

Dear Valued Customer,

Thank you for your continued trust and support for China Life Insurance (Singapore) Pte. Ltd. On behalf of all my colleagues, I would like to express our sincere appreciation. Your trust is the foundation of our growth and the reason we strive to improve every day. At this moment, I also extend our warmest wishes to you and your family for good health, happiness, and every success.

Over the past year, we have remained focused on putting our customers first, with ongoing efforts in product innovation and service enhancement. We have refined our product offerings to better meet diverse needs and provide more comprehensive protection. In addition, we launched the “China Life OneService App,” allowing you to access policy information and track applications anytime, anywhere, with ease and convenience.

In today’s increasingly complex and uncertain global environment, we understand the importance of stability and predictability. We would like to reaffirm that the annual dividend payouts remain unchanged. Through disciplined and prudent management, we will support your protection and financial well-being, giving you greater confidence as you plan for both the present and the future.

Looking ahead, we are advancing our digital and intelligent transformation, using technology and innovation to enhance how we serve you. We are streamlining processes, improving transparency, and strengthening service efficiency to deliver a smoother and more responsive customer experience. Our goal is to ensure that every interaction reflects professionalism, care, and a genuine commitment to your needs. At the same time, we are deepening our “Insurance+” ecosystem strategy, expanding beyond traditional protection to become a more comprehensive life services partner. From health management to wealth planning and lifestyle support, we aim to provide integrated and meaningful solutions that support you at every stage of life.

Trust is where every journey begins, and honoring that trust is our enduring commitment. As the world evolves, we remain dedicated to standing by you and building lasting security and peace of mind together. We look forward to the future and to strengthening our partnership in the years ahead.

**Zeng Baqun**

Chief Executive

China Life Insurance (Singapore) Pte. Ltd.

## Participating Fund Update for 2025

### Par Fund Performance

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

	2023	2024	2025	Average of last 3 years	Average of last 5 years	Average of last 10 years
Investment Returns <sup>1</sup>	3.60%	7.12%	5.16%	5.28%	2.36%	N.A.

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

Please note that past performance may not be indicative of future performance.

### Total Expense Ratio (TER)

For our Par Fund, the past TERs are shown in the table below.

	2023	2024	2025	Average of last 3 years	Average of last 5 years	Average of last 10 years
Total Expense Ratio	3.38%	2.46%	2.51%	2.73%	3.31%	N.A.

The TER is the proportion of total expenses incurred by the Par Fund to the assets of the Par Fund. These expenses include costs such as investment, management, distribution, taxation and other expenses.

Please note that past expense ratios may not be indicative of actual expenses that may be incurred in the future.

### 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 the operating expenses. As the Par Fund is still in its initial years of set-up, the operating expenses of the Par Fund are higher than expected. Nonetheless, over the last two years, the expense ratio has been trending downwards and closer to our expectation.

### Economic Review

Global financial markets remained resilient in 2025 despite various challenges, including major shifts in trade policy and changing expectations for fiscal and monetary stimulus. Strong momentum in Artificial Intelligence (AI), easing inflation, steady economic growth, and robust corporate earnings helped stabilise markets. For the first time since the Covid-19 pandemic, all major asset classes posted positive returns. The MSCI AC World Index rose +15.1%, while the FTSE World Government Bond Index (SGD Hedged) gained +1.3% and MSCI Investment Grade Corporate Bond Index gained +1%.

## **Equities**

AI remained the primary catalyst for US equity markets, with investment in infrastructure, semiconductors and data centres staying robust. Despite some setbacks, including news from China regarding DeepSeek, the S&P 500 still climbed +10.9%. However, for the first time in decades, it was the worst performing major equity market. Europe was a standout, with the MSCI Europe index advancing +27.4%, supported by attractive valuations, low investor exposure, and a shift in Germany's fiscal policy. Japan also performed well, with the Topix rising +19.0%, supported by governance reforms and increased confidence from global investors. Asian Markets performed strongly, with the MSCI Asia Pacific ex-Japan index up +21.9%, fuelled by AI enthusiasm. South Korea was a notable winner, with its index soaring +88.9% due to its leading semiconductor manufacturers. Chinese equities also gained +23.7%, as advances in homegrown AI boosted the tech sector.

