

# **China Life MPF Master Trust Scheme**

## **(“China Life Scheme”)**

### NOTICE TO PARTICIPATING EMPLOYERS AND MEMBERS

This notice is important and requires your immediate attention. Terms used in this notice (unless otherwise defined below) bear the same meaning as in the MPF Scheme Brochure March 2023 Edition of China Life Scheme. If you are in doubt about the contents of this notice, you should seek independent professional financial advice. The Approved Trustee of China Life Scheme accepts responsibility for the contents of this notice as being accurate as of the date of this notice.

The following is a summary of the changes which are elaborated in the main body of this notice:

#### **I. China Life Joyful Retirement Guaranteed Fund under China Life Scheme**

China Life Joyful Retirement Guaranteed Fund (“Fund”) currently invests solely in China Life Retire-Easy Guarantee (PIF) Fund, an insurance policy approved pooled investment fund (“Current APIF”) which in turn solely invests in China Life Retire-Easy Stable Return Unit Trust (PIF) Fund, an underlying unit trust approved pooled investment fund (“Underlying APIF”). With effect from 23 June 2023 (“Effective Date”), the following changes (“Changes”) will be made to the Fund:

- A. Taiping Assets Management (HK) Company Limited will cease to be the investment manager of the Current APIF and Underlying APIF of the Fund and Schroder Investment Management (Hong Kong) Limited (“Schroder”) will be appointed as the investment manager of the Current APIF and Underlying APIF respectively.
- B. The statement of investment policy and objective (“SIPO”) of the Fund will be amended to increase the relative proportion of intended investments in fixed income, remove the restriction in bond investment maturity and relax the targeted geographical distribution restriction of the assets.
- C. As a result of the appointment of Schroder, the investment management fee of 0.2% per annum will be charged at the Underlying APIF level instead of the Fund level pursuant to the new relevant investment management agreement. Despite the foregoing change in fee breakdown, the total management fees of the Fund will remain unchanged at 1.2% per annum. Please refer to section headed “C. Changes in Fee Breakdown” below for further information.

#### **II. Impact on Members**

The aggregate fees and charges, investment objective, guarantee entitlement/arrangement of the Fund will remain unchanged after the implementation of the Changes. The Approved Trustee does not expect the Changes will have any adverse impact on China Life Scheme or its Members.

#### **III. Actions Required**

- A. No action has to be taken if the participants of China Life Scheme decide to remain to invest in the Fund.
- B. However, if participants of China Life Scheme who do not wish to be involved in the implementation of the Changes and hold units in the Fund and/or have investment mandates to invest contributions in the Fund, they may change their investment mandates in respect of new contributions and transfer in benefits and/or rebalance their existing investment into other Constituent Fund(s) by 4pm on 21 June 2023.

Members who have any queries in relation to this notice may contact our hotline 3999 5555.

Dear Employers and Members,

## China Life Joyful Retirement Guaranteed Fund under China Life Scheme

Thank you for your continuous support to China Life. As a result of our recent review of the Constituent Funds offered under China Life Scheme, the Changes will take effect from the Effective Date.

### 1. Reason of the Changes

The Approved Trustee continuously monitors fund performance of the Fund in order to provide investment products suitable for retirement purposes and generate a more stable return for Members.

The Approved Trustee believes that the Changes will provide potential protection for the portfolio of the Fund against market volatility, generate a more stable expected return of the Fund in the long run and enhance the competitiveness of China Life Scheme. This is due to the reason that the new geographic distribution of the SIPO of the Fund will provide greater flexibility to smooth return of the Fund under extreme environment. The removal of restriction of maturity on investments in fixed income securities provides an option to the Fund to invest in longer maturity bonds, which typically provides better diversification and hedging characteristics during market drawdown. Details of the Changes are stated below.

### 2. Details of the Changes of the Fund

#### A. Changes relating to SIPO

During market downturn, the Fund's portfolio can potentially be benefited from reduced volatility and diversification by greater use of fixed income securities and longer maturity bonds. The SIPO of the Fund will be amended to increase the upper limit of investment in fixed income from '50-80%' to '50-100%', to remove the restriction of maturity on intermediate and long term global fixed income securities and to relax the geographical distribution of major markets as '0 to 90%'. The SIPO will be amended in the manner as stated in the Appendix. The risk disclosure of the Fund will be enhanced as stated in the First Addendum.

