neutral outlook for US equities. Prolonged trade tension between US and China will create market uncertainties and may negatively impact growth, but dovish shift by the Fed together with the signal that the Fed will end its balance sheet reduction earlier than market expectation has created a more favourable macro environment

In Asia, we hold a neutral view across the region. Renewed uncertainty on US-China trade tension will weigh on growth, China will likely to come up with more policy easing in both monetary and fiscal front to count any cyclical slowdown in growth. US and China will continue exerting pressure on each other, but will likely keep the negotiation process on-going to avoid a full-blown trade war which would be very negative to both countries from economic perspective. While Asia may suffer the collateral damage from the escalated US-China trade tension in the near term given the complexity of global supply chains and the increasingly interlinked nature of world trade, selective countries in the region may benefit from the shift in supply chain in the longer run.

With regards to Japan, we have a negative outlook. Japan's external trade and industrial production activities will likely remain sluggish in the second quarter of 2019 until better Asia's growth help providing support in second half of 2019. While conventional valuation measures look relatively cheap, Japan may remain as laggard under the global equity context.

In Europe, we have a neutral outlook on equities. Idiosyncratic issues may continue to weigh on growth in the second half of 2019. However, with financial conditions have eased significantly across the Euro area in the recent months and together with a prolonged accommodative monetary stance by the European Central Bank, it is possible that Europe may surprise on the upside given the market is anticipating a very pessimistic outlook for the Euroland.

* Performance is calculated net of fees since 1 January 2018. 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 2018, the fund returned (9.39%)* versus the benchmark's return of (5.47%). 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			
	1 year %	*5 years* %	*10 years* %	*Since launch* %
Global Stable Fund (Launch date: 1 December 2000)	(9.39)	0.66	3.80	3.58
Benchmark	(5.47)	3.25	6.00	5.58
Deviation from the benchmark	(3.92)	(2.59)	(2.20)	(2.00)

1.3.2 Trustee's commentary

The fund has about 49% equities at 2018 year end and its return was behind benchmark.

Over the past year, global equities retreated sharply and the fund's performance was detracted primarily by stock picks from HK/China equities. Japan was another detractor, especially the industrials sector. The fixed income portion slightly detracted, mainly due to underweight in the long end of JGBs. And the investment manager has taken necessary measures including adjusting the relative benchmark positions relative to sectors at the portfolio level and focus on stock selection as the source of alpha.

Global equities retreated sharply over the year, with many markets suffering their worst losses since 2008. Shares started the year strongly, boosted by optimism over the global economy and expectations that tax reforms would lift US company profits. However, stocks suffered significant corrections in February and March amid concerns over rising inflation and fears of a global trade war. Most markets recouped these losses over the summer months – by the end of September, US stocks had reached fresh peaks while Japanese equities were trading at multi-year highs – but a sudden rise in bond yields at the start of October sent global stocks into reverse. The selloff intensified as the fourth quarter progressed: worries over earnings added to concerns over the impact of higher tariffs and the outlook for global growth, causing many markets to enter bear territory.

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)

Global bonds experienced a rollercoaster ride over the year. In general, government bonds delivered slight gains while corporate bonds lost ground. Yields rose sharply at the start of the year as rising inflationary pressures raised speculation that central banks would become more hawkish. Thereafter, bond yields oscillated, falling during periods of heightened political risks and stock market volatility and rising on news of stronger-than-expected economic activity and inflation.

We are neutral on equities as we expect market volatility to increase and escalated US-China trade tension will likely weigh on market sentiment and risky assets. However, we expect global central banks will respond with accommodative monetary and fiscal measures to counter cyclical slowdown in growth. The fund retains a neutral outlook for US equities. Prolonged trade tension between US and China will create market uncertainties and may negatively impact growth, but dovish shift by the Fed together with the signal that the Fed will end its balance sheet reduction earlier than market expectation has created a more favourable macro environment

In Asia, we hold a neutral view across the region. Renewed uncertainty on US-China trade tension will weigh on growth, China will likely to come up with more policy easing in both monetary and fiscal front to count any cyclical slowdown in growth. US and China will continue exerting pressure on each other, but will likely keep the negotiation process on-going to avoid a full-blown trade war which would be very negative to both countries from economic perspective. While Asia may suffer the collateral damage from the escalated US-China trade tension in the near term given the complexity of global supply chains and the increasingly interlinked nature of world trade, selective countries in the region may benefit from the shift in supply chain in the longer run.

With regards to Japan, we have a negative outlook. Japan's external trade and industrial production activities will likely remain sluggish in the second quarter of 2019 until better Asia's growth help providing support in second half of 2019. While conventional valuation measures look relatively cheap, Japan may remain as laggard under the global equity context.

In Europe, we have a neutral outlook on equities. Idiosyncratic issues may continue to weigh on growth in the second half of 2019. However, with financial conditions have eased significantly across the Euro area in the recent months and together with a prolonged accommodative monetary stance by the European Central Bank, it is possible that Europe may surprise on the upside given the market is anticipating a very pessimistic outlook for the Euroland.

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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 2018, the fund returned (12.36%)* versus the benchmark's return of (7.74%). 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			
	1 year	*5 years*	*10 years*	*Since launch*
	%	%	%	%
Global Growth Fund (Launch date: 1 December 2000)	(12.36)	0.81	4.93	3.96
Benchmark	(7.74)	3.80	7.49	5.92
Deviation from the benchmark	(4.62)	(2.99)	(2.56)	(1.96)

1.4.2 Trustee's commentary

The fund has about 69% equities at 2018 year end and its return was behind the benchmark.

Over the past year, global equities retreated sharply with many markets suffering their worst losses since 2008 amid fears of a global trade war. The fund's performance was detracted mainly by stock selection in HK/China, in particular consumer goods sector while financials slightly helped. Another detractor was Japan, especially stock picks from the industrials sector. And the investment manager has taken necessary measures including adjusting the relative benchmark positions relative to sectors at the portfolio level and focus on stock selection as the source of alpha.

Global equities retreated sharply over the year, with many markets suffering their worst losses since 2008. Shares started the year strongly, boosted by optimism over the global economy and expectations that tax reforms would lift US company profits. However, stocks suffered significant corrections in February and March amid concerns over rising inflation and fears of a global trade war. Most markets recouped these losses over the summer months – by the end of September, US stocks had reached fresh peaks while Japanese equities were trading at multi-year highs – but a sudden rise in bond yields at the start of October sent global stocks into reverse. The selloff intensified as the fourth quarter progressed: worries over earnings added to concerns over the impact of higher tariffs and the outlook for global growth, causing many markets to enter bear territory.

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 experienced a rollercoaster ride over the year. In general, government bonds delivered slight gains while corporate bonds lost ground. Yields rose sharply at the start of the year as rising inflationary pressures raised speculation that central banks would become more hawkish. Thereafter, bond yields oscillated, falling during periods of heightened political risks and stock market volatility and rising on news of stronger-than-expected economic activity and inflation.

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With regards to Japan, we have a negative outlook. Japan's external trade and industrial production activities will likely remain sluggish in the second quarter of 2019 until better Asia's growth help providing support in second half of 2019. While conventional valuation measures look relatively cheap, Japan may remain as laggard under the global equity context.

In Europe, we have a neutral outlook on equities. Idiosyncratic issues may continue to weigh on growth in the second half of 2019. However, with financial conditions have eased significantly across the Euro area in the recent months and together with a prolonged accommodative monetary stance by the European Central Bank, it is possible that Europe may surprise on the upside given the market is anticipating a very pessimistic outlook for the Euroland.

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Investment report (continued)

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

1.5 Asian Balanced Fund

1.5.1 Analysis of investments during the year

In 2018, the fund returned (14.24%)* versus the benchmark's return of (8.89%). The components of the benchmark were as follows: MSCI All-Country (AC) Asia Pacific (65%) and JP Morgan GBI-EM Broad Diversified Asia Index (35%).

	Annualised return			
	1 year %	*5 years* %	*10 years* %	*Since launch* %
Asian Balanced Fund (Launch date: 17 March 2003)	(14.24)	0.61	5.11	6.05
Benchmark	(8.89)	3.90	6.30	7.18
Deviation from the benchmark	(5.35)	(3.29)	(1.19)	(1.13)

1.5.2 Trustee's commentary

Over the 1-year period, the Templeton MPF Asian Balanced Fund returned -13.77% compared to the custom Templeton MPF Asian Balanced Fund index's return of -8.89%. At a top-down attribution level, relative underperformance was due to stock selection in the equity sleeve, followed by an underweight allocation to the fixed income sleeve.

For the calendar year, the fixed income portfolio underperformed its benchmark index primarily due to interest-rate strategies. Currency positions contributed to relative results. The portfolio maintained a defensive approach regarding interest rates. Select underweighted duration exposures in East Asia (China), Southeast Asia and South Asia (India) detracted from relative performance. Amongst currencies, over-weighted positions in South Asia (the Indian rupee) contributed to relative results, as did underweighted currency positions in East Asia (the Chinese yuan).

Within the equity sleeve, contributors to relative performance were stock selection in Info Tech, and overweight allocation and stock selection in Health Care, and stock selection and an overweight to Consumer Staples. Relative performance however still lagged the equity portion of the benchmark due to stock selection in Consumer Discretionary, Industrials, and Financials. Regionally, while holdings in Thailand, and China added value, our holdings in Japan, India and Korea notably hurt relative performance. We will primarily focus on the reasons for underperformance.

Investment report (continued)

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

1.5 Asian Balanced Fund (continued)

1.5.2 Trustee's commentary (continued)

Within the Consumer Discretionary sector, Brilliance Automotive was a notable detractor, along with Unipres Corporation.

- Brilliance's stock declined drastically since news of the ownership change in the Brilliance-BMW JV in China was announced. In early October, the German car giant announced it would take control of the JV by increasing its stake in the partnership to 75% from 50% to take advantage of Beijing's removal of foreign-ownership limits. Investors' concerns over what will be left of the joint venture and the potential for lower future earnings sent the shares down and to ratings and price target cuts by several investment banks.

- Unipres is a supplier of pressed automotive components, and designs, manufactures and distributes automotive body parts (85%) of sales), and transmission parts (13% of sales). The company is a beneficiary of several industry mega trends, including light-weighting and more stringent collision safety standards. The share price has retreated over the year due to concerns that profit momentum may have peaked in the near-term after Nissan's strong domestic production recently and higher costs associated with new models in the US and the capacity expansion in China.

Stock selection in the Industrials sectors also hurt relative performance, notably due to Johnson Electric, and the machinery sector (Sembcorp Marine and Haitian International Holdings).

- Johnson Electric is the world's largest micro motor manufacturer with the capacity to manufacture 1bn motors and actuators per annum. Despite a worse-than-expected half-year result, the long-term thesis remains largely intact. The migration to full electrification of automobiles is a long journey with hybrid vehicles being the interim solution. Johnson is well positioned in this transitional period which could take many years at various pace across different geographies. The market fails to appreciate the fact that more motorized parts are needed for hybrid vehicles, such as thermal systems and hydraulic pumps. We could foresee higher content growth for the near-to-medium term, and the stock trades at a relatively cheap valuation versus auto-related peers.

Investment report (continued)

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

1.5 Asian Balanced Fund (continued)

1.5.2 Trustee's commentary (continued)

Within Financials, Korean bank Hana was the primary detractor to performance.

- Hana Financial Group was formed as a holding company in December 2005 and owns several subsidiaries specializing in banking, credit cards, real estate, investment & securities, asset management and insurance. The two banking subsidiaries, Hana Bank and Korea Exchange Bank comprise 50% and 36% of assets respectively. Hana Financial management have been able to realize significant synergies from the merger, but the stock performance has followed the performance of the broader Korean market, and performance has been dependent more on to external factors (e.g. interest rates, Korean macro regulation).

Notable Japanese holdings that detracted from performance were OMRON, Sumitomo Metal Mining, and Unipres.

- Omron is a manufacturer of sensing and control technology for automation, health care and other applications. Added uncertainty from the trade war between the US and China has caused order delays from US auto companies and Chinese robot makers at Omron's peers. We believe that shares are trading at fair value, particularly given the risks surrounding the escalation in trade wars.

- Sumitomo Metal Mining is a Japanese mining business with three general divisions: mineral resources, smelting and materials. While fears of an escalating trade war have weighed down on base metal prices, we believe that the long-term drivers for Sumitomo Metals Mining remain intact. The synergies between SMM's mineral resources, smelting and materials businesses are scheduled to strengthen resulting in stronger operating margins. The company expects to achieve profitability at its previously troubled copper mine Sierra Gorda by next year. While a strong recovery in copper, nickel and gold prices could buoy returns and valuations significantly above our expectations, a soft reversion to normalized price levels alone offers bargain level upside.

A notable individual detractor besides the names mentioned above was Indian-holding Bharti Airtel. Bharti is the leading mobile operator in India with operations across all the circles in India. The small Indian telcos are in full retreat and Vodafone/Idea have just had their merger approved, so the Indian mobile market is basically a 3-player market now and should improve profitability in the medium-term. However, in the short-term, the landscape is complex due to competitor Jio's aggressive pricing strategy. The rest of Bharti is going well and shoring up the Group overall. The market is overlooking the longer-term structural growth story that Bharti exhibits, giving us an opportunity to pick up the shares at the cheapest valuation it's been.

* Performance is calculated net of fees since 1 January 2018. 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 2018, the fund returned (1.37%)* versus the benchmark's return of 0.10%. The components of the benchmark were as follows: FTSE WGBI (65%) and Bloomberg Barclays Global Treasury-Hong Kong Index (35%).

	Annualised return			
	1 year %	*5 years* %	*10 years* %	*Since launch* %
Global Bond Fund (Launch date: 17 March 2003)	(1.37)	(1.99)	1.25	1.89
Benchmark	0.10	1.18	1.58	3.33
Deviation from the benchmark	(1.47)	(3.17)	(0.33)	(1.44)

1.6.2 Trustee's commentary

Bouts of volatility intermittently pressured global financial markets during 2018. They included broad-based risk aversion across emerging markets in August and part of September. Volatility also escalated towards the end of the year, as global growth uncertainties and trade concerns led to rallies in perceived safe haven assets. In the US, concerns over continued monetary tightening appeared to weigh on investor sentiment, leading to sharp declines in equities and rallies in US Treasuries ("USTs") as the reporting period drew to a close. For the year as a whole, however, the yield on the 10-year UST note rose 28 basis points ("bps") to end 2018 at 2.69%.

The US Federal Reserve ("Fed") raised the federal funds target rate four times in 2018 to end the year at a range of 2.25% to 2.50%. The Fed also modestly lowered its forecast for US economic growth for 2019 and reduced its projected rate hikes for 2019 from three to two. The Fed's dot plot for the median expected target rate at the end of 2019 dropped from 3.125% to 2.875%.

Fed Chairman Jay Powell indicated that the Fed would monitor financial and economic conditions, and form policy decisions on a data-dependent basis, rather than a pre-set path. Nonetheless, markets appeared to interpret the policy statements as potentially constraining to the US economy, which fuelled additional downturns in equity markets and rallies in USTs during December. We believe the market reactions were overdone—our base case is for ongoing strength in the US labour markets, ongoing expansion of the US economy, rising inflation pressures and a low probability for a recession in 2019.

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)

On the global front, we continue to expect global growth to remain largely on trend, with some moderation from current levels in the upcoming year. However, ongoing trade disputes between the US and China remain a risk. We expect both the US and Chinese economies to expand in 2019, but our greater concern is for the impact on the global economy. At this stage, first-order impacts from US tariffs have been relatively small, with second-order impacts extending to other areas of the global economy. Overall, we expect global trade levels to moderate in 2019—the extent of moderation could be impacted by trade policy adjustments, in our view.

Trade negotiations between the US and China remain in a 90-day reprieve through the end of February. Without an agreement on specific terms, the US has indicated it intends to raise tariffs to 25% from the current 10% level. Uncertainty over the outcome of trade policy has had material impacts on markets and industry. Export orders were accelerated in earlier quarters to get ahead of the expected 25% tariffs (previously scheduled for 1 January)—those figures are likely to decline in the first half of 2019 as the demand levels revert to normal. If higher tariffs are in fact imposed, export demand could weaken further.

Oil prices continued to decline during the last three months of the year on moderating expectations for global growth and supply dynamics out of the Middle East. The effects on emerging markets have been mixed, as net importers of oil like India and Indonesia benefit from lower oil prices. We do not expect the recent magnitudes of price declines in oil or other commodities to have severe impacts on the more resilient emerging economies. Select markets with stronger fundamentals remain prepared to absorb external shocks, in our view, including commodity shocks, trade disruptions and rising rates in the US.

The yield on the 10-year German Bund closed the year at 0.24%, a decline of 18 bps, while the euro depreciated 4.50% against the US dollar over the 12-month period. European Central Bank ("ECB") President Mario Draghi has continued to indicate that rates will likely remain unchanged until at least the summer of 2019. The central bank's net asset purchase programme concluded at the end of December, but balance sheet reinvestments will continue. Overall, we expect yields in the eurozone to remain exceptionally low in upcoming quarters. We expect the euro to weaken on widening rate differentials between the rising yields in the US and the low to negative yields in the eurozone. The peak rate divergence between the US and the eurozone remains ahead, in our view. The euro also continues to be vulnerable to unresolved structural and political risks across Europe, in our view, notably including recent debt sustainability and banking concerns in Italy.

