恒生銀行
HANG SENG BANK

HANG SENG MPF

Increase of China A-share proportion in MPF schemes Video Transcript

Duration: 4’17”

Segment Title	Audio	Visual
Introduction	Hello everyone! In November 2020, MPFA has lifted the 10% allocation limit to China A-shares in the MPF scheme. With this new change, over the long term, the inclusion of A- shares would likely give fund managers a broader in-vestment universe for diversification, which should provide better risk-adjusted returns for MPF scheme members’ retirement. In this episode, I will be sharing more on the potential impact brought by this change to MPF scheme members.	

Content	Firstly, MPF members can further benefit from the economic growth of China through increased participation in the A-share market. In the latest Five-Year Plan recently published by Chinese government, we expect to see a significant increase in research and development (R&D) spending for technology innovations and advanced manufacturing. The economic blueprint will provoke opportunities along three major themes – digitalization, technology localisation and domestic demand – and refine the investable universe in the next five years. The rise of the digital economy means the new breed of companies have significant room to grow and have fundamentally changed the way we live today. In addition, the Chinese government has a strong motivation to push for technology localisation in order to reduce reliance on imports for production. As for domestic demand, it can be subdivided into consumption and investment, such as promoting income growth through fiscal support and social reform, as well as digital infrastructure investment. On top of that, China's commitments to hit peak carbon emissions before	

	2030 and for carbon neutrality by 2060 will provide plenty of investment opportunities with policy support along the green agenda. As the world's second-largest stock market* after the US, China's onshore equities market comprises over 4,000 listed companies representing over US$12 trillion market capitalization. Many listed companies within the market offer unique investment opportunities that can't be accessed elsewhere. Currently, the Shanghai and Shenzhen-listed A-Shares market is home to 50%-80% of companies across various sectors that make up China's "new economy", namely healthcare, consumer products and technology, with many companies in these sectors provide high quality goods and services that will likely bring promising growth. *Source: www.statistca.com, 9 March 2021 From a portfolio allocation perspective, we believe adding China A-Shares will likely bring a diversification effect and alpha opportunity to investment portfolios. Research^ shows that China A-Shares has a relatively low correlation against developed and	

	emerging market equities. This is due to the fact that the domestically-traded market has been largely closed to foreign investors in the past. ^Source: MSCI, March 2021. Despite the vast growth opportunities offered by the China A-share market, it is also worthy to note the potential volatility (i.e. risk) associated is relatively high. As the direction of central government policies and plans may impact on certain industry sectors, investors are not recommended to put all eggs in one basket and should always manage risks in their portfolios instead.	
Conclusion	In conclusion, we believe that increased participation in China A-shares market will bring about long term growth opportunities and diversification benefits for investors. With MPF being a long term investment scheme, members are recommended to maintain a well-diversified portfolio by allocating monthly contributions across different geographies and asset classes, as well as risk diversification via dollar cost averaging method to achieve long term asset growth.	
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