

# GREAT EASTERN LIFE BRUNEI (PARTICIPATING FUND) PARTICIPATING FUND UPDATE FOR 2022



## Participating Fund

as at 31 December 2022

2022 Fund Investment Return:

**-10.7%**

Total Assets:

**BND\$ 358.3m**

Total Benefits Paid:

**BND\$ 11.2m**

Value of bonus declared:

**BND\$ 4.4m**

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.

Dear valued policyholder,

We would like to provide you an update on the performance of the Participating Fund ("Fund").

The Fund had BND\$358.3 million in total assets at the end of 2022, after paying out BND\$11.2 million in benefits to policyholders last year. The Fund faced volatile and challenging global market conditions and suffered a total investment loss of 10.7%, mainly due to mark-to-market losses from fixed income and equity assets.

For 2022 bonus declaration, we have maintained the bonus rates at the same level as 2021. 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, you may contact us at [wecare-bn@greasternlife.com](mailto:wecare-bn@greasternlife.com), on our hotline at **223-3118** during business hours on weekdays, or speak to your Financial Representative.

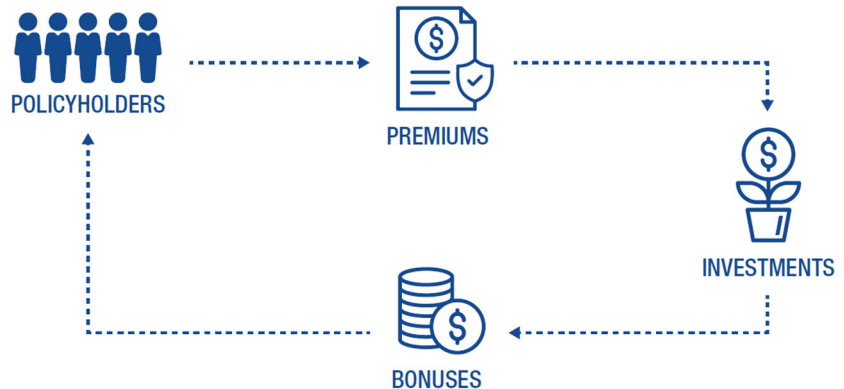
## ABOUT PARTICIPATING POLICIES & BONUSES

### 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 the future outlook of these factors.

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



#### About Great Eastern

Founded in 1908, Great Eastern is a well-established market leader and trusted brand in Singapore and Malaysia. With over S\$100 billion in assets and more than 14.5 million policyholders, including 12 million from government schemes, it provides insurance solutions to customers 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.

The Great Eastern Life Assurance Company Limited and Great Eastern General Insurance Limited have been assigned the financial strength and counterparty credit ratings of "AA-" by S&P Global Ratings 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 and AA- by both Fitch and S&P. 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?

	2020	2021	2022	Average of last 3 years	Average of last 5 years	Average of last 10 years
NET INVESTMENT RETURN	15.79%	-0.53%	-10.72%	0.94%	2.47%	4.68%
TOTAL EXPENSE RATIO	1.61%	1.59%	2.43%	1.88%	1.81%	1.58%

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

## What factors affected the Fund's performance?

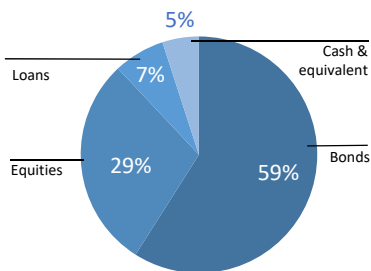
### 1. Performance of the global economy

Most major economies began 2022 with above-average growth rates, riding on 2021's growth momentum due to fiscal stimulus and the post-pandemic recovery. This brisk pace of expansion caused supply-demand imbalances, which were exacerbated further by the war in Ukraine and have led to high levels of inflation unseen since the 1980s.

In response to high inflation, central banks around the world raised interest rates in the hope of reducing aggregate demand for goods and services. This naturally slowed down the growth rate as observed in the second half of 2022. Nevertheless, inflation remained uncomfortably high and far above the central banks' target levels in most economies by the end of 2022.

### 2. The asset mix of the Fund

Total market value of the Fund was BND\$358.3 million as at 31 December 2022 with the following asset mix by the portfolio:



#### Bonds

The U.S. 10-year Treasury yield rose from 1.5% at the beginning of 2022 to around 3.9% at the end of the year. Inflation was the dominant global economic theme in 2022, driving bond yields upwards and bond prices downwards throughout the year. The Federal Reserve raised interest rates cumulatively by 4.25% in 2022, the largest hike since 1980. Credit spreads also widened in 2022, an indication of reduced investor confidence and weaker economic prospects.

#### Equities

Equity markets experienced high volatility in 2022 with market headwinds including inflation, geopolitical risks and slowing economic growth resulting in a significant market correction. The MSCI All Country World Index fell by 19%. There was a strong divergence in performance among different sectors: Value (Energy and Financials) and Defensive (Health Care and Consumer Staples) sectors outperformed interest-sensitive sectors (Information Technology and Real Estate) significantly. Overall, equity markets performed poorly in 2022 as major equity indices in different regions recorded negative returns.

### 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 from the Fund:

#### BENEFIT PAYMENTS OF THE FUND (BND\$ '000)

Maturity and Survival Benefits	6,547
Death, Total and Permanent Disability, Critical Illness Claims	1,287
Surrender Payments	3,022
Cash Bonuses	340

## What is the outlook for the Fund?

At the start of 2023, markets were pricing in the possibility of mild or no recessions, as well as the expectation of gradual interest rate hikes followed by rate cuts across major economies later in the year. The extent to which these anticipated conditions materialise is a significant factor for investment performance.

The year also began with central banks focused on fighting inflation and restoring price stability, as growth appeared to be stable and labour markets were robust. In the ideal scenario, inflation moderates at a quicker pace while growth and employment remain resilient. This scenario is likely to see healthy returns across most asset classes. However, if growth and unemployment deteriorate throughout 2023, central banks are likely to strike a more balanced approach between fighting inflation and supporting growth, potentially leading to more neutral monetary policy. Such conditions will be more supportive for asset prices than an environment of ever-rising interest rates, with fixed income likely to perform better than equities.

Against this wide range of potential macroeconomic outcomes across the major economies, we will continue to manage the Fund prudently to provide a stable medium- to long-term return to our policyholders amid the varying market conditions and through the business cycle.

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