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)

Throughout 2018, the Bank of Japan ("BOJ") continued to reaffirm its intention to target a 0.0% yield on the 10-year Japanese government bond. The range of tolerable deviation away from that target was raised to 0.2% from 0.1% during the summer, giving the central bank more policy flexibility. BOJ Governor Haruhiko Kuroda continues to indicate that borrowing costs should be kept very low for an extended period of time. The BOJ is not in a position to reduce monetary accommodation, in our view, given Japan's need for higher inflation. The Japanese yen appreciated 2.81% against the US dollar during the reporting period. However, we expect the Japanese yen to fundamentally weaken against the US dollar in upcoming quarters on widening rate differentials with the US.

In the calendar year 2018, interest-rate strategies detracted from the fund's relative performance, while currency positions contributed.

The fund maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Select overweighted duration exposures in Asia ex Japan (Indonesia) detracted from relative results.

Amongst currencies, the fund's lack of exposure to the euro contributed to relative performance, while its lack of exposure to the Japanese yen had a largely neutral effect. Overweighted currency positions in Latin America (the Mexican peso) contributed to relative results.

We continued to maintain low overall portfolio duration during the year, while actively positioning for rising UST yields. We also continued to maintain negative duration exposure to USTs. Outside of the developed markets, we held select duration exposures in specific countries that we believe have attractive risk/return profiles, relatively higher yields and favourable macro conditions for yields to remain relatively stable or shift lower.

We continued to hold currency positions in a number of countries that we believe have strong growth fundamentals and compelling interest-rate differentials. Select countries with stronger fundamentals and higher interest rates should be better positioned to absorb rising rates in the US. Strength in the US economy and rising UST yields should increasingly magnify the fundamental differences between healthy and vulnerable economies around the world, in our assessment, leading to respective appreciations and depreciations against the US dollar.

We continued to selectively invest in sovereign credit opportunities in emerging markets, with a particular focus on credit exposures in economies with strong growth indicators.

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)

Overall, our investment convictions remain largely unchanged. Many of the countries that we believed were undervalued earlier this year became even more undervalued during the "risk-off" cycles in August and September. Longer term we continue to have a positive outlook on a number of local-currency markets that we believe are fundamentally stronger than markets have been indicating.

Overall, we continue to maintain low portfolio duration while aiming at a negative correlation with UST returns. We also continue to hold select local-currency duration exposures in countries that we believe have healthy fundamentals and significantly higher yields than those available in developed markets. Looking ahead, we anticipate rising inflation pressures in the US to drive UST yields higher. We also expect depreciations of the euro and Japanese yen against the US dollar and currency appreciation across a select subset of emerging markets.

* Performance is calculated net of fees since 1 January 2018. 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 (15.28%)* in 2018 compared with a (8.76%) return for its benchmark, the FTSE MPF All World Index.

	Annualised return			
	1 year	*5 years*	*10 years*	*Since launch*
	%	%	%	%
Global Equity Fund (Launch date: 17 March 2003)	(15.28)	0.50	6.28	5.74
Benchmark	(8.76)	5.08	9.84	8.39
Deviation from the benchmark	(6.52)	(4.58)	(3.56)	(2.65)

1.7.2 Trustee's commentary

The fund lagged its custom benchmark index over the 1 year period, compared to -8.8% for the custom benchmark.

The primary reasons for underperformance were stock selection and an underweight to the U.S., an overweight allocation and stock selection in Europe, and stock selection in the Financials sector. Contributors to performance were stock selection in Energy, Communication Services, and slight overweight to Asia, notably China, along with stock selection in the country.

Our holdings in the U.S. and corresponding underweight position detracted from the 1-year performance figures. Within the U.S., notable detractors to performance were our positions in Coty and Commscope. Coty is a large producer of fragrances, professional salon products and cosmetics. The stock continued to underperform in Q4 as the turnaround is requiring more investment and taking more time than expected. We are currently re-evaluating the thesis. Commscope designs, manufactures and markets telecommunications equipment and components. After materially cutting FY18 guidance in the first quarter of 2018, Commscope again cut FY18 guidance in a similar magnitude in the third quarter of 2018. This guidance cut was announced alongside the acquisition of the similarly sized ARRIS International, another telecommunication equipment/component manufacturer. An acquisition of ARRIS would elevate Commscope's debt significantly but is also accretive to earnings. Perrigo shares have sold off as earnings estimates have fallen ~3%, largely reflecting a delay in a generic product approval. The company is well-positioned in favourable end markets, and the overall business is tracking well and remains highly cash-generative. Perrigo's white-label OTC business has high barriers to entry and a dominant US market position. While its generic business is currently under-earning, it is a decent business that can grow through the cycle from current levels. The company now has greater flexibility to improve shareholder returns via higher dividends or enhance growth through small product acquisitions. With increased evidence of management execution, investor confidence should return, and we expect the market will ascribe a more appropriate valuation to the shares in time.

Investment report (continued)

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

1.7 Global Equity Fund

1.7.2 Trustee's commentary (continued)

In addition to lagging stock selection, our underweight to the U.S. market also held back relative performance. The US economic expansion is the second longest (and, by some measures, the weakest) on record, corporate profits are near peak levels and, in 2018, US stocks approached the most expensive levels in history based on the metrics most correlated to long-term returns. Tax reform has been accretive to near-term earnings, but that is largely reflected in valuations. Fed tightening may test stocks and the economy, and policy reversal from central banks abroad could eventually curb Treasury appetite. Unlike Europe, where the risk premium is high and has room to recede, risk appears under-discounted in the US, where valuations may inadequately reflect tightening monetary policy, a mature profit cycle and rising trade tensions. On this latter point, the market appears to underestimate the extent to which escalating trade wars could quicken the transition to a new phase of market leadership as major beneficiaries of globalization—like US corporates—are forced to adjust their supply chains.

Conversely, our overweight allocation to and stock selection in Europe hurt relative performance. European equity weakness in 2018 seemed to be more a function of sentiment than fundamentals. European stocks – and especially cyclicals – underperformed to an extent typically associated with contraction and recession. Although growth did slow in 2018, composite PMI data remained firmly expansionary and GDP growth was positive. Looking ahead, lead indicators suggest European PMIs may be bottoming as the inventory cycle improves and euro strength fades. Furthermore, Europe's economy remains highly exposed to global growth trends, which show signs of troughing on expectations of Chinese stimulus and a potential pause in Fed normalization efforts. Politics remain highly uncertain, though 2019 will likely bring clarity on Brexit and possibly the containment of turmoil in Italy and France; keep in mind that modern Europe has a long history of muddling through political crisis. In the meantime, we expect quantitative tightening by the ECB will be gradual and overall policy should remain dovish given the bank's single mandate of price stability. With a solid 4% dividend yield and attractive 8% equity risk premium, European remains excessively cheap and poised for recovery following protracted weakness. Turning to stock selection, notable detractors in Europe included BNP Paribas, Perrigo Plc, Kingfisher Plc, and Bayer AG.

Investment report (continued)

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

1.7 Global Equity Fund

1.7.2 Trustee's commentary (continued)

Financials was the biggest detractor from a sector standpoint, led lower by bank holdings in Europe and in the U.S. In terms of specific stocks, BNP Paribas, ING Groep and Standard Chartered were among the top 3 detractors in the sector. We have selectively reduced exposure to a handful of domestically focused banks with concentrated political risk. Our thesis on European banks rests largely on valuation and shareholder returns. In our analysis, European lenders currently trade at the same multiple relative to trailing earnings as they did in the depths of 2011's sovereign debt crisis, despite significant restructuring and recapitalization efforts aimed at improving asset quality and returns. Depressed valuations combined with generous shareholder returns mean that dividend yields have exceeded price-to-earnings ratios at a number of European banks. Yet, despite depressed valuations, we see fewer excesses and more resiliency in the European banking system today than during past crisis periods. Deep value opportunities have remained, in our view. In the U.S., we've been finding fewer bargains recently among regional banks and fully-valued universal banks as valuations expanded, focusing instead on cheaper universal banks and consumer finance firms with distinct value catalysts. BNP Paribas was a notable detractor in the banking sector. BNP Paribas is a French universal bank that operates in retail banking and corporate & investment banking. BNP's Italian and Turkey exposure further weighed on stock performance as sovereign bond yields widened materially during the fourth quarter of 2018. BNP is a highly diversified bank with a solid track record of profitability and is boosting its capital ratios. We believe BNP will continue to generate and return to shareholders a satisfactory return on capital, given the upswing in business trends across many of its territories.

* Performance is calculated net of fees since 1 January 2018. Past performance is not indicative of future results.

Investment report (continued)

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

1.8 Asian Pacific Equity Fund

1.8.1 Analysis of investments during the year

The fund returned (18.14%)* in 2018 compared with a (12.80%) return for its benchmark, the FTSE MPF Asia Pacific ex-Japan Index.

	Annualised return			
	1 year	*5 years*	*10 years*	*Since launch*
	%	%	%	%
Asian Pacific Equity Fund (Launch date: 19 March 2007)	(18.14)	2.06	8.81	3.86
Benchmark	(12.80)	3.75	9.62	4.53
Deviation from the benchmark	(5.34)	(1.69)	(0.81)	(0.67)

1.8.2 Trustee's commentary

Over the 1 year period, the Templeton MPF Asian Pacific Equity fund returned -17.7% net compared to the -12.8% benchmark return. Primary reasons for underperformance were stock selection across the Industrials, Consumer Discretionary and Financials sectors. Contributors to relative performance were an overweight allocation and stock selection in Health Care, and stock selection in Information Technology. Regionally, holdings in Hong Kong, China, and India detracted from relative performance.

Within Industrials, notable detractors were Johnson Electric Holdings, Haitian International Holdings, and Sembcorp Marine. Johnson Electric is the world's largest micro motor manufacturer with the capacity to manufacture 1bn motors and actuators per annum. Despite a worse-than-expected half-year result, the long-term thesis remains largely intact. The migration to full electrification of automobiles is a long journey with hybrid vehicles being the interim solution. Johnson is well positioned in this transitional period which could take many years at various pace across different geographies. We could foresee higher content growth for the near-to-medium term, and the stock trades at a relatively cheap valuation versus auto-related peers. Haitian is the largest plastic injection moulding machine (PIMM) maker in China and in the world in terms of unit shipments. The stock de-rated over the year due to fears of a protracted trade-war, Haitian now appears inexpensive relative to the long-term growth and quality of the company. Haitian has less than 3% direct sales to the US. Sembcorp Marine (SMM) is among the biggest offshore rig builders globally with 25% share of the jack-up and semi submersible rig market in the past 10 years and a strong track record of execution and technology. SMM's valuation reflects a mispricing of the potential upcycle in production units and gas solutions as 2018 orders have been soft compared to management guidance. Under absorption has also resulted in operating losses and adds to scepticism around what margins SMM can achieve on its full turnkey, EPC new build orders. The stock remains attractive based on current valuations and the favourable cycle, in our view.

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)

Within Consumer Discretionary, Brilliance Automotive was the primary reason for the majority of underperformance arising from this sector. The stock declined drastically since news of the ownership change in the Brilliance-BMW JV in China was announced. In early October, the German car giant announced it would take control of the JV by increasing its stake in the partnership to 75% from 50% to take advantage of Beijing's removal of foreign-ownership limits. Investors' concerns over what will be left of the joint venture and the potential for lower future earnings sent the shares down and to ratings and price target cuts by several investment banks. Matahari Department Stores was another detractor in the sector. Matahari is the leading department store in Indonesia with 155 stores in 70 cities serving Indonesia's enormous middle class of 125 million people. At the end of 2017, Matahari commanded a market share of 42.3% according to Euromonitor, and it has been gaining share. The stock has been declining due to a cyclical decline in middle-income consumption in Indonesia, a muddled e-commerce strategy and corporate governance risk from related party investments and liquidity stress at Lippo Karawaci. While the stock trades at a relatively cheap valuation, the risks over the investment horizon outweigh the potential upside.

Within Financials, Korean bank Hana was the primary detractor to performance, as discussed in the fourth quarter attribution commentary, along with KB Financial Group. Hana Financial Group was formed as a holding company in December 2005 and owns a number of subsidiaries specializing in banking, credit cards, real estate, investment & securities, asset management and insurance. The two banking subsidiaries, Hana Bank and Korea Exchange Bank comprise 50% and 36% of assets respectively. Hana Financial management have been able to realize significant synergies from the merger but the stock performance has followed the performance of the broader Korean market, and performance has been dependent more on to external factors (e.g. interest rates, Korean macro regulation). KB Financial is a holding company, with subsidiaries specializing in banking, credit cards, real estate, investment and securities, asset management and insurance. Shares underperformed during the period due to growing market concern that both the government and regulatory bodies will introduce policies to the detriment of bank profitability.

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)

A notable detractor besides the names mentioned above was Bharti Airtel. Bharti is the leading mobile operator in India with operations across all the circles in India. The small Indian telcos are in full retreat and Vodafone/Idea have just had their merger approved, so the Indian mobile market is basically a 3 player market now and should improve profitability in the medium-term. However, in the short-term, the landscape is complex due to competitor Jio's aggressive pricing strategy. The rest of Bharti is going well and shoring up the Group overall. The market is overlooking the longer-term structural growth story that Bharti exhibits, giving us an opportunity to pick up the shares at the cheapest valuation it's been.

* Performance is calculated net of fees since 1 January 2018. Past performance is not indicative of future results.

Investment report (continued)

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

1.9 European Equity Fund

1.9.1 Analysis of investments during the year

The fund returned (14.13%)* in 2018 compared with a (12.61%) 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)	(14.13)	0.10	5.78	0.20
Benchmark	(12.61)	1.63	7.27	1.67
Deviation from the benchmark	(1.52)	(1.53)	(1.49)	(1.47)

1.9.2 Trustee's commentary

In the 12 months ending 31 December 2018, the underlying fund was broadly in line with the benchmark in gross terms but lagged the benchmark in net terms.

On a sector level, healthcare was the leading source of positive attribution thanks to a combination of good stock selection and an overweight position relative to the benchmark. H. Lundbeck, the Danish pharmaceutical company, led the sector after a strong start to the year driven by new product launches and margin expansion. This was followed by MorphoSys, the German biotechnology company, posting better than expected earnings results. The fund also benefited from good stock picking within the utilities sector. Orsted, the clean energy utility firm, delivered good earnings growth thanks to an increase in capacity and lower capex. Meanwhile, the energy sector placed a drag on relative returns, particularly towards the end of the year as oil prices dropped. Despite the short-term drag, we remain encouraged by the long-term prospects of companies held in the portfolio. Unlike prior years, we view the significant cost reductions and more disciplined capital approach currently in place as positive, underpinning free cash flows even at lower oil price levels. The information technology sector was another laggard in 2018. After a period of strong performance, the optical technologies group, Jenoptik, detracted as sentiment was impacted by a slower order intake in one of the divisions; yet we remain encouraged by the company's resilient margins and robust growth prospects. Elsewhere, some holdings within the industrials sector lagged amid rising macro uncertainty or impacted by some one-off items (e.g. Compagnie de Saint-Gobain), yet the earnings recovery potential and valuations remain attractive in our view.

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)

We remain constructive on the outlook for European equities. With depressed valuation multiples and an elevated equity risk premium that could fall, European stocks remain excessively cheap in our view and poised for recovery as companies continue to execute and grow earnings.

If we step back from all the political headlines, the selloff in European equities in 2018 was more a function of sentiment than fundamentals in our view. European stocks, especially cyclicals, underperformed to an extent typically associated with contraction and recession. Although growth slowed in 2018, economic data remained in expansionary territory and gross domestic product as well as credit growth were positive. Meanwhile, unemployment continued to trend downwards.

Europe's economy remains highly exposed to the global economy, and we see signs of Chinese stimulus, a potential pause in Fed normalization and an even more dovish European Central Bank. These could all be supportive for European equity markets.

European politics remain highly uncertain, though 2019 will likely bring clarity on Brexit and possibly the containment of turmoil in Italy and France; the region does have a long history of muddling through political crises.

* Performance is calculated net of fees since 1 January 2018. 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 (17.46%)* in 2018 compared with a (12.75%) return for its benchmark, the FTSE MPF Hong Kong Index.

	Annualised return			
	1 year	*5 years*	*10 years*	*Since launch*
	%	%	%	%
Hong Kong Equities Fund (Launch date: 19 March 2007)	(17.46)	1.76	5.32	1.51
Benchmark	(12.75)	4.92	9.41	5.13
Deviation from the benchmark	(4.71)	(3.16)	(4.09)	(3.62)

1.10.2 Trustee's commentary

It was an especially challenging period for the fund as slowdown in China economic growth, tighter liquidity, and the rising trade tensions between China and the US, has been impacting market sentiment. Under such weak macro backdrop, economically sensitive names they owned in the portfolio saw sell-off which affected the overall fund performance. The investment manager has continued to reduce sector deviation against the benchmark. This can be seen as towards the end of 2019, the bands between over-weight and underweight had narrowed. They will remain focus on fundamental investing means that stock selection should be the key driver of return.

