



## Volatile Market Video Transcript

Duration: 2'10"

| Segment Title | Audio  | Visual |
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| Introduction  | <p>The COVID-19 pandemic has developed into a global issue, while the recent oil price slump has pushed investor risk-off sentiment further to climax. Stock market volatility has reached a peak since the 2008 financial crisis.</p>   |        |
| Content       | <p>Funds are flowing into lower risk assets including government bonds, bringing the 10-year US treasury yields to historic low levels.</p> <p>Major central banks around the world have launched monetary measures in the hope of stabilising the economy. In the U.S., quantitative easing measures to support the country's economy include drastic base rate cut and re-initiation of the bond repurchase program by the Fed.</p> <p>During such volatile times, it is essential to maintain a highly diversified investment portfolio for</p> |        |

the purpose of risk diversification.

Stocks typically perform well under a bull market environment. For instance in 2019, the global stock markets rallied spearheaded by the US stock market, on the back of a strong economy and support from a loose monetary policy in the U.S.

On the contrary, high grade bonds that are typically low risk assets may not be able to generate a lot of upside for investors under a low interest rate environment. However, since they have a lower correlation with risky assets like stocks, they typically perform relatively well under volatile market conditions as they help to diversify portfolio volatility effectively.

To increase diversification in an investment portfolio, MPF members may wish to explore more about mixed asset funds available in the market that offer a combination of equities and fixed income with different risk profiles. In addition, members would also benefit from the “Dollar Cost Averaging” method while making monthly MPF contributions at fixed amount, which helps to ‘average out’ the ups and downs of the fund subscription price over the long term.

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| Conclusion          | Members should also recognize that MPF is a long term investment. They are advised to stay calm and clear-headed instead of re-balancing their portfolios frequently due to market volatility. Members should select the fund types based on their own investment objectives and risk tolerance levels. |  |
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|  |  | <p>objectives, financial resources and relevant circumstances. The relevant product offering documents should be read for further details.</p> <p>This video has not been reviewed by the Securities and Futures Commission of Hong Kong or any regulatory authority in Hong Kong.</p> <p>April 2020</p> |
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