

## Important Notes

- You should consider your own risk tolerance level and financial circumstances before making any investment choices or investing according to the Default Investment Strategy. When, in your selection of funds or the Default Investment Strategy, you are in doubt as to whether a certain fund or the Default Investment Strategy is suitable for you (including whether it is consistent with your investment objective), you should seek financial and / or professional advice and choose the investment choice(s) most suitable for you taking into account your circumstances.
- In the event that you do not make any investment choices, please be reminded that your contributions made and / or accrued benefits transferred into the Plan will be invested in accordance with the Default Investment Strategy, which may not necessarily be suitable for you. Please refer to the section headed "Default Investment Strategy" in the principal brochure of BCT (MPF) Pro Choice and BCT (MPF) Industry Choice for further information.
- Investment involves risks. Past performance is not indicative of future performance.

## BCT 20<sup>th</sup> Anniversary – Embracing a Sustainable Future



### WGO x BCT Paper Saving Pioneers

2019 is a special year for BCT. It marks the 20th anniversary of the company and our commitment to retirement protection for Hong Kong people.

With sustainability as BCT's core value, we have made efforts in various areas including environmental protection, workplace quality, green operations practices and community involvement. Since 2014, BCT has been recognized in World Green Organisation's ("WGO") "Green Office Awards Labelling Scheme" and "Sustainable Business Award".

To echo the anniversary theme of "Embracing a Sustainable Future", we, as the sole sponsor, presented a green campaign named "WGO x BCT Paper Saving Pioneers" in collaboration with WGO. On 29 June, we hosted a series of activities and the key activity to raise environmental awareness, City Challenges Competition, attracted over 100 participants. Other activities included upcycling workshops and a green digital exhibition gallery to encourage the public to become paper saving pioneers, reduce paper use and cherish the earth's resources.



### Anniversary Video and Advertorial

To celebrate our 20<sup>th</sup> anniversary in June this year, we produced a video and an advertorial to share our corporate journey.

#### Group photo of all officiating guests (from right):

Ms Ka Shi Lau, BBS, Managing Director & CEO, BCT Group  
Mrs Vicki Kwok, JP, Deputy Director, Environmental Protection Department, HKSAR  
Ms Alice Law, Deputy Chairman & Managing Director, Mandatory Provident Fund Schemes Authority  
Mr Wong Kam-sing, GBS, JP, Secretary for the Environment, HKSAR  
Mr Bernard Chan GBS, JP, Founding Chairman, BCT Group  
Professor Albert Ip, Vice Chairman of Board, World Green Organisation  
Dr William Yu, Founder & Chief Executive Officer, World Green Organisation



#### Video



Click here

#### Advertorial



Click here

(Chinese Version Only)

## BCT Next Academy Promoting Lifelong Learning for a Decade



This year marks the 10th anniversary of BCT Next Academy (formerly known as BCT Third Age Academy). Over the years, the academy offers tuition fee discounts and subsidies to eligible persons enrolling in the courses offered by the Elder Academy of Open University of Hong Kong ("OUHK"). At the 9th graduation ceremony of OUHK's Elder Academy in July, a total of 120 students received Lifelong Learning Certificates. As of the school term ended in May 2019, we sponsored 5,986 students to help them make a first step towards fun lifelong learning. To encourage Hong Kong's working adults to upgrade themselves through learning, BCT Next Academy also collaborates with Li Ka Shing Institute of Professional and Continuing Education of OUHK and offers tuition fee sponsorships for selected persons. If you want to know more, please refer to the relevant leaflet.

#### BCT Next Academy's Leaflet



Click here

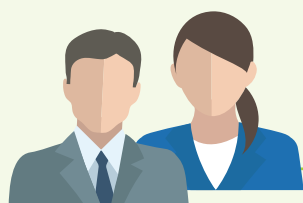
### Have You Taken a Step Forward to Save Tax by Opening a TVC Account?

Launched in April this year, Tax Deductible Voluntary Contributions (TVC) is a new way of saving tax. As of mid-July, BCT's customer contact centre received over 6,000 enquiries about TVC and more than 1,000 members set up TVC accounts to implement their retirement plan to save tax. Are you one of them?