China / Hong Kong equities posted negative returns during the 12 months' period ending 31 December 2018. After a strong 2017, market sentiment started to turn in the first quarter of 2018. Market headwinds include the rising trade conflict between US and China, the strength in USD, and slowing economic growth trends in China. Hong Kong / China equities ended the year as the worst performers among Asia markets. To support the economy and financial markets, the Chinese government pledged to provide further measures, both on monetary and fiscal front. For example, the People's Bank of China announced a further cut to banks' reserve requirement ratio to support liquidity. On the fiscal stimulus side, Chinese government has initiated a number of policy measures including included tax cuts and increased infrastructure spending.

Investment report (continued)

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

1.10 Hong Kong Equities Fund (continued)

1.10.2 Trustee's commentary (continued)

However, there have been some positive developments on the opening up of capital market. In June 2018, MSCI officially included China A-Shares into its flagship emerging market index, which is a milestone event signalling the gradual integration of China A-Shares into global investment universe. Foreign investors' interest in the market has been on the rise. Good evidence is the rising northbound flows through the stock connect channels between Hong Kong and Shanghai / Shenzhen.

Going forward, we believe government's policy stance remains the crucial factor driving China / Hong Kong stock markets, and the direction is clearly pointing towards the loosening front. For example, with the current campaign to support small and medium enterprises, number of corporate defaults have fallen meaningfully year to date. Also, encouragingly, we are seeing a growing number of indicators of an economic stabilization in China, especially from our meetings with company management. In some areas order backlogs have risen and the level of inventories – which rose sharply in the final months of last year – have fallen. Both demand and supply, therefore, are moving back into a better balance.

We are not expecting a sharp rebound in China's economic growth this year. Given the extent of the fiscal deficit, there is less scope for the type of stimulus packages we have seen in the past. But the economic policies so far do at least seem to have put a floor under the bumpy deceleration seen last year. Under such macro backdrop, we have been taking profit from those outperformers where upside potential is limited and switching into quality companies that are turning around their business operations.

* Performance is calculated net of fees since 1 January 2018. Past performance is not indicative of future results.

Investment report (continued)

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

1.11 US Equity Fund

1.11.1 Analysis of investments during the year

The fund returned (1.58%)* in 2018 compared with a (5.31%) return for its benchmark, the FTSE MPF USA Index.

	Annualised return			
	1 year	*5 years*	*10 years*	*Since launch*
	%	%	%	%
US Equity Fund (Launch date: 19 March 2007)	(1.58)	6.57	10.51	5.48
Benchmark	(5.31)	7.68	12.45	6.52
Deviation from the benchmark	3.73	(1.11)	(1.94)	(1.04)

1.11.2 Trustee's commentary

Global developed- and emerging-market stocks, as measured by MSCI indices in US dollars, collectively declined for the 12-month period ended 31 December 2018. In the first half of the period, global markets were aided by price gains in oil and other commodities, encouraging corporate earnings reports and investor optimism about the world economy. This optimism gave way to concerns about US-China trade tension and its effect on global economic growth, which began to show signs of decelerating and desynchronising.

The US economy bounced back during the year from modest first-quarter GDP growth of 2.0% annualised as spending by consumers, businesses and the government gained momentum. The US unemployment rate lowered from 4.1% in December 2017 to a 49-year low of 3.7% in September 2018, before gradually ticking up to 3.9% in December. Annual inflation, as measured by the Consumer Price Index, increased from 2.1% at the end of 2017 to 2.9% in June before gliding down to 1.9% in December. US real GDP growth for the third quarter was revised slightly lower from an earlier estimated 3.5% quarter-on-quarter annualised pace to 3.4% (compared to 4.2% in the second quarter). The US Federal Reserve ("Fed") raised the federal funds target rate four times in 2018 to end the year at a range of 2.25% to 2.50%. The Fed also modestly lowered its forecast for US economic growth for 2019 and reduced its projected rate hikes for 2019 from three to two. The Fed's dot plot for the median expected target rate at the end of 2019 dropped from 3.125% to 2.875%. Fed Chairman Jerome Powell indicated that the Fed would monitor financial and economic conditions, and form policy decisions on a data-dependent basis, rather than a pre-set path. Nonetheless, markets appeared to interpret the statements as indicating potentially constraining policy for the US economy, which fuelled additional downturns in equity markets and rallies in US Treasuries during December.

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)

The fund performed better than its benchmark the FTSE AW MPF USA (35% Hedged into HKD) Index during the 12-month review period. Stock selection in the information technology sector was a significant driver of both absolute and relative performance in 2018. Favourable stock selection also benefitted the consumer discretionary, financials and energy sectors. In contrast, the health care and communication services sectors detracted from annual relative returns.

Top contributors in the information technology sector included Mastercard and Microsoft. Strong global consumer spending trends benefitted payment processor Mastercard. As a leading global payment network, we believe Mastercard is centrally positioned to benefit from the cash-to-digital payments secular trend that has been ongoing for more than a decade. Software giant Microsoft demonstrated solid growth in 2018, with strong revenue improvements across all its major businesses. Of particular note were the impressive results from its Azure cloud business. Conversely, the shares of education technology provider 2U pulled back and dampened relative performance in the information technology sector. We continue to have high conviction in 2U's core graduate and short course programmes as demand for online education increases.

In the consumer discretionary sector, Amazon.com's strong growth in 2018 was driven by retail strength in its North America market and acceleration of Amazon Web Services, as well as lower operating losses from the e-commerce giant's international business. In addition to e-commerce and cloud computing, we believe other long-term growth drivers for Amazon include digital advertising, business-to-business services and expansion of physical store locations.

In contrast, Constellation Brands in the consumer staples sector was a leading detractor from the fund's annual relative performance. Top-line trends for this international producer and marketer of beer, wine and spirits remain solid and we believe the company is well-positioned to generate high organic sales over the next several years, which is unique in the consumer packaged goods space. Elsewhere, Celgene was a detractor in the health care sector. Several disappointing late-stage drug trials dampened investor sentiment for the biotechnology company.

We view the recent stretch of market volatility as a healthy correction that often presents good opportunities to invest in strong companies that are mispriced over the short term. When we look deeper at the foundation of the US economy—the consumer and corporate earnings—we continue to see an encouraging backdrop.

Consumers are enjoying a strong employment market with relatively low inflation and interest rates. We believe that reduced corporate tax rates, which potentially lead to higher profits, can increase capital spending for US corporations and expand and strengthen the US economy in 2019.

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)

In our investment strategy, we have a long-term favourable outlook for growth around the themes of technological innovation and advanced medical care. The ongoing "digital transformation" into all areas of the global economy offers compelling investment opportunities as companies use cutting-edge technology, such as cloud computing, automation/robotics and artificial intelligence, for increased profits and productivity.

In view of the ageing population and medical advances, we see great opportunities within the health care sector. For example, there has been significant innovation in gene therapy, gene editing, oncology and other areas that harness the power of the body's immune system to fight cancer.

We are focused on several key risks for US equity markets in 2019, including appreciation of the US dollar, concerns about world trade, rising inflation and rising US interest rates. While the markets' attention on these risks has grown in recent months, the fundamental backdrop of the US economy remains sound and the prospect for a recession in 2019 remains low, in our view. And the investment manager attempts to look beyond short-term market volatility and take advantage of market weakness to build on our long-term investment themes.

* Performance is calculated net of fees since 1 January 2018. Past performance is not indicative of future results.

Investment report (continued)

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

1.12 Greater China Equity Fund

1.12.1 Analysis of investments during the year

The fund returned (20.63%)* in 2018 compared with a (12.40%) return for its benchmark, the MSCI Golden Dragon ex China A-Shares ex Foreign Listing (NDR) index.

	Annualised return			
	1 year	*5 years*	*10 years*	*Since launch*
	%	%	%	%
Greater China Equity Fund (Launch date: 1 May 2011)	(20.63)	2.94	N/A	2.49
Benchmark	(12.40)	5.70	N/A	4.10
Deviation from the benchmark	(8.23)	(2.76)	N/A	(1.61)

1.12.2 Trustee's commentary

The Fund lagged the benchmark year-to-date, driven by broad-based, negative contribution from across sectors.

Weak stock selection was the primary driver, with technology and healthcare being the key areas of underperformance. Macro and industry headwinds led to a turn in sentiment and risk-off behaviour among investors, but our conviction in structural growth opportunities remain intact. Performance of the hardware space within the technology sector has been challenged this year. US-China trade tensions significantly dampened investors' confidence in the duration of the sector, compounded in the wake of the US investigations into ZTE and Huawei, two Chinese telecom giants, for violating Iran sanctions. A disappointing smartphone demand environment in China and weaker-than-expected iPhone momentum also weighed on the sector. Apple supply chain names sold off sharply, on concerns of component spec headwinds. Holdings in Largan Precision, Sunny Optical and AAC Technologies detracted from returns. We consolidated our positions here towards higher conviction names, by selling out of AAC Technologies.

After a strong first half of the year, stock selection in healthcare suffered as a result of industry headwinds in the second half of 2018, namely the vaccine scandal and worse-than-expected drug pricing cuts during the centralized procurement program, leading to broad sector sell-offs. Sino Biopharm was among the top detractors. We exited the position on the back of deteriorating economics for generics in the face of policy risk. Meanwhile, apparel-related holdings, namely Anta Sports Products and Shenzhou International, were among the top contributors, both rising on better-than-expected results. Also under a tighter real estate market companies with better business models are likely to gain share, China Vanke and China Overseas Land & Investment contributed to performance.

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)

Key initiations this year also helped to offset some of the underperformance. We established a position in Country Garden Services, a property management services, which looks attractive as it offers earnings growth potential with stable cash flow generation. In addition, new internet exposures in the portfolio, namely the likes of Bilibili, which reported rising profits and should continue to do well with Generation Z user growth.

While there is continued uncertainty in external demand and the ongoing US-China trade negotiation, we believe the Chinese stimulus policies are supportive of domestic consumer demand as well as long term positive for more efficient resource allocation amongst Chinese corporates. After the rapid valuation recovery year to date, the average valuations of the Greater China equities are still at a reasonable level for long term investors, and thus we remain optimistic about markets.

* Performance is calculated net of fees since 1 January 2018. 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 2018, the fund returned (1.56%)* compared with a (1.55%) 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			
	1 year	*5 years*	*10 years*	*Since launch*
	%	%	%	%
Age 65 Plus Fund (Launch date: 1 April 2017)	(1.56)	N/A	N/A	0.76
Benchmark	(1.55)	N/A	N/A	1.19
Deviation from the benchmark	(0.01)	N/A	N/A	(0.43)

1.13.2 Trustee's commentary

The Fund is a relatively 'low risk' fund and has about 17% equities at 2018 year end and its return was in line with the benchmark though the equity portion did not perform well in 2018. The comments in relation to the equity and fixed income performance of the fund in 2018 were described under following paragraphs.

Equity Strategy

While markets enjoyed a good start into the new year supported by strength in corporate earnings, a pick-up in economic growth and optimism over US tax cuts, global equity markets witnessed a sharp correction in the first half of February. The catalyst for the weakness was an increase in government yields in major markets, especially in the US. This increase in yields was driven by investor concerns over rising inflation as recent data on wage growth in US has been ahead of market expectations, and increased government budget deficits caused by the recent tax cut package. President Trump's decision to put tariffs on China heightened concerns that a trade war could hurt global economic growth. As a result, in the US the share prices of the sectors that have benefited the most from strength in the global economy saw the sharpest falls. A technology-led rout dominated global equity markets in March rounding off the worst quarter for global equities in more than two years.

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)

Global equity markets recovered over the second quarter despite concerns about trade tensions and increased political and economic uncertainty. In particular in May, markets remained on a strong footing. Macro data has been largely supportive in the US with unemployment falling to the lowest level since the end of 2000. In terms of corporate news, global deal making reached US$2.5 trillion in the first half of 2018, breaking the all-time high for the period in spite of an increasingly challenging geopolitical backdrop. A wave of mega deals led by the US media and telecoms sector helped to lift worldwide deal volumes. Regarding monetary policy, the US Fed raised interest rates in June for the second time this year, as expected. It also signaled that it expected two further increases in 2018 – one more than it had previously forecast. In the Eurozone, the ECB announced its intention to end its bond buying program by the end of the year.

The positive trend continued into the third quarter despite mounting political, trade and policy headwinds. Despite the sharp decline in share prices in US megacap technology stocks in July after their latest earnings and the political concerns about ongoing trade tensions, the main US equity markets continued its record-setting run in August to reach twin landmarks: an all-time high and the longest bull run in history. September also rounded off a strong third quarter for the US equity market, as it clocked its best quarterly performance since 2013. The quarter-point interest rate hike from 2% to 2.25% reflected an upbeat assessment of the US economy. UK and Eurozone equities were broadly flat during September after the more challenging environment in August, mainly driven by concerns over the Italian budget combined with contagion fears over Turkish Lira weakness. Meanwhile, Japan's equity market ended September with solid gains, shrugging off investor concerns about the outlook for Chinese economy and escalating trade tensions between the US and China.

Towards the end of 2018, global equity markets rounded off their worst year since the global financial crisis. October was one of the worst months for equity markets in more than six years. Investors grew cautious in the face of a cocktail of factors including signs that trade tensions are fueling a global economic slowdown. Meanwhile, increases in US interest rates have signaled the end of cheap money that has driven a near decade-long bull market for equities. The combination of a less aggressive Fed and the easing of trade tensions between the US and China saw global equity markets deliver positive returns in November. The UK and Eurozone equity markets continued to struggle during November. In December, markets were rattled by a myriad of concerns including the US Federal Reserve raising interest rates too quickly, US economic growth being revised down for the third quarter, political turmoil in Washington, as well as the UK's exit from the EU and the ongoing US-China trade talks.

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)

In 2018 the APIF Global Strategic Equity Fund delivered -11.08% net of fees, thereby underperforming its benchmark which ended -9.19% lower. Variance against the benchmark is controlled for during the optimization component of the investment process with low levels of active risk (ex-ante target of 1%) and a tightly controlled Beta (ex-ante target of 0.995 to 1.005).

Relative performance last year is based on multiple aspects. Stock selection using our Multi-Factor model had a negative impact on relative performance. From a factor perspective, our exposure to Value stocks detracted the most. Furthermore, our preference for smaller capitalized stocks hurt performance over the year. On the other hand, Momentum-related measures worked well but lost ground in the sharp market reversal we have observed towards the end of the year. Quality metrics, which have more defensive factor characteristics, provided some support for performance.

Contributions from countries & currencies, which are a residual of our multi-factor portfolio optimization approach, had a moderately positive impact on portfolio performance. An overweight in Swedish and an underweight in German assets added value, whereas an overweight position in the United States and an underweight in Brazil hurt the relative performance. Underweights in EUR contributed positively to performance, while overweights in CHF and SEK detracted from performance.

Implicit active sector weights, a residual from our stock selection, detracted from performance. Positive contributions from overweights in the Consumer Staples sector and in the Energy sector were not able to offset the negative performance contributions resulting from an underweight in the Health Care sector. Over the long term we expect to have a small to no contribution from our country and sector allocation.

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)

Fixed Income Strategy

2018 has been a year of turmoil for financial markets with weakness in the bond markets and two significant sell-offs in equity markets. The year started with a strong economic backdrop for US and EU, with US Treasuries and Bunds posting higher yields. Comments from US administration on preference for a weaker US dollar drove the currency lower during the first quarter and stronger than expected US economic data released in February led the market to start positioning for more US interest rate rises than had previously been thought necessary. February 2018 will be remembered most for when volatility returned to markets, after the best part of two years' worth of very low volatility across most major markets. Among the factors contributing to the volatility was the US Government's imposition of tariffs on select Chinese imports and survey data that suggested global economic growth might be weakening. Volatility eased in April and investors' appetite for risk increased as concerns about a trade war moderated but May saw a surge in political risk, primarily Italy, where the new coalition struggled to form a government but also Spain, after the opposition filed a vote of no-confidence against the prime minister. Both events raised the threats of another euro-area crisis in the eyes of the many investors and led to a sudden shift towards less risky assets. Risk off sentiment eased in July helped by a strong start to the second quarter earnings season, with US company profits boosted by the impact of earlier tax cuts. This strong performance helped offset concerns about ongoing trade tensions. Relations between Italy's populist government and the European Union ("EU") continued to worry markets in August, with governments plans to meet budget pledges that some estimate to be over 100 billion euros. After a calm September, "red October" saw increased levels of volatility and a significant sell-off in markets. The US Federal Reserve ("Fed") increased US interest rates by 25bps at their December meeting. However, the market's interpretation of the accompanying statement was that the Fed was becoming dovish. While US Treasury yields rallied, the biggest change in yield occurred in longer-dated bonds. This led to parts of the yield curve becoming inverted during the month. This is a bond market phenomenon often associated with weaker growth. Italian government bonds bounced back in December after the Italian government agreed to reduce its planned budget deficit from 2.4% to 2.04% following pressure from the European Commission. Brexit continues to dominate the sterling market. Despite her government's agreement with the European Union on the process of the UK's withdrawal, Prime Minister May was unable to put the deal to a vote in parliament during December for fear of it being rejected.

