



6 July 2021

Frequently Asked Questions to the Scheme Participants of the HSBC Mandatory Provident Fund – SuperTrust Plus (the ‘Scheme’)

With effect from the respective effective dates, the following changes (collectively, the ‘Changes’) will be made to the Scheme:

- The VC Equity Fund Restructuring;
- The VC Balanced Fund Change; and
- The De-layering of the Equity Funds.

General

1. What is the VC Equity Fund Restructuring and what are the key changes?

The VC Equity Fund Restructuring is applicable to the following Constituent Funds and involves the following changes:

- the ValueChoice Asia Pacific Equity Fund
- the ValueChoice US Equity Fund
- the ValueChoice European Equity Fund

(each a ‘VC Equity Fund’, and collectively, the ‘VC Equity Funds’)

- i. They will be restructured as index-tracking funds;
- ii. Their investment objectives and balance of investments will be changed (refer to Q8 for details); and
- iii. Their (Chinese and English) names will be changed as a result of the above changes (refer to Q5 for details).

2. What is the VC Balanced Fund Change and what are the key changes?

The VC Balanced Fund Change is applicable to the ValueChoice Balanced Fund and involves the following changes:

- i. The underlying investments of the fund will be restructured, such that the fund will primarily invest in two or more index-tracking collective investment scheme(s) (‘ITCIS(s)’) and/or index-tracking APIF(s), i.e. the fund will primarily be investing in passively managed funds as building blocks;
- ii. The investment objective and balance of investments of the fund will be changed (refer to Q8 for details); and
- iii. The Chinese name of the fund will be changed, while the English name of the fund will remain unchanged (refer to Q5 for details).

3. What is the De-layering of Equity Funds and what are the key changes?

The De-layering is applicable to the following Constituent Funds and involves the following changes:

- the VC Equity Funds
- the Global Equity Fund
- the North American Equity Fund
- the European Equity Fund
- the Asia Pacific Equity Fund
- the Hong Kong and Chinese Equity Fund
- the Chinese Equity Fund

(each, an ‘Equity Fund’ and collectively, the ‘Equity Funds’)

The investment structure of the funds will be simplified, such that these funds will each be investing directly and solely in a corresponding approved pooled investment fund (‘APIF’) to enhance investment, administrative and operational efficiency. Currently, such funds are investing indirectly through an APIF at an upper level. The De-layering, in itself, will not cause material changes to the investment policies of the funds. The investment objectives of the funds will not be affected by the De-layering in itself.

4. What are the effective dates of the Changes?

Respective Changes and affected Constituent Fund	Effective Dates
De-layering: <ul style="list-style-type: none"> Equity Funds excluding the VC Equity Funds 	5 November 2021
VC Equity Fund Restructuring (together with the name change and the De-layering of the VC Equity Funds): <ul style="list-style-type: none"> ValueChoice Asia Pacific Equity Fund ValueChoice US Equity Fund ValueChoice European Equity Fund 	12 November 2021 19 November 2021 26 November 2021
VC Balanced Fund Change (together with the name change of the ValueChoice Balanced Fund): <ul style="list-style-type: none"> ValueChoice Balanced Fund 	3 December 2021

More details about the Changes

5. What are the new names of the Constituent Funds after the VC Equity Fund Restructuring and VC Balanced Fund Change?

Existing Name of Constituent Fund	New Name of Constituent Fund
ValueChoice Asia Pacific Equity Fund	ValueChoice Asia Pacific Equity Tracker Fund
ValueChoice US Equity Fund	ValueChoice North America Equity Tracker Fund
ValueChoice European Equity Fund	ValueChoice Europe Equity Tracker Fund
ValueChoice Balanced Fund	ValueChoice Balanced Fund Note: There is no change to the English name but the Chinese name will be changed

6. Why would HSBC MPF decide to effect the Changes?

Before the respective VC Equity Fund Restructuring and VC Balanced Fund Change, the Scheme currently exists fund offerings with similar investments objectives and policies to each of the affected Constituent Funds (see the table below). In other words, there is a certain degree of similarities and overlaps in the investment objectives and policies between each set of Constituent Funds.

After the restructuring, the four affected Constituent Funds will passively invest in the same market as the comparable Constituent Funds (actively managed) respectively under the Scheme, complementing the fund offering on our MPF platform.

