
Category Definitions

Hong Kong Mandatory Provident Funds

Manager Research

April 2021

Contents

- 1 Introduction
- 2 Equity
- 4 Allocation
- 6 Bond
- 7 Miscellaneous
- 8 Money Market

Introduction

The Morningstar Categories for the Hong Kong Mandatory Provident Funds universe were established to help investors make meaningful comparisons between MPFs. Morningstar regularly reviews the category structure and the funds within each category to ensure that the system meets the needs of investors and keeps pace with market developments.

The categories are based on the following principles:

Proper Evaluation: Every rated category should form a benchmark against which a manager's ability to add value relative to peers with similar investment exposures can be meaningfully measured.

Transparency: The rules defining each category should be clearly stated such that asset managers and investors can easily determine the rationale for a fund's classification

Independence: A fund's classification is based on Morningstar's independent analysis of its holdings, objective and performance.

Equity

Asia ex-Japan Equity

Asia ex-Japan Equity funds invest throughout Asia, but generally exclude Australia, New Zealand, and Japan. These funds invest at least 75% of total assets in equities, and invest at least 75% of equity assets in Asian countries, with less than 10% in Japan, Australia, and New Zealand.

Morningstar Category Index: MSCI AC Asia Ex JPN NR

Asia-Pacific ex-Japan Equity

Asia-Pacific ex-Japan Equity funds invest throughout the Pacific Rim, excluding Japan, but including Australia and New Zealand. These funds invest at least 75% of total assets in equities, and invest at least 75% of equity assets in Asia-Pacific countries, with less than 10% in Japan.

Morningstar Category Index: MSCI AC Asia Pac Ex JPN NR

China and Greater China Equity

China and Greater China Equity funds invest principally in Chinese companies listed on the stock exchanges in China and Hong Kong and may or may not invest in Taiwan companies. To a lesser extent, these funds may also invest in companies that derive significant revenues from or have substantial business ties with the three markets. These funds invest at least 75% of total assets in equities, and at least 75% of equity assets in China or Greater China companies defined as above.

Morningstar Category Index: MSCI Golden Dragon NR

Europe Equity

Europe Equity funds invest principally in the equities in Europe. These funds may also include smaller positions in the region's smaller markets, including the emerging markets of Eastern Europe. These funds invest at least 75% of their total assets in equities, and invest at least 75% of equity assets in European equities.

Morningstar Category Index: MSCI Europe NR

Global Equity

Global Equity funds invest in the equities of companies from around the globe. Most of these funds divide their assets among many developed markets and invest at least 20% of equity assets in North America and 15% in Greater Europe. At least 75% of total assets are invested in equities.

Morningstar Category Index: MSCI World Free NR USD

Hong Kong Equity

Hong Kong Equity funds invest principally in the equities of Hong Kong companies. These funds invest at least 75% of total assets in equities, and invest at least 75% of equity assets in Hong Kong equities.

Morningstar Category Index: Hang Seng HSI GR

Japan Equity

Japan Equity funds invest principally in the equities of Japanese companies. These funds invest at least 75% of total assets in equities, and invest at least 75% of equity assets in Japanese equities.

Morningstar Category Index: MSCI Japan NR

US Equity

US Equity funds invest principally in the equities of US companies. These funds invest at least 75% of their total assets in equities, and invest at least 75% of equity assets in US equities.

Morningstar Category Index: MSCI USA NR

Other Equity

Other Equity funds invest in equities, but do not fit into any of the above Equity categories. These funds invest at least 75% of total assets in equities.

[Funds in this category do not receive a Morningstar Rating™ due to the diverse nature of the constituents.]

Allocation

Aggressive Allocation

Aggressive Allocation funds have a mandate to invest in a range of asset types, and it typically includes equity and bonds. The equity component will usually exceed 80% in the normal running of the fund. This category does not include DIS (default investment strategy) funds.

Cautious Allocation

Cautious Allocation funds have a mandate to invest in a range of asset types, and it typically includes equity and bonds. The equity component will usually not exceed 40% in the normal running of the fund. This category does not include DIS (default investment strategy) funds.

Moderately Aggressive Allocation

Moderately Aggressive Allocation funds have a mandate to invest in a range of asset types, and it typically includes equity and bonds. The equity component will usually be between 61% and 80% in the normal running of the fund. This category does not include DIS (default investment strategy) funds.