In 2018, the Invesco Pooled Global Strategic Bond fund returned 1.43% net and 1.57% gross versus 1.55% from benchmark, with an annualised tracking error of 0.49%.

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)

Throughout 2018 our portfolio was positioned to take advantage of deeper valued government bonds, but with hedges in lower volatility bonds to control portfolio tail risk, an allocation designed to do well in an environment of generally rising rates. The year was marked by increasing levels of volatility, with risk-off being the dominant sentiment at times. In these periodic environments of flight to quality, our short positions in the core rates of the US and EU performed weakly, however our position in Switzerland added to performance. The value tilt performed strongly, with our long positions in Canada and New Zealand performing well, with poor GDP growth and low inflation respectively, helping to keep down expectations that these countries' central banks would hike rates. Our position in Mexico was a drag to performance, NAFTA talks progress at the start of the year were supportive but later in the year the political uncertainty by new President Obrador's decision to scrap a large airport project based on a referendum among the general public weighted on performance. Our position in Poland performed well with dovish rhetoric from the Poland Central Bank dominating sentiment, similarly our position in Thailand also outperformed, even with the Bank of Thailand raising rates for the first time in seven years, this was broadly expected and policy bias then shifted back to neutral.

We expect global growth momentum to moderate but to remain positive. In the US macro indicators point to a slowdown to 2.3% in 2019 which is still above potential, and continued stimulative fiscal policy and healthy private consumption, (supported by tight labor markets and higher confidence levels) could provide support in the short term. Yet uncertainty regarding growth trajectory in 2019 is higher than in the recent past due to the roll off of tax cut stimulus and tightening monetary policy. In Europe, the outlook for domestic demand remains strong; rising wages and falling unemployment are supporting consumption. However political uncertainties could provide some headwinds for the region and worsening export outlook will likely continue to weigh on growth. We don't expect the European Central Bank to hike until Q4 2019 which is largely the consensus. In China, deleveraging efforts have led to an economic slowdown, while trade issues have increased uncertainty in the outlook. Deceleration is expected to stabilise as credit extension shows marginal improvement and fiscal policy is expected to be more proactive. In terms of inflation we expect the slowing trend we predicted for 2018 to start coming to an end and we see a period of conflicting inflation signals in which core inflation is volatile and difficult to predict. We still believe US will likely remain in a moderate inflation environment and in Europe we expect core inflation to rise and headline inflation to decline on the back of lower oil prices. In China, however inflation is expected to be less than 2018 which should allow for an accommodative monetary policy and proactive fiscal policy. While we do not yet see evidence for a shutdown in growth (either globally or in the US), we think caution is warranted given looming risks mentioned above. Overall, we expect Q1 to be about stabilization in the US, Europe and China, rather than a continued downturn.

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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 2018, the fund returned (6.61%)* compared with a (5.79%) 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			
	1 year %	*5 years* %	*10 years* %	*Since launch* %
Core Accumulation Fund (Launch date: 1 April 2017)	(6.61)	N/A	N/A	1.11
Benchmark	(5.79)	N/A	N/A	1.92
Deviation from the benchmark	(0.82)	N/A	N/A	(0.81)

1.14.2 Trustee's commentary

The Fund is a relatively 'high risk' fund and has about 67% equities at 2018 year end and its return was behind the benchmark as the equity portion did not perform well in 2018. The comments in relation to the equity and fixed income performance of the fund in 2018 were described in the following paragraphs.

Equity Strategy

While markets enjoyed a good start into the new year supported by strength in corporate earnings, a pick-up in economic growth and optimism over US tax cuts, global equity markets witnessed a sharp correction in the first half of February. The catalyst for the weakness was an increase in government yields in major markets, especially in the US. This increase in yields was driven by investor concerns over rising inflation as recent data on wage growth in US has been ahead of market expectations, and increased government budget deficits caused by the recent tax cut package. President Trump's decision to put tariffs on China heightened concerns that a trade war could hurt global economic growth. As a result, in the US the share prices of the sectors that have benefited the most from strength in the global economy saw the sharpest falls. A technology-led rout dominated global equity markets in March rounding off the worst quarter for global equities in more than two years.

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)

Global equity markets recovered over the second quarter despite concerns about trade tensions and increased political and economic uncertainty. In particular in May, markets remained on a strong footing. Macro data has been largely supportive in the US with unemployment falling to the lowest level since the end of 2000. In terms of corporate news, global deal making reached US$2.5 trillion in the first half of 2018, breaking the all-time high for the period in spite of an increasingly challenging geopolitical backdrop. A wave of mega deals led by the US media and telecoms sector helped to lift worldwide deal volumes. Regarding monetary policy, the US Fed raised interest rates in June for the second time this year, as expected. It also signaled that it expected two further increases in 2018 – one more than it had previously forecast. In the Eurozone, the ECB announced its intention to end its bond buying program by the end of the year.

The positive trend continued into the third quarter despite mounting political, trade and policy headwinds. Despite the sharp decline in share prices in US megacap technology stocks in July after their latest earnings and the political concerns about ongoing trade tensions, the main US equity markets continued its record-setting run in August to reach twin landmarks: an all-time high and the longest bull run in history. September also rounded off a strong third quarter for the US equity market, as it clocked its best quarterly performance since 2013. The quarter-point interest rate hike from 2% to 2.25% reflected an upbeat assessment of the US economy. UK and Eurozone equities were broadly flat during September after the more challenging environment in August, mainly driven by concerns over the Italian budget combined with contagion fears over Turkish Lira weakness. Meanwhile, Japan's equity market ended September with solid gains, shrugging off investor concerns about the outlook for Chinese economy and escalating trade tensions between the US and China.

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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)

In 2018 the APIF Global Strategic Equity Fund delivered -11.08% net of fees, thereby underperforming its benchmark which ended -9.19% lower. Variance against the benchmark is controlled for during the optimization component of the investment process with low levels of active risk (ex-ante target of 1%) and a tightly controlled Beta (ex-ante target of 0.995 to 1.005).

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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)

Fixed Income Strategy

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In 2018, the Invesco Pooled Global Strategic Bond fund returned 1.43% net and 1.57% gross versus 1.55% from benchmark, with an annualised tracking error of 0.49%.

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 2018 our portfolio was positioned to take advantage of deeper valued government bonds, but with hedges in lower volatility bonds to control portfolio tail risk, an allocation designed to do well in an environment of generally rising rates. The year was marked by increasing levels of volatility, with risk-off being the dominant sentiment at times. In these periodic environments of flight to quality, our short positions in the core rates of the US and EU performed weakly, however our position in Switzerland added to performance. The value tilt performed strongly, with our long positions in Canada and New Zealand performing well, with poor GDP growth and low inflation respectively, helping to keep down expectations that these countries' central banks would hike rates. Our position in Mexico was a drag to performance, NAFTA talks progress at the start of the year were supportive but later in the year the political uncertainty by new President Obrador's decision to scrap a large airport project based on a referendum among the general public weighted on performance. Our position in Poland performed well with dovish rhetoric from the Poland Central Bank dominating sentiment, similarly our position in Thailand also outperformed, even with the Bank of Thailand raising rates for the first time in seven years, this was broadly expected and policy bias then shifted back to neutral.

We expect global growth momentum to moderate but to remain positive. In the US macro indicators point to a slowdown to 2.3% in 2019 which is still above potential, and continued stimulative fiscal policy and healthy private consumption, (supported by tight labour markets and higher confidence levels) could provide support in the short term. Yet uncertainty regarding growth trajectory in 2019 is higher than in the recent past due to the roll off of tax cut stimulus and tightening monetary policy. In Europe, the outlook for domestic demand remains strong; rising wages and falling unemployment are supporting consumption. However political uncertainties could provide some headwinds for the region and worsening export outlook will likely continue to weigh on growth. We don't expect the European Central Bank to hike until Q4 2019 which is largely the consensus. In China, deleveraging efforts have led to an economic slowdown, while trade issues have increased uncertainty in the outlook. Deceleration is expected to stabilise as credit extension shows marginal improvement and fiscal policy is expected to be more proactive. In terms of inflation we expect the slowing trend we predicted for 2018 to start coming to an end and we see a period of conflicting inflation signals in which core inflation is volatile and difficult to predict. We still believe US will likely remain in a moderate inflation environment and in Europe we expect core inflation to rise and headline inflation to decline on the back of lower oil prices. In China, however inflation is expected to be less than 2018 which should allow for an accommodative monetary policy and proactive fiscal policy. While we do not yet see evidence for a shutdown in growth (either globally or in the US), we think caution is warranted given looming risks mentioned above. Overall, we expect Q1 to be about stabilization in the US, Europe and China, rather than a continued downturn.

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Investment report (continued)

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

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 Principal 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' performances, if necessary.

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.

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 investment having a remaining maturity period of no more than 2 years; (c) debt securities (other than unrestricted investment) 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 MPF 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 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)

2.1.2 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 through a primary emphasis on global fixed income securities and a secondary exposure to global equity markets.

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.

The Guaranteed Fund maintains an "effective currency exposure" to Hong Kong dollars (as defined in the 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.

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).

Investment report (continued)

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

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.

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.

The Global Stable Fund will maintain an “effective currency exposure” to Hong Kong dollars (as defined in the 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)

2.1.4 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.

The Global Growth Fund will maintain an “effective currency exposure” to Hong Kong dollars (as defined in the 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 effected 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)

2.1.5 Asian Balanced Fund

The investment objective of the Asian Balanced Fund is to seek to maximise the total return through both capital growth and current income over the medium to longer-term. This fund seeks to achieve the above objective by investing into the Templeton MPF Asian Balanced Fund.

As a result of investing into the Templeton MPF Asian Balanced Fund, the portfolio of the Asian Balanced Fund will primarily invest in a balanced portfolio of equity securities (common stocks) of companies listed on Asian stock markets, bond and fixed income securities, and cash deposits. Other investment assets used by this fund include debt obligations and other publicly traded securities, including preferred stocks, convertible securities and corporate bonds. This fund is actively managed to achieve as high a return as possible commensurate with the lower level of risk considered appropriate for retirement scheme investors.

The Asian Balanced Fund has no prescribed allocations for investments in any single country or specified industry. There is no specific target allocation for any single market sector. This fund may invest in a wide choice of securities in accordance with its Asian mandate. Although this fund is a balanced fund, the investment manager intends to invest, under normal market conditions, a majority of the fund’s assets in equity securities, with the remainder in fixed income securities and cash deposits. During periods in which the investment manager believes changes in economic, financial or political conditions make it advisable to do so, this fund may, for temporary defensive purposes, hold cash or short-term fixed income instruments without any limit.

In selection of equity assets for the Asian Balanced Fund, the initial focus will be on the following countries: Hong Kong, Singapore, South Korea, Thailand, Malaysia, the Philippines, China and Indonesia. In selecting fixed income securities for this fund, these Asian countries, together with the developed markets of the US, Europe and Japan may be included.

The Asian Balanced 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 an Asian investment mandate.

The Asian Balanced Fund through Templeton MPF Asian Balanced Fund invests in equity and fixed income securities. Investments by this fund are restricted by the terms of the Templeton Trust Deed and by the Regulation.

Investment report (continued)

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

Subject to the limits set out in the investment restrictions specified in the Templeton Trust Deed and the Regulation, the investment manager may seek to protect and enhance the asset value through hedging strategies consistent with the fund's investment objective by utilising currency options, forward contracts and futures contracts. This fund may, on an ancillary basis, hold liquid assets, which may be kept in the form of cash deposits or in short-term money market instruments. This fund would not engage in such contracts and would be entered by the underlying approved pooled investment funds.

The Manager has the discretion under the Templeton Trust Deed to request the Trustee to enter into security lending arrangements; it is the Manager's current policy that this fund will not be engaged in security lending.

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

2.1.6 Global Bond Fund

The investment objective of the Global Bond Fund is to seek total investment return over the medium to longer-term. This fund seeks to achieve the above objective by investing into the Templeton MPF Global Bond Fund.

As a result of investing into the Templeton MPF Global Bond Fund, the portfolio of the Global Bond Fund will primarily invest in fixed income securities issued by governments and governmental agencies globally. Investment assets used by this fund include debt obligations (bonds), preferred stocks, corporate debt obligations and convertible securities. This fund is actively managed to achieve as high a return as possible commensurate with the lower level of risk considered appropriate for retirement scheme investors.

The Global Bond Fund has no prescribed allocations for investments in any single country or currency. This fund may invest in a wide choice of investments in accordance with its global mandate. As this fund is a bond fund, the investment adviser intends to invest, under normal market conditions, a majority of the Fund's assets in fixed income securities.

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.

Investment report (continued)

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

The Global Bond Fund through Templeton MPF Global Bond Fund invests in fixed income securities. Investments by this fund are restricted by the terms of the Templeton Trust Deed and by the Regulation.

Subject to the limits set out in the investment restrictions specified in the Templeton Trust Deed and the Regulation, the investment manager may seek to protect and enhance the asset value through hedging strategies consistent with this fund's investment objective by utilising currency options, forward contracts and futures contracts. This fund may, on an ancillary basis, hold liquid assets, which may be kept in the form of cash deposits or in short-term money market instruments. This fund would not engage in such contracts and would be entered by the underlying approved pooled investment funds.

The Manager has the discretion under the Templeton Trust Deed to request the Trustee to enter into security lending arrangements; it is the Manager's current policy that this fund will not be engaged 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.

2.1.7 Global Equity Fund

The investment objective of the Global Equity Fund is to seek capital growth over the medium to longer-term. This fund seeks to achieve the above objective by investing into the Templeton MPF Global Equity Fund.

As a result of investing into the Templeton MPF Global Equity Fund, the portfolio of the Global Equity Fund will primarily invest in equity securities (common stocks) of companies listed on stock markets globally. Other investment assets used by this fund include debt obligations (bonds) and other publicly traded securities, including preferred stocks, convertible securities and fixed income securities. This fund is actively managed to achieve as high a return as possible commensurate with the lower level of risk considered appropriate for retirement scheme investors.

The Global Equity Fund has no prescribed allocations for investments in any single country or specified industry. There is no specific target allocation for any single market sector. This fund may invest in a wide choice of securities in accordance with its global mandate. As this fund is an equity fund, the investment manager intends to invest, under normal market conditions, a majority of the fund's assets in equity securities. During periods in which the investment manager believes changes in economic, financial or political conditions make it advisable to do so, the fund may, for temporary defensive purposes, hold cash or short-term fixed income instruments without any limit.

Investment report (continued)

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

The Global Equity 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 Equity Fund through Templeton MPF Global Equity Fund invests in securities. Investments by this fund are restricted by the terms of the Templeton Trust Deed and by the Regulation. Subject to the limits set out in the investment restrictions specified in the Templeton Trust Deed and in the Regulation, the investment manager may seek to protect and enhance the asset value through hedging strategies consistent with the fund's investment objective by utilising currency options, forward contracts and futures contracts. This fund may, on an ancillary basis, hold liquid assets, which may be kept in the form of cash deposits or in short-term money market instruments. This fund would not engage in such contracts and would be entered by the underlying approved pooled investment funds.

The Manager has the discretion under the Templeton Trust Deed to request the Trustee to enter into security lending arrangements; it is the Manager's current policy that this fund will not be engaged 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 seek capital growth over the medium to longer-term. This fund seeks to achieve the above objective by investing into the Templeton MPF Asian Pacific Equity Fund.

As a result of investing into the Templeton MPF Asian Pacific Equity Fund, the portfolio of the Asian Pacific Equity Fund will primarily invest in equity securities (common stocks) of companies listed on Asian stock markets, excluding Japan. Other investment assets used by this fund include debt obligations (bonds) and other publicly traded securities, including preferred stocks, convertible securities and fixed income securities. This fund is actively managed to achieve as high a return as possible commensurate with the lower level of risk considered appropriate for retirement scheme investors.

Investment report (continued)

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

The Asian Pacific Equity Fund has no prescribed allocations for investments in any single country or specified industry. There is no specific target allocation for any single market sector. This fund may invest in a wide choice of securities in accordance with its Asian mandate. As this fund is an equity fund, the investment manager intends to invest, under normal market conditions, a majority of this fund's assets in equity securities. During periods in which the investment manager believes changes in economic, financial or political conditions make it advisable to do so, this fund may, for temporary defensive purposes, hold cash or short-term fixed income instruments without any limit.

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

The Asian Pacific Equity Fund through Templeton MPF Asian Pacific Equity Fund invests in securities. Investments by this fund are restricted by the terms of the Templeton Trust Deed and by the Regulation. Subject to the limits set out in the investment restrictions specified in the Templeton Trust Deed and in the Regulation, the investment manager may seek to protect and enhance the asset value through hedging strategies consistent with the fund's investment objective by utilising currency options, forward contracts and futures contracts. This fund may, on an ancillary basis, hold liquid assets, which may be kept in the form of cash deposits or in short-term money market instruments. This fund would not engage in such contracts and would be entered by the underlying approved pooled investment funds.

The Manager has the discretion under the Templeton Trust Deed to request the Trustee to enter into security lending arrangements; it is the Manager's current policy that this fund will not be engaged 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)

2.1.9 European Equity Fund

The investment objective of the European Equity Fund is to seek capital growth over the medium to longer-term. This fund seeks to achieve the above objective by investing into the Templeton MPF European Equity Fund.

