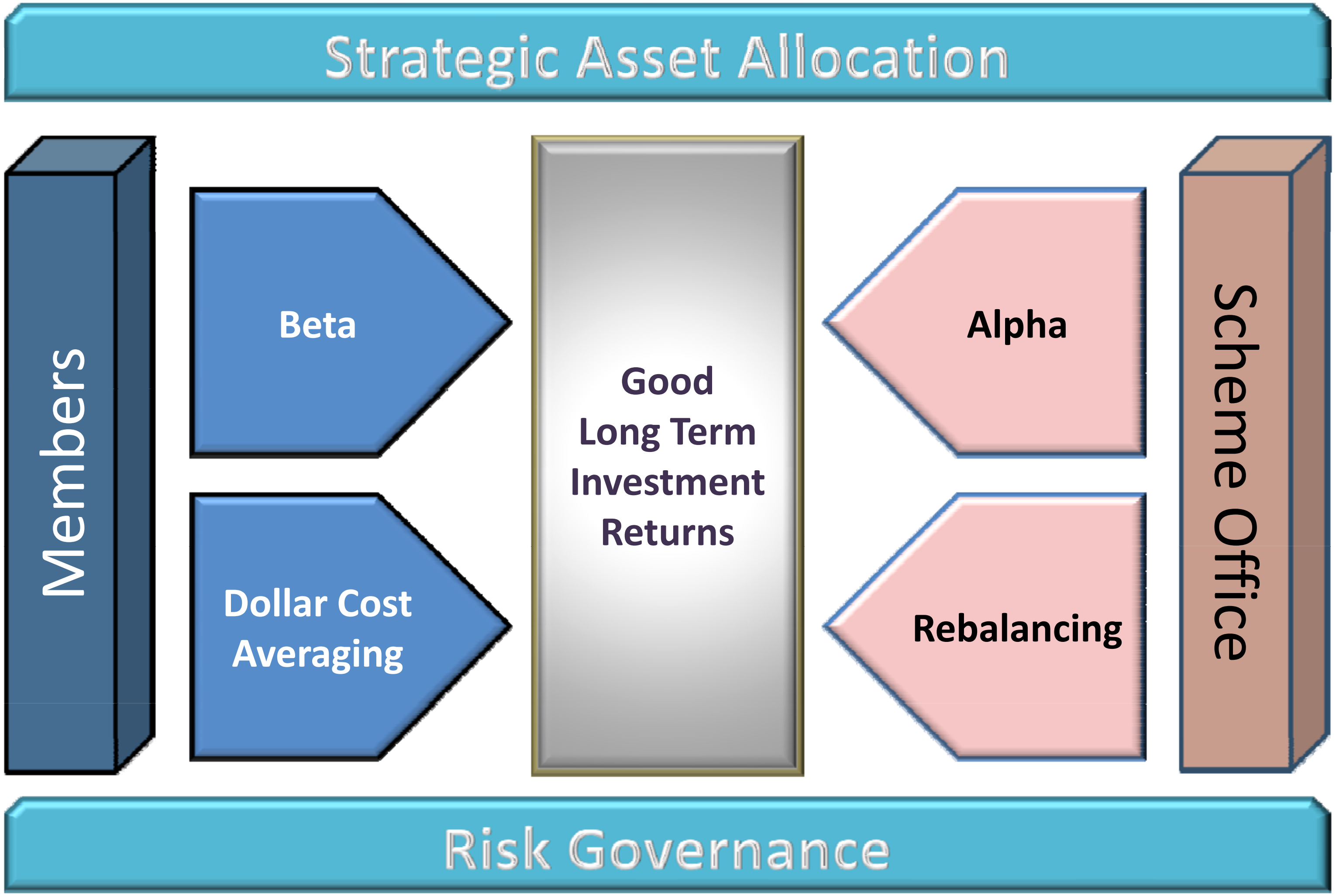
HAPFS's Pension Investment Concept



What is Alpha (α)?

