

GREAT EASTERN LIFE (PARTICIPATING FUND) PARTICIPATING FUND UPDATE FOR 2020



Participating Fund

as at 31 December 2020

2020 Fund Investment Return:

8.41%

Total Assets:

S\$ 37.9b

Total Benefits Paid:

S\$ 1.6b

Value of bonus declared:

S\$ 647.0m

The bonuses allocated to you will vest upon your policy anniversary. They have been approved by the Board of Directors, taking into account the written recommendations by the Appointed Actuary.

As our valued policyholder of participating policy, we would like to provide you an update on the performance of the Participating Fund ("Fund").

Despite the challenging economic situation in 2020, the Fund achieved an investment return of 8.41%, mainly driven by mark-to-market gains from equities as market rebounded in the last quarter. The Fund ended with total market value of assets at \$37.9 billion. We have paid out \$1.6 billion in benefits to policyholders last year.

For 2020 bonus declaration, we have maintained bonus rates at the same level as 2019. We will continue to manage the Fund prudently to provide a stable medium to long-term return to our policyholders.

If you wish to receive a copy of the updated policy illustration or make an inquiry, please email us at wecare-sg@greasternlife.com, call us on **1800-248-2888**, or contact your Financial Representative.

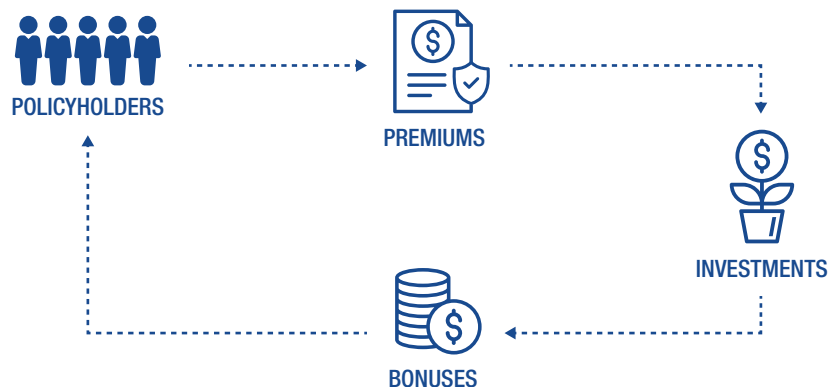
ABOUT PARTICIPATING POLICIES & BONUSES

What is a Participating Policy and how does it work?

Premiums of participating policies are pooled together to form the Fund. This Fund is invested in a range of assets such as bonds and equities and is used to pay benefits to policyholders as well as to fund management expenses.

Policyholders share in the performance of the Fund through bonuses which are non-guaranteed. Bonuses are determined yearly based on the Fund's combined performance in investment, claims (from death, critical illness and surrender) and expenses, as well as future outlook of these factors.

Bonus allocations are smoothed over a period of time to reduce fluctuations arising from market conditions.



The assets backing the short-term single premium policies are tracked separately from the rest of the Fund since inception and apply to the following plans:

- Single Premium Special/ Rewards/ Plus
- Golden Saver
- Step Up Single Premium
- Prosperity Saver
- Great SP Flexi

About Great Eastern

Founded in 1908, Great Eastern is a well-established market leader and trusted brand in Singapore and Malaysia. With more than S\$90 billion in assets and over 8 million policyholders, including 5 million from government schemes, it provides insurance solutions through three successful distribution channels - a tied agency force, bancassurance, and financial advisory firm Great Eastern Financial Advisers. The Group also operates in Indonesia and Brunei and has a presence in China as well as a representative office in Myanmar.

The Great Eastern Life Assurance Company Limited and Great Eastern General Limited have been assigned the financial strength and counterparty credit ratings of "AA-" by Standard and Poor's since 2010, one of the highest among Asian life insurance companies. Great Eastern's asset management subsidiary, Lion Global Investors Limited, is one of the largest private sector asset management companies in Southeast Asia.

Great Eastern is a subsidiary of OCBC Bank, the longest established Singapore bank, formed in 1932. It is now the second largest financial services group in Southeast Asia by assets and one of the world's most highly-rated banks, with an Aa1 rating from Moody's. Recognised for its financial strength and stability, OCBC Bank is consistently ranked among the World's Top 50 Safest Banks by Global Finance and has been named Best Managed Bank in Singapore by The Asian Banker.

ABOUT THE PARTICIPATING FUND

What were the Fund's investment returns and expense ratios?

	2018	2019	2020
NET INVESTMENT RETURN	-1.24%	11.02%	8.41%
TOTAL EXPENSE RATIO	1.59%	1.71%	1.20%

In 2020, our Fund (excluding the short-term single premium policies) reported an investment return of 8.41%.

