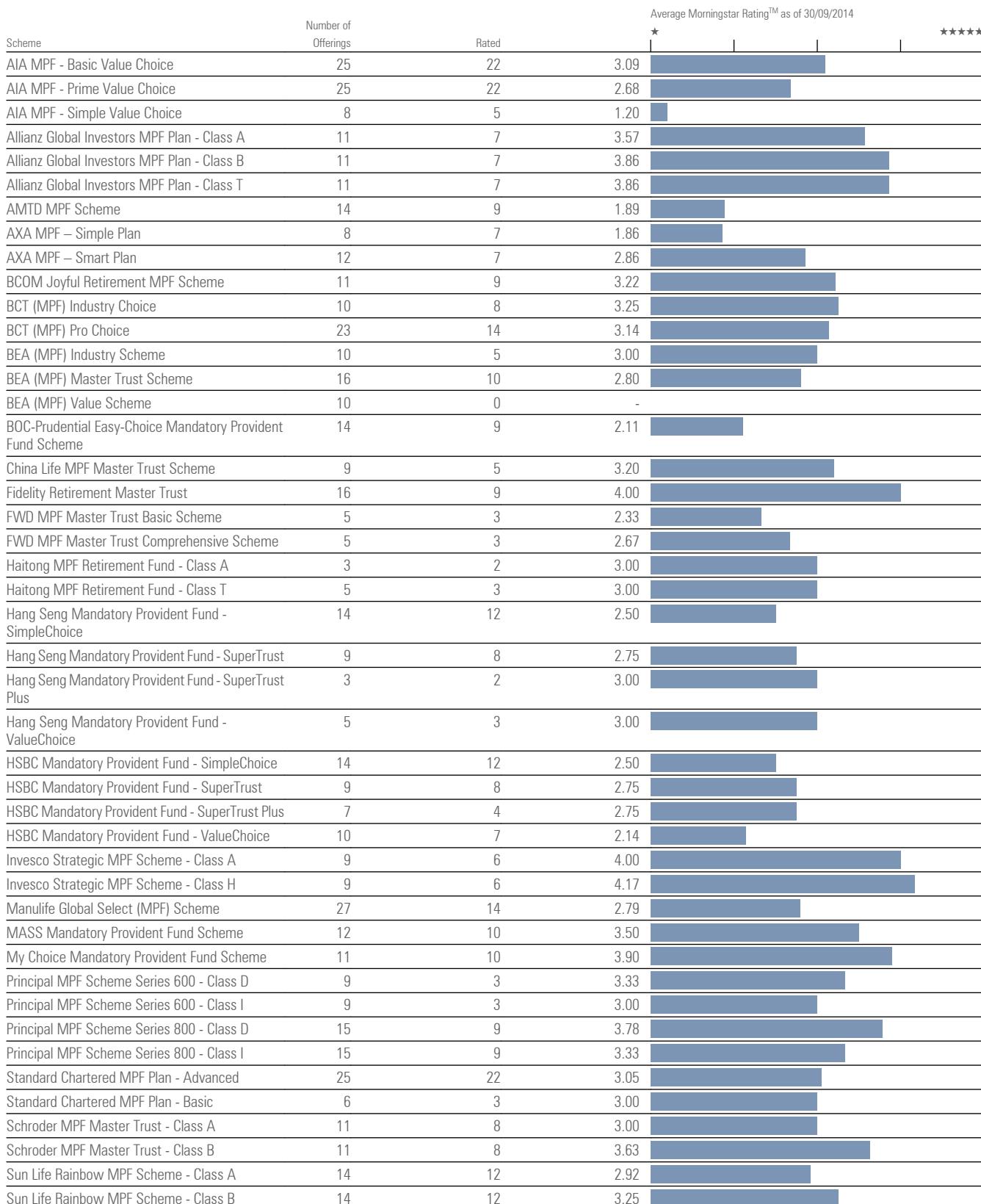


MPF Quantitative Trustee Report

Average Morningstar Rating™ by Scheme



*Each MPF's Morningstar Rating is calculated based on the broader track record of the fund itself, and not on the specific performance of its subadvisors. Hence it does not fully reflect subadvisor changes within the past ten years.

Does the Average Morningstar Rating Mean Everything?

It means a lot, but it's not meant to be all-encompassing. In addition to the average Morningstar Rating, there are several important issues investors should carefully consider when interpreting the QTR.

1. Product Variety

This is a key factor that deserves investors' attention. The MPF scheme should provide investors the insight they need to achieve optimal asset allocations. It's pointless for an investor to pour his or her pension money into a trustee if it does not offer the asset classes most consistent with his or her investment objectives, regardless of its average Morningstar Rating. The average Morningstar Rating figure is important, but investors should also delve more deeply into the schemes to assess their suitability. Quality and suitability are two key criteria for trustee selection. The more offerings an MPF scheme offers, the more liberty investors can enjoy. This liberty, although valuable, is not considered in the Morningstar Rating computation process.

2. Degree of Difficulty

Is it appropriate to conclude that the trustee with the highest average Morningstar Rating is the best? No! Obviously, it is much easier to obtain a good average Morningstar Rating for an MPF scheme that only offers five products as compared to another one that offers 15 products. If we take this degree of difficulty into consideration, the big picture would look different.

3. Good at What You Want

An average Morningstar Rating of four doesn't mean that all MPFs in the scheme are rated as four-star. Under normal circumstances, this average Morningstar Rating of four would be made up by some good offerings (rated as four- or five-star) and some not-so-good offerings (rated as three-star or below). Therefore investors should be aware of the strengths and weaknesses of each trustee before making an investment decision. For example, it's pointless to stick with a trustee with good fixed income offerings if the investor's portfolio has a heavy tilt toward equity funds.

4. It is NOT a Forward-Looking Measure

Investors should be keenly aware that the Morningstar Rating is computed by assessing historical performance, and that past performance is not a predictor of future results. As such, a high rating alone is an important but not sufficient basis for making investment decisions.

5. Young Schemes Deserve Consideration Too

Green funds aren't rated until they obtain performance track records of at least three years. In some cases, young MPF schemes would have no average Morningstar Rating at all, but this doesn't mean they're necessarily bad. All good funds, as well as trustees, must start somewhere. Investors can assess the relative performance of offerings (no matter how short the track records are) in the scheme to see whether they are outperformers in general. Besides, light experience in the MPF space shouldn't be a concern, if the trustees have deep experience in asset management.

6. Does Not Fully Reflect Subadvisor Changes

Each MPF's Morningstar Rating is calculated based on the broader track record of the fund itself, and not on the specific performance of its subadvisors. Put more clearly, if an MPF elects to outsource the fund's management, or to change its subadvisor, the Morningstar Rating will reflect the performance of all of its investment managers and subadvisors, in aggregate, up to the past ten years. Although each investment manager may implement his or her own variations to the fund's investment approach, style, or discipline, we believe the Morningstar Rating should capture an MPF's total performance, assimilating the cumulative impact of all of its underlying subadvisors.