

## **FAQ for the Termination of the Guaranteed Fund under the Invesco Strategic MPF Scheme (“Master Trust”)**

**Q1. I received a letter from your company regarding the termination of the "Guaranteed Fund". What is that about?**

Ans: The letter is to notify you of, among others, the termination of the Guaranteed Fund (a constituent fund (“**CF**”) under the Master Trust), the default fund arrangement, the transitional arrangement, and the consequence of the termination of the Guaranteed Fund.

**Q2. Why does your company terminate the “Guaranteed Fund”?**

Ans: The Guaranteed Fund currently invests its assets in an approved pooled investment fund (“**APIF**”), namely, Principal Guaranteed Umbrella Fund – Principal Long Term Guaranteed Fund (“**Relevant APIF**”), which is under the Principal Guaranteed Umbrella Fund Policy (“**Policy**”) issued by Principal Insurance Company (Hong Kong) Limited (“**Guarantor**”). Bank Consortium Trust Company Limited, being the trustee of the Master Trust (“**Trustee**”), has received notice from the Guarantor that it has decided to terminate the Policy.

On receipt of the notice from the Guarantor that it has decided to terminate the Policy, the Trustee has considered alternative arrangements for the Guaranteed Fund (e.g. (a) potential replacement of the Relevant APIF and (b) termination of the Guaranteed Fund). After considering these alternatives from various angles and their potential impacts on the members of the Master Trust (“**Members**”), the Trustee has concluded that terminating the Guaranteed Fund is the only viable option.

**Q3. I have been investing/have holdings in the “Guaranteed Fund” since 2000. How can you terminate this CF all of a sudden?**

Ans: The termination of the Guaranteed Fund is permitted under Clause 4.1 of the trust deed of the Master Trust (as amended) (“**Trust Deed**”) subject to the prior approval of the Mandatory Provident Fund Scheme Authority (“**MPFA**”) and the Securities and Futures Commission.

Strictly speaking, according to the terms of the guarantee mechanism, the period of provision of the "guaranteed rate" is not stipulated. The Guarantor has the right to review the guaranteed rate and to terminate the Policy. Notwithstanding the Trustee has made an effort to look for other alternatives upon receipt of the notice from the Guarantor about its decision to terminate the Policy, the termination of the Guaranteed Fund was concluded as the only viable option.

**Q4. How come your company could terminate the “Guaranteed Fund” without obtaining my prior consent?**

Ans: The Trust Deed does not require us to seek prior consent from Members and participating employers of the Master Trust (“**Participating Employers**”) in relation to the termination of a CF under Clause 4 of the Trust Deed.

**Q5. When will you terminate the “Guaranteed Fund”?**

Ans: The Guaranteed Fund will be terminated with effect from 30 November 2023 (“**Effective Date**”).

**Q6. Have you sent a letter to notify me? If yes, when will you /did you send it?**

Ans: We will send notification letters (“**Termination Notice**”) to all Members and Participating Employers by post/email by 30 August 2023, notwithstanding that Clause 4.1 of the Trust Deed specifies that only not less than one month’s notice should be given.

**Q7. Will the interests of Members be impacted by the termination of the “Guaranteed Fund”?**

Ans: The termination of the Guaranteed Fund will not have any adverse impact on the interests of Members. There are special arrangements in place for Members who invest in the Guaranteed Fund. Please refer to Q.9 for details.

**Q8. I want to know what the “Guaranteed Fund” is and what its characteristics are.**

Ans: The Guaranteed Fund currently invests its assets in the Relevant APIF.

The Guarantor will provide a guarantee of capital and a prescribed guaranteed rate of return only if a “qualifying event” occurs and the Guarantor receives a valid claim.

Absent any “qualifying event”, Members will only be entitled to the actual return of the Guaranteed Fund (i.e. the accrued benefits calculated based on the market value (“**Nominal Account Balance**”), but not the guaranteed rate of return.