The investment returns earned by the bonds supporting the short-term single premium portfolio are 1.18%, 4.92% and 4.08% respectively from 2018 to 2020.

Total expense ratio is the proportion of total expenses incurred by the Fund to the assets of the Fund. Total expenses include investment, management, distribution, tax and other expenses.

What factors affected the Fund's performance?

1. Performance of the global economy

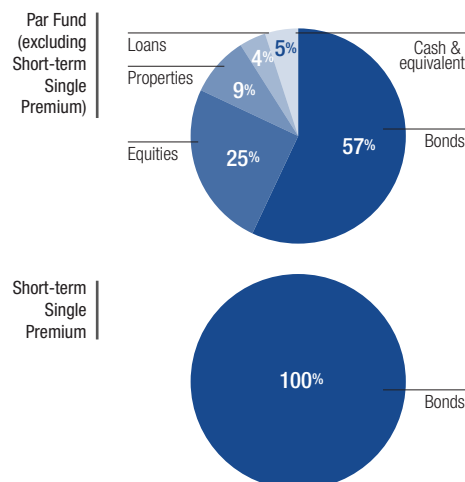
COVID-19 greatly impacted the global economy in 2020 through worldwide lockdowns, in turn leading to a sharp decline in global economic activities as well as massive sell-offs in risk assets including equities in the first quarter of 2020.

The severe economic disruptions triggered unprecedented fiscal and monetary policy responses. The forceful policy response and gradual reopening of major economies underpinned rapid though uneven economic recoveries across the world and a rebound in risk assets in the second half of 2020. Fueled by COVID-19 vaccine breakthroughs and results of the US presidential elections, risk assets rallied further in the last quarter of 2020.

Despite the challenges, our investment portfolios have weathered the pandemic crisis well owing to well-diversified asset allocation and robust risk management.

2. The asset mix of the Fund

Total market value of the Fund was S\$32.5 billion as at 31 December 2020 with the following asset mix:



Bonds

Global bond yields fell sharply as a result of the COVID-19 pandemic, leading to rising bond prices. However, bond yields started to rise later in the year in tandem with the improving outlook supported by vaccine approvals, more policy stimulus, and clarity on the U.S. election outcome. Similarly, global corporate bonds performed well overall in 2020, recovering most of the losses on the prospect of similar positive factors.

Equities

Global equities ended 2020 well despite a sharp fall in March with the MSCI All Country World Index rising 17%. However, there was a marked divergence in performance as new economy sectors, notably technology and e-commerce, outperformed old economy and cyclical sectors. New economy stocks have been beneficiaries of the pandemic-induced lockdowns. In the U.S., the S&P500 Index rose 18% while the tech-focused Nasdaq Composite Index rose 45%. Asia was the next best performing region with the MSCI Asia Ex-Japan Index rising 25%. Europe and Singapore did not fare as well given that the

TOP 5 EQUITY HOLDINGS	% of Equity Holdings
DBS Group Holdings Ltd	1.5%
TSMC Ltd	1.1%
Alibaba Group Holdings Ltd	1.0%
Tencent Holdings Ltd	1.0%
Samsung Electronics Co Ltd	1.0%

MSCI Europe Index and MSCI Singapore Index fell 3% and 9%, respectively.

Properties

Physical real estate achieved a positive return in 2020 driven largely by rental income whilst real estate funds also saw an improved return due to a combination of positive divestments, capital gains, and income distributions.

3. Non-investment factors

Other factors affecting the Fund's performance are claims payout, expenses and surrenders. The overall experience for the above factors is in line with expectations.

Here is the breakdown of the benefit payments made to our policyholders of the Fund:

BENEFIT PAYMENTS OF THE FUND (S\$)	
Maturing and Survival Payments	918m
Death, Total and Permanent Disability, Critical Illness Claims	172m
Surrender Payments	276m
Cash Bonuses	196m

What is the outlook for the Fund?

In 2021, a combination of progress on COVID-19 vaccination and accommodative monetary and fiscal policies is likely to help accelerating global economy recovery, which would provide a supportive backdrop for risk assets. While there are reasons to be optimistic, there remains risks and uncertainty that could lead to heightened volatility for risk assets.

Emergency COVID spending has raised the national debt burden for many governments especially in emerging markets. Any rise in interest rates and borrowing costs will exacerbate the fragile balance of payments situation of these economies. Geopolitical risks are likely to remain elevated amidst the ongoing strategic competition between China and the U.S.

While we are optimistic that 2021 will likely see an improved economic growth, we will continue to be vigilant and disciplined in managing our investment portfolios.

This is a general commentary on the Fund and cannot be used to specifically describe individual policies.