

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 Smart Assistant MACY on Board!



BCT vows to adopt the customer-first strategy and put great emphasis on customer service at all fronts. Over the year, BCT has consistently delivered a high level of service with a personal touch that fulfilled customers' needs. As such, BCT is proud to announce the new launch of chatbot service – Smart Assistant Macy, to provide multi-platform service round the clock.

"MPF Made Easy" is the service concept we implement all the time. BCT Smart Assistant MACY comes from the syllables extracting from "Made" and "Easy". She incorporates Artificial Intelligence technology with Natural Language Processing technology and import the extensive MPF knowledge base to interact with you in dialogue.

You would be able to break time limit to solve your MPF problem any time anywhere, such as to enquire general questions, request forms and check application procedure. You can make MPF enquiry easily even when you are not suitable for a call.

Smart Assistant will first be reporting her duty on BCT official website and mobile application in December 2019, and extend her service to the social platforms later. Please stay tuned!

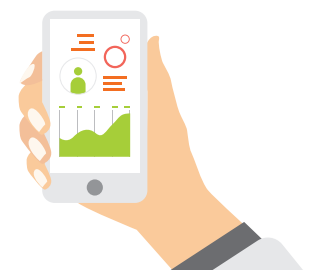
"BCT iPortfolio" to Help You Make Investment Decision

To provide more investment-related information to assist you in making informed investment decision, we will launch "BCT iPortfolio" soon. At present, you can conduct "risk assessment" in the retirement planning section of the BCT website www.bcthk.com to understand your risk level. In the future, when you complete the "risk assessment" and know your risk level, the new "BCT iPortfolio" will provide model simulated portfolios and fund choices based on your risk level for your reference. We recommend you to perform risk assessment every year and when your life stage changes, so as to understand your latest level of risk.

We will also provide market updates via more channels, more details will be released later, please stay tuned.

Please be Reminded to Provide / Update Mobile Phone No. & Email Address

BCT encourages members to make use of our diversified ePlatform to manage MPF in a convenient and environmental friendly way. If you have provided mobile phone no. and email address to BCT, you can login to our member website or mobile app via two-factor authentication, to manage MPF account and check account information. If you have forgotten your password, just click "Forget Password" on the member website login page, then follow the instructions to enter your personal information. You will receive a verification code after confirmation, please select "Password Setup" on the login page.



Special Voluntary Contributions Service Changes

If you have BCT's special voluntary contribution ("SVC") account, please note that from 1 January 2020 changes will be made to the special voluntary contribution plan. Below is the highlight of the changes:

1. Special Voluntary Contributions Account under "BCT (MPF) Pro Choice" or "BCT (MPF) Industry Choice" will be transferred to an individual account, separated from regular employee account or personal account.
2. The plan name will be changed from "Easy Gold Plan" to "Special Voluntary Contributions", so as to reflect the nature of the account clearly.



What are the benefits?

1. The changes help you manage MPF account more efficiently
2. Independent investment choice fits personal investment strategies
3. Independent monthly account balance SMS* gives you account updates regularly
4. Independent annual benefit statement makes your investment portfolio and benefit clear

What is the impact on you?

You are not required to take action on the changes. Your investment mandate, asset allocation and other administrative instructions will remain the same after the changes. If you have a "SVC" account, you will receive a participating plan number for you to check your account information. For more information, please call our member hotline at 2298 9333.

* This service requires registration in advance. You can log into the member website and set up this service in the "E-services Setting" section of "My BCT".

Friendly Reminder: Benefit from Tax Concession through "Tax Deductible Voluntary Contributions" ("TVC")

If you would like to enjoy tax concession in the coming year, you are recommended to open TVC account and make contributions before the tax season ends in March 2020. Contributions that are made to the TVC accounts are eligible for tax deduction and the tax deduction cap is \$60,000 per year*.

*The cap is an aggregate limit for both TVC and qualifying deferred annuity policy premiums.



Automatic Exchange of Financial Account Information (AEOI) in Tax Matters and How It May Impact You

Automatic Exchange of Financial Account Information (AEOI) in tax matters will be applied to MPF schemes and ORSO registered schemes with effect from 1 January 2020. What does it mean to you, as a scheme member?