There are 7 “qualifying events” under the Guaranteed Fund which include:

- (a) Reaching the age of 65, or retiring early after the age of 60;
- (b) Total incapacity;
- (c) Terminal illness;
- (d) Death;
- (e) Permanent departure from Hong Kong;
- (f) Claim of "small balance"; or
- (g) (in respect of employee Members only) Termination of the Member’s employment and the continuous period for which the Member has been investing in the Relevant APIF (through the Guaranteed Fund) up to and including

the last day of his/her employment is at least 36 complete months. (For the avoidance of doubt, “qualifying event” (g) does not apply to self-employed persons, personal account holders or tax deductible voluntary contribution members.)

**Q9. Are there any consequences if I redeem, switch out, or transfer out my accrued benefits investing in the “Guaranteed Fund” before the Effective Date?**

Ans: Under the current guarantee mechanism of the Guaranteed Fund, the Guaranteed Amount (as defined below) is only offered if (i) the contributions invested in the Relevant APIF (through the Guaranteed Fund) are withdrawn upon the occurrence of a “qualifying event” and (ii) the Guarantor receives a valid claim of the accrued benefits of the Member that are invested in the Relevant APIF (through the Guaranteed Fund). However, in view of the termination of the Guaranteed Fund, the Guarantor has put in place a one-off guarantee arrangement (“**One-off Guarantee Arrangement**”) whereby Members will remain entitled to the guarantee of capital and return (“**Guaranteed Amount**”) (essentially means the higher of the Nominal Account Balance and the qualifying balance) for those accrued benefits investing in the Guaranteed Fund prior to the Effective Date even though no “qualifying events” occur, provided that the conditions as set out in Section 3 of the Termination Notice are satisfied.

In short, you will remain entitled to the Guaranteed Amount for those accrued benefits investing in the Guaranteed Fund prior to the Effective Date even though no “qualifying events” occur if:

- (i) you apply for full switching of ALL accrued benefits under the Guaranteed Fund to other CF(s) under the Master Trust or investment in accordance with the Default Investment Strategy (collectively referred to as the “**Transferee CF(s)**”) between the date of the Termination Notice i.e. 30 August 2023 and before 4 p.m. on 24 November 2023<sup>1</sup> (“**Switching Out Deadline**”) (both dates inclusive); or
- (ii) full withdrawal of ALL accrued benefits under the Guaranteed Fund is effected between the date of the Termination Notice i.e. 30 August 2023 and 24 November 2023<sup>1</sup> (both dates inclusive); or
- (iii) full transfer out of ALL accrued benefits under the Guaranteed Fund to another registered MPF scheme is effected between the date of the Termination Notice i.e. 30 August 2023 and 24 November 2023<sup>1</sup> (both dates inclusive); or
- (iv) the accrued benefits under the Guaranteed Fund are not switched out to the Transferee CF(s), withdrawn, or transferred out to another registered MPF scheme immediately before the Effective Date (i.e. the accrued benefits investing in the Guaranteed Fund remain under the Master Trust immediately before the Effective Date).

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<sup>1</sup> To enable the proper and complete processing of the relevant instructions in accordance with the Trustee’s processes, the receipt of such instructions **AND** the resolution of all administrative issues pertaining thereto will have to be completed by 11:59 p.m. on 24 November 2023. Due to forward dealing, withdrawal and transfer out of accrued benefits effected on 24 November 2023 will be executed on 27 November 2023.

Please note that, if you apply for partial switching of a portion of your accrued benefits under the Guaranteed Fund to the Transferee CF(s) between the date of the Termination Notice i.e. 30 August 2023 and the Switching Out Deadline i.e. before 4 p.m. on 24 November 2023 (both dates inclusive), or if partial withdrawal of a portion of your accrued benefits under the Guaranteed Fund is effected between the date of the Termination Notice i.e. 30 August 2023 and 24 November 2023<sup>1</sup> (both dates inclusive), or if partial transfer out of a portion of your accrued benefits under the Guaranteed Fund to another registered MPF scheme is effected between the date of the Termination Notice i.e. 30 August 2023 and 24 November 2023<sup>1</sup> (both dates inclusive), in accordance with the Trustee's processes, the portion that is switched out, withdrawn or transferred out will not be entitled to the Guaranteed Amount, and only the remaining portion of the accrued benefits that (i) is switched out in full by the Switching Out Deadline i.e. before 4 p.m. on 24 November 2023, or withdrawn or transferred out in full on or before 24 November 2023<sup>1</sup> or (ii) stays until the Effective Date will be entitled to Guaranteed Amount.