As a result of investing into the Templeton MPF European Equity Fund, the portfolio of the European Equity Fund will primarily invest in equity securities (common stocks) of companies listed on European stock markets. Other investment assets used by this fund include debt obligations (bonds) and other publicly traded securities, including preferred stocks, convertible securities and fixed income securities. This fund is actively managed to achieve as high a return as possible commensurate with the lower level of risk considered appropriate for retirement scheme investors.

The European Equity Fund has no prescribed allocations for investments in any single country or specified industry. There is no specific target allocation for any single market sector. This fund may invest in a wide choice of securities in accordance with its European mandate. As this fund is an equity fund, the investment manager intends to invest, under normal market conditions, a majority of this fund's assets in equity securities. During periods in which the investment manager believes changes in economic, financial or political conditions make it advisable to do so, this fund may, for temporary defensive purposes, hold cash or short-term fixed income instruments without any limit.

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

The European Equity Fund through Templeton MPF European Equity Fund invests in securities. Investments by this fund are restricted by the terms of the Templeton Trust Deed and by the Regulation. Subject to the limits set out in the investment restrictions specified in the Templeton Trust Deed and in the Regulation, the investment manager may seek to protect and enhance the asset value through hedging strategies consistent with the fund's investment objective by utilising currency options, forward contracts and futures contracts. This fund may, on an ancillary basis, hold liquid assets, which may be kept in the form of cash deposits or in short-term money market instruments. This fund would not engage in such contracts and would be entered by the underlying approved pooled investment funds.

Investment report (continued)

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

The Manager has the discretion under the Templeton Trust Deed to request the Trustee to enter into security lending arrangements; it is the Manager's current policy that this fund will not be engaged 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.

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.

The Hong Kong Equities Fund will maintain an "effective currency exposure" to Hong Kong dollars (as defined in the 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)

2.1.11 US Equity Fund

The investment objective of the US Equity Fund is to provide capital appreciation in the long-term through investment in US equities. The fund seeks to achieve the above objective by investing into the Franklin MPF US Opportunities Fund.

As a result of investing into the Franklin MPF US Opportunities Fund, the portfolio of the US Equity Fund will invest principally in equity securities of US companies demonstrating accelerating growth, increasing profitability, or above-average growth or growth potential as compared with the overall economy. Equity securities generally entitle the holder to participate in a company's general operating results. They include common stocks, convertible securities and warrants on securities to the extent permissible under the relevant regulatory requirement as set out in the Regulation.

The US Equity Fund has no prescribed allocations for investments in any single country or specified industry. There is no specific target allocation for any single market sector. The Franklin MPF US Opportunities Fund may invest in a wide choice of securities in accordance with its US mandate. As the Franklin MPF US Opportunities Fund is an equity fund, the investment manager intends to invest, under normal market conditions, a majority of its assets in equity securities. During periods in which the investment manager believes changes in economic, financial or political conditions make it advisable to do so, Franklin MPF US Opportunities Fund may, for temporary defensive purposes, hold cash or short-term fixed income instruments without any limit.

The US Equity Fund through the Franklin MPF US Opportunities Fund principally invests in small, medium, and large capitalisation companies with strong growth potential across a wide range of sectors. In selecting equity investments, the investment manager utilises fundamental, bottom-up research focusing on companies believed to possess sustainable growth characteristics and which meet growth, quality and valuation criteria. The investment manager focuses on sectors that have exceptional growth potential and fast growing, innovative companies within these sectors. In addition, solid management and sound financial records are factors that investment manager also considers. Although the investment manager under normal circumstances, searches for diversified investments across different sectors, the investment manager shall take into account the prevailing market conditions and investment opportunities and may, at its discretion, invest more than 15% of the assets of the Franklin MPF US Opportunities Fund in a particular sector (such as information technology), but in any event, such sector allocation shall not be more than 45% of the assets of the Franklin MPF US Opportunities Fund.

Investment report (continued)

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

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.

The US Equity Fund through Franklin MPF US Opportunities Fund invests in securities. Investments by the Franklin MPF US Opportunities Fund are restricted by the terms of the Templeton Trust Deed and by the Regulation. The Franklin MPF US Opportunities Fund may not purchase the securities of any one issuer if at the time of purchase, with respect to 75% of its total net assets, more than 5% of its assets would be invested in the securities of that issuer. The remaining 25% may be invested subject to the terms of the Templeton Trust Deed and the Regulation. These limitations do not apply to securities issued or guaranteed by the US government of its agencies or instrumentalities, but are subject always to the terms of the Templeton Trust Deed and the Regulation.

Subject to the limits set out in the investment restrictions specified in the Templeton Trust Deed and in the Regulation, the investment manager may seek to protect and enhance the asset value through hedging strategies consistent with the Franklin MPF US Opportunities Fund's investment objective by utilising currency options, forward contracts and futures contracts. The Franklin MPF US Opportunities Fund may, on an ancillary basis, hold liquid assets, which may be kept in the form of cash deposits or in short-term money market instruments. The US Equity Fund would not engage in such contracts which would be entered by the underlying approved pooled investment funds.

The investment manager has the discretion under the Templeton Trust Deed to request the Trustee to the Franklin MPF US Opportunities Fund to enter into security lending arrangements; it is the investment manager's current policy that the Franklin MPF US Opportunities Fund will not be engaged 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.

Investment report (continued)

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

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. 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%	non-cash assets in Greater China equities
0 - 30%	non-cash assets in other equities
0 - 30%	non-cash assets in bonds *

* For cash management purposes only.

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 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 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)

2.1.13 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)

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.

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.

Investment report (continued)

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

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

	2018 HK$	*2017* HK$	*2016* HK$	*2015* HK$	*2014* HK$
Net loss excluding capital appreciation	(1,496,416)	(1,000,377)	(471,081)	(550,376)	(497,669)
Capital appreciation - realised and unrealised	2,893,535	1,013,367	481,810	560,169	507,792
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	266,714,825	206,051,985	168,511,498	141,659,450	136,311,734
Total net asset value	266,432,959	205,907,680	168,446,997	141,594,043	136,174,508
Net asset value per unit	10.8773	10.8161	10.8154	10.8146	10.8053

	Highest issue price HK$	*Lowest redemption price* HK$	** Net annualised investment return* %
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)
2003	10.2371	10.2215	0.022
2002	10.2393	10.1566	0.769
2001	10.1564	9.9934	1.564

* 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 2018, 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

	2018 HK$	*2017* HK$	*2016* HK$	*2015* HK$	*2014* HK$
Net loss excluding capital (depreciation)/ appreciation	-	-	-	-	-
Capital (depreciation)/appreciation - realised and unrealised	(12,065,991)	14,327,592	(575,047)	(4,946,699)	(2,406,960)
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	149,019,980	151,097,210	125,002,290	116,580,255	119,874,817
Total net asset value	149,019,980	151,097,210	125,002,290	116,580,255	119,874,817
Net asset value per unit	10.4329	11.3663	10.3198	10.4419	10.9883

	Highest issue price HK$	*Lowest redemption price* HK$	** Net annualised investment return* %
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
2006	10.6676	10.0000	6.397

* 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 2018, there was no distribution income from the approved pooled investment fund policy. 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)

3.3 Global Stable Fund

	2018 HK$	*2017* HK$	*2016* HK$	*2015* HK$	*2014* HK$
Net loss excluding capital (depreciation)/appreciation	(3,636,062)	(3,529,596)	(3,072,057)	(3,107,973)	(2,564,552)
Capital (depreciation)/ appreciation - realised and unrealised	(20,753,336)	43,033,897	6,019,942	(4,792,153)	871,998
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	236,731,048	263,473,264	224,809,140	213,579,793	220,366,439
Total net asset value	236,171,899	262,885,641	224,457,880	213,214,612	219,997,683
Net asset value per unit	18.8830	20.8390	17.7284	17.4829	18.1313

	Highest issue price HK$	*Lowest redemption price* HK$	** Net annualised investment return* %
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
2003	11.0038	9.1114	19.992
2002	10.1770	8.9321	(8.117)
2001	10.3664	9.4104	0.625

* 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 2018, 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)

3.4 Global Growth Fund

	2018 HK$	*2017* HK$	*2016* HK$	*2015* HK$	*2014* HK$
Net loss excluding capital (depreciation)/appreciation	(5,882,673)	(5,785,866)	(4,900,358)	(5,141,382)	(4,179,974)
Capital (depreciation)/appreciation - realised and unrealised	(46,156,559)	89,187,714	10,600,686	(9,495,577)	531,477
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	366,868,761	445,052,663	362,094,025	351,420,837	363,971,217
Total net asset value	365,996,488	444,063,468	361,531,741	350,823,416	363,365,708
Net asset value per unit	20.1858	23.0316	18.7202	18.4287	19.1963

	Highest issue price HK$	*Lowest redemption price* HK$	** Net annualised investment return* %
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
2003	10.8560	8.5541	24.465
2002	10.2450	8.4838	(12.118)
2001	10.5722	9.0939	0.445

* 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 2018, 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)

3.5 Asian Balanced Fund

	2018 HK$	*2017* HK$	*2016* HK$	*2015* HK$	*2014* HK$
Net loss excluding capital (depreciation)/appreciation	(2,249,213)	(2,322,034)	(1,929,910)	(2,009,612)	(1,627,082)
Capital (depreciation)/appreciation - realised and unrealised	(63,486,809)	88,058,481	14,868,287	(22,402,521)	6,743,934
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	393,506,432	471,176,572	385,353,859	362,864,927	369,739,731
Total net asset value	392,951,726	470,527,484	384,849,292	362,345,933	369,224,810
Net asset value per unit	25.2964	29.4963	24.1375	23.3320	24.9140

	Highest issue price HK$	*Lowest redemption price* HK$	** Net annualised investment return* %
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
2003	13.6198	9.9806	37.196

* 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 2018, 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)

3.6 Global Bond Fund

	2018 HK$	*2017* HK$	*2016* HK$	*2015* HK$	*2014* HK$
Net loss excluding capital (depreciation)/ appreciation	(665,086)	(621,605)	(539,740)	(546,289)	(388,125)
Capital (depreciation)/appreciation - realised and unrealised	(1,011,365)	3,644,377	(2,361,187)	(5,494,966)	(1,745,621)
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	121,368,284	109,489,111	93,298,212	90,111,279	93,821,601
Total net asset value	121,206,517	109,324,099	93,179,690	89,984,958	93,693,970
Net asset value per unit	13.4516	13.6378	13.2136	13.6284	14.5552

	Highest issue price HK$	*Lowest redemption price* HK$	** Net annualised investment return* %
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
2003	10.7140	9.9117	6.951

* 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 2018, 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)

3.7 Global Equity Fund

	2018 HK$	*2017* HK$	*2016* HK$	*2015* HK$	*2014* HK$
Net loss excluding capital (depreciation)/ appreciation	(1,156,499)	(1,233,963)	(1,030,413)	(1,104,608)	(894,567)
Capital (depreciation)/appreciation - realised and unrealised	(32,319,415)	35,225,463	15,561,579	(7,569,070)	1,992,879
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	184,985,041	238,207,734	203,735,039	190,744,589	194,373,411
Total net asset value	184,717,818	237,873,252	203,466,751	190,466,641	194,096,588
Net asset value per unit	24.1654	28.5236	24.4558	22.7371	23.7580

	Highest issue price HK$	*Lowest redemption price* HK$	** Net annualised investment return* %
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
2003	13.7654	10.0000	38.820

* 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 2018, 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)

3.8 Asian Pacific Equity Fund

	2018 HK$	*2017* HK$	*2016* HK$	*2015* HK$	*2014* HK$
Net loss excluding capital (depreciation)/appreciation	(1,714,091)	(1,770,490)	(1,321,956)	(1,354,853)	(1,194,878)
Capital (depreciation)/appreciation - realised and unrealised	(62,496,861)	98,711,178	17,432,566	(24,446,375)	8,028,869
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	283,480,885	370,283,965	263,151,010	234,344,910	241,718,379
Total net asset value	283,078,211	369,776,745	262,804,917	234,008,703	241,380,125
Net asset value per unit	15.6220	19.0845	14.0094	13.1476	14.5958

	Highest issue price HK$	*Lowest redemption price* HK$	** Net annualised investment return* %
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)
2007	11.9923	9.9953	11.545

* 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 2018, 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)

3.9 European Equity Fund

	2018 HK$	*2017* HK$	*2016* HK$	*2015* HK$	*2014* HK$
Net loss excluding capital (depreciation)/ appreciation	(441,134)	(419,301)	(318,593)	(322,037)	(201,124)
Capital (depreciation)/appreciation - realised and unrealised	(10,358,543)	11,629,184	3,081,876	1,465,532	(4,804,739)
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	65,320,075	75,832,101	53,001,787	49,033,302	43,505,496
Total net asset value	65,222,909	75,726,181	52,928,219	48,957,386	43,437,289
Net asset value per unit	10.2399	11.9242	9.9617	9.4497	9.1749

	Highest issue price HK$	*Lowest redemption price* HK$	** Net annualised investment return* %
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)
2007	10.7555	9.5143	(1.695)

* 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 2018, 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)

3.10 Hong Kong Equities Fund

	2018 HK$	*2017* HK$	*2016* HK$	*2015* HK$	*2014* HK$
Net loss excluding capital (depreciation)/appreciation	(4,411,104)	(4,257,925)	(3,313,320)	(3,369,120)	(2,280,349)
Capital (depreciation)/appreciation - realised and unrealised	(51,628,593)	89,008,219	5,986,659	(15,738,875)	12,183,677
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	268,621,364	333,160,764	252,097,298	235,128,701	212,018,533
Total net asset value	267,984,503	332,421,465	251,700,906	234,728,589	211,671,625
Net asset value per unit	11.9327	14.4571	10.8217	10.7475	11.4641

	Highest issue price HK$	*Lowest redemption price* HK$	** Net annualised investment return* %
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)
2007	14.9542	10.0000	36.600

* 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 2018, 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

	2018 HK$	*2017* HK$	*2016* HK$	*2015* HK$	*2014* HK$
Net loss excluding capital (depreciation)/ appreciation	(35,810)	(64,752)	(58,703)	(69,176)	(69,988)
Capital (depreciation)/appreciation - realised and unrealised	(4,440,584)	22,166,334	(529,658)	2,993,978	3,044,733
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	123,697,741	111,870,179	78,865,113	68,855,547	56,160,325
Total net asset value	123,576,974	111,765,186	78,792,763	68,783,055	56,106,487
Net asset value per unit	18.7598	19.0615	15.0451	15.2663	14.5239

	Highest issue price HK$	*Lowest redemption price* HK$	** Net annualised investment return* %
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)
2007	10.8644	9.9387	2.583

* 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 2018, 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)

3.12 Greater China Equity Fund

	2018 HK$	*2017* HK$	*2016* HK$	*2015* HK$	*2014* HK$
Net loss excluding capital (depreciation)/appreciation	(3,701,779)	(3,198,630)	(2,274,041)	(2,142,118)	(1,493,935)
Capital (depreciation)/appreciation - realised and unrealised	(48,321,090)	77,871,343	4,288,381	(10,258,684)	6,275,309
Income derived from investment#	-	-	-	-	-
Value of scheme assets derived from investment	199,597,420	242,153,578	153,012,566	135,624,846	109,725,221
Total net asset value	199,058,218	241,525,408	152,612,344	135,255,316	109,441,651
Net asset value per unit	12.0746	15.2137	10.3457	10.2093	10.9594

	Highest issue price HK$	*Lowest redemption price* HK$	** Net annualised investment return* %
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
2011	10.3089	6.9237	(24.900)

* 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 2018, 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)

3.13 Age 65 Plus Fund

	2018 HK$	*2017* HK$
Net loss excluding capital (depreciation)/appreciation	(153,174)	(24,430)
Capital (depreciation)/appreciation - realised and unrealised	(90,991)	168,909
Income derived from investment#	-	-
Value of scheme assets derived from investment	19,756,284	9,933,985
Total net asset value	19,727,094	9,927,408
Net asset value per unit	10.1328	10.2936

	Highest issue price HK$	*Lowest redemption price* HK$	** Net annualised investment return* %
2018	10.3963	10.0340	(1.562)
2017	10.3142	9.9848	2.936

* 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 per unit.

The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2018, 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)

3.14 Core Accumulation Fund

	2018 HK$	*2017* HK$
Net loss excluding capital (depreciation)/appreciation	(266,892)	(75,921)
Capital (depreciation)/appreciation - realised and unrealised	(3,063,040)	1,515,144
Income derived from investment#	-	-
Value of scheme assets derived from investment	46,180,759	27,907,106
Total net asset value	46,123,677	27,887,652
Net asset value per unit	10.1951	10.9163

	Highest issue price HK$	*Lowest redemption price* HK$	** Net annualised investment return* %
2018	11.3854	9.9343	(6.607)
2017	10.9244	9.9888	9.163

* 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 per unit.