Objectives of AEOI

To comply with the Common Reporting Standard (CRS) by Organisation for Economic Cooperation and Development (OECD), established in July 2014 with the aim to **enhance tax transparency** and **combat cross-border tax evasion**

What is AEOI / CRS?

MPF schemes and ORSO registered schemes will become reporting financial institutions (Reporting FIs), and are required to comply with the due diligence and reporting obligations by collecting the tax residence information of scheme members and reporting to the Inland Revenue Department (IRD) the account information of those members who are tax residents of any reportable jurisdiction outside Hong Kong.

For Pre-existing Members (i.e. accounts that are already in existence as at 31 December 2019)

- BCT will perform the due diligence within the statutory timeframe.
- Under certain circumstances (e.g. change in tax residency or personal particulars), pre-existing members may be required to provide a self-certification. In this case, BCT will notify the relevant members for necessary arrangement.

For New Scheme Members (include setting up of special voluntary contribution (SVC) account / tax deductible voluntary contribution (TVC) account)

- With effect from 1 January 2020, new members must provide a self-certification.



Please visit www.bcthk.com for more details

The U.S. – Growth converge to potential level

U.S. growth is expected to converge to potential level, and set to decelerate as key drivers moderate. Consumption growth is expected to slow because labour income growth slightly decline and remains resilient. We forecast a stronger deceleration for investments. Inflation is set to pick up towards the Federal Reserve (Fed)'s target with some upside surprises risks in the near term but the overall outlook remains soft.

Given the soft inflation outlook, the Fed still keeps a dovish stance for the future. The Fed keeps its easing policies, but policy decisions are subject to economic data. In line with market expectations, our central scenario is another rate cut next year, in order to maintain accommodative financial conditions and keep the U.S. growth on track.

We remain cautiously neutral on **U.S. equities**. While there is support from improved geopolitical situation and central bank's liquidity, the market is close to the highs, rates are rising and earnings growth is fragile.

Japan – Keeping door open to more easing

On the monetary side, the Bank of Japan still keeps the door open to more easing. The change in forward guidance wording at its last meeting showed that rates will likely remain at current level in 2020 with a possible further cut. We expect a rate cut by 0.1% in the next 12 months.

The tariff negotiations between the U.S. and China ahead of the U.S. presidential election will support Japanese equities, which is exposed to global trade and global economic growth.

Overall, we remain neutral on **Japanese equities**: valuations and improved corporate governance are supportive but fragile economic growth, weak earnings growth and the appreciation of the Yen pose risks and major headwinds.

Europe – Uncertainties clearing

We expect the economic growth of the Eurozone to converge to potential level, which means slight acceleration for some countries (Germany, Italy) and slight deceleration or stabilization for others (Spain, France). Inflation is projected to remain subdued in the Eurozone over the next few years, while fiscal easing is set to come but is likely to be mild, uncoordinated or pre-designed.

About the Brexit, the Brexit deadline will be extended until 31 January 2020 with an early general election on 12 December. Following these events, the risk of no-deal Brexit has declined sharply.

Overall, we are slightly positive on **European equities**. Brexit uncertainty is clearing up and trade disputes with China are calming. The European Central Bank (ECB) is injecting liquidity in the economic system through renewed quantitative easing while the Purchasing Managers' Indexes of the region seem to hit bottom.

China & Hong Kong – Stimulating stance and social unrest

As expected, China GDP growth in Q3 2019 landed at 6% year-over-year, which was the target floor announced by the government. Looking at its components, final consumptions and net exports marginally deteriorated while fixed investments very marginally improved. Property sector proved resilient, with some signs of pickup in the saleable area. The policy mix continues to support the economy in a limited way, through both the monetary and fiscal levers. China's policy mix will continue its stimulating stance, but it has been very limited until now, and far from the massive stimulus implemented in recent years.

We are positive on **China equities**; a partial trade deal between the U.S. and China is always better than no deal. If there are more fruitful discussions ahead, it will bring more cheers to the markets. We are turning positive on value and cyclical stocks.

We are slightly negative on **Hong Kong equities** due to the unsolved domestic social issues. As the economy is suffering and flows are not supportive, de-escalation of protests is needed for Hong Kong equities to become appealing.

