GREAT EASTERN LIFE (PARTICIPATING FUND 2)

PARTICIPATING FUND UPDATE FOR 2017

As a valued policyholder of a participating policy from Great Eastern Life Assurance Company Limited, we are pleased to provide you an update on the performance of the Participating Fund 2 ("Fund").

In 2017, our Fund achieved an investment return of 10.14% arising from good corporate earnings' growth, a low inflation environment and rising asset markets. As at December 2017, the market value of the Fund was S$7.8 billion. We have paid out S$972 million in benefits to policyholders last year.

In addition to the bonus allocated in 2017, we are declaring a one-off special bonus for eligible policies as a result of their performance over the past years.

Moving forward, we will remain vigilant against the risks of increased volatility and higher inflation. We will continue to manage the Fund prudently to provide a stable medium to long-term return to our policyholders.

### Participating Fund 2 as at 31 December 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Fund achieved an investment return of</td>
<td>10.14%</td>
</tr>
<tr>
<td>Total Assets:</td>
<td>S$7.8b</td>
</tr>
<tr>
<td>Total Benefits Paid:</td>
<td>S$972m</td>
</tr>
</tbody>
</table>

VALUE OF BONUS DECLARED

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 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.

Bonuses allocations are smoothed over a period of time to reduce fluctuations in the bonuses declared arising from market conditions.

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 annual bonus rates for year 2017 have been maintained at the same level as 2016. For eligible policies, we are declaring a one-off special bonus in addition to the bonus allocated this year as a result of their performance over the past years.

Details of your bonus allocation for your participating policies are shown in the enclosed Bonus Statement. For annuity policies, you will receive the relevant statement within one month from your policy anniversary when the annuity payment is due.

Past three years’ bonus rates are available via econnect-greateasternlife.com. To request for an updated Bonus Illustration or to make an enquiry, please email us at wecare-og@greateasternlife.com, call us on 1800-348 2888, or contact your Distribution Representative.

# We had previously informed you that with effect from 1 July 2017, Overseas Assurance Corporation Limited ("OAC") had transferred its life insurance business to The Great Eastern Life Assurance Company Limited ("GEL") through a Scheme of Transfer ("Scheme"). The GEL Participating Fund was then re-named as GEL Participating Fund 2.
**ABOUT THE PARTICIPATING FUND**

**What were the Fund’s investment returns and expense ratios?**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Investment Return</th>
<th>Investment Expense Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2.90%</td>
<td>0.20%</td>
</tr>
<tr>
<td>2016</td>
<td>4.64%</td>
<td>0.20%</td>
</tr>
<tr>
<td>2017</td>
<td>10.14%</td>
<td>0.23%</td>
</tr>
</tbody>
</table>

**What factors affected the Fund’s performance?**

1. **Global performance of the economy**

   According to the January 2018 IMF World Economic Outlook Report, the global economy is estimated to have expanded by 3.7% year-on-year in 2017, faster than the 3.2% recorded in 2016. The growth rate seen in 2017 was the broadest synchronized global growth upsurge since year 2010. The rebound is the result of a pick-up in investment and trade against the backdrop of favorable financing conditions, accommodative policies and a recovery in commodity prices.

   In 2017, equities outperformed bonds as investors risk appetite rose on the back of better than expected economic figures and corporate earnings growth.

2. **The asset mix of the Fund**

   The asset mix of the Fund, with total market value of $57.8 billion as at 31 December 2017, is summarized below.

   - **Cash & equivalents:** 34%
   - **Loans:** 62%
   - **Properties:** 5%
   - **Bonds:** 1%

   **Bonds**

   Fixed income delivered positive returns in 2017 mainly due to the massive tightening of credit as a result of good global economic fundamentals. The Federal Reserve has embarked on a gradual path to increase interest rates. Corporate bonds outperformed government bonds worldwide, as investors sought for higher returns in this low-yield environment.

   Emerging market bonds did well too, outperforming global investment grade corporate bonds. Emerging countries currencies also rallied against the USD as investors sought for the higher-yielding currencies.

3. **Equities**

   Equity portfolios in the Fund delivered good performance in 2017, driven by strong recovery in corporate earnings as well as a synchronized global economic recovery. Political uncertainties and geopolitical tensions resulted in risk-off events. However, these sell-offs were generally mild and proved to be short lived as markets were supported by better than expected economic figures.

   - **Top 5 Equity Holdings**
     - United Overseas Bank Ltd: 3.1%
     - HSBC Group Holdings Ltd: 2.8%
     - Singapore Telecommunications Ltd: 2.2%
     - Tencent Holdings Ltd: 1.9%
     - Samsung Electronics Co Ltd: 1.4%

   **Properties**

   Real estate funds saw improvement compared to 2016’s return despite unfavorable exchange rate movements and reduced income distributions. Property investments in the Fund comprise investment in property funds which are held mainly for diversification and capital growth.

3. **Non-investment factors**

   Other factors affecting the Fund’s performance are market/moody’s claims, expenses and surcharges. The overall experience for the above factors is in line with assumptions, except for surrender which were lower than assumed.

   In 2017, benefit payments totalling $792 million were made to policyholders from the Fund. Below is the breakdown of the benefit payments.

   **Benefit Payments of the Fund ($)**

   - **Maturity and Survival Payments:** 756m
   - **Surrender Payments:** 20m
   - **Death, Total and Permanent Disability, Critical Illness Claims:** 14m
   - **Annuities:** 2m

**What is the outlook for the Fund?**

In 2018, we will remain vigilant against the risk of increased volatility and higher inflation. From a geopolitical perspective, there is also the fear that US trade policies could escalate to a global trade war which will impact Asian economies and hence their stock markets given the region’s high trade dependence. We will continue to manage the Fund prudently to provide you a stable medium to long-term return.

Bonuses to be declared will depend on the performance of the Fund, which is largely dependent on its investment returns generated. As such, they may be revised in response to the actual performance. On non-investment factors, market/moody’s claims experiences and surrender experiences of the Fund are expected to remain stable in the near future, while expenses will continue to be monitored regularly for the Fund to remain cost efficient.

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**About Great Eastern**

Great Eastern is the oldest and most established life insurance group in Singapore and Malaysia. With $12 billion in assets and over 4 million policyholders, it is the most successful distribution network in Asia. Its leading brands are Great Eastern Insurance and Great Eastern in Singapore and Malaysia, and a financial advisor in India, Great Eastern Financial Planning. The Group also operates in Indonesia and Vietnam and has a network of regional offices across the region.

Great Eastern Life Insurance Company of the Year at the Asia Insurance Industry Awards in 2011 and 2013 by Asia Review. The Great Eastern Life Assurance Company Limited and Great Eastern General Limited have been awarded the financial strength and outstanding 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, UOB 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 largest established Singaporean bank, formed in 1933 from the merger of three local banks, the oldest of which was founded in 1912. It is now the second largest financial services group in Southeast Asia by assets and one of the world’s most highly capitalized banks, with an AA rating from Moody’s. Recognized 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 and the Asia Pacific by The Asian Banker.

OCBC Bank’s key markets are Singapore, Malaysia, Indonesia and Greater China. It has more than 300 branches and representative offices in 20 countries and regions. These include over 100 branches and offices in Indonesia under subsidiary OCBC NISP, and more than 100 branches and offices in Hong Kong, China and Macau under OCBC Wing Hang.

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