

## Our Response to the Far-below-expectation Performance of **Schroder**, the Active Global Equity Investment Fund, in 2016

To: All Members of Provident Fund Scheme for Workers in the Public Services

The Pension Fund has been working hard to improve the provident fund scheme. Moreover, with the assistance of the investment consulting firm, we have been monitoring consistently the risks and the returns of all application plans, so as to ensure that they are still suitable for being the investment managers / investment funds under the scheme.

In its monitoring report for the first half of 2016, Mercer, the investment consulting firm, mentioned that **Schroder** which manages our active global equity investment fund **still showed no sign of being able to beat the benchmark stably and continuously**, and hence proposed a close watch over the fund's performance until the end of 2016. In recent years, we **had expressed to Schroder, several times, our concern for its continuous unsatisfactory performance**. We had also used different ways to inform our members about this. During this period, Schroder had realigned its investment team many times and had reduced the annual management fee as a token of compensation. However, the performance of the fund still **did not get any better** at the end of 2016. For the whole year, it **lagged behind** the benchmark by **5.03 percentage points**.

Being **extremely concerned** about the **far-below-expectation performance of Schroder** in 2016, we sent a letter to them again in early January this year, telling them that the fund had long been lagging behind the benchmark and that it failed to meet our expected target. Based on the most updated monitoring report to be submitted by the consulting firm in late February, we will **assess the continuous suitability** of the said fund in the provident fund scheme, so as to **consider whether we should terminate investing in that fund**. Once we have any decision, we will make a timely announcement on it and on the respective measures.

In fact, the global financial market had encountered great changes in recent years. **In the long term, it had not been easy at all for active fund managers to run ahead of the benchmark** in terms of global equity. In general, among investment options available for a retirement investment scheme, **a passive fund** with a lower charge and performance similar to the benchmark is a **choice which better caters to the long-term investment need of members**.

At present, members should keep themselves updated about the provident fund scheme, by browsing our website, participating in the February seminar, as well as by making use of the hotline and the face-to-face consultation by appointment. Besides, they should also review their own investment portfolios to see if they still meet their current need, so as to **decide whether it is necessary to make appropriate adjustment in the coming 'switching' months**. For any enquiry or comment, members are welcome to call our hotline 2835 6556.

**Pension Fund**  
**January 2017**

[Click here to view the Fund's performance chart in 2016](#)