Global Bond – Looking for investment opportunities in extreme market expectations

In global fixed income, investors should continue to seek opportunities at current levels, as well as at the country allocation level. We think investors should remain active in tactically adjusting the duration exposure when the market expectations get extreme.

In credit, we favour European credit because of strong fundamentals and relatively limited leverage. Participation is strong as investors hunt for yield and the ECB provides support.

There is still a quite benign environment for emerging market debt. Attractive carry, low U.S. rates, subdued inflation, dovish Fed and dovish central banks of emerging markets are supportive for emerging market duration investment. However, with uncertainty around trade negotiations, fragile growth dynamics and liquidity issues, investors are recommended to adopt a more cautious and selective approach. We are neutral on **government bonds** and positive on **corporate credit**.

Asia – Benign inflation and dovish central banks

The outlook for the region remains dependent on the evolution of trade discussion between the U.S. and China. Given the benign inflation of the region, we expect more easing going forward.

Several countries are trying to stimulate their economies through fiscal leverage, but fiscal policy is not always supportive. For example, in Thailand, the proportion of current expenditure continues to account more than capital expenditure in public expenditure. Realized capital expenditure in the 2018-2019 fiscal year was again much lower than the target.

We see reasons for a more constructive view on equity markets in the region: earnings have been better than expected; the central banks of various countries have been very accommodative by lowering the banks' required reserve ratio and the policy rates, as well as introducing target mechanisms to stimulate the economies. Selectivity is the key. We are 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.



Sustainable Business Award 2019

Awarded by World Green Organization

- Sustainable Business Award (for the 3rd Time)
- Sustainable Leadership Award 2019



Mystery Caller Assessment Award 2019

Awarded by Hong Kong Call Centre Association

- Best-of-the-Best (for the 6th Time, 5 Consecutive Years)
- Finance and Insurance Sector – Gold Award (9 Consecutive Years)
- Finance and Insurance Sector – Best-in-Class (8 Consecutive Years)



IFEC Financial Education Champion 2020

Awarded by Investor and Financial Education Council

Remarks: The above awards are for reference only, with the sole purpose of corporate communications. Investment involves risks. Past performance is not indicative of future performance.

Opt for the Default Investment Strategy (DIS) to diversify investment risk

In view of the recent market uncertainty because of Brexit stalemate, the lack of consensus of the US–Sino trade negotiations, and the intensifying downward pressure on the Hong Kong economy, risk-averse employees may want to consider adjusting their MPF portfolio.

There are different types of MPF funds available in the market for scheme members to choose from, according to their risk tolerance level. Scheme members who are unfamiliar with investing or have no time to manage their MPF should consider the Default Investment Strategy (DIS).

Comprising two mixed assets funds: the Core Accumulation Fund (CAF) and the Age 65 Plus Fund (A65F), the DIS adopts a diversified investment approach. In addition to having fee caps, the DIS invests in global equities and bond markets to diversify the investment risk instead of overly relying on a single market or asset class. The “automatic de-risking” feature of the DIS automatically adjusts the allocation between bonds and equities as scheme members age, reducing their exposure to investment risk as they approach retirement age.

Since its inception in 2017, the performance of DIS has been satisfactory. As at the end of September 2019, the CAF and A65F under the DIS had a return of 3.4% and 7.7%, respectively, in the past year, outperforming the corresponding mixed assets funds. According to MPFA figures, as at the end of June 2019, there were about 2 million MPF accounts (about 20% of the total number of MPF accounts) invested in the DIS or funds under the DIS, with a total asset value of close to \$40 billion; 60% of the accounts were actively invested. On average, one out of four newly open MPF accounts invested in the DIS.

Since the MPF is a long-term investment for retirement, spanning 30 to 40 years, it is inevitable that there will be many economic cycles over such a long period. Scheme members should therefore not be overly concerned about short-term market fluctuations and should not try to time the market.



MPFA
Hotline: 2918 0102
www.mpfa.org.hk

Member Hotline: 2298 9333
Employer Hotline: 2298 9388
www.bcthk.com
18/F Cosco Tower,
183 Queen's Road Central,
Hong Kong

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— Bank Consortium Trust Company Limited (Trustee & Administrator)

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