

## Participating Fund Update for 2019

In this annual Participating Fund (“Par Fund”) update, you will find key information on the Par Fund performance for the year ending 31 December 2019. We will also inform you of our asset allocation strategy and the future outlook of the Par Fund based on our latest actuarial investigation of policy liabilities carried under section 37(1) of the Insurance Act and any potential changes in future non-guaranteed benefits.

### About the Par Fund

The Par Fund consisted of two sub-funds: a US dollar participating sub-fund (the “USD Fund”) and a Singapore dollar participating sub-fund (the “SGD Fund”).

### Par Fund Performance

The USD Fund was incepted on 15 March 2017 and the SGD Fund was incepted on 2 January 2018. The table below shows the historical annual performance of the USD and SGD Funds. Past performance is not indicative of future performance.

Year	2017	2018	2019
Investment Return <sup>1</sup> of the USD Fund	6.50% <sup>2</sup>	-4.17%	11.5%
Investment Return <sup>1</sup> of the SGD Fund	NA	-5.05%	10.5%

<sup>1</sup> Investment return is derived after deducting investment expenses only.

<sup>2</sup> This is for the period between 15 March 2017 and 31 December 2017.

### Non-investment factors

Other factors may affect the Par Fund performance, such as insurance benefit claims, operating expenses and surrender payouts. The overall experience for these factors is broadly in line with our expectations, except for operating expenses. Operating expenses are higher than expected, as the Par Fund is still in the initial years of set-up.

### Economic review

On 20 January 2020, the International Monetary Fund had projected global growth would slow down to 2.9 percent in 2019. This projected growth rate would be the lowest since the global financial crisis in 2008. This weakness in global growth is driven by a sharp deterioration in manufacturing activities and global trade.

In view of the less than optimistic outlook, central banks were willing to take stronger supportive actions such as cutting interest rates and purchasing assets owing to the weaker trading to help relieve market stress. These measures, coupled with the de-escalated trade war situation and a clearer outlook of the Brexit, boosted the investment sentiments in the capital markets. As a result, all major asset classes recorded positive returns in 2019.

### Equities

Looking across the major asset classes, global equities was the best performing with 28.4% returns. China A shares outperformed with an impressive 37.2% returns whilst the US equity market showed its best performance since 2013 with a 31.5% growth in 2019. Whilst the equity performance was strong, we should note that the strong performance was partly due to the rebound from the fourth quarter of 2018.

## Fixed Income

Fixed income also presented strong investment returns. US investment grade bond was the top performer in the fixed income asset class and recorded 14.5% returns. The 10-year US Treasury bond earned 9.5%, which is the best annual return since 2014.

## Alternatives

Commodities as an alternative asset class gained from the favourable macroeconomic environment and achieved 7.7% returns in 2019. Gold was the best performing alternative asset, followed by metals and mining.

## Asset Mix of the Par Fund

The strategic asset allocation and the asset mix of the USD Fund as at 31 December 2019 is summarised below.

Asset Class	Strategic Asset Allocation	Actual Asset Mix
Equities	25%	25%
Fixed Income	65%	62%
Alternatives	9%	10%
Cash and Equivalents	1%	3%

The strategic asset allocation and the asset mix of the SGD Fund as at 31 December 2019 is summarised below.

Asset Class	Strategic Asset Allocation	Actual Asset Mix
Equities	30%	29%
Fixed Income	61%	59%
Alternatives	9%	10%
Cash and Equivalents	0%	2%

## Future Outlook

The Novel Coronavirus (“Covid-19”) pandemic which is sending its shocks around the globe, has not eased and continues to worsen with the sharp rise in the number of infected cases globally. The pandemic has unleashed unprecedented economic damage and has created a health and humanitarian crisis. The economic effects of social distancing measures and other containment efforts put in place to curb the spread of the virus, have taken a huge toll on economic activities and roiled financial markets. Data such as surged US jobless claims are clear signals of the recessionary plunge.

Monetary policies play an important role in this terse environment. Central banks have taken actions such as reducing interest rates, lending freely to banks and financial institutions and encouraging them to extend credit to firms which are adversely affected by this crisis. The Federal Reserve (“Fed”) has taken to cut interest rates at an emergency meeting as the Fed aims for a target interest rate range of between 0 percent and 0.25 percent. The Fed has also launched a massive quantitative easing programme to help shore up the economy amid the rapidly escalating global pandemic. The European Central Bank has increased asset purchases by €750 billion through 2020. The People’s Bank of China has also conducted several cuts on the targeted required reserve ratio.

