Participating Fund Update for 2020

In this annual Participating Fund ("Par Fund") update, you will find key information on the Par Fund performance for the year ending 31 December 2020. 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.

Par Fund Performance

For Our Participating Fund, the past investment rates of return (after deducting investment expenses only) are shown in the table below:

	2018	2019	2020	Average of last 3 years	Average of last 5 years	Average of last 10 years
Investment Returns[1]	-3.62%	11.09%	15.11%	7.22%	N.A.	N.A.

[1] Investment return is derived after deducting investment expenses only.

Non-investment Factors

Other factors may affect the performance of the Par Fund, 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 its operating expenses. The operating expenses of the Par Fund are higher than expected, as the Par Fund is still in its initial years of set-up.

Economic Review

The International Monetary Fund (IMF) forecast a global contraction of 3.5% in 2020. This weakness in global growth was driven mainly by the COVID-19 pandemic. However, the improvement of 0.9% from the 4.4% slump predicted in October reflects stronger-than-expected growth momentum in the second half of 2020. Breakthrough in vaccine developments and launch of vaccinations in some countries have increased hopes of an eventual end to the global pandemic, raising expectations of a vaccine-powered uptick in 2021.

Despite the coronavirus-triggered downturn, financial assets ended 2020 generally on a positive note. Central banks were willing to take massive stimulus actions to support market liquidity and prevent a re-run of the 2008 global financial crisis. Fiscal policies from governments around the world also provided much-needed lifelines to companies. These measures, ultra-loose monetary policy and massive fiscal packages, supported investor sentiment and market confidence. As a result, major asset classes generally recorded positive returns in 2020.

Equities

Equity markets saw an impressive rebound after the initial coronavirus-triggered downturn in 2020. Looking across the major asset classes, emerging market equities was the best performing with the MSCI EM index returning 18.7%. This was followed by US equities with 18.4% returns and Japanese equities with 7.4% returns. European equities were lagging and UK equities were down 9.8%. Growth stocks especially technology stocks outperformed value stocks in 2020.

Fixed Income

Fixed income markets also performed well in 2020 with the Bloomberg Barclays Global Aggregate index gaining 9.2%. Global Investment grade bonds and emerging markets debt recorded 10.4% and 5.9% returns respectively. Government bonds mainly gained in 2020 with US government bonds rallying 8.0%.

Alternatives

Commodities as an alternative asset class underperformed with returns of -3.1% in 2020. Metals and mining was the best performing alternative asset, followed by gold. On the other hand, energy performed poorly in 2020.

Asset Mix of the Par Fund

The strategic asset allocation and the asset mix of the Par Fund as at 31 March 2021 is summarised below.

Asset Class	Strategic Asset Allocation	Actual Asset Mix
Equities	15%	22%
Fixed Income	80%	52%
Alternatives	5%	9%
Cash and Equivalents	0%	17%

Future Outlook

The global market rally since 2nd Half 2020 has been largely due to low interest rates and accommodative monetary policy. The world economies are now moving towards normalisation following the return of global demand after lockdowns and vaccine announcement. Given this outlook, bond yield changes and asset volatility are expected.

The aggressive monetary policies by central banks have provided ample market liquidity and boosted asset prices. We will look to manage our position closely as the market tests global central banks' commitment to keep an accommodative policy stance.

We are keeping a close watch on the anticipation of better growth prospects, rising interest rates and upward pressure on inflation. With Europe going back into lockdown, expectations that economic activities will normalise may be overestimated. The road back to normality is challenging and investors may need to take a longer term perspective in this investment environment. Higher bond yields are the result of higher inflation expectations and growth expectations. Having seen a sharp rise in yields year-to-date, we may see further corrections in the months ahead depending on the inflation signs. This could prompt a rethink in asset allocation consideration as bonds may yet become attractive again later in the year with more room for price gains. Commodities will help provide some protection from cost-driven inflation. We will continue to diversify our portfolio allocations across sectors and globally.

In 2021, we will continue to adopt a disciplined investment approach to balance both risks and returns and to deliver stable returns over the long term to help meet your financial goals.

About Us

Established in 2015, China Life Insurance (Singapore) Pte. Ltd. is a licensed life insurer which is regulated by the Monetary Authority of Singapore. As part of China Life Insurance (Group) Company ("China Life") which is the largest state-owned financial insurance corporation in China, we are backed by its financial strength and established heritage^. China Life is a Fortune Global 500 company, ranked 45 in 2020, for 18 consecutive years. It is an influential global brand with a brand value of over RMB 415.861 billion*.

Our parent company, China Life Insurance (Overseas) Company Limited ("China Life (Overseas)") is a wholly-owned subsidiary of China Life. It has grown to become one of the largest financial institutions in Hong Kong with an asset value of more than HKD 456.3 billion (December 2020) and its premium income exceeded HKD68.9 billion in 2020. China Life (Overseas) has extended its footprint in Southeast Asia region in recent years, and established subsidiaries in Singapore and Indonesia in 2015 and 2018 respectively. Its financial rating by Moody's was "A1" (insurance financial strength rating in January 2021) and by Standard & Poor's was "A" (long-term local currency issuer credit rating and insurer financial strength rating in December 2020).

As a socially responsible company, we are committed to offer value-added financial solutions to customers to fulfil their risk protection, retirement, wealth management, and legacy planning needs. We believe in giving back to society through our corporate social responsibility activities to make a positive impact on the community and our customers. We have a network of 22 branches formed by strategic partnership of 2 banks, and more than 19 strategic partners formed by local and international brokerages, private banks and wealth management companies. We have officially launched our Agency Channel. It aims to penetrate the local insurance industry and built a trusted and experienced team, equipped to provide utmost services to local clients and high net worth clients.

^ Note: The Fortune Global 500 ranking was accorded to our strong ultimate parent company, China Life Insurance (Group) Company. The Moody’s and Standard & Poor’s credit ratings were accorded to China Life Insurance (Overseas) Company Limited, our parent company.
* Source: Top 500 Most Valuable Chinese Brands 2020 by World Brand Lab