

## Invesco Default Investment Strategy ("DIS") Frequently Asked Questions

### Basic Questions

#### 1. What is "DIS"?

- **One investment solution:** The DIS is a ready-made and low-cost investment solution, designed mainly for MPF scheme members who don't have the time or don't know how to manage their MPF investments.
- **Comprising two constituent funds**
  - The Core Accumulation Fund ("CAF"): invests around 60% of the asset in higher risk investments (generally equities) and the rest in lower risk investments (generally bonds).
  - The Age 65 Plus Fund ("A65F"): invests only around 20% of the asset in higher risk investments.
- **Three features:**
  - Fee cap: Management fee: 0.75% (p.a. of NAV);  
Out-of-pocket expenses: 0.20% (p.a. of NAV).
  - Age-based de-risking
  - Globally diversified investment principle

#### 2. When will the DIS come into effect?

The DIS will be implemented on 1 April 2017.

#### 3. How does the DIS affect existing MPF members?

Before the implementation of the DIS, the trustee will send a notice to all existing members, explaining the potential impact of the DIS on their MPF accounts. Generally, the new measures will affect different members in different ways:

- **Members who have pre-existing accounts with all accrued benefits being invested according to the default fund but have not given any investment instruction**
  - For members who have not given any investment instruction, the MPF assets in their accounts may be affected. If they are under or become 60 years of age on the DIS commencement date, or the trustee does not have the date of birth of the member, the trustee will issue to these members a DIS Re-investment Notice ("DRN") within 6 months following the DIS commencement date. If no reply is given within 42 days of the date of the DRN, any MPF assets already accumulated, future contributions and MPFs transferred from another scheme in the future will be invested in accordance with the DIS.
- **Members who are not sure whether they have given any investment instruction**
  - They should contact their MPF provider(s) as soon as possible to enquire about their MPF investment instructions, and to verify other details of their accounts (especially

correspondence address) to ensure that they can receive all correspondences from their MPF provider(s).

- **Members who have given investment instruction**

- Generally, they will not receive any DRN from their MPF provider(s), and their MPF will continue to be invested in accordance with the investment instruction already given.
- In exceptional cases, although some members may have already given some investment instructions, if they did not specify how all MPF benefits and future contributions should be invested, those members will also be affected.

#### **Example 1 – Fund switching**

##### **Before DIS Commencement Date**

- A member has a contribution account and has not given an investment instruction since enrollment. The default investment instruction was set as 100% in Fund D (Fund D is an existing default fund).
- The member instructed to switch 100% Fund D to 100% Fund A and did not give an instruction to change future investment mandate.
- The contribution account has 100% benefits in Fund A and the investment instruction for future contributions is 100% Fund D.

##### **After DIS Commencement Date**

- The benefits in the contribution account remain 100% invested in Fund A.
- The investment instruction for future contributions of the contribution account changes to **100% DIS**.

#### **Example 2 – Investment instruction for personal account**

##### **Before DIS Commencement Date**

- A member has a contribution account and has given an investment instruction of 100% in Fund A (Fund A is not an existing default fund).
- The member changes job and the benefits in the contribution account are transferred to a new personal account in the same Scheme under auto-preservation.
- The personal account has all benefits invested in Fund A and the investment instruction for future contributions follows that of the contribution account, i.e. 100% Fund A.

##### **After DIS Commencement Date**

- The benefits in the personal account remain 100% invested in Fund A.
- The investment instruction for future contributions of the personal account changes to **100% DIS**.

**Example 3 – Change of investment instruction during transitional period from 1 April 2017 to 3 October 2017**

**Before DIS Commencement Date**

- A member has a contribution account and has not given an investment instruction since enrollment. The default investment instruction was set as 100% in Fund D (Fund D is an existing default fund).
- All benefits invested in Fund D and future investment instruction is 100% in Fund D.

**After DIS Commencement Date**

- Before the DRN is issued, **OR** after the DRN is issued, but before the reply period stated on the DRN expires, the member instructs to switch 60% Fund D to Fund A, and has not given an investment instruction for future contributions.