### Statistics of Customers Opening TVC Accounts

TVC has been launched for several months, please find below the figures of BCT's customers opening TVC accounts in terms of gender, age, contribution code and contribution amount as of mid-July for reference.



#### Gender

Male 66% Female 34%



#### Age

Nearly 70% aged 40 or above



#### Contribution Mode

- Nearly 70% use autopay to make monthly contribution. Timely contribution at fixed amount is the best investment strategy to grow your asset
- In addition to monthly contributions, many members make a one-off contribution to reach the \$60,000 tax deduction ceiling\*



#### Contribution Amount

- Among the members who make monthly contributions with autopay, most people set monthly contribution amount at \$5,000
- Older members make higher average contributions, which is estimated to be related to income

\* The maximum amount that can be claimed for tax deduction is \$60,000 for the year of assessment 2019/2020. It is the aggregate amount for both TVC and qualifying deferred annuity premiums.

### Ka Sin x Ka Shi – Clarify the Myth of Tax Deductible Voluntary Contributions

BCT invited popular TV host, Ka Sin Chan, to present 4 episodes of BCT MPF Tutorial. In the first episode, Ka Sin and our Managing Director and CEO, Ka Shi Lau, clarified the myth of TVC to help you learn more about this new tax-saving measure.

#### First Episode



Click here



## BCT MPF Tutorial



### Ka Sin x Michael - Market Outlook for 2<sup>nd</sup> Half of 2019

The investment market is changing rapidly. In the second episode of BCT MPF Tutorial, Ka Sin and our Investment Director, Michael Ha, talked about the investment market for the second half of 2019.

#### Second Episode



Click here

# Investing in a Mature Economic Cycle

## The U.S. – Slow economic growth and toppish corporate margins

The G20 truce on tariffs was not a game changer. In the second half of 2019, we expect to see a very moderate recovery in global trade, which should continue to grow at a lower rate than GDP. In other words, global trade should continue to slow global growth.

Corporate margins are peaking as a result of higher wages and higher costs from tariffs, and a weaker merger and acquisition trend is another sign of the maturity of the cycle. It is obvious that value stocks are better than growth stocks based on relative valuations, but slowing economic growth and trade tensions are headwinds, and they have led us to refrain from forming a positive view on this position.

We remain cautiously neutral on the **U.S. Equities** after the strong rally since the beginning of the year, with sector / stock selection being the main strategy to approach the market.

## Europe – Weak economic environment

In the Eurozone, the recently published German GDP data confirmed that manufacturing crisis led to economic weakness in Germany, indicating possible downward revisions to growth expectations. Broadly speaking, the decline of manufacturing PMIs across major markets clearly depicted a much broader slowdown in the sector. The protracted uncertainty on the trade front and on the political side is going to affect investment decisions especially in Germany and Italy.

We remain neutral on **European equities**. The internal demand resilience is a supportive theme for the market, despite an overall weak economic environment. Eased political risks from multiple fronts, including successor appointments for EU institutions and Italy's political issue, could support a mild repositioning of investors towards European equities, with attractive valuations. Risks to monitor are Brexit and a further growth deceleration.

## Global Bond – Duration is the key

For Euro-denominated assets, due to the extremely low yields of core bonds, investors should take a more cautious duration view to benefit from a possible market repricing. In the U.S., we believe investors should favour lengthening duration in broadly diversified fixed income portfolios as a consequence of a more negative outlook for overall economic growth.

Overall, fundamentals are better for European investment grade bonds than that of the U.S. investment grade bonds. In the U.S., we still think that the investment environment is attractive for carry and modest spread performance.

We are neutral on **government bonds** and slightly positive on **corporate credit**.

## Japan – Domestic demand driven by VAT hike

Domestic demand is expected to maintain momentum, partly supported by early purchases ahead of the VAT hike in October this year. Capital expenditure should hold up well, but foreign demand will continue to face difficulties.

We remain cautious on **Japanese equities** due to trade war tensions and overall fragile risk sentiment. In such environment, the Yen should remain strong, preventing Japan from outperforming other markets. In fact, Japan is one of the most affected market by currency fluctuation and volatility. Japanese equities look cheap but global trade tensions pose some doubt on corporate profits in future. Given the global easing cycle started in recent weeks, the reaction of the Bank of Japan will be a crucial factor.