## **Fixed Income**

In fixed income markets, yields declined while spreads narrowed as corporate balance sheets stayed healthy and market sentiment improved. The US 10-year Treasury yield fell from 4.57% to 4.17% over the year. Despite concerns about fiscal policy and tariffs, the expected spike in inflation did not materialise. Rising concerns over the labour market led the Federal Reserve to cut interest rates by 75 basis points in the second half of the year, further supporting bond returns.

## **Alternatives**

Commodities overall gained +9.0%, driven by geopolitical conflict, weather disruptions, and rising power demand from AI. Gold was the best-performing asset for the second year in a row, advancing +54.9%, fuelled by US monetary easing, ongoing geopolitical risks, and central bank buying.

In currency markets, the US Dollar depreciated -9.4% due to softer US growth expectations, narrowing interest rate differentials, and stronger economic performance elsewhere. The Singapore Dollar appreciated +5.9% against the US Dollar over the year.

All returns above are quoted in SGD terms.

## **Asset Mix of the Par Fund**

The strategic asset allocation and the asset mix of the Par Fund as at 31 December 2025 are summarised below.

<b>Asset Class</b>	<b>Strategic Asset Allocation</b>	<b>Actual Asset Mix</b>
Equities	20%	19%
Fixed Income	70%	71%
Alternatives	10%	4%
Cash and Equivalents	0%	6%

## **Market Outlook**

From a cyclical standpoint, the economic environment remains benign with fiscal stimulus continuing in the US and interest rates moving lower. The risk of a US recession is seen as low. The main concern is the level of equity valuations. To manage this risk, the decision was made to diversify the long-standing constructive position in equities with an allocation to Value outside the US via the iShares MSCI EAFE Value ETF.

US bond markets continue to offer little value, as significant rate cuts are already priced in and inflation expectations are muted. A cautious stance on duration is retained.

Despite recent market volatility, the positive view on gold remains unchanged. It is seen as a diversifier in an environment marked by policy uncertainty, fiscal fragility, and growing investor doubts over the long-term role of Treasuries and the US Dollar. The outlook has also turned positive on oil and industrial metals, with plans to broaden commodity exposure.

While these assets offer long-term promise, we anticipate that geopolitical disruptions may trigger initial spikes in volatility as markets reprice risk. Historically, such periods are followed by a steady return to fundamentals, though we expect price swings to remain elevated for now. We are monitoring these shifts closely and stand ready to adjust our positioning as the situation evolves.

In conclusion, cyclical risks are considered relatively contained, but structural vulnerabilities are building. The strategy balances a positive view on equities with diversifying positions in international value stocks, gold, and broad commodities, while maintaining a cautious view towards duration and the US Dollar.

## Frequently Asked Questions

### 1. What is a participating policy?

A participating policy is a life insurance policy which aims to provide stable medium to long-term returns by providing guaranteed benefits together with non-guaranteed benefits in the form of bonuses. These bonuses depend on the performance of the participating fund.

### 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 Par Fund are used to determine the non-guaranteed bonuses on your participating policy.

### 3. What does the Par Fund invest in?

The Par Fund invests in a diversified mix of assets including:

- Fixed income securities and convertible bonds;
- Equities;
- Alternatives (Gold, Commodities, Global REITs), and
- Cash and cash equivalents

The portfolio is managed conservatively, with a strong allocation to high-quality investment-grade bonds at all times to provide stability while seeking long-term growth.

### 4. How are bonuses determined and when will bonuses become guaranteed?

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

- Investment performance
- Expenses of managing the fund
- Insurance claims and benefit payments

As the performance as well as the future outlook for the Par 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.

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 to your policy, they will form part of the guaranteed benefits of your policy.

## 5. What items and expenses are charged to the Par Fund?

There are different types of expenses and charges relating to the operation and management of the Par Fund, including distribution-related expenses.

