



## Newsletter on Global Real Estate Investment Trusts (REITs)

Vaccine distribution, government stimulus policy and better-than expected corporate earnings results support the overall market sentiment, and investors have turned less pessimistic. Yet, some of the key risks including inflationary pressures, prospects for policy tapering and geopolitical tensions continue spark re-evaluation of many assumptions about the global economy. Hence in order to be better prepared for uncertainties, enhancements have been deployed to ensure the Scheme remains resilient. In particular, on REITs, the Trustees decided to remove global REITs from the Global Bond Fund (“GBF”) for risk reduction purpose and reclassify global REITs from the “Alternative” category to the “Equity” category, as the reclassification would better fit to the overall Scheme’s risk profile under the post-COVID 19 market conditions given its equity-like characteristics. The Scheme Office implemented the change in July 2021.

### What are REITs?

A REIT is a collective investment scheme set up as a trust to deliver a source of recurrent income to investors through primary investment in a portfolio of income-generating properties such as shopping malls, offices, hotels and service apartments in Hong Kong and/or overseas. REITs can be traded publicly on major market exchanges or privately. REITs provide a steady stream of income distribution to investors in the form of dividends or other distributions at regular intervals from rentals of their real estates’ investments. Meanwhile, REITs investment could serve as a potential inflation hedge under specific market conditions.

### What are we expecting to see after implementing the changes?

In terms of asset mix, the GBF comprises 95% bonds and 5% alternative investments. For the Global Equity, Growth, Balanced and Conservative Funds, the equity and bond allocations increase while allocation to alternatives decreases due to the reclassification of REITs.

Kindly note that the investment objectives and risk/return profiles of the five Lifestyle Funds remain unchanged. The risk (as measured by return volatility) of GBF is expected to decrease after removing REITs.

Please refer to the following table for the breakdown of asset classes of the five Lifestyle Funds and their respective risk/return profiles effective 1 July 2021.

	Global Equity Fund	Growth Fund	Balanced Fund	Conservative Fund	Global Bond Fund
Equities	95%	70%	50%	25%	-
Bonds	-	25%	45%	70%	95%
Alternatives	5%	5%	5%	5%	5%
Risk/Return Profile	Very High	High	Medium	Medium-Low	Medium-Low

We hope the above information help you understand REITs better. Should you have any further questions, please do not hesitate to contact Invesco member hotline for HA employees at (852) 3191 8088.

HAPFS Office

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