Moderate Allocation

Moderate Allocation funds have a mandate to invest in a range of asset types, and it typically includes equity and bonds. The equity component will usually be between 41% and 60% in the normal running of the fund. This category does not include DIS (default investment strategy) funds.

DIS - Age 65 Plus Fund

The Age 65 Plus Fund is one of the two constituent funds which form the default investment strategy (DIS). These funds invest in different asset classes in a globally diversified manner. They invest 80% of their total assets in lower risk assets, mainly global bonds, and the remaining in higher risk assets, mainly global equities. They are subject to a management fee cap of 0.75% and a recurrent expenses cap of 0.2%

Morningstar Category Index: Morningstar Global 20/80 NR

DIS - Core Accumulation Fund

The Core Accumulation Fund is one of the two constituent funds which form the default investment strategy (DIS). These funds invest in different asset classes in a globally diversified manner. They invest about 60% of their total assets in higher risk assets, mainly global equities, and the remaining in lower risk assets, mainly global bonds. They are subject to a management fee cap of 0.75% and a recurrent expenses cap of 0.2%.

Morningstar Category Index: Morningstar Global 60/40 NR

Target Date

Target-date portfolios provide diversified exposure to equities, bonds, and cash for those investors who have a specific date in mind for retirement or another goal. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. These portfolios get more conservative as the goal date approaches by investing more in bonds and cash. Investment managers structure these portfolios differently; two funds with the same goal year may have different allocations to equities and therefore different levels of return and risk. The category excludes guaranteed funds.

[Funds in this category do not receive a Morningstar Rating™ due to the diverse nature of the constituents.]

Bond

Asia Bond

Asia Bond funds are dedicated to fixed income securities of issuers who have their main business activities in Asia. They should invest across the Asian market universe without a single country focus. Funds in this category may have a mix of a hard currency and local currency exposure.

Morningstar Category Index: JPM Asia Credit TR

China Bond

China Bond funds invest in bonds issued by Chinese corporations and/or denominated in RMB that are issued outside of China.

Morningstar Category Index: Markit iBoxx ALBI China Offshore TR

Global Bond

Global Bond funds invest in a diversified portfolio of principally investment grade bonds denominated in a diverse range of currencies and do not systematically hedge currency risk or display a notable currency bias.

Morningstar Category Index: BBgBarc Global Aggregate TR

Hong Kong Bond

HKD Bond funds invest in bonds denominated in or hedged into HKD.

Morningstar Category Index: Markit iBoxx ALBI Hong Kong TR

Other Bond

Other Bond funds invest in bonds & have currency exposures that do not qualify them for inclusion in the Global Bond category.

[Funds in this category do not receive a Morningstar Rating™ due to the diverse nature of the constituents.]

Miscellaneous

Guaranteed Funds

Guaranteed funds promise and/or guarantee the repayment of all or part of the capital invested or promises a pre-determined rate of return.

[Funds in this category do not receive a Morningstar Rating™ due to the diverse nature of the constituents.]

Money Market

HKD Money Market

HKD Money Market funds invest in money market instruments denominated in or hedged into HKD. The residual aggregate maturity does not exceed 12 months.

Morningstar Category Index: FTSE HKD EuroDep 3 Mon HKD

[Funds in this category do not receive a Morningstar Rating™.]

Money Market Other

Money Market Other funds invest in money market securities & have currency exposures that do not qualify them for inclusion in the HKD Money Market category.

[Funds in this category do not receive a Morningstar Rating™.]



Unit 6809, The Center
99 Queen's Road Central
Hong Kong

©2021 Morningstar. All Rights Reserved. Unless otherwise provided in a separate agreement, you may use this report only in the country in which its original distributor is based. The information, data, analyses, and opinions presented herein do not constitute investment advice; are provided solely for informational purposes and therefore are not an offer to buy or sell a security; and are not warranted to be correct, complete, or accurate. The opinions expressed are as of the date written and are subject to change without notice. Except as otherwise required by law, Morningstar shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, the information, data, analyses, or opinions or their use. The information contained herein is the proprietary property of Morningstar and may not be reproduced, in whole or in part, or used in any manner, without the prior written consent of Morningstar. To license the research, call +1 312 696-6869.