Examples of these expenses include:

- Commission and distribution cost
- Investment fees paid to external fund managers
- Management expenses such as policy issuance, underwriting and claims related expenses
- Overhead expenses

## 6. What are the risks affecting the performance of the Par Fund?

The key risks affecting the performance of the Par Fund include:

- Investment risk
- Expenses incurred in managing the Par Fund being higher than expected. The types of expenses include investment, management, distribution and other expenses.
- Mortality and morbidity risks which affect the amount of claims paid out for policies in the Par Fund
- Persistency experience, which is the number of lapsed or surrendered policies in the Par Fund

## 7. How are risks shared?

All participating policies within the Par Fund will share in the overall experience and performance of the participating fund. By pooling premiums and investments together, risks are diversified across the participating policies, helping to provide more stable outcomes over the long term.

The key risks that the Participating Fund are subject to investment risks, expense risks, mortality and morbidity risks as well as lapse and surrender risks.

## 8. What are the key factors affecting the level of bonus?

The level of bonuses is influenced by several factors, including:

- Investment performance of the Par Fund: The Par Fund's historical investment performance and future outlook.
- Expenses incurred by the Par Fund: Amounts paid such as claims and the expenses incurred by the Par Fund. The types of expenses include investment, management, distribution and other expenses.
- Bonus allocation policy: Our intent is to keep the bonus at the level that we expect that it can be supported over the medium to long term. Thus, while we may review the bonus rate yearly, we do not expect it to rise and fall much year to year. Nevertheless, there may be significant adjustments under exceptional circumstances.
- Smoothing of Bonuses: 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. The effect of smoothing is intended to be neutral across generations of policy owners over the long-term.

#### **9. Will bonuses / dividends be revised?**

Future bonuses are not guaranteed and depend on the past performance and the future outlook of investment returns, expenses and payments of benefits affecting the performance of the Par Fund.

Revisions to the bonus rates will only be made after a thorough review, in consideration of the long-term fund performance rather than short-term market movements to minimize any short-term fluctuations.

#### **10. Who manages the Par Fund?**

The Par Fund is managed by China Life Insurance (Singapore) and Schroder Investment Management (Singapore) Ltd., which is part of the global investment manager Schroders who has over 200 years of investment experience.

#### **11. Is the Par Fund capital guaranteed?**

Participating policies provide guaranteed benefits as stated in the policy contract. However, the bonuses depend on the performance of the Par Fund and are not guaranteed.

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

For enquiries relating to your policy, please contact your insurance intermediary or our Customer Care team at:

- Tel: 6727 4800
- Email: [CustomerCare@chinalife.com.sg](mailto:CustomerCare@chinalife.com.sg)

## About Us

Established in 2015, China Life Insurance (Singapore) Pte. Ltd. is a licensed life insurer 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 strong financial foundation and rich heritage. China Life has been a Fortune Global 500 company for 23 consecutive years, ranking 45<sup>th</sup> in 2025. With a brand value of RMB 501.985 billion\*, it is recognized as an influential global financial brand.

Our parent company, China Life (Overseas), traces its roots back to 1933 and has been serving customers for over 90 years. With the strong support of China Life, China Life (Overseas) has grown into the largest Chinese insurer and institutional investor in Hong Kong. As of February 11, 2025, China Life (Overseas) holds an "A1" insurance financial strength rating from Moody's, and as of December 18, 2024, an "A" long-term local currency issuer credit and insurer financial strength rating from Standard & Poor's.

We are dedicated to providing comprehensive financial solutions tailored to our customers' needs in risk protection, retirement, wealth management, and legacy planning. Committed to social responsibility, we actively engage in initiatives that foster financial literacy, support local communities, and promote sustainable development. Our growing distribution network includes strategic partnerships with 2 banks and 23 alliances with leading brokerages and wealth management firms. In 2020, we further expanded our presence by launching the Agency Channel, strengthening our market position and empowering financial advisors to deliver tailored solutions with exceptional service.

\* Source: Top 500 Most Valuable Chinese Brands 2024 by World Brand Lab