

Dynamic

(I) Enhancing asset allocation while following fund investment policies

Policies are the guiding principles for investment, and each of the investments follows the guidelines laid out in the policy statements. Since the Bureau adopted the investment policy statements for the Labor Funds and the National Pension Insurance Fund, it has regularly checked operations for compliance. Going forward, the Bureau will continue to review policy statements where necessary so as to adapt to significant changes in cash flow and mid- and long-term financial market outlooks, and to ensure the sustainability of the funds.

In an attempt to generate a steady income for the funds, the Bureau uses long-term historical data of representative market indices when devising asset allocation plans and takes into consideration upcoming economic changes. The Bureau will continue to pursue substantive research into asset allocation trends and enhance forecast modules for long-term rates of return. At the same time, the Bureau will conduct refined analysis of parameters to further improve asset allocation efficiency.

(II) Selecting high-quality mandated institutions and continuing to promote socially responsible investment

Over the years, the Bureau has made a great commitment to enhancing the returns of its mandates and promoting socially responsible investment. In 2017, in order to improve administrative efficiency and encourage more high-quality investment teams from Taiwan to make bids, the Bureau again

integrated the same types of mandates and organized joint selections of investment managers. It also increased mandate amounts and terms of investment management to encourage investment trust companies to try to win bids by assembling the best investment and research teams. During regular evaluations, the Bureau reviews overall account performance and rewards outperformers by renewing contracts or increasing mandate amounts, thus building long-term partnerships with excellent institutions and enhancing mandate performance.

On the other hand, in an effort to promote socially responsible investment (SRI), the Bureau has continued to urge mandated institutions to incorporate SRI into investment strategies. Following the adoption of SRI indices such as the Taiwan Employment Creation 99 Index and the Taiwan High Compensation 100 Index as benchmarks in the 2011 and 2014 domestic mandates, respectively, the Bureau is set to introduce the ESG index as a mandate benchmark. By comparison with the aforementioned Taiwanese SRI indices, the ESG index covers a wider range of environmental, social, and corporate governance issues and is in line with the global SRI trend. The Bureau hopes its efforts will spur SRI development in Taiwan and encourage companies to fulfill their corporate social responsibility and contribute to society.

(III) Keeping abreast of changes in economic cycles and diversifying mandate strategies

Looking ahead, changes in the global markets and economic cycles are likely to contribute to further market volatilities. To effectively diversify portfolio investments and reduce risk, the Bureau will continue to design a variety of overseas mandate types to select a diverse pool of excellent professional managers who will operate the mandate accounts in a flexible

way and seek to enhance fund returns.

Given the direction in which interest rates are heading, and in response to changes in current economic cycles, the Bureau has planned the Absolute Return Fixed Income mandate, which eschews the traditional relative return benchmark in favor of an absolute return one. This change was introduced to encourage managers to invest in a more flexible manner so as to generate positive returns in all kinds of market environments. Apart from this new mandate, the Bureau has also selected as benchmarks indices that cover a wider range of factors, such as the ESG index, and designed the Global ESG Quality Mix Equity Indexation mandate. The Bureau has optimized mixed Smart Beta indices to minimize the impact of economic cycles on individual Smart Beta indices, control downside risks, and obtain superior risk-adjusted returns. Going forward, the Bureau will continue to closely monitor changes in the global financial landscape, adjust portfolio positioning according to market trends, and invest in diverse assets to generate long-term steady incomes for the funds.

(IV) Comprehensively updating information platform in step with IT development

When the Bureau was founded it set up a Chinese–English bilingual website on which it regularly provides a variety of information. However, with the growth of the funds and the increase in investment targets, the amount of disclosed information has also increased; as a result, the Bureau needs to improve the overall quality of the website in order to achieve greater clarity and provide users with an easier access to information. To enhance communication with the general public, the Bureau website is scheduled to be overhauled in 2017 as part of the transformation project of the Ministry of Labor’s shared website framework.

The Bureau's website remodeling will incorporate wider trends in IT development and user habits. Some of the key targeted areas include the use of shared platforms to improve overall visual presentation, user-friendly information presentation, increased use of social media to step up real-time communication with the public, enhancement of the website management system, and improvements to website governance and service quality.