Constituent Funds undergoing restructuring	Comparable Constituent Funds in the Scheme
ValueChoice Asia Pacific Equity Fund	Asia Pacific Equity Fund
ValueChoice US Equity Fund	North American Equity Fund
ValueChoice European Equity Fund	European Equity Fund
ValueChoice Balanced Fund	Balanced Fund

Following the restructuring, the Scheme will consist of a more comprehensive offering of Constituent Funds, with a suite of funds that are index-tracking or otherwise primarily investing in passively managed funds as building blocks.

We consider that it is in the Scheme Participants' interests, as this can facilitate the Scheme Participants to better differentiate the affected funds (undergoing restructuring) from the comparable funds, allowing Scheme Participants to make appropriate investment choices which meet their own investment styles, risk tolerance levels and personal circumstances. Nevertheless, as a result of the restructuring, the affected funds may potentially incur higher transaction costs than before the restructuring to effect the necessary rebalancing of investments, and as a result to achieve their new investment objectives.

Moreover, we consider that the De-layering is in the Scheme Participants' interests as it will simplify the investment structure of the Equity Funds. The De-layering will help enhance the operational and investment efficiency in managing the funds.

7. What is the tracking strategy of the VC Equity Funds after the VC Equity Fund Restructuring?

After the restructuring, the VC Equity Funds will, through investment in the corresponding APIFs, track the corresponding benchmark using the physical replication strategy. The physical replication strategy tracks an index by directly holding the underlying securities of the index.

8. What are the changes in investment policies of the funds in relation to the VC Equity Fund Restructuring and VC Balanced Fund Change respectively?

For the VC Equity Funds, after the restructuring, their investment objectives will change from achieving long-term capital growth to aiming to match as closely as practicable the performance of the respective benchmark.

For the ValueChoice Balanced Fund, after the restructuring, the investment objective will be changed from achieving medium-to-high capital growth with medium volatility to long term capital growth, and its investment allocation to equities and equities-related investments will change from 55%-85% to 60-80%.

9. What are the corresponding benchmarks of the VC Equity Funds after the VC Equity Fund Restructuring?

Name of Constituent Fund	Corresponding benchmark
ValueChoice Asia Pacific Equity Fund	FTSE MPF Asia Pacific ex Japan Hedged Index
ValueChoice US Equity Fund	FTSE MPF North America Hedged Index
ValueChoice European Equity Fund	FTSE MPF Europe Hedged Index

Each FTSE MPF Index demonstrates a good representation of its corresponding underlying market with over 80% of market capitalization coverage in general, and is well diversified with 500+ constituents. The FTSE MPF Index Series is based on the FTSE All-World Index Series, a well-established index series. Further information related to the FTSE MPF Index Series can be found on the FTSE Russell website www.ftserussell.com.

Moreover, the above benchmarks are currently adopted by the MPF market as the industry benchmarks of the respective fund category. Tracking these respective index may ensure a higher correlation of fund performance as compared to the MPF industry, thus facilitating better peer comparison.

10. How will the performance behaviour of Constituent Funds differ before and after the VC Equity Fund Restructuring and VC Balanced Fund Change?

Before the restructuring, the ValueChoice Asia Pacific Equity Fund invests primarily in an actively managed fund, while the ValueChoice US Equity Fund and ValueChoice European Equity Fund have an investment preference towards ITCIS(s). After the restructuring, the funds will become pure index tracking funds. They seek to match as closely as practicable the performance of the respective benchmark.

For the ValueChoice Balanced Fund, the building blocks of the fund comprises actively managed APIF(s) before the restructuring. After the restructuring, the fund will primarily invest in ITCIS(s) and/or index-tracking APIF(s). The constituents and asset weightings of the building blocks of the fund will be rebalanced periodically.

11. How will the VC Equity Fund Restructuring and VC Balanced Fund Change impact the risk ratings of the affected Constituent Funds?

It is expected that the VC Equity Fund Restructuring and VC Balanced Fund Change will not change the risk rating of the affected Constituent Funds. The latest risk ratings of the Constituent Funds are made available in the Fund Fact Sheet, HSBC MPF website, HSBC HK Mobile Banking app and Monthly Fund Performance Summary.

12. Will there be any changes to the management fee level of the affected Constituent Funds after the VC Equity Fund Restructuring and VC Balanced Fund Change?