The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2018, 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)

4 Fund expense ratio

	Fund expense ratio	
	2018	*2017*
	%	%
MPF Conservative Fund	0.96	0.87
Guaranteed Fund	3.38	3.39
Global Stable Fund	1.52	1.51
Global Growth Fund	1.51	1.50
Asian Balanced Fund	1.69	1.66
Global Bond Fund	1.60	1.62
Global Equity Fund	1.66	1.65
Asian Pacific Equity Fund	1.73	1.70
European Equity Fund	1.88	1.77
Hong Kong Equities Fund	1.52	1.52
US Equity Fund	1.21	1.27
Greater China Equity Fund	1.68	1.73
Age 65 Plus Fund	0.89	0.68
Core Accumulation Fund	0.92	0.71

Investment report (continued)

5 Investment portfolio and statement of movements in portfolio holdings

5.1 MPF Conservative Fund

	2018		
Quoted investment	*Holdings* Units	*Market value* HK$	*% of net assets*
Allianz Choice HK$ Liquidity Fund#	20,875,421.6654	266,714,825	100.11
Total investment, at market value		266,714,825	100.11
Total investment, at cost		262,555,384	

	2018			
Name of investment	*Holdings as at 1 January 2018* Units	*Additions* Units	*Disposals* Units	*Holdings as at 31 December 2018* Units
Allianz Choice HK$ Liquidity Fund#	16,325,216.4559	8,514,823.6681	3,964,618.4586	20,875,421.6654

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

	2018		
Quoted investment	*Holdings* Units	*Market value* HK$	*% of net assets*
Mass MPF Guaranteed Policy	14,224,109.2433	149,019,980	100.00
Total investment, at market value		149,019,980	100.00
Total investment, at cost		152,309,942	

	2018			
Name of investment	*Holdings as at 1 January 2018* Units	*Additions* Units	*Disposals* Units	*Holdings as at 31 December 2018* Units
Mass MPF Guaranteed Policy	13,237,368.0327	2,501,554.1614	1,514,812.9508	14,224,109.2433

Investment report (continued)

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

5.3 Global Stable Fund

Quoted investment	*2018* Holdings Units	Market value HK$	% of net assets
Allianz Choice Stable Growth Fund#	12,133,831.2302	236,731,048	100.24
Total investment, at market value		236,731,048	100.24
Total investment, at cost		222,133,337	

Name of investment	*2018* Holdings as at 1 January 2018 Units	*Additions* Units	*Disposals* Units	*Holdings as at 31 December 2018* Units
Allianz Choice Stable Growth Fund#	12,416,270.7096	645,229.4425	927,668.9219	12,133,831.2302

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

Quoted investment	*2018* Holdings Units	Market value HK$	% of net assets
Allianz Choice Balanced Fund#	10,783,914.2055	366,868,761	100.24
Total investment, at market value		366,868,761	100.24
Total investment, at cost		340,643,419	

Name of investment	*2018* *Holdings as at 1 January 2018* Units	*Additions* Units	*Disposals* Units	*Holdings as at 31 December 2018* Units
Allianz Choice Balanced Fund#	11,632,322.6057	286,788.3840	1,135,196.7842	10,783,914.2055

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 Balanced Fund

	2018		
Quoted investment	*Holdings* Units	*Market value* HK$	*% of net assets*
Templeton MPF Asian Balanced Fund*	14,124,423.2370	393,506,432	100.14
Total investment, at market value		393,506,432	100.14
Total investment, at cost		316,383,382	

	2018			
Name of investment	*Holdings as at 1 January 2018* Units	*Additions* Units	*Disposals* Units	*Holdings as at 31 December 2018* Units
Templeton MPF Asian Balanced Fund*	14,582,995.1160	544,504.0590	1,003,075.9380	14,124,423.2370

* 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

Quoted investment	*2018* *Holdings* Units	*Market value* HK$	*% of net assets*
Templeton MPF Global Bond Fund*	5,894,525.7110	121,368,284	100.13
Total investment, at market value		121,368,284	100.13
Total investment, at cost		118,121,180	

Name of investment	*2018* *Holdings as at 1 January 2018* Units	*Additions* Units	*Disposals* Units	*Holdings as at 31 December 2018* Units
Templeton MPF Global Bond Fund*	5,274,041.9420	1,123,255.6780	502,771.9090	5,894,525.7110

* 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

	2018		
Quoted investment	*Holdings* Units	*Market value* HK$	*% of net assets*
Templeton MPF Global Equity Fund*	8,829,834.9120	184,985,041	100.14
Total investment, at market value		184,985,041	100.14
Total investment, at cost		141,683,301	

	2018			
Name of investment	*Holdings as at 1 January 2018* Units	*Additions* Units	*Disposals* Units	*Holdings as at 31 December 2018* Units
Templeton MPF Global Equity Fund*	9,687,179.0950	367,648.8790	1,224,993.0620	8,829,834.9120

* 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

Quoted investment	*2018* *Holdings* Units	*Market value* HK$	*% of net assets*
Templeton MPF Asian Pacific Equity Fund*	11,393,926.2590	283,480,885	100.14
Total investment, at market value		283,480,885	100.14
Total investment, at cost		228,148,293	

Name of investment	*2018* *Holdings as at 1 January 2018* Units	*Additions* Units	*Disposals* Units	*Holdings as at 31 December 2018* Units
Templeton MPF Asian Pacific Equity Fund*	12,248,890.6710	472,887.6370	1,327,852.0490	11,393,926.2590

* 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

Quoted investment	*2018* Holdings Units	Market value HK$	% of net assets
Templeton MPF European Equity Fund*	4,069,786.5880	65,320,075	100.15
Total investment, at market value		65,320,075	100.15
Total investment, at cost		63,717,125	

Name of investment	*2018* Holdings as at 1 January 2018 Units	Additions Units	Disposals Units	Holdings as at 31 December 2018 Units
Templeton MPF European Equity Fund*	4,083,581.1170	635,447.4470	649,241.9760	4,069,786.5880

* 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)

5.10 Hong Kong Equities Fund

	2018		
Quoted investment	*Holdings* Units	*Market value* HK$	*% of net assets*
Allianz Choice Hong Kong Fund#	5,816,833.3480	268,621,364	100.24
Total investment, at market value		268,621,364	100.24
Total investment, at cost		250,269,427	

	2018			
Name of investment	*Holdings as at 1 January 2018* Units	*Additions* Units	*Disposals* Units	*Holdings as at 31 December 2018* Units
Allianz Choice Hong Kong Fund#	6,042,088.5757	775,675.8802	1,000,931.1079	5,816,833.3480

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

Quoted investment	*2018* Holdings Units	Market value HK$	% of net assets
Franklin MPF US Opportunities Fund*	5,380,502.0070	123,697,741	100.10
Total investment, at market value		123,697,741	100.10
Total investment, at cost		107,103,365	

Name of investment	*2018* Holdings as at 1 January 2018 Units	Additions Units	Disposals Units	Holdings as at 31 December 2018 Units
Franklin MPF US Opportunities Fund*	4,784,866.4880	1,582,881.0890	987,245.5700	5,380,502.0070

* 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)

5.12 Greater China Equity Fund

	2018		
Quoted investment	*Holdings* Units	*Market value* HK$	*% of net assets*
JP Morgan SAR Greater China Fund*	1,439,577.5000	199,597,420	100.27
Total investment, at market value		199,597,420	100.27
Total investment, at cost		176,890,172	

	2018			
Name of investment	*Holdings as at 1 January 2018* Units	*Additions* Units	*Disposals* Units	*Holdings as at 31 December 2018* Units
JP Morgan SAR Greater China Fund*	1,407,542.3040	230,641.5910	198,606.3950	1,439,577.5000

* 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

	2018		
Quoted investment	*Holdings* Units	*Market value* HK$	*% of net assets*
Age 65 Plus Fund*	1,920,080.4760	19,756,284	100.15
Total investment, at market value		19,756,284	100.15
Total investment, at cost		19,816,672	

	2018			
Name of investment	*Holdings as at 1 January 2018* Units	*Additions* Units	*Disposals* Units	*Holdings as at 31 December 2018* Units
Age 65 Plus Fund*	955,392.9780	2,543,056.4530	1,578,368.9550	1,920,080.4760

* 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

	2018		
Quoted investment	*Holdings* Units	*Market value* HK$	*% of net assets*
Core Accumulation Fund*	4,462,900.8290	46,180,759	100.12
Total investment, at market value		46,180,759	100.12
Total investment, at cost		47,960,721	

	2018			
Name of investment	*Holdings as at 1 January 2018* Units	*Additions* Units	*Disposals* Units	*Holdings as at 31 December 2018* Units
Core Accumulation Fund *	2,533,853.8730	2,467,024.7650	537,977.8090	4,462,900.8290

* 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.

KPMG

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 102 to 146, which comprise the statement of net assets available for benefits as at 31 December 2018, the statement of comprehensive income, the statement of changes in net assets attributable to members – master trust scheme and constituent funds and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Scheme as at 31 December 2018, 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 ("HKSAs") 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 of the Scheme 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 ("the 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 HKSAs 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 HKSAs, we exercise professional judgement and maintain professional skepticism 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 of the Scheme.

- 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 those charged with governance 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.

KPMG

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.

KPMG

Certified Public Accountants

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

27 JUN 2019

KPMG

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 2018 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 2019

Pursuant to section 102 of the Mandatory Provident Fund Schemes (General) Regulation ("the General Regulation"), we are required to report whether the Scheme complied with certain requirements of the Mandatory Provident Fund Schemes Ordinance ("the 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 ("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 10 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 Control

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 Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG

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 2018 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 10 of, and Schedule 1 to, the General Regulation have been complied with, in all material respects, as at 31 December 2018, 30 September 2018 and 30 June 2018;

    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 2018, 30 September 2018 and 30 June 2018;

KPMG

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 2018.

2. as at 31 December 2018, 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 2018 as the Trustee has completed the relevant transitional provisions. 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.

KPMG

Certified Public Accountants

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

27 JUN 2019

Statement of comprehensive income for the year ended 31 December 2018

(Expressed in Hong Kong dollars)

		2018						
	Note	*MPF Conservative Fund* $	*Guaranteed Fund* $	*Global Stable Fund* $	*Global Growth Fund* $	*Asian Balanced Fund* $	*Global Bond Fund* $	*Global Equity Fund* $
Income								
Interest income	5(c)	-	-	-	-	-	-	-
Net realised gain on investments		558,039	1,802,161	2,554,617	7,007,793	8,435,813	307,585	10,288,477
Net unrealised gain/(loss) on investments		2,335,496	(13,868,152)	(23,307,953)	(53,164,352)	(71,922,622)	(1,318,950)	(42,607,892)
Rebates and other income	5(d), 5(e)	232,892	-	5,938	2,490	2,406,952	528,981	1,205,703
Total income/(loss)		3,126,427	(12,065,991)	(20,747,398)	(46,154,069)	(61,079,857)	(482,384)	(31,113,712)
Expenses								
Bank charges		-	-	-	-	-	-	-
Trustee fees	5(a)	1,473,571	-	2,425,388	3,954,343	4,371,455	1,058,750	2,189,748
Fund administration fees	5(b)	97,500	-	58,500	58,500	58,500	58,500	58,500
Investment management fee	5(f), 5(g)	-	-	1,018,088	1,660,465	-	-	-
Auditor's remuneration		54,386	-	49,856	77,506	83,168	25,442	39,246
Other expenses		103,851	-	90,168	134,349	143,042	51,375	74,708
Total expenses		1,729,308	-	3,642,000	5,885,163	4,656,165	1,194,067	2,362,202
Increase/(decrease) in net assets attributable to members		1,397,119	(12,065,991)	(24,389,398)	(52,039,232)	(65,736,022)	(1,676,451)	(33,475,914)

Statement of comprehensive income
for the year ended 31 December 2018 (continued)
(Expressed in Hong Kong dollars)

		2018								
	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* $	*The Scheme* $	*Total* $
Income										
Interest income	5(c)	-	-	-	-	-	-	-	751	751
Net realised gain on investments		11,530,896	2,166,837	11,160,362	6,481,454	9,540,664	129,814	194,874	-	72,159,386
Net unrealised loss on investments		(74,027,757)	(12,525,380)	(62,788,955)	(10,922,038)	(57,861,754)	(220,805)	(3,257,914)	-	(425,459,028)
Rebates and other income	5(d), 5(e)	1,822,022	408,842	-	699,571	-	-	-	-	7,313,391
Total (loss)/income		(60,674,839)	(9,949,701)	(51,628,593)	(3,741,013)	(48,321,090)	(90,991)	(3,063,040)	751	(345,985,500)
Expenses										
Bank charges		-	-	-	-	-	-	-	1,360	1,360
Trustee fees	5(a)	3,309,601	743,538	2,955,647	599,338	2,352,579	133,962	232,887	-	25,800,807
Fund administration fees	5(b)	58,500	58,500	58,500	58,500	58,500	-	-	-	682,500
Investment management fee	5(f), 5(g)	-	-	1,239,127	-	1,169,996	-	-	-	5,087,676
Auditor's remuneration		60,118	13,772	56,362	25,712	42,028	19,212	34,005	-	580,813
Other expenses		107,894	34,166	101,468	51,831	78,676	-	-	-	971,528
Total expenses		3,536,113	849,976	4,411,104	735,381	3,701,779	153,174	266,892	1,360	33,124,684
Decrease in net assets attributable to members		(64,210,952)	(10,799,677)	(56,039,697)	(4,476,394)	(52,022,869)	(244,165)	(3,329,932)	(609)	(379,110,184)

Statement of comprehensive income
for the year ended 31 December 2018 (continued)
(Expressed in Hong Kong dollars)

		2017						
	Note	*MPF Conservative Fund* $	*Guaranteed Fund* $	*Global Stable Fund* $	*Global Growth Fund* $	*Asian Balanced Fund* $	*Global Bond Fund* $	*Global Equity Fund* $
Income								
Interest income	5(c)	-	-	-	-	-	-	-
Net realised gain on investments		329,434	1,401,130	1,708,763	2,613,220	6,828,844	484,652	4,934,559
Net unrealised gain on investments		683,933	12,926,462	41,325,134	86,574,494	81,229,637	3,159,725	30,290,904
Rebates and other income	5(d), 5(e)	184,075	-	-	-	2,385,845	457,290	1,229,151
Total income		1,197,442	14,327,592	43,033,897	89,187,714	90,444,326	4,101,667	36,454,614
Expenses								
Bank charges		-	-	-	-	-	-	-
Trustee fees	5(a)	1,124,783	-	2,340,971	3,864,428	4,337,658	915,897	2,234,422
Fund administration fees	5(b)	19,500	-	58,500	58,500	58,500	58,500	58,500
Investment management fee	5(f), 5(g)	-	-	949,766	1,568,099	-	-	-
Auditor's remuneration		16,733	-	46,862	79,182	83,905	19,488	42,411
Other expenses		23,436	-	133,497	215,657	227,816	85,010	127,781
Total expenses		1,184,452	-	3,529,596	5,785,866	4,707,879	1,078,895	2,463,114
Increase in net assets attributable to members		12,990	14,327,592	39,504,301	83,401,848	85,736,447	3,022,772	33,991,500

Statement of comprehensive income for the year ended 31 December 2018 (continued)

(Expressed in Hong Kong dollars)

		2017								
	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* $	*The Scheme* $	*Total* $
Income										
Interest income	5(c)	-	-	-	-	-	-	-	405	405
Net realised gain on investments		6,554,801	1,895,246	7,097,999	2,821,443	6,223,188	8,492	37,192	-	42,938,963
Net unrealised gain on investments		92,156,377	9,733,938	81,910,220	19,344,891	71,648,155	160,417	1,477,952	-	532,622,239
Rebates and other income	5(d), 5(e)	1,791,097	364,198	-	536,424	-	-	-	-	6,948,080
Total income		100,502,275	11,993,382	89,008,219	22,702,758	77,871,343	168,909	1,515,144	405	582,509,687
Expenses										
Bank charges		-	-	-	-	-	-	-	1,200	1,200
Trustee fees	5(a)	3,258,071	663,595	2,829,210	459,614	1,984,391	22,522	69,990	-	24,105,552
Fund administration fees	5(b)	58,500	58,500	58,500	58,500	58,500	-	-	-	604,500
Investment management fee	5(f), 5(g)	-	-	1,147,484	-	992,062	-	-	-	4,657,411
Auditor's remuneration		65,925	13,501	59,289	19,936	43,115	1,908	5,931	-	498,186
Other expenses		179,091	47,903	163,442	63,126	120,562	-	-	-	1,387,321
Total expenses		3,561,587	783,499	4,257,925	601,176	3,198,630	24,430	75,921	1,200	31,254,170
Increase/(decrease) in net assets attributable to members		96,940,688	11,209,883	84,750,294	22,101,582	74,672,713	144,479	1,439,223	(795)	551,255,517

The notes on pages 121 to 146 form part of these financial statements.

