

GREAT EASTERN LIFE

PARTICIPATING FUND UPDATE FOR 2016

As a valued policyholder of a participating policy from Great Eastern, we are pleased to update you on the performance of the Participating Fund.

As at December 2016, the market value of the Participating Fund was S\$23.5 billion. We have paid out S\$1.5 billion in benefits to policyholders last year. In 2016, our Participating Fund achieved an investment return of 3.81% notwithstanding the volatility in the asset market.

For 2016 bonus declaration, we have maintained bonus rates at the same level as 2015. We will continue to manage the Participating Fund prudently to provide you with a stable medium to long-term return.

Participating Fund as at 31 December 2016

<i>The Participating Fund achieved an investment return of</i>		3.81% <i>in 2016</i>
<i>Total Assets:</i>	S\$23.5b	S\$613.0m <i>Bonus declared for 2016</i>
<i>Total Benefits Paid:</i>	S\$1.5b	

ABOUT PARTICIPATING POLICIES AND BONUSES

What is a participating policy and how does it work?

Premiums of participating policies are pooled together to form the Participating Fund ("Par 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 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.

Bonus allocations are smoothed over a period of time to avoid large short-term fluctuations in the bonuses declared.

When will the bonus be allocated to my policy?

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.

What is my bonus this year?

We are pleased to inform you that the bonus rates have been maintained at the same level as 2015.

Details of your bonus allocation towards your participating policies are given in the enclosed Bonus Statement, where applicable. Past three years' bonus rates are available via econnect-sg.greasternlife.com. To request for an updated Benefit Illustration or to make an enquiry, please contact us.

ABOUT THE PARTICIPATING FUND

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

	2014	2015	2016
Net Investment Return	7.08%	2.24%	3.81%
Investment Expense Ratio	0.23%	0.23%	0.23%

What factors affected the Par Fund's performance?

1. Global performance of the economy

According to the January 2017 IMF World Economic Outlook Report, the global economy is estimated to have expanded by 3.1% year-on-year in 2016, slightly slower than the 3.2% recorded in 2015. This outcome is better than expected given the initial widespread fear of economies slipping into recession, the potential negative effects from yuan devaluation and weak commodity prices. Developing Asian economies recorded the fastest growth rates last year.

In 2016, equities generally outperformed bonds (especially from third quarter 2016) as investors' risk appetite rose on the back of better than expected economic figures.

2. The asset mix of the Par Fund

The asset mix of the Fund, with total market value of S\$23.5 billion as at 31 December 2016, is summarised below.

Equities

Equity portfolios in the Par fund delivered positive returns in 2016 despite a volatile start to the year due to concerns about yuan devaluation and capital flowing out of the Asian markets. However, these concerns dissipated as the year progressed and equity markets rallied towards the end of the year.

Top 5 Equity Holdings	% of Equity Holdings
United Engineers Ltd	3.0%

Bonds

Fixed income delivered positive returns in 2016 despite a volatile environment. In the early part of the year, the demand for global bonds was strong due to slow global economic growth, hence driving up bond prices. This sentiment reversed after the outcome of the US presidential election in end of the year. Investors' optimism was lifted by the new president's promise of fiscal stimulus, tax cuts, regulatory rollback and infrastructure spending. These measures are expected to bolster economic growth. As a result of this, the demand for global bonds dropped and bonds' performance was negatively impacted.

The performance of the bonds supporting the short-term single premium policies are in line with expectations.