

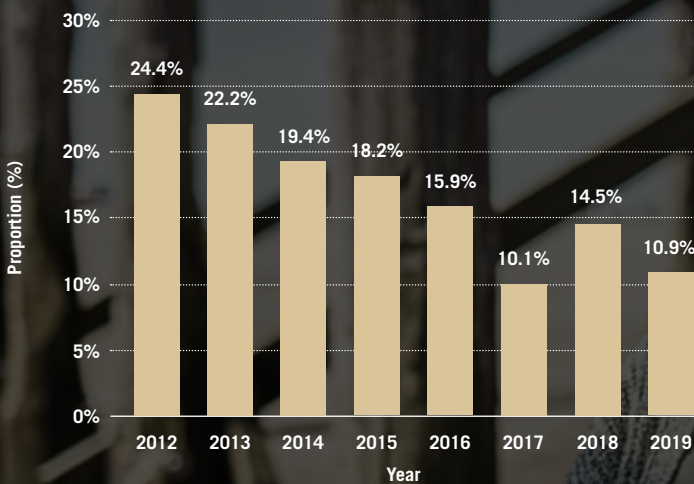
5. Investment returns and the portfolios that the member is invested in

5.1 Members not invested in the default

Many funds allow members to opt out of the default investment model and choose their own investment portfolios from a range offered by the fund.

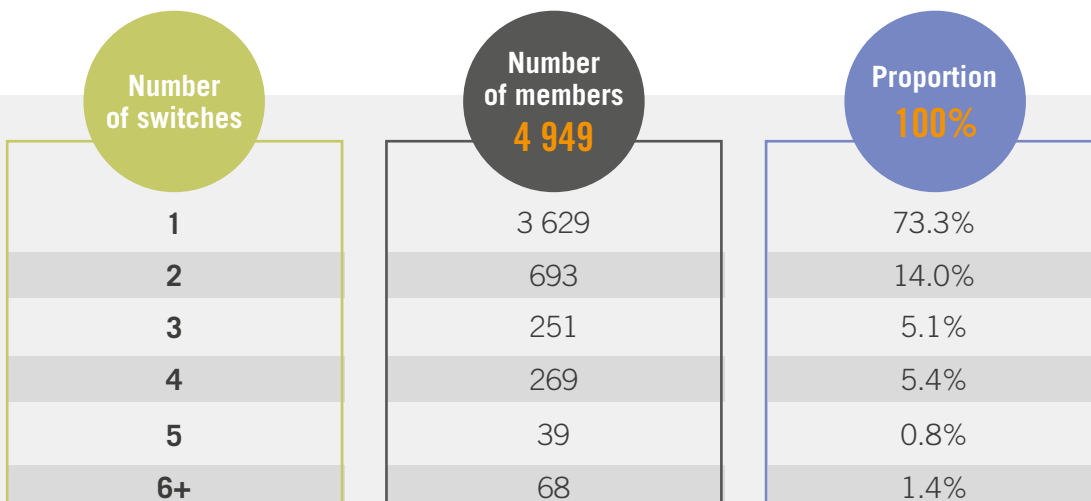
The overall number of members who are not invested in the fund's default has ranged from 24.4% in 2012 to 10.9% in 2019. The proportion of members who were not invested in the default portfolio in the past seven years is shown in this graph.

Proportion of members not in the fund's default portfolios



5.2 Switching

In any particular year, very few members make active investment choices. Less than one per cent of the fund members surveyed made switches during the year-ended 31 March 2019. During 1 April 2018 to 31 March 2019, 4 949 members made 7 616 switch transactions, this is a significant decrease from the number of switches from 2018. A total of 73.33% of members who switched portfolios made one switch, while 14% of members who switched portfolios made two switches.



5.3 Distribution of all investments

Overall 34.6% of the fund assets are invested in a high-risk portfolio and 31.8% are invested in a medium-risk to high-risk portfolio.

This graph below illustrates the distribution of investment risk, by age, according to the risk ranking of a member's investment portfolio.

