



Understanding Fund Expense Ratio (FER) and Risk Levels Video Transcript

Duration: 3'06"

Scene	Audio	Visual
1	Hang Seng MPF: Understanding Fund Expense Ratio (FER) and Risk Levels	
2	We need to do sports and exercises to keep ourselves healthy and fit.	
3	And when we plan to join a gym, we make it a point to check out the gym's environment, equipment and charges, factoring in safety and risk concerns.	
4	But when we are choosing MPF Constituent Funds,	
5	do we think much about their charges or risk levels?	MPF Constituent Funds Charges, Risks levels
6	If you want to find out the level of charges of a Constituent Fund, check out the section called 'Fund Expense Ratio'.	Fund expense ratio (FER) Percentage derived from the total expenses of a fund to its total fund size
7	Fund expense ratio (FER) is a ratio that measures the expenses of your MPF fund as a percentage of the fund size.	Management fee, Guarantee charge, Legal costs, Audit fee
8	The lower the fund expense	

	ratio, the lower the total expenses of the fund in the past year,	
9	A fund with a fund expense ratio at or below 1.3% is regarded as a 'Low fee fund' as defined by the Mandatory Provident Fund Schemes Authority (MPFA).	Low fee fund Fund expense ratio (FER) ≤ 1.3%
10	Keep in mind that fund expense ratio is calculated based on data from the previous scheme financial year. Therefore, the published fund expense ratio in MPF fund fact sheet will not reflect any changes in fees, charges or expenses in the current scheme financial year.	
11	The type of MPF Constituent Funds is clearly specified in the section named 'Fund Descriptor'.	Caption: Fund descriptor Screen to show: Mixed assets fund Bond fund Equity fund Money market fund Guaranteed fund Others
12	Different types of Constituent Funds carry different levels of risk. The section named 'Risk Indicator' has more details.	Risk indicator Price volatilities in the past 3 years
13	You can compare the price volatilities between different funds in the past three years.	
14	The larger the number means the greater the fluctuation.	
15	Hang Seng MPF fund fact sheet	Risk rating and risk class

	<p>also lists out the risk ratings and risk classes of each Constituent Fund.</p> <p>A larger number means a higher risk.</p>	<p>The larger the number, the higher the risk</p>
16	<p>Risk rating' has been available to members since the early stage when MPF was launched. The risk ratings are derived from a combination of quantitative and qualitative factors including price volatility, asset allocation and liquidity. It is a 5-point scales and are reviewed on a regular basis.</p>	<p>Price volatility Asset allocation Liquidity</p>
17	<p>There is no standardised system for indicating risk ratings in the market,</p> <p>So make sure that you only compare risk ratings between Constituent Funds offered by the same MPF service provider since the ratings would be derived in the same way, and not between Constituent Funds offered by different service providers.</p>	<p>Risk rating No standardised system in the market</p>
18	<p>'Risk class' is newly launched on 31 March 2020. It is a 7-point risk classification scale, aims to facilitate members to compare the risk level of Constituent Funds across different MPF. It is classified based on each Constituent Fund's risk indicator which shows the annualised standard deviation based on its monthly rates of return over the past three years and the risk</p>	<p>Risk class To compare the risk level of Constituent Funds across difference MPF schemes Risk class Shows the annualized standard deviation based on its monthly rates of return over the past three years</p>

	indicator of each Constituent Fund is available on the quarterly fund fact sheet.	
19	Regardless of whether we are referring to the risk rating or risk class, the potential return of a higher risk fund should be higher than that of a lower risk one over the long run. However, this also means that the fluctuation in returns will be higher. Let's all keep this in mind.	
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