#### B. Change of Investment Manager of the Current APIF and Underlying APIF

Taiping Assets Management (HK) Company Limited will cease to be the investment manager of the Current APIF and Underlying APIF of the Fund and Schroder Investment Management (Hong Kong) Limited ("Schroder") will be appointed as the investment manager of the Current APIF and Underlying APIF of the Fund.

Schroder was established in Hong Kong and has been licensed by the Securities and Futures Commission to engage in asset management, dealing in securities, advising securities and is currently managing SFC-authorized collective investment schemes.

Schroder has become a leading manager of investment of retirement plans under the Occupational Retirement Schemes Ordinance of Hong Kong since 1996. With the introduction of Mandatory Provident Fund ("MPF") in Hong Kong, Schroder has been managing its own MPF Master Trust, developing MPF products and has been an active player in MPF since 2000. Throughout the years, Schroder has been a market leader in managing investments on behalf of pension funds, MPF, corporations, unit trust holders and high net worth individuals throughout the world. The Approved Trustee believes that Schroder, as the new investment manager of the Current APIF and Underlying APIF of the Fund, will exercise independent judgement in investment, taking into account Members' interest. The Approved Trustee is of the view that the appointment of Schroder as the new investment manager of Current APIF and Underlying APIF of the Fund, is in the interests of Members.

#### C. Change in Fee Breakdown

In light of the appointment of Schroder as the new investment manager, the item of Investment Management Fee in the breakdown of Management fees for the Fund will be changed as follows:

	Before the Effective Date	After the Effective Date
Investment Management Fee at Constituent Fund Level	0.2% p.a. of Net Asset	N/A
Investment Management Fee of Underlying APIF	--	0.2% p.a. of Net Asset Value of Underlying APIF

### **3. Actions Required**

- a. No action is required if the participants of China Life Scheme decide to remain to invest in the Fund.
- b. However, participants of China Life Scheme who do not wish to be involved in the implementation of the Changes and hold units in the Fund and/or have investment mandates to invest contributions in the Fund may notify us (i) to rebalance their existing investments; and/or (ii) change their investment mandates in respect of any new contributions and transfer in benefits in the Fund to other Constituent Fund(s) by 4pm on 21 June 2023. Instructions to rebalancing or change of existing investments will be processed in accordance with the normal procedures as set out in the MPF Scheme March 2023 Edition. No fees or penalty, bid/offer spread or transfer fee will be imposed on any rebalancing the existing investment or change of the investment mandates.

Alternatively, participants of China Life Scheme may transfer out of China Life Scheme to another MPF scheme, while Smart Easy Personal Contribution Account holders may withdraw accrued benefits from China Life Scheme. Please note that a Member (who is an employee) will not be entitled to transfer out of the China Life Scheme unless his Employer elects to do so. However, such Member may transfer his accrued benefits derived from employee mandatory contributions under his current employment to another MPF scheme of his choice once every calendar year under the Employee Choice Arrangement (“ECA”). Instructions to transfer out/ withdrawal claim of China Life Scheme will be processed in accordance with the normal procedures as set out in the MPF Scheme March 2023 Edition. No fees or penalty, bid/offer spread or transfer fee will be imposed on any transfer out/ withdrawal claim of China Life Scheme.

### **4. Impact on Members**

The aggregate fees and charges of the Fund will remain unchanged after the implementation of the Changes. The Approved Trustee does not expect the Changes will have any adverse impact on China Life Scheme or its Members.

### **5. Costs and Expenses**

The costs and expenses incurred in relation to the foregoing implementation will be solely borne by the Approved Trustee.

### **6. Corporate Governance**

Endorsement from the Board of Directors of the Approved Trustee has been obtained regarding the Changes. The Changes set out in this notice are in line with the governing rules of China Life Scheme.