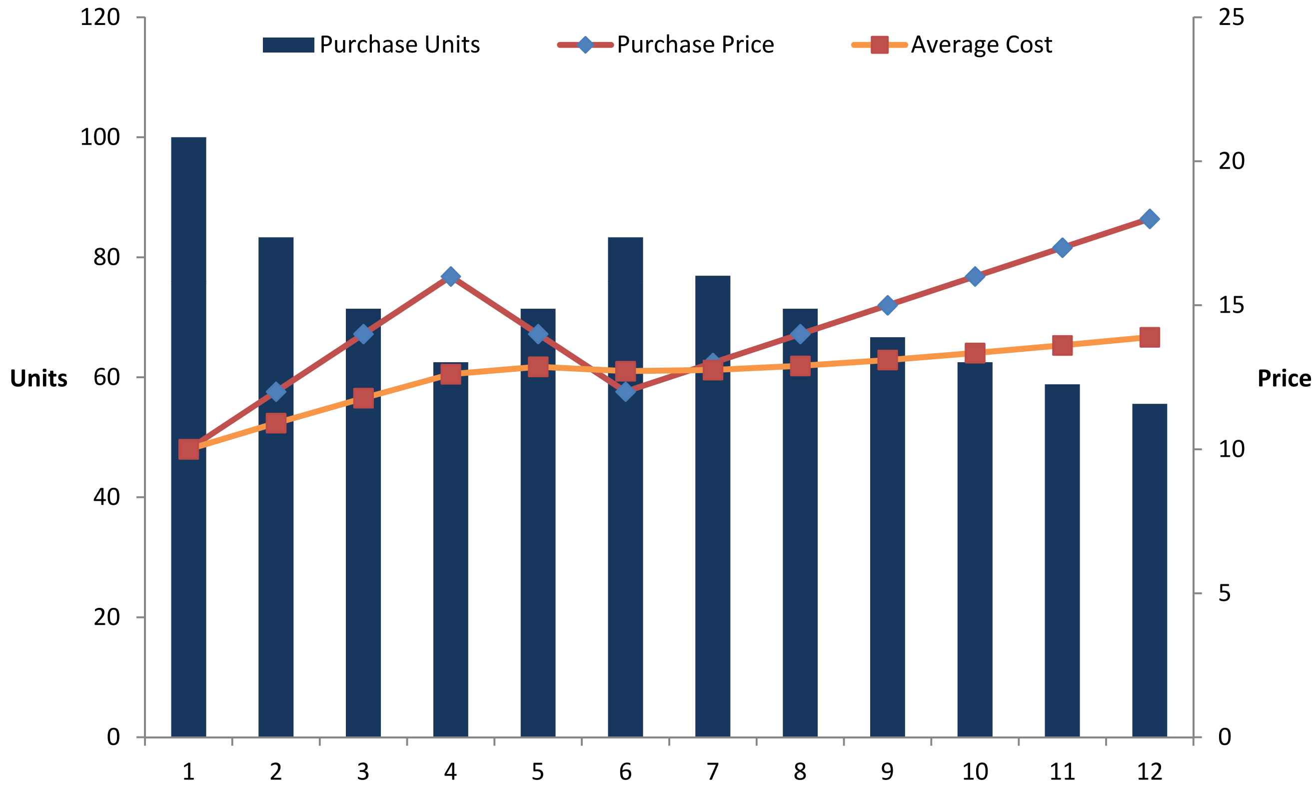
The excess return of a fund, i.e. its achieved return over its benchmark return, is the fund's alpha. It tells the investors the fund's value added.

What is Beta (β)?

Beta is a historical measure on an invested asset's sensitivity to market risk. In computation terms, it is the percentage change of the invested asset's value for each 1% change of the broad market index. Investment professionals use the "beta" concept to describe the underlying market risk of a fund. If an investor buys a high beta fund, he is investing in high risk asset. Since higher risk tends to give higher return over time, selecting a high risk fund is like setting a higher risk budget and aim for a higher return over time.

What is Dollar cost averaging (DCA)?

DCA is an investment strategy in which scheme members invest a fixed amount of money in fund(s) at the prevailing market price every month. By doing so, scheme members need not predict market movements. When the fund price goes up, fewer fund units will be purchased. On the other hand, when the fund price drops, more fund units will be purchased with the same amount of money. Over the long term, this strategy averages out the unit cost and mitigates the impact of short-term market fluctuations.



What is Rebalancing?

The actual allocation may deviate from the approved benchmarks as market values of the assets change. To bring the overall portfolio allocation close to the benchmark allocation decided by the Trustees, rebalancing is performed on a monthly basis i.e. redeem money from one or a few managers' portfolios to raise necessary cash to meet payments for retirement benefits and fund expenses as well as allocate money to oversold markets.