Amid the uncertainties, many economies are adopting a more cautious approach to resuming economic activities. In this uncertain climate, investors may need to take a longer term perspective in their investment decisions as we are still unclear if the global economy would recover any time soon and the cumulative impact on the global economic growth over the long-term.

In 2020, we will continue to adopt a disciplined investment approach to balance both risks and returns to deliver stable returns over the long term to help meet your financial goals.

## Frequently Asked Questions

### 1. What is a participating policy?

Participating policies are life insurance policies which aim to provide stable medium to long-term returns by providing guaranteed benefits and non-guaranteed benefits in the form of bonuses.

### 2. What is a participating fund?

A participating fund (“Par Fund”) is a fund which combines premiums pooled from all participating policies to invest in a range of assets, such as bonds and equities, to generate an investment return. The Par Fund aims to achieve the illustrated investment rate of return while controlling risks by actively managing a mix of asset classes. Profits from the participating fund is used to determine the non-guaranteed bonuses on your participating policy.

### 3. How are bonuses determined and are they guaranteed?

Bonus rates are determined and declared yearly as approved by our board of directors based on the written recommendation of our appointed actuary. Once bonuses are declared and allocated, they will form part of the guaranteed benefits of your policy.

In determining the bonuses that we can pay, we consider the actual experience and the future outlook of key factors affecting the performance of the Par Fund. These key factors include investment performance, expenses and payments of benefits.

As the performance as well as the future outlook for the participating fund may vary from year to year, bonuses may be smoothed to ensure stable medium- to long-term return. As a result, bonuses may be retained in good years to support the bonuses in years when experience is less favourable.

Our bonus allocation policy is to keep the bonuses at a level that we expect that they can be supported over the medium- to long-term. Thus, while we review the bonus rates yearly, we do not expect them to rise and fall much from year to year. Nevertheless, there may be significant adjustments under exceptional circumstances.

### 4. Who manages the Par Fund?

The Par Fund is managed by us and Schroder Investment Management (Singapore) Ltd. which is part of Schroders plc (“Schroders”). As at 30 June 2019, Schroders, a global investment manager with a long history of over 200 years, had USD565.5 billion of assets under management and administration and operates from 32 locations across Europe, the Americas, Asia, the Middle East and Africa.

### 5. Who should I contact to find out more on my policy matters?

Please email our Customer Care team at [CustomerCare@chinalife.com.sg](mailto:CustomerCare@chinalife.com.sg) or call us at 6727 4800.

## About Us

Established in 2015, China Life Insurance (Singapore) Pte. Ltd. (“we”, “us”, “our”) is a licensed life insurer which is regulated by the Monetary Authority of Singapore (“MAS”).

As part of China Life Insurance (Group) Company (“China Life”) which is the largest financial insurance corporation in China, we are backed by its financial strength and established heritage. China Life is a Fortune Global 500 company for 17 consecutive years and was ranked 51st in 2019. It is an influential global brand with a brand value of over RMB353.9\* billion.

Our parent company, China Life Insurance (Overseas) Company Limited (“China Life (Overseas)”) is a whollyowned subsidiary of China Life. It is a leading life insurance company in Hong Kong and Macau with an asset value of more than HKD340billion (December 2019) and its premium income exceeded HKD49 billion in 2018. Its credit rating by Moody’s was “A1” (insurance financial strength rating in September 2019) and by Standard & Poor’s was “A” (long-term local currency issuer credit rating and insurer financial strength rating in December 2019). China Life (Overseas) has extended its footprint in Southeast Asia in recent years, and established subsidiaries in Singapore and Indonesia in 2015 and 2018 respectively.

We are a socially responsible company committed to offering value-added financial solutions to customers to fulfil their protection, savings, retirement and legacy planning needs. We also believe in giving back to society through our corporate social responsibility activities to make a positive impact on the community and our customers. This resonates with the Belt and Road Initiative to increasingly engage our socio-business influence here.

\* Source: Top 500 Most Valuable Chinese Brands 2019 by World Brand Lab