For details, please refer to Section 3 of and Appendix 2 to the Termination Notice.

**Q10. When will be the deadline for switching into the “Guaranteed Fund”?**

Ans: Deadline for submitting instructions to switch into the Guaranteed Fund is before 4p.m. on 20 November 2023 (“**Switching In Deadline**”).

Instructions to switch into the Guaranteed Fund received on or before the Switching In Deadline will be handled by the Trustee in accordance with normal practice. Instructions to switch into the Guaranteed Fund received after the Switching In Deadline will be rendered invalid and will not be processed by the Trustee.

**Q11. Are there any alternative options to replace the “Guaranteed Fund” upon its termination?**

Ans: For those Members with accrued benefits investing in the Guaranteed Fund prior to the Effective Date, if they have not submitted a valid switching out or change of investment choice instruction by the applicable deadlines, the default fund arrangement would be the Age 65 Plus Fund (“**Default CF**”).

**Q12. Then based on what considerations did your company decide to transfer to the Default CF?**

Ans: Taking into consideration of the similarities in terms of the primary target investments (i.e. with diversified asset allocations), allocation to different asset classes, and risk and return profiles between the Guaranteed Fund and the Default CF and the lower management fees of the Default CF, the Trustee considers that the Default CF would offer a comparable alternative to the Members.

**Q13. Can your company make a comparison of the features between the “Guaranteed Fund” and the Default CF?**

Ans:

	<b>Guaranteed Fund</b>	<b>Default CF (i.e. Age 65 Plus Fund)</b>
Fund type	Guaranteed fund	Mixed assets fund
Fund Structure	Investing in a single APIF that invests in two or more APIFs and/or approved index-tracking collective investment scheme (“ITCIS”)	Investing in a single APIF that invests in two other APIFs
Investment objective	To provide a competitive, long term, total rate of return, while also providing a minimum guaranteed return rate over the career of the member	To achieve stable growth by investing in a globally diversified manner
Balance of investments	To invest in an APIF guaranteed by the Guarantor, which invests in two or more APIFs and/or approved ITCIS. The underlying investments will consist of around 25% to 90% in debt securities, 10% to 55% in equity securities both denominated in HK dollars, US dollars or other currencies and up to 20% in cash and short term investments	To feed into an APIF, namely, Invesco Pooled Investment Fund – Age 65 Plus Fund, that invests in two other APIFs, which in turn invest directly in a portfolio of global equities, and a portfolio of global fixed income securities, as well as cash and money market instruments as allowed under the Mandatory Provident Fund Schemes (General) Regulation
Asset allocation	Equities: 10%-55% Debts:25%-90% Cash and money market instruments: up to 20%	Equities: around 20% Bonds, cash and money market instruments: around 80%
Risk and return profile	Low	Low to medium (the return of Age 65 Plus Fund over the long term is expected to be at least similar to the return of its reference portfolio)
Risk class	4	4
Investment Manager	Invesco Hong Kong Limited	Invesco Hong Kong Limited
Net Asset Value (as at 30 June 2023)	Guaranteed Fund: HK\$1,000,446,840.97	Age 65 Plus Fund: HK\$264,227,548.32

Management Fees at CF level	Class G: 1.425% p.a. of net asset value	Class A: 0.67% p.a. of net asset value Class H: 0.67% p.a. of net asset value
Investment Management Fee	Class G: 0.8% p.a. of net asset value	Class A: 0.35% p.a. of net asset value Class H: 0.35% p.a. of net asset value
Total management fees (i.e. aggregate of fees at CF and APIF level)	Class G: 1.425% p.a. of NAV	Class A: 0.75% p.a. of NAV Class H: 0.75% p.a. of NAV
Fund expense ratio (calculated for the period from 1 April 2021 to 31 March 2022)	Class G: 2.47% of NAV	Class A: 0.82% of NAV Class H: 0.81% of NAV

**Q14. What is the last dealing date of the “Guaranteed Fund”?**

Ans: The last dealing date of the Guaranteed Fund is 27 November 2023.