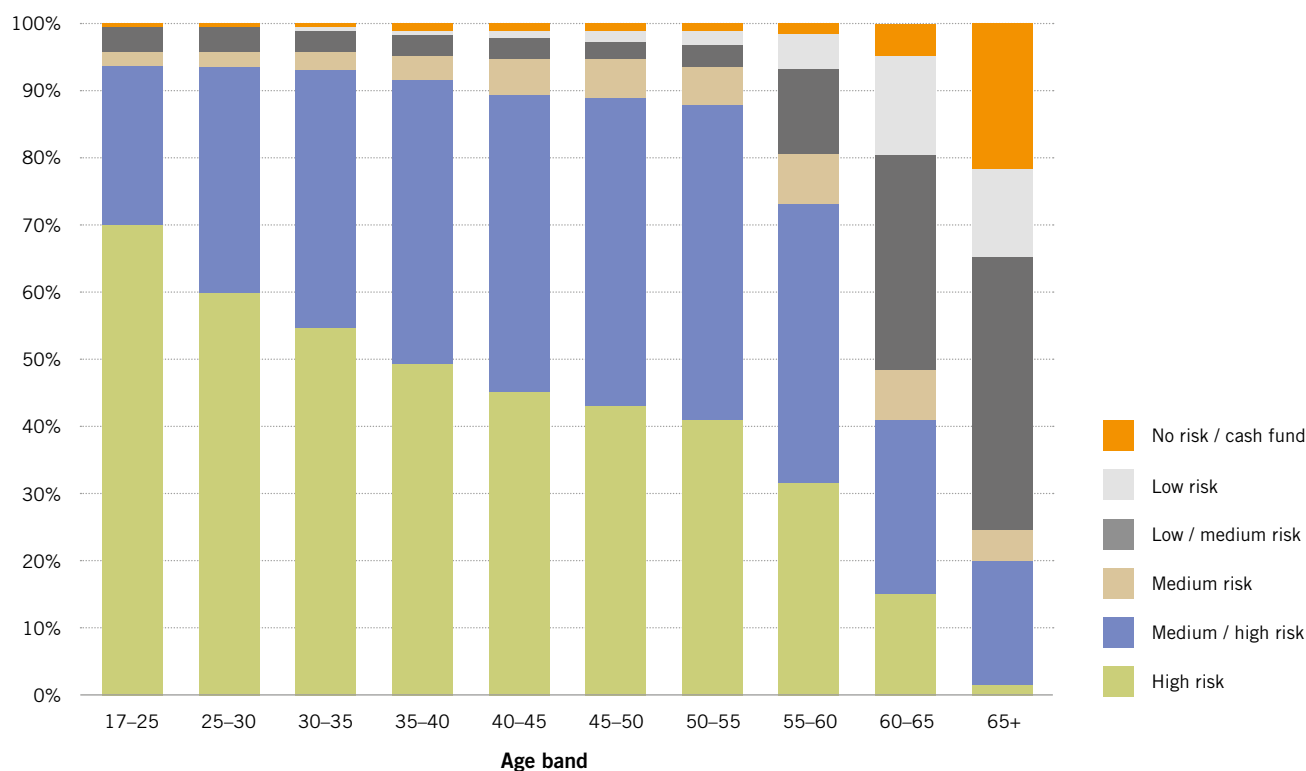
In 2019, most members under 55 remained fairly aggressively invested, but more than 10% chose a portfolio with no equity exposure. About 40% of members chose portfolios with less than 50% exposure to equities. It is important for members with a long-term investment horizon to invest in sufficient equities, since these are expected to outperform bonds and cash over

the longer term and will be a critical contributor to a member's retirement benefit. The compounding effect of a few percentage points return over a 40-year lifetime can result in as much as a 50% higher benefit at retirement.

Almost 80% of members between the age of 20 and 30 are invested in medium-risk to high-risk portfolios, which is sensible since they are 30 or more years away from retirement.

Almost 30% of members above the age of 60 are invested in medium-risk to high-risk portfolios. This shows the preference that members (especially those with higher fund credits) have for investing in living annuities when they retire and typically staying invested in a higher risk portfolio for longer.

Investment distribution across different age groups



5.4 When members exercise investment choice

Investment portfolios are shown below by age when members exercise investment choice.

More members aged 55 and above are invested in high-risk assets than members aged 30 to 50. This could be a function of the preference for living annuities at retirement, especially by those with higher fund credits, which typically would result in a higher risk portfolio for longer.

We would also expect to see a decline in riskiness for members exercising their own choice with age, but that is not the case.

Investment portfolio distribution of members exercising choice