**After completion of the switching**

- The **remaining 40% of benefits in Fund D** will be switched to the **DIS** as soon as practicable after processing such transaction, (i.e. disregarding whether the member has received a DRN or whether the reply period stated in the DRN has expired).
- The investment instruction for future contributions of the account will change to **100% DIS**.

For any enquiries, please call our INVESCall Member Hotline (852) 2842 7878.

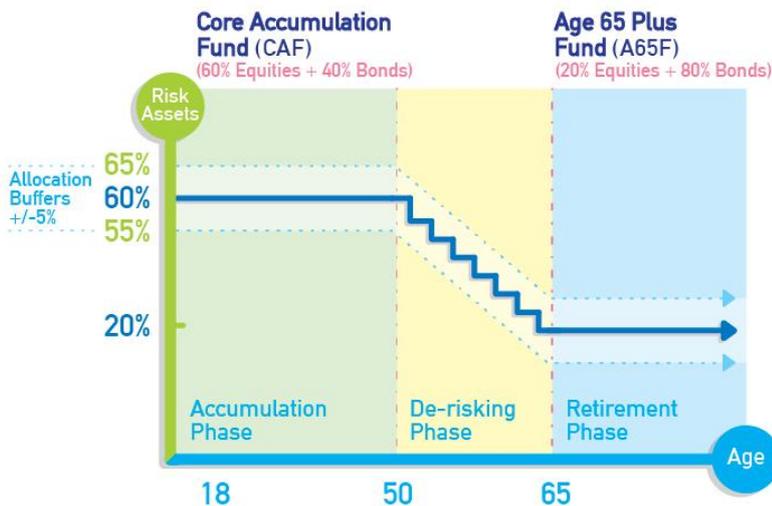
**4. Are CAF and A65F capital preservation funds? What are the expected returns?**

- “CAF”: holds around 60% of higher risk investments (generally equities) and the rest in lower risk investments (generally bonds).
- “A65F”: holds around 20% of higher risk investments.
- It is an investment strategy which balances risk and return over the long term. Similar to all investments, investments in the above-mentioned funds are subject to investment risks, they are not capital preservation products and their returns are not guaranteed.
- However, the DIS adopts a globally diversified investment principle, with two constituent funds investing in different asset classes in different proportions. As the member ages, risk exposure is lowered by gradually reducing the proportion of higher risk assets. In the long run, this asset allocation and de-risking strategy can help reduce risk. The risk exposure to which the DIS is covered in relevant chapters of the offering documents/promotional materials of the schemes.

**5. Is there an age limit for investing in A65F?**

No. Members at any age can choose to invest in A65F.

## 6. What is “age-based de-risking”?



### De-risking Phase

Age	Core Accumulation Fund	Age 65 Plus Fund
<b>Below 50</b>	100.0%	0.0%
50	93.3%	6.7%
51	86.7%	13.3%
52	80.0%	20.0%
53	73.3%	26.7%
54	66.7%	33.3%
55	60.0%	40.0%
56	53.3%	46.7%
57	46.7%	53.3%
58	40.0%	60.0%
59	33.3%	66.7%
60	26.7%	73.3%
61	20.0%	80.0%
62	13.3%	86.7%
63	6.7%	93.3%
<b>64 and above</b>	0.0%	100.0%

As an MPF member approaches retirement age, the investment strategy will be progressively adjusted to reduce the proportion of higher risk assets (as illustrated in the above diagram and table).

- Aged below 50: All MPF contributions will be invested in the CAF.
- Aged 50 to 64: The accrued benefits in the CAF will be gradually shifted into the A65F, at a rate of around 6.7% of assets every year.
- Aged 64 and above: All MPF assets will be held in the A65F.