**Q15. If I do not take any action, what will happen to the “Guaranteed Fund” after the Effective Date of its termination?**

Ans: If you do not exercise your rights to switch out of the Guaranteed Fund by the Switching Out Deadline i.e. before 4 p.m. on 24 November 2023 and remain invested in the Guaranteed Fund immediately before the Effective Date, you will become investing in the Default CF on and after the Effective Date. On the Effective Date, the number of units (including any fraction of units, rounded down to 5 decimal places) in the Default CF to be allocated in respect of each Member concerned will be calculated by dividing the total value of holdings of the Guaranteed Fund attributable to the Member as at the Effective Date by the unit price of the Default CF as at the Effective Date.

In addition, if you do not exercise your rights to change your investment choice from the Guaranteed Fund to the Transferee CF(s) by the Switching Out Deadline i.e. before 4 p.m. on 24 November 2023, any future contributions/transfer-in benefits received that would have been invested in the Guaranteed Fund (had it not been transferred to the Default CF) will be invested in the Default CF.

**Q16. If this termination causes any loss to my MPF accrued benefits, will your company compensate to me?**

Ans: It is not anticipated that there will be any loss of accrued benefits to the Members due to the termination of the Guaranteed Fund.

**Q17. What can I do if I have questions, enquiries, or complaints regarding this termination?**

Ans: You can just call us, like what you are doing now, at (852) 2842 7878, or email us at [memberservices@invesco.com](mailto:memberservices@invesco.com).

**Q18. In addition to the Default CF, is there any other alternative to replace the Guaranteed Fund?**

Ans: Despite the termination of the Guaranteed Fund, there is a wide range of CFs available to Members under the Master Trust (i.e. remaining 13 CFs and the Default Investment Strategy). For details of the CFs and the Default Investment Strategy, please visit our website [www.invesco.com/hk](http://www.invesco.com/hk).

**Q19. Do I need to pay any fees or charges for the termination?**

Ans: No. All costs of the termination will be borne by the Guarantor.

**Q20. If I make full transfer out of the Guaranteed Fund from my account under the Master Trust during the notice period, can I get all the qualifying balance (i.e. Nominal Account Balance + Guaranteed Return) under the One-off Guarantee Arrangement in one go?**

Ans: No. As regards the Nominal Account Balance, it will be processed in accordance with the Member's instructions as soon as possible as usual. As regards the difference between the Nominal Account Balance and the qualifying balance ("**Guaranteed Return**"), the Trustee will claim against the Guarantor for it. For the purposes of effectively managing the Guaranteed Return received in favour of all the relevant Members, the Trustee will, upon receipt of the Guaranteed Return from the Guarantor between the date of the Termination Notice i.e. 30 August 2023 and 23 November 2023, invest the same in the Guaranteed Fund under the Member's relevant account as far as practicable. On the Effective Date, the Trustee will realise the units of the Guaranteed Fund (in which they will have been invested upon receipt of the claimed Guaranteed Return from the Guarantor) in the Members' accounts and invest the proceeds of realisation in the Default Fund in the Members' accounts, as far as practicable. In the event that the claimed Guaranteed Return is received by the Trustee from the Guarantor on or after 24 November 2023, the Trustee will invest the same in the Default CF as far as practicable.

In the event that a Member's account has been terminated (due to withdrawal in full or transfer out in full) before the Guaranteed Return is received from the Guarantor, the Guaranteed Return received will be handled according to the Member's final instruction before the account termination (due to withdrawal in full or transfer out in full), such as paying to the Member if he/she has made a claim or transferring to another MPF scheme if he/she has instructed for transferring out.