## China & Hong Kong – Accelerated easing

We expect trade tension between the U.S. and China will continue to weigh on the market performance. Given the uncertainty of the timing of any trade deals between the U.S. and China, the Chinese government is ready to accelerate easing. Fiscal spending is set to accelerate and infrastructure investment will likely to rebound modestly. Monetary policy should also ease further to support lending growth to the private businesses and the manufacturing sector. There is a sizable degree of flexibility in most of these policies, which can provide a lot of cushion for growth in times of uncertainty.

Hong Kong's GDP growth is likely to drop to 0% for 2019. In July, the protests started gaining traction and hence the performance of second half of 2019 will be negatively affected.

We are positive on **Chinese equities** and slightly negative on **Hong-Kong Equities**. We think that Chinese economy could hold up better than last year, as policymakers are better prepared, and local sentiment looks less fragile.

## Asia – Good economic fundamentals

We expect a further significant upside in the case of a deal between China and the U.S. before the U.S. presidential elections, with existing tariffs remaining in place but no further escalation. On the contrary, if negotiations between the U.S. and China break down and the U.S. tariffs are extended to \$300 billion of Chinese imports, it could lead to a material market correction.

One of our main convictions in Asian equities is on India (political stability and reforms). In the last month, we have also become constructive on Indonesia equities because of lower rates and good economic fundamentals.

A stabilization of the economic outlook (China's soft landing, easing trade tensions and supportive monetary policies) is a supportive element for Asia ex-Japan equities. The progress of trade negotiations has to be monitored as this is a major catalyst for the market. We remain slightly positive on **Asia ex-Japan equities**.

- The value of constituent funds may fall as well as rise. For further information about the risks involved, please refer to the principal brochure of BCT (MPF) Pro Choice and BCT (MPF) Industry Choice.
- The information contained in this document is provided for information purpose only and does not constitute any solicitation and offering of investment products. Potential investors should be aware that such investments involve market risk and should be regarded as long-term investments.



## "Semi-annual Member Benefit Statement" will Not be Sent by Post to Enable Paperless Operation

From 2019, "Member Benefit Statement (Semi-annual)" is no longer sent by post. Please log into your accounts and check the electronic statement through BCT member website or mobile app. Thank you for going green with BCT.



## Best SME's Partner for 10 Years

BCT has received the "Best SME's Partner Award 2019" from the Hong Kong General Chamber of Small and Medium Business for 10 consecutive years, in honour of our long-standing contributions and support to the development of small and medium enterprises in Hong Kong.



## Scheme Members Should Avoid Frequently Switching MPF Funds

As the Sino-US trade dispute continues, the investment climate remains uncertain for the second half of the year. Some MPF Scheme members may be concerned and tempted to adjust their MPF portfolio. While it is certainly a good practice to review and manage your MPF accounts on a regular basis, frequently switching MPF funds may not be the best approach.

Scheme members should note that the MPF is a long-term investment, which could span several decades, so returns will inevitably be affected by the financial market cycle or fluctuations. Scheme members should remain calm and rational in the face of market fluctuations.

Scheme members should also avoid trying to time the market and frequently switching funds. They should be aware of the potential "out-of-market risk", as the transfer process generally involves an investment time-lag of one to two weeks between the time the trustee of your original scheme redeems the units in funds, and the time the trustee of your new scheme subscribes to units in new funds for you. During this period, your MPF benefits will not be invested in any fund, but the fund prices may change because of market fluctuations, which may affect your investment return.

In general, scheme members should allocate their MPF assets based on their needs at different stages of life, investment objectives, risk-tolerance level, etc. Scheme members who do not have sufficient time or investment knowledge to manage their own MPF should consider choosing the Default Investment Strategy ("DIS"). DIS automatically reduces the investment risks according to members' age as they approach retirement, providing a simple MPF management option for them.



MPFA  
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[www.mpfa.org.hk](http://www.mpfa.org.hk)

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**Employer Hotline: 2298 9388**  
[www.bcthk.com](http://www.bcthk.com)  
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