The VC Equity Fund Restructuring and VC Balanced Fund Change will not bring any changes to the total management fee level of the affected Constituent Funds. After the restructuring, the management fee of the VC Equity Funds and ValueChoice Balanced Fund shall remain unchanged at 0.79% p.a. of NAV of the respective Constituent Fund.

Other FAQs

13. Will Scheme Participants need to bear any costs incurred as a result of the Changes?

No. Costs associated with the Changes will be borne by the Trustee and the Sponsor, to be agreed between themselves and not be borne by the Scheme or Scheme Participants.

14. Will dealings of Constituent Funds be suspended as a result of the Changes?

No suspension of dealings of Constituent Funds will take place due to the Changes.

15. What actions shall Scheme Participants take to effect the Changes?

No action is required of the Scheme Participants to effect the Changes. Besides, as described in Q6, we believe that it is in the Scheme Participants' interests to effect the Changes.

16. If Scheme Participants are investing into any or more than one of the affected Constituent Funds, will their accrued benefits be affected after the Changes take effect?

The Changes shall not affect the accrued benefits of the Scheme Participants. The unit holdings and the value of such unit holdings of the affected Constituent Funds held by the Scheme Participants immediately before and after the Changes shall remain unchanged.

17. What if Scheme Participants do not want to be affected by the Changes?

As described in Q6, we believe that it is in the Scheme Participants' interests to effect the Changes.

Nevertheless, if Scheme Participants do not want to be affected by the Changes, they may submit valid instructions to the Administrator to amend investment options or transfer out of the Scheme to another Registered Scheme on or before the respective cut-off schedules (refer to Q19 for details).

18. What if Scheme Participants submit switching/transfer out instructions after the respective cut-off schedules?

The instructions will be processed as soon as the Administrator received them. However, given that the switching/transfer out instructions are received after the respective cut-off schedules, they might be processed and completed after the respective effective dates (refer to Q4 for details). Therefore, there might be a chance that the Scheme Participants' accrued benefits and/or new contributions and/or accrued benefits transferred from another Registered Scheme (as the case may be) have been invested into the affected Constituent Funds for a period of time after the respective Changes take effect.

19. What are the respective cut-off schedules of dealing instructions via different service channels?

Instruction	Designated service channels	Received on or before
Portfolio rebalance ^{1/} asset switch of existing balance ^{2/} contribution redirection ³	Via <ul style="list-style-type: none"> • Personal Internet Banking • HSBC HK Mobile Banking app or • IVRS* 	By 4pm one working day prior the respective effective date(s) [#]
	Via paper form	Five working days prior the respective effective date(s) [#]
Redemption	Via paper form	15 working days prior the respective effective date(s) [#]
Transfer out	Via paper form [^]	

For the detailed timeline of the cut-off arrangements with respect to each effective date[#], please refer to the Appendix 2 of the Notice to Scheme Participants dated July 2021. The Notice to Scheme Participants is available on the HSBC MPF website.

¹ Change the investment allocation of existing investments, new contributions and transfer-in benefits.

² Change the investment allocation of existing investments only.

³ Change the investment allocation of the new contributions and transfer-in benefits.

* Asset switch of existing balance instruction cannot be processed via IVRS.

[^] Any valid transfer instruction must be received through the transferee trustee and the instruction must be accompanied by a transfer form completed by all relevant parties, including the transferee trustee.

[#] Refer to Q4 for respective effective date(s)

20. How can Scheme Participants obtain more information about the Changes?

For further details of the Changes, Scheme Participants may refer to the Notice to Scheme Participants dated July 2021 and the First Supplement to the MPF Scheme Brochure of HSBC Mandatory Provident Fund – SuperTrust Plus dated March 2020, which are available on the HSBC MPF website.

Scheme Participants may also contact the HSBC MPF Member Hotline +852 3128 0128 or the HSBC MPF Employer Hotline +852 2583 8033 to request a printed copy of the Notice to Scheme Participants and the First Supplement.

Issued by The Hongkong and Shanghai Banking Corporation Limited and HSBC Provident Fund Trustee (Hong Kong) Limited

Note: Investment involves risks. Past performance is not indicative of future performance. The value of financial instruments, in particular stocks and shares, and any income from such financial instruments, may go down as well as up. For further details including the product features and risks involved, please refer to the MPF Scheme Brochure of HSBC Mandatory Provident Fund – SuperTrust Plus.