Statement of net assets available for benefits as at 31 December 2018

(Expressed in Hong Kong dollars)

	2018							
	MPF Conservative Fund	*Guaranteed Fund*	*Global Stable Fund*	*Global Growth Fund*	*Asian Balanced Fund*	*Global Bond Fund*	*Global Equity Fund*	*Asian Pacific Equity Fund*
	$	$	$	$	$	$	$	$
Assets								
Investments	266,714,825	149,019,980	236,731,048	366,868,761	393,506,432	121,368,284	184,985,041	283,480,885
Contributions receivable								
– from employers	-	-	-	-	-	-	-	-
– from members	-	-	-	-	-	-	-	-
Transfers in receivable	-	-	-	-	-	-	-	-
Amounts receivable on subscriptions	798,786	344,607	121,634	191,156	213,502	126,994	81,059	142,798
Amounts receivable on sales of investments	32,820	304,405	486	-	4,566	-	-	-
Other receivables	22,378	-	-	-	185,465	46,040	88,538	133,488
Cash at bank	-	-	-	-	-	-	-	-
Total assets	267,568,809	149,668,992	236,853,168	367,059,917	393,909,965	121,541,318	185,154,638	283,757,171
Liabilities								
Benefits payable	-	-	-	-	-	-	-	-
Transfers out payable	-	-	-	-	-	-	-	-
Forfeitures payable	-	-	-	-	-	-	-	-
Amounts payable on redemptions	32,820	304,405	486	-	4,566	-	-	-
Amounts payable on purchases of investments	821,164	344,607	121,634	191,156	398,967	173,034	169,597	276,286
Other payables	281,866	-	559,149	872,273	554,706	161,767	267,223	402,674
Total liabilities (excluding net assets attributable to members)	1,135,850	649,012	681,269	1,063,429	958,239	334,801	436,820	678,960
Net assets attributable to members	266,432,959	149,019,980	236,171,899	365,996,488	392,951,726	121,206,517	184,717,818	283,078,211

Statement of net assets available for benefits as at 31 December 2018 (continued)

(Expressed in Hong Kong dollars)

	2018								
	European Equity Fund	*Hong Kong Equities Fund*	*US Equity Fund*	*Greater China Equity Fund*	*Age 65 Plus Fund*	*Core Accumulation Fund*	*The Constituent Fund*	*The Scheme*	*Total*
	$	$	$	$	$	$	$	$	$
Assets									
Investments	65,320,075	268,621,364	123,697,741	199,597,420	19,756,284	46,180,759	2,725,848,899	-	2,725,848,899
Contributions receivable									
– from employers	-	-	-	-	-	-	-	7,113,476	7,113,476
– from members	-	-	-	-	-	-	-	6,708,932	6,708,932
Transfers in receivable	-	-	-	-	-	-	-	4,788,367	4,788,367
Amounts receivable on subscriptions	14,646	123,842	227,529	151,922	92,045	143,154	2,773,674	(2,773,674)	-
Amounts receivable on sales of investments	-	4,717	5,973	5,312	519	16,046	374,844	-	374,844
Other receivables	30,966	-	58,522	-	-	-	565,397	1,313,841	1,879,238
Cash at bank	-	-	-	-	-	-	-	7,382,869	7,382,869
Total assets	65,365,687	268,749,923	123,989,765	199,754,654	19,848,848	46,339,959	2,729,562,814	24,533,811	2,754,096,625
Liabilities									
Benefits payable	-	-	-	-	-	-	-	2,536,934	2,536,934
Transfers out payable	-	-	-	-	-	-	-	2,915,052	2,915,052
Forfeitures payable	-	-	-	-	-	-	-	113,121	113,121
Amounts payable on redemptions	-	4,717	5,973	5,312	519	16,046	374,844	(374,844)	-
Amounts payable on purchases of investments	45,612	123,842	286,051	151,922	92,045	143,154	3,339,071	-	3,339,071
Other payables	97,166	636,861	120,767	539,202	29,190	57,082	4,579,926	1,381,853	5,961,779
Total liabilities (excluding net assets attributable to members)	142,778	765,420	412,791	696,436	121,754	216,282	8,293,841	6,572,116	14,865,957
Net assets attributable to members	65,222,909	267,984,503	123,576,974	199,058,218	19,727,094	46,123,677	2,721,268,973	17,961,695	2,739,230,668

Statement of net assets available for benefits as at 31 December 2018 (continued)

(Expressed in Hong Kong dollars)

	2017							
	MPF Conservative Fund	*Guaranteed Fund*	*Global Stable Fund*	*Global Growth Fund*	*Asian Balanced Fund*	*Global Bond Fund*	*Global Equity Fund*	*Asian Pacific Equity Fund*
	$	$	$	$	$	$	$	$
Assets								
Investments	206,051,985	151,097,210	263,473,264	445,052,663	471,176,572	109,489,111	238,207,734	370,283,965
Contributions receivable								
– from employers	-	-	-	-	-	-	-	-
– from members	-	-	-	-	-	-	-	-
Transfers in receivable	-	-	-	-	-	-	-	-
Amounts receivable on subscriptions	1,590,881	68,614	173,460	192,325	187,064	105,184	454,431	171,930
Amounts receivable on sales of investments	16,866	235,819	49,854	79,862	106,529	3,949	17,516	20,866
Other receivables	17,134	-	-	-	216,497	41,837	109,649	168,368
Cash at bank	-	-	-	-	-	-	-	-
Total assets	207,676,866	151,401,643	263,696,578	445,324,850	471,686,662	109,640,081	238,789,330	370,645,129
Liabilities								
Benefits payable	-	-	-	-	-	-	-	-
Transfers out payable	-	-	-	-	-	-	-	-
Forfeitures payable	-	-	-	-	-	-	-	-
Amounts payable on redemptions	16,866	235,819	49,854	79,862	106,529	3,949	17,516	20,866
Amounts payable on purchases of investments	1,608,015	68,614	173,460	192,325	403,561	147,021	564,080	340,298
Other payables	144,305	-	587,623	989,195	649,088	165,012	334,482	507,220
Total liabilities (excluding net assets attributable to members)	1,769,186	304,433	810,937	1,261,382	1,159,178	315,982	916,078	868,384
Net assets attributable to members	205,907,680	151,097,210	262,885,641	444,063,468	470,527,484	109,324,099	237,873,252	369,776,745

Statement of net assets available for benefits as at 31 December 2018 (continued)

(Expressed in Hong Kong dollars)

	2017								
	European Equity Fund	*Hong Kong Equities Fund*	*US Equity Fund*	*Greater China Equity Fund*	*Age 65 Plus Fund*	*Core Accumulation Fund*	*The Constituent Fund*	*The Scheme*	*Total*
	$	$	$	$	$	$		$	$
Assets									
Investments	75,832,101	333,160,764	111,870,179	242,153,578	9,933,985	27,907,106	3,055,690,217	-	3,055,690,217
Contributions receivable									
– from employers	-	-	-	-	-	-	-	6,833,041	6,833,041
– from members	-	-	-	-	-	-	-	6,601,463	6,601,463
Transfers in receivable	-	-	-	-	-	-	-	5,879,372	5,879,372
Amounts receivable on subscriptions	25,874	238,075	411,402	466,885	467,485	166,358	4,719,968	(4,719,968)	-
Amounts receivable on sales of investments	5,813	210,516	135,219	418,241	-	17,332	1,318,382	-	1,318,382
Other receivables	35,019	-	51,830	-	-	-	640,334	1,867,864	2,508,198
Cash at bank	-	-	-	-	-	-	-	9,049,677	9,049,677
Total assets	75,898,807	333,609,355	112,468,630	243,038,704	10,401,470	28,090,796	3,062,368,901	25,511,449	3,087,880,350
Liabilities									
Benefits payable	-	-	-	-	-	-	-	6,038,721	6,038,721
Transfers out payable	-	-	-	-	-	-	-	2,202,341	2,202,341
Forfeitures payable	-	-	-	-	-	-	-	77,781	77,781
Amounts payable on redemptions	5,813	210,516	135,219	418,241	-	17,332	1,318,382	(1,318,382)	-
Amounts payable on purchases of investments	60,893	238,075	463,232	466,885	467,485	166,358	5,360,302	-	5,360,302
Other payables	105,920	739,299	104,993	628,170	6,577	19,454	4,981,338	1,323,958	6,305,296
Total liabilities (excluding net assets attributable to members)	172,626	1,187,890	703,444	1,513,296	474,062	203,144	11,660,022	8,324,419	19,984,441
Net assets attributable to members	75,726,181	332,421,465	111,765,186	241,525,408	9,927,408	27,887,652	3,050,708,879	17,187,030	3,067,895,909

Statement of net assets available for benefits as at 31 December 2018 (continued)

(Expressed in Hong Kong dollars)

		2018						
	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		266,432,959	149,019,980	236,171,899	365,996,488	392,951,726	121,206,517	184,717,818
Total number of units in issue	6	24,494,362.7713	14,283,706.8947	12,507,139.5072	18,131,396.4424	15,533,915.2621	9,010,595.1016	7,643,909.8287
Net asset value per unit		10.8773	10.4329	18.8830	20.1858	25.2964	13.4516	24.1654

		2018						
	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		283,078,211	65,222,909	267,984,503	123,576,974	199,058,218	19,727,094	46,123,677
Total number of units in issue	6	18,120,522.0075	6,369,508.2012	22,457,911.0326	6,587,331.7256	16,485,715.4565	1,946,847.3868	4,524,102.2533
Net asset value per unit		15.6220	10.2399	11.9327	18.7598	12.0746	10.1328	10.1951

Statement of net assets available for benefits as at 31 December 2018 (continued)

(Expressed in Hong Kong dollars)

		2017						
	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		205,907,680	151,097,210	262,885,641	444,063,468	470,527,484	109,324,099	237,873,252
Total number of units in issue	6	19,037,068.8871	13,293,465.6444	12,615,075.5075	19,280,655.2186	15,952,074.5424	8,016,229.6917	8,339,515.5707
Net asset value per unit		10.8161	11.3663	20.8390	23.0316	29.4963	13.6378	28.5236

Statement of net assets available for benefits as at 31 December 2018 (continued)

(Expressed in Hong Kong dollars)

		2017						
	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		369,776,745	75,726,181	332,421,465	111,765,186	241,525,408	9,927,408	27,887,652
Total number of units in issue	6	19,375,771.4649	6,350,645.9892	22,993,580.2610	5,863,401.5709	15,875,530.7740	964,426.4299	2,554,675.6245
Net asset value per unit		19.0845	11.9242	14.4571	19.0615	15.2137	10.2936	10.9163

Approved and authorised for issue by the Trustee on **27 JUN 2019**

) For and on behalf of
) YF Life Trustees Limited

The notes on pages 121 to 146 form part of these financial statements.

Statement of changes in net assets attributable to members - Master trust scheme for the year ended 31 December 2018

(Expressed in Hong Kong dollars)

	2018 $	*2017* $
Net assets attributable to members brought forward	3,067,895,909	2,379,076,514
Contributions received and receivable from employers		
From employers		
– Mandatory	80,056,460	82,481,217
– Additional voluntary	15,974,143	13,901,464
From members		
– Mandatory	95,665,303	98,391,911
– Additional voluntary	10,635,199	7,442,931
Contribution surcharge received and receivable	484,982	407,260
Transfers in		
Group transfers in from other schemes	7,731,868	22,619,414
Individual transfers in from other schemes	138,914,373	166,860,309
	349,462,328	392,104,506

Statement of changes in net assets attributable to members - Master trust scheme for the year ended 31 December 2018 (continued)

(Expressed in Hong Kong dollars)

	2018 $	*2017* $
Benefits paid and payable		
Retirement	34,872,133	34,443,777
Early retirement	8,582,480	8,881,675
Death	2,646,629	2,888,932
Permanent departure	19,792,014	15,860,380
Total incapacity	969,864	925,797
Small balance	4,117	13,348
Refund of additional voluntary contributions to leavers	2,005,553	1,918,433
Terminal illness	512,587	2,027,581
Transfers out		
Group transfers out to other schemes	67,283,809	30,360,485
Individual transfers out to other schemes	152,399,228	147,301,987
Forfeitures	2,306,457	1,326,515
Withdrawal of additional voluntary contributions	199,965	262,313
Long services payments	7,442,549	8,329,405
	299,017,385	254,540,628
(Decrease)/increase in the net assets attributable to members for the year	(379,110,184)	551,255,517
Net assets attributable to members carried forward	2,739,230,668	3,067,895,909

The notes on pages 121 to 146 form part of these financial statements.

Cash flow statement - Master trust scheme for the year ended 31 December 2018

(Expressed in Hong Kong dollars)

	2018 $	*2017* $
Operating activities		
(Decrease)/increase in net assets attributable to members	(379,110,184)	551,255,517
Adjustments for:		
Interest income	(751)	(405)
Net realised gain on investments	(72,159,386)	(42,938,963)
Net unrealised loss/(gain) on investments	451,268,961	(508,317,349)
Operating cash flow before changes in working capital	(1,360)	(1,200)
Decrease/(increase) in other receivables	554,023	(401,786)
Increase in accruals and other payables	57,895	183,939
Purchases of investments	(762,055,223)	(686,573,478)
Sales of investments	711,382,798	548,006,299
Net cash used in operating activities	(50,061,867)	(138,786,226)
Investing activity		
Interest received	751	405
Net cash generated from investing activity	751	405
Financing activities		
Contributions and transfers in received	350,165,429	390,789,309
Benefits, transfers out, forfeitures, long service payments and initial charges paid	(301,771,121)	(249,363,802)
Net cash generated from financing activities	48,394,308	141,425,507

Cash flow statement - Master trust scheme for the year ended 31 December 2018 (continued)

(Expressed in Hong Kong dollars)

	2018 $	*2017* $
Net (decrease)/increase in cash and cash equivalents	(1,666,808)	2,639,686
Cash and cash equivalents at 1 January	9,049,677	6,409,991
Cash and cash equivalents at 31 December	7,382,869	9,049,677
Analysis of balance of cash and cash equivalents:		
Cash at bank	7,382,869	9,049,677

The notes on pages 121 to 146 form part of these financial statements.

Statement of changes in net assets attributable to members - Constituent funds for the year ended 31 December 2018

(Expressed in Hong Kong dollars)

	2018						
	MPF Conservative Fund $	*Guaranteed Fund* $	*Global Stable Fund* $	*Global Growth Fund* $	*Asian Balanced Fund* $	*Global Bond Fund* $	*Global Equity Fund* $
Net assets attributable to members brought forward	205,907,680	151,097,210	262,885,641	444,063,468	470,527,484	109,324,099	237,873,252
Proceeds on units issued	179,688,288	47,359,165	29,159,802	34,218,497	45,313,121	34,963,071	20,532,285
Payments on units redeemed	(120,560,128)	(37,370,404)	(31,484,146)	(60,246,245)	(57,152,857)	(21,404,202)	(40,211,805)
	59,128,160	9,988,761	(2,324,344)	(26,027,748)	(11,839,736)	13,558,869	(19,679,520)
Increase/(decrease) in net assets attributable to members for the year	1,397,119	(12,065,991)	(24,389,398)	(52,039,232)	(65,736,022)	(1,676,451)	(33,475,914)
Net assets attributable to members carried forward	266,432,959	149,019,980	236,171,899	365,996,488	392,951,726	121,206,517	184,717,818

Statement of changes in net assets attributable to members - Constituent funds for the year ended 31 December 2018 (continued)

(Expressed in Hong Kong dollars)

	2018							
	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*	*Total*
	$	$	$	$	$	$	$	$
Net assets attributable to members brought forward	369,776,745	75,726,181	332,421,465	111,765,186	241,525,408	9,927,408	27,887,652	3,050,708,879
Proceeds on units issued	43,613,242	19,909,584	100,287,867	65,143,711	77,159,661	29,656,010	33,104,625	760,108,929
Payments on units redeemed	(66,100,824)	(19,613,179)	(108,685,132)	(48,855,529)	(67,603,982)	(19,612,159)	(11,538,668)	(710,439,260)
	(22,487,582)	296,405	(8,397,265)	16,288,182	9,555,679	10,043,851	21,565,957	49,669,669
Decrease in net assets attributable to members for the year	(64,210,952)	(10,799,677)	(56,039,697)	(4,476,394)	(52,022,869)	(244,165)	(3,329,932)	(379,109,575)
Net assets attributable to members carried forward	283,078,211	65,222,909	267,984,503	123,576,974	199,058,218	19,727,094	46,123,677	2,721,268,973

Statement of changes in net assets attributable to members - Constituent funds for the year ended 31 December 2018 (continued)

(Expressed in Hong Kong dollars)

	2017						
	MPF Conservative Fund	*Guaranteed Fund*	*Global Stable Fund*	*Global Growth Fund*	*Asian Balanced Fund*	*Global Bond Fund*	*Global Equity Fund*
	$	$	$	$	$	$	$
Net assets attributable to members brought forward	168,446,997	125,002,290	224,457,880	361,531,741	384,849,292	93,179,690	203,466,751
Proceeds on units issued	128,027,439	34,982,268	30,828,665	40,067,027	57,926,887	36,267,845	26,918,631
Payments on units redeemed	(90,579,746)	(23,214,940)	(31,905,205)	(40,937,148)	(57,985,142)	(23,146,208)	(26,503,630)
	37,447,693	11,767,328	(1,076,540)	(870,121)	(58,255)	13,121,637	415,001
Increase in net assets attributable to members for the year	12,990	14,327,592	39,504,301	83,401,848	85,736,447	3,022,772	33,991,500
Net assets attributable to members carried forward	205,907,680	151,097,210	262,885,641	444,063,468	470,527,484	109,324,099	237,873,252

Statement of changes in net assets attributable to members - Constituent funds for the year ended 31 December 2018 (continued)

(Expressed in Hong Kong dollars)

	2017							
	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*	*Total*
	$	$	$	$	$	$	$	$
Net assets attributable to members brought forward	262,804,917	52,928,219	251,700,906	78,792,763	152,612,344	-	-	2,359,773,790
Proceeds on units issued	60,608,093	30,539,350	85,889,102	41,290,326	71,326,342	10,807,024	30,746,761	686,225,760
Payments on units redeemed	(50,576,953)	(18,951,271)	(89,918,837)	(30,419,485)	(57,085,991)	(1,024,095)	(4,298,332)	(546,546,983)
	10,031,140	11,588,079	(4,029,735)	10,870,841	14,240,351	9,782,929	26,448,429	139,678,777
Increase in net assets attributable to members for the year	96,940,688	11,209,883	84,750,294	22,101,582	74,672,713	144,479	1,439,223	551,256,312
Net assets attributable to members carried forward	369,776,745	75,726,181	332,421,465	111,765,186	241,525,408	9,927,408	27,887,652	3,050,708,879

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 and 1 May 2019 with YF Life Trustees Limited (formerly MassMutual 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 2018:

- MPF Conservative Fund
- Guaranteed Fund
- Global Stable Fund
- Global Growth Fund
- 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 Significant 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. A summary of the significant accounting policies adopted by the Scheme is set out below.