## 7. What does the DIS “fee cap” mean? Is it the same as the Fund Expense Ratio (“FER”)?

- The DIS is subject to special rules, limiting the management fees which CAF and A65F may charge, the fee caps are:
  - Management fee (including the fees paid to the sponsor or promoter (if any), the trustee, custodian, administrator, and investment manager of a scheme and the underlying investment fund(s) for providing their services in relation to the relevant DIS fund): a daily rate of 0.75% per annum of the net asset value (NAV) divided by the number of days in the year.
  - Recurring out-of-pocket expenses (including annual audit fees, printing fee and postage etc.): 0.20% per annum of the NAV.
- The items included in the fee cap and the expense cap are different from those included in the FER. For example, the expense cap only comprises recurring out-of-pocket expenses at the constituent fund level, while the FER also includes non-recurring out-of-pocket expenses and expenses at the underlying investment fund level.

**8. What kind of people is the DIS suitable for? Can I actively choose this investment solution?**

- The DIS is mainly designed for members who don't have time or don't know how to manage their MPF investments.
- For members who find the DIS or the DIS funds suitable for their personal circumstances, they can also choose the investment solution, or the individual funds.
- However, please note that the DIS, as a default arrangement, de-risking **will apply**. Should you choose to invest in the CAF and/or A65F individually, age-based de-risking **will not apply**.

**9. After choosing the DIS, may I change my mind in the future?**

Yes, you may update your investment instruction any time via the following channels:

- INVESNet: [www.mpf.invesco.com.hk](http://www.mpf.invesco.com.hk);
- INVESCall Member Hotline: (852) 2842 7878; or
- By completing and submitting the "Asset Switch / Change of Investment Mandate Form".

**10. Where can we view the performance of the relevant strategy?**

- The performance of the relevant funds will be published in the monthly fund factsheet for members' information. Members can also visit our website ([www.mpf.invesco.com.hk](http://www.mpf.invesco.com.hk)) to obtain latest fund prices and information. They can also obtain fund performance information from the MPFA website ([www.mpfa.org.hk](http://www.mpfa.org.hk)).
- In order to provide common reference material for the performance and asset allocation of the CAF and the A65F, a recognized reference portfolio has been developed by the industry for the purpose of the DIS. The fund performance will be reported against a reference portfolio published by the Hong Kong Investment Funds Association, please visit [www.hkifa.org.hk](http://www.hkifa.org.hk) for further information regarding the performance of the reference portfolio.
- The fund performance is calculated on the basis of NAV-to-NAV in Hong Kong dollars. Past performance is not indicative of future performance. There is no guarantee that investment returns or members' accrued benefits will not suffer significant loss. Members should regularly review the performance of the funds and consider whether the investments still suit their personal needs and circumstances.

## Administration Arrangement

### 11. Will I receive any notice about the DIS? When will I receive it?

- Before and after the launch of the DIS, we will send relevant notices to all members or relevant members to explain how their MPF accounts will be affected by the new arrangement.
- Therefore, if you have not received any MPF letters or your correspondence address has been changed, please notify Invesco immediately to ensure that you can receive letters from us.

Notice	Recipients	Issuing Time	Summary of Content
DIS Pre-implementation Notice (“DPN”) and Important Note	All members	Around January 2017	To provide information about the DIS, including its features, investment objective and risks, fees, asset allocation and potential impact on members’ MPF accounts.
DIS Re-investment Notice (“DRN”)	Members who have pre-existing accounts with all accrued benefits being invested according to the default fund but have not given any investment instruction, and are under or become 60 years of age on the commencement date, or the full date of birth is not specified.	20 April 2017	To explain how the relevant members’ MPF accounts will be affected, and the options available to them.

Should you have any queries, please call our INVESCall Member Hotline (852) 2842 7878.