### **7. Amendments to the Trust Deed and the MPF Scheme Brochure and the Key Scheme Information Document (“KSID”)**

The Trust Deed and the MPF Scheme Brochure March 2023 Edition will be amended to reflect the Changes by way of the Fifth Deed of Variation and the First Addendum respectively. The KSID will also be updated to reflect the Changes. The Trust Deed (including the Fifth Deed of Variation and all previous Deeds of Variation) and the MPF Scheme Brochure (including First Addendum) will be available for inspection at our office at Room 801, 8/F, Tower A, China Life Center, One HarbourGate, 18 Hung Luen Road, Hung Hom, Kowloon from the date of this notice. The updated KSID reflecting the Change will be available for inspection at our office above from the Effective Date onwards.

The latest MPF Scheme Brochure (together with the First Addendum), the Trust Deed (together with the Fifth Deed of Variation and previous Deeds of Variation) and KSID can be downloaded from our website [www.chinalife.com.hk](http://www.chinalife.com.hk) free of charge from 23 June 2023. Members who have any queries in relation to this notice may contact our hotline 3999 5555.

China Life Trustees Limited  
23 May 2023

This is a computer printout and no signature is required.

## Appendix

The new amendments to the SIPO of the Fund are underlined as follows:

	New	Existing
i	The investment objective of the Fund is to provide capital preservation in the long-term and offer to enhance return with limited exposure to global equities, while also providing a guaranteed return.	The investment objective of the Fund is to provide capital preservation in the long-term and offer to enhance return with limited exposure to global equities, while also providing a guaranteed return.
ii	Feeder Fund.	Feeder Fund.
iii	The investment policy is to invest solely in a relevant insurance policy approved pooled investment fund issued by China Life Insurance (Overseas) namely China Life Retire-Easy Guarantee (PIF) Fund and will in turn solely invest in an underlying unit trust approved pooled investment fund namely China Life Retire-Easy Stable Return Unit Trust (PIF) Fund which maintains a diversified portfolio comprising <u>cash and deposits, debt securities, global equities and other securities as permitted in the Regulation and other relevant laws, rules or regulations that may be enacted from time to time respectively.</u>	The investment policy is to invest solely in a relevant insurance policy approved pooled investment fund issued by China Life Insurance (Overseas) and will in turn solely invest in an underlying unit trust approved pooled investment fund which maintains a diversified portfolio comprising the following: <ul style="list-style-type: none"> <li>● Global equities such as common stocks and preferred stocks;</li> <li>● Intermediate term global fixed income securities of maturity up to ten years, that meet the minimum credit rating as stipulated in the Regulation;</li> <li>● Debt securities issued or guaranteed by an exempt authority or listed on approved stock exchanges.</li> </ul>
iv	<u>Asset Allocation</u> Global Equities <u>and Other Securities</u> 0 – 30% Fixed Income Securities* 50 – <u>100%</u> Cash/Bank Deposit/ <u>Cash equivalent</u> 0 – 50%  * <u>Include but not limited to bonds, debt securities or approved index-tracking collective investment schemes defined in Section 1 of Schedule 1 of the Regulation duly approved by the Authority substantially investing in fixed income securities are also categorized as “Fixed Income Securities.”</u>	<u>Asset Allocation</u> Global Equities 0 – 30% Fixed Income Securities 50 – 80% Cash/Bank Deposit 0 – 50%
v	<u>Geographic Distribution</u> Hong Kong/China 0- <u>90%</u> Europe 0 - <u>90%</u> America 0 - <u>90%</u> Asia Pacific 0 - <u>90%</u> Others (equities*) 0 - <u>10%</u> (debt securities*) 0 – <u>40%</u>  * <u>Investments as permitted under Schedule 1 to the Regulation</u>	<u>Geographic Distribution</u> Hong Kong/China 30-80% Europe 0 - 40% America 0 - 40% Asia Pacific 0 - 40% Middle East (debt securities only) 0 - 40%
vi.	<u>Restrictions</u> The Fund will not enter into financial futures contracts and options contracts at both constituent fund and approved pooled investment fund levels.  The Fund will not enter into any security lending activity.  <u>The Fund may at approved pooled investment fund levels, enter into currency forward contracts only for hedging purposes and for maintaining at least 30% effective currency exposure to Hong Kong dollars as determined in accordance with sections 16(2) &amp; 16(3) of Schedule 1 to the Regulation.</u>	<u>Restrictions</u> The Fund will not enter into financial futures contracts and options contracts at both constituent fund and approved pooled investment fund levels.  The Fund will not enter into any security lending activity.