The HKICPA has issued certain new and revised 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 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 Significant accounting policies (continued)

(d) Contributions/subscriptions for units

Contributions/subscriptions for units are accounted for on an accruals 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 are 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 accruals 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 accruals 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

Policy applicable from 1 January 2018

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 SPPI.

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

2 Significant 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.

Policy applicable before 1 January 2018

The Scheme classifies financial assets and financial liabilities into the following categories.

Financial assets at fair value through profit or loss:

- Designated as at fair value through profit or loss: investments.

Financial assets at amortised cost:

- Loans and receivables: cash at bank, amounts receivable on sales of investments, amounts receivable on subscriptions, contributions receivable, transfers in receivable and other receivables.

Financial liabilities at amortised cost:

- Other liabilities: amounts payable on redemptions, amounts payable on purchases of investments, benefits payable, forfeitures payable, transfers out payable and other payables.

2 Significant accounting policies (continued)

A financial instrument is classified as held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio that is managed together and for which there is evidence of a recent pattern of short-term profit taking; or
- it is a derivative, other than a designated and effective hedging instrument.

The Scheme designates all debt and equity investments at fair value through profit or loss on initial recognition because it manages these securities on a fair value basis in accordance with its documented investment strategy. Internal reporting and performance measurement of these securities are on a fair value basis. The Scheme designates all derivative financial instruments at fair value through profit or loss on initial recognition because these derivative financial instruments are derivatives other than a designated and effective hedging instrument.

A non-derivative financial asset with fixed or determinable payments may be classified as a loan and receivable unless it is quoted in an active market or is an asset for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(iii) Measurement

All investments have been designated 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 fair 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 significant 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

Policy applicable from 1 January 2018

The Scheme recognises loss allowances for 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.

2 Summary of significant accounting policies (continued)

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.

Policy applicable before 1 January 2018

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of contributions receivable and the estimated future cash flows, discounted where the effect of discounting is material.

(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 assets and liabilities, 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 assets and liabilities 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 fair value through profit or loss and foreign exchange gains and losses.

2 Significant 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 therefore are 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 Significant 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 or the Scheme's parent.

(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 Significant 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 a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Scheme. Of these, the following development is relevant to the Scheme's financial statements:

- HKFRS 9, *Financial instruments*

The Scheme has not applied any new standard or interpretation that is not yet effective for the current accounting period. The revised and new accounting standards and interpretations issued but not yet effective for the year ended 31 December 2018 are set out in note 17.

HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKFRS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(a) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at FVTPL. These supersede HKFRS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

3 Changes in accounting policies (continued)

HKFRS 9 largely retains the existing requirements in HKFRS 39 for the classification and measurement of financial liabilities. The adoption of HKFRS 9 has not had a significant effect on the Scheme's accounting policies related to financial liabilities.

The Scheme has assessed the classification of financial assets as at the date of initial application and has applied such classification retrospectively. Based on that assessment:

- Financial instruments previously classified as at FVTPL continue to be measured at FVTPL.

- Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing SPPI. Therefore, such instruments continue to be measured at amortised cost under HKFRS 9.

(b) Impairment of financial assets

- HKFRS 9 replaces the "incurred loss" model in HKFRS 39 with the "expected credit loss" model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKFRS 39. The Scheme applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents and receivables). Given the limited exposure of the Scheme to credit risk, this amendment has not had a material impact on the financial statements. The Scheme only holds account receivables which have maturities of less than 12 months at amortised cost and of high credit quality. Accordingly the ECLs on such assets are determined to be immaterial.

- For further details on the Scheme's accounting policy for accounting for credit losses, see accounting policy note 2(g)(vi).

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.

(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 $25,800,807 (2017: $24,105,552) trustee fees.

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

(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 for the Investment Funds, consisting of MPF Conservative Fund, Global Stable Fund, Global Growth Fund, Asian Balanced 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 $682,500 (2017: $604,500) fund administration fees.

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

(c) As at 31 December 2018, the Scheme placed bank deposits amounted to $5,547,402 (2017: $7,644,248) with Citibank N.A. The interest income derived from these deposits during the year amounted to $751 (2017: $405).

(d) During the year, rebates of $232,892 (2017: $184,075), calculated at an annual rate of 0.10% of the net asset value of Allianz Choice HK$ 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.

(e) During the year, rebates of $7,072,071 (2017: $6,764,005), 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.

(f) During the year, investment management fee of $3,917,680 (2017: $3,665,349), calculated at an annual rate of 0.39% of the net asset value of the underlying investment funds, Allianz Choice Stable Growth Fund, Allianz Choice Balanced Fund and Allianz Choice Hong Kong Fund, were paid to the Investment Manager, Allianz Global Investors Asia Pacific Limited.

5 Transactions with related parties (continued)

(g) During the year, investment management fee of $1,169,996 (2017: $992,062), calculated at an annual rate of 0.50% of the net asset value of the underlying investment fund, JP Morgan SAR Greater China Fund, were paid to the Investment Manager, JF Asset Management Limited.

(h) The transactions with related parties as stated in notes 5(a) to 5(g) 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 2018	*Issued during the year*	*Redeemed during the year*	*Balance at 31 December 2018*
MPF Conservative Fund	19,037,068.8871	16,588,770.1405	11,131,476.2563	24,494,362.7713
Guaranteed Fund	13,293,465.6444	4,263,806.5819	3,273,565.3316	14,283,706.8947
Global Stable Fund	12,615,075.5075	1,425,031.8505	1,532,967.8508	12,507,139.5072
Global Growth Fund	19,280,655.2186	1,519,440.9445	2,668,699.7207	18,131,396.4424
Asian Balanced Fund	15,952,074.5424	1,624,817.9408	2,042,977.2211	15,533,915.2621
Global Bond Fund	8,016,229.6917	2,577,514.1529	1,583,148.7430	9,010,595.1016
Global Equity Fund	8,339,515.5707	736,605.8268	1,432,211.5688	7,643,909.8287
Asian Pacific Equity Fund	19,375,771.4649	2,421,505.6932	3,676,755.1506	18,120,522.0075
European Equity Fund	6,350,645.9892	1,662,481.3165	1,643,619.1045	6,369,508.2012
Hong Kong Equities Fund	22,993,580.2610	7,245,283.4249	7,780,952.6533	22,457,911.0326
US Equity Fund	5,863,401.5709	3,079,281.7992	2,355,351.6445	6,587,331.7256
Greater China Equity Fund	15,875,530.7740	5,174,268.9375	4,564,084.2550	16,485,715.4565
Age 65 Plus Fund	964,426.4299	2,894,905.9151	1,912,484.9582	1,946,847.3868
Core Accumulation Fund	2,554,675.6245	3,030,341.9296	1,060,915.3008	4,524,102.2533

7 Soft commission arrangements

During the year ended 31 December 2018, 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 (2017: Nil).

8 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 2018 (2017: Nil).

9 Bank loans and other borrowings

The Scheme had no bank loans and other borrowings as at 31 December 2018 (2017: Nil).

10 Commitments

The Scheme had no commitments as at 31 December 2018 (2017: Nil).

11 Contingent liabilities

The Scheme had no contingent liabilities as at 31 December 2018 (2017: Nil).

12 Negotiability of assets

At 31 December 2018, there was no statutory or contractual requirement restricting the negotiability of the assets of the Scheme (2017: 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 approved pooled investment funds managed by the Investment Managers, Allianz Global Investors Asia Pacific Limited, Franklin Templeton Investments (Asia) Limited, JF Asset Management Limited and Invesco 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.

(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.

13 Financial risk management (continued)

Sensitivity analysis

A 10% (2017: 10%) increase in the underlying fund price of the constituent funds under the Scheme at 31 December 2018 would have increased the respective net profit and net asset value by the following amounts:

Name of the constituent fund	*2018 Increase in net income/ net asset value* $	*2017 Increase in net income/ net asset value* $
MPF Conservative Fund	26,671,483	20,605,199
Guaranteed Fund	14,901,998	15,109,721
Global Stable Fund	23,673,105	26,347,326
Global Growth Fund	36,686,876	44,505,266
Asian Balanced Fund	39,350,643	47,117,657
Global Bond Fund	12,136,828	10,948,911
Global Equity Fund	18,498,504	23,820,773
Asian Pacific Equity Fund	28,348,089	37,028,397
European Equity Fund	6,532,008	7,583,210
Hong Kong Equities Fund	26,862,136	33,316,076
US Equity Fund	12,369,774	11,187,018
Greater China Equity Fund	19,959,742	24,215,358
Age 65 Plus Fund	1,975,628	993,399
Core Accumulation Fund	4,618,076	2,790,711
	272,584,890	305,569,022

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

(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 2018, 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 $48,661 (2017: $70,022).

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 2017.

13 Financial risk management (continued)

The Investment Funds, consisting of MPF Conservative Fund, Guaranteed Fund, Global Stable Fund, Global Growth Fund, Asian Balanced 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 are 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 Hong Kong Mandatory Provident Fund Schemes (General) Regulation.

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

	2018	*2017*
MPF Conservative Fund		
– Hong Kong dollars	100%	100%
Guaranteed Fund		
– Hong Kong dollars	39%	38%
– United States dollars	21%	21%
– Euro	17%	18%
– Japanese Yen	12%	12%
– Others	11%	11%
Global Stable Fund		
– Hong Kong dollars	36%	36%
– United States dollars	22%	21%
– Euro	15%	16%
– Japanese Yen	12%	13%
– Others	15%	14%

13 Financial risk management (continued)

	2018	*2017*
Global Growth Fund		
– Hong Kong dollars	37%	36%
– United States dollars	22%	21%
– Euro	11%	13%
– Japanese Yen	12%	13%
– Others	18%	17%
Asian Balanced Fund		
– Hong Kong dollars	46%	42%
– Korean Won	10%	10%
– Singapore dollars	2%	2%
– Australian dollars	1%	3%
– Thai Baht	4%	7%
– Japanese Yen	6%	18%
– New Taiwanese dollars	4%	4%
– Indian Ruppe	14%	7%
– Others	13%	7%
Global Bond Fund		
– Hong Kong dollars	46%	62%
– Korean Won	1%	1%
– Mexican Peso	8%	9%
– United States dollars	17%	0%
– Thailand Baht	7%	7%
– Indonesian Rupee	7%	7%
– Indian Rupee	11%	11%
– Others	3%	3%
Global Equity Fund		
– Hong Kong dollars	44%	36%
– United States dollars	5%	27%
– Euro	21%	12%
– Great British Pound	8%	6%
– Japanese Yen	6%	5%
– Korean Won	3%	4%
– Swiss Franc	4%	2%
– Others	9%	8%

13 Financial risk management (continued)

	2018	*2017*
Asian Pacific Equity Fund		
– Hong Kong dollars	46%	41%
– Korean Won	18%	19%
– Thai Baht	6%	7%
– Singapore dollars	3%	3%
– New Taiwanese dollars	8%	9%
– Australian dollars	4%	4%
– Philippines Peso	0%	1%
– Indian Rupee	9%	12%
– Others	6%	4%
European Equity Fund		
– Hong Kong dollars	43%	39%
– Euro	38%	40%
– Great British Pound	5%	7%
– Swiss Franc	5%	5%
– Others	9%	9%
Hong Kong Equities Fund		
– Hong Kong dollars	95%	98%
– Others	5%	2%
US Equity Fund		
– United States dollars	56%	63%
– Hong Kong dollars	44%	37%
Greater China Equity Fund		
– Hong Kong dollars	68%	77%
– Others	32%	23%

13 Financial risk management (continued)

	2018	*2017*
Age 65 Plus Fund		
– Hong Kong dollars	79%	79%
– United States dollars	11%	11%
– Euro	2%	3%
– Japanese Yen	2%	2%
– Others	6%	5%
Core Accumulation Fund		
– Hong Kong dollars	43%	40%
– United States dollars	33%	33%
– Euro	5%	7%
– Japanese Yen	5%	5%
– Others	14%	15%

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)

	2018		*2017*	
(Expressed in HKD)	*Increase/ (decrease) in foreign exchange rates*	*Effect on net profit and net asset value*	*Increase/ (decrease) in foreign exchange rates*	*Effect on net profit and net asset value*
		$'000		$'000
Australian dollars	10%	1,641	10%	2,891
	(10%)	(1,641)	(10%)	(2,891)
Euros	10%	16,979	10%	18,582
	(10%)	(16,979)	(10%)	(18,582)
Great British Pounds	10%	2,910	10%	1,957
	(10%)	(2,910)	(10%)	(1,957)
Indian Rupee	20%	18,858	20%	11,280
	(20%)	(18,858)	(20%)	(11,280)
Japanese Yen	10%	12,155	10%	20,662
	(10%)	(12,155)	(10%)	(20,662)
Korean Won	5%	4,771	5%	6,396
	(5%)	(4,771)	(5%)	(6,396)
New Taiwanese dollars	5%	2,017	5%	2,605
	(5%)	(2,017)	(5%)	(2,605)
Philippines Peso	10%	-	10%	370
	(10%)	-	(10%)	(370)
Singapore dollars	10%	1,999	10%	2,050
	(10%)	(1,999)	(10%)	(2,050)
Swiss Franc	20%	2,082	20%	1,709
	(20%)	(2,082)	(20%)	(1,709)
Thai Baht	10%	4,242	10%	6,647
	(10%)	(4,242)	(10%)	(6,647)
Others	10%	25,455	10%	31,175
	(10%)	(25,455)	(10%)	(31,175)

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 2017.

(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 rate 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 off as soon as practical.

As at 31 December 2018, the Scheme net assets amounted to $2,739,230,668 (2017: $3,067,895,909) and the investment in APIFs amounted to $2,725,848,899 (2017: $3,055,690,217).

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 approved pooled investment funds 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 can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including contribution receivable transfer in receivable, amounts receivable on subscriptions, amounts receivable on sale of investments, other receivables, benefits payable, transfer out payable, forfeiture payable, amounts payable on redemptions, amounts payable on purchase of investments and accruals and other payables, the carrying amounts approximate their fair value due to the immediate or short-term nature of these financial instruments.

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.

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 2018 and 2017.

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.

Type of structured entity	*Nature and purpose*	*Interest held by the Scheme*
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 2018

Structured entity	*Number of investee funds*	*Total net assets*	*Carrying amount included in investment*
		$	$
Unlisted open-ended investment funds	14	25,591,456,335	2,725,848,899

As at 31 December 2017

Structured entity	*Number of investee funds*	*Total net assets*	*Carrying amount included in investment*
		$	$
Unlisted open-ended investment funds	14	36,759,622,034	3,055,690,217

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 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 2018

	Age 65 Plus Fund $	*Core Accumulation Fund* $
Payments for services		
– Trustee fees	133,962	232,887
Total payments for services	133,962	232,887
Out-of-pocket expenses		
– Auditor's remuneration	19,212	34,005
Total out-of-pocket expenses	19,212	34,005
Total payments	153,174	266,892
Out of pocket expenses expressed as a percentage of net asset value of the DIS constituent funds *	0.08%	0.08%

* 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 period from 1 January 2018 to 31 December 2018.

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

During the period from 1 April 2017 to 31 December 2017

	Age 65 Plus Fund $	*Core Accumulation Fund* $
Payments for services		
– Trustee fees	22,522	69,990
Total payments for services	22,522	69,990
Out-of-pocket expenses		
– Auditor’s remuneration	1,908	5,931
Total out-of-pocket expenses	1,908	5,931
Total payments	24,430	75,921
Out of pocket expenses expressed as a percentage of net asset value of the DIS constituent funds *	0.04%	0.04%

* 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 period from 1 April 2017 to 31 December 2017.

17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 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
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

The Trustee is in the process of making an assessment of what the impact of these amendments, new standards and interpretations 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.