12. What should I do upon receiving the DIS Notice?

Notice	Actions to be Taken by Members
DIS Pre-implementation Notice (“DPN”) and Important Note	<ul style="list-style-type: none"> <li>• Read the Notice carefully and consider how you will be affected by the new arrangement.</li> <li>• Take this opportunity to review your accounts to find out whether you have given any investment instruction. If you have not given any investment instruction, please make one suitable for your personal circumstances.</li> </ul>
DIS Re-investment Notice (“DRN”)	<p>Members may make one of the following choices for their (1) accrued benefits and (2) future contributions/accrued benefits transferred from other schemes in the future:</p> <ul style="list-style-type: none"> <li>• <b><u>Continue to invest in the existing funds:</u></b> Those members need to complete the attached form, stating that he/she chooses to opt out from the DIS arrangement, and return the form to Trustee within 42 days of the DRN.</li> <li>• <b><u>Invest according to the DIS:</u></b> No reply is needed. Within 14 days after the 42-day reply period, we will re-invest in the DIS under the members’ own scheme.</li> <li>• Members may also <b><u>give other investment instructions</u></b> within the 42-day reply period.</li> </ul>

If you are currently invested in the default investment arrangement (DIA) of Invesco Strategic MPF Scheme, you will receive the DIS Re-Investment Notice (“Notice”) on 20 April 2017. You have to give instruction in response to the Notice within the 42-day reply period. If you want to stay invested in the original default fund, you must respond to the Notice through the following “authorized” channels, so that your instruction is received by us before the following cut-off times on the Due Date. Channels other than those set out below are not authorized for DIS purposes and submitting your instruction through unauthorized channels (e.g. via e-mail or intermediaries) is generally not acceptable (although the trustee may, on a case basis, choose to accept and process such instruction based on the actual time of receipt by the trustee).

Authorized Channels for DIS purpose	Cut-off time on the Due Date (i.e. dd/mm/yyyy)
By post / In person (for instruction given by way of the Option 2 Form attached to the Notice)	6:00pm on the Due Date as shown in the Notice. Please make sure that sufficient time is allowed for postage (if applicable), so that the completed Option 2 Form can be received by Bank Consortium Trust Company Limited before the above cut-off time.
Fax (for instruction given by way of the Option 2 Form attached to the Notice)	11:59:59pm on the Due Date
INVESNet (for instruction given via website)	11:59:59pm on the Due Date

Should you have any queries, please call our INVESCall Member Hotline (852) 2842 7878.

**13. How is the automatic de-risking arrangement under the DIS carried out?**

- Switching of the existing accrued benefits among the CAF and the A65F will be automatically carried out each year on the member's birthday (please refer to question 6 for details). There are some exceptions as follows:
  - If the member's birthday does not fall on a dealing day, then the investments will be made on the next dealing day.
  - If the member's birthday falls on the 29 February and in the year which is not a leap year, then the investment will be made on the 1 March or the next dealing day.
  - The member will receive a de-risking notice prior to reaching the age of 50 and a de-risking statement after each annual de-risking is completed.

**14. The date of birth on my ID only shows the year of birth, how will the age-based de-risking be arranged?**

If there is no other evidence to prove your date of birth, the last calendar day (being 31 December) of the year of birth shown on your ID will be used for the annual de-risking.

**15. I did not provide the date of birth when I registered for my MPF account, how will you arrange the age-based de-risking?**

If we are unable to obtain your date of birth, your accrued benefits will be fully invested in the A65F with no de-risking applied.

**16. Do you need my consent before carrying out the age-based de-risking?**

No, because the legislation has already specified the time when the trustees have to perform fund switching, and the relevant information is also already published in the offering documents of respective schemes.

- 17. Will you remind members in writing about the date of age-based de-risking before carrying it out?**  
No, the time of annual de-risking is already published in the offering documents of respective schemes.
- 18. Will you remind members in writing on the effective date of age-based de-risking before they reach the age of 50?**  
Yes, we shall remind you in writing on the effective date of age-based de-risking.
- 19. May I choose the date on which the age-based de-risking is performed?**  
No, under the DIS, all members' investments must be switched according to the pre-set allocation percentages as shown in the de-risking table in accordance with investment regulations concerning the de-risking mechanism.
- 20. What should be done if one or more specified instructions are to be processed on my annual date of de-risking?**  
When one or more of the specified instructions (including but not limited to subscription or redemption) are being processed on your annual date of de-risking, the annual de-risking will only take place on the next dealing day upon the completion of these instructions where necessary.