GREAT EASTERN LIFE (PARTICIPATING FUND)
PARTICIPATING FUND UPDATE FOR 2018

As our valued policyholder of participating policy, we are pleased to provide you an update on the performance of the Participating Fund (“Fund”).

Year 2018 had been a tumultuous year for the global economy. Rising political tensions arising from US-China trade conflict, interest rate hikes by the US central bank, concerns over economic slowdown in China and Eurozone were amongst factors that had weighed on market sentiments and impacted investors’ confidence. Equity markets were adversely hit, with the major equity indices reporting the worst investment performance seen since the 2008 global financial crisis. Against this backdrop, the Fund ended the year with an overall investment loss of 1.24%. As at December 2018, the market value of the Fund was S$27.8 billion and we have paid out S$2.1 billion in benefits to policyholders over the year.

Despite the underperformance in investment, we have maintained the bonus rates for year 2018. Moving forward, we will remain vigilant against the risks of global economic slowdown and increased market volatility. We will continue to manage the Fund prudently to provide a stable medium to long-term return to our policyholders.

Participating Fund as at 31 December 2018

<table>
<thead>
<tr>
<th>2018 Fund Investment Return:</th>
<th>-1.24%</th>
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</thead>
<tbody>
<tr>
<td>Total Assets:</td>
<td>S$27.8b</td>
</tr>
<tr>
<td>Total Benefit Paid:</td>
<td>S$2.1b</td>
</tr>
<tr>
<td>Value of bonus declared</td>
<td>S$ 403m</td>
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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, as well as future outlook of these factors.

Bonus allocations are smoothed over a period of time to reduce fluctuations in the bonuses declared 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
- 3-Year Choice Saver
- Max Single Premium Yield
- Golden Saver
- Star Up Single Premium
- Prosperity Saver
- Great SP Plan

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 for year 2018 have been maintained.

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

If you wish to receive a copy of the updated Policy Illustration or make an enquiry, please email us at wecare-sg@greateasternlife.com, call us on 1800-246 2888, or contact your Financial Representative.
ABOUT THE PARTICIPATING FUND

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Investment Return</td>
<td>3.81%</td>
<td>9.63%</td>
<td>-1.24%</td>
</tr>
<tr>
<td>Total Expense Ratio</td>
<td>1.75%</td>
<td>1.82%</td>
<td>1.59%</td>
</tr>
</tbody>
</table>

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.

In 2018, our Fund (excluding short-term single premium policies) reported an investment loss of 1.24%.

The performance of the bonds supporting the short-term single premium policies is in line with expectations. The investment returns earned by this portfolio are 3.81%, 4.49% and 1.18% respectively in the past three years (2016 – 2018).

What factors affected the Fund’s performance?

1. Performance of the global economy

According to the April 2019 WEF World Economic Outlook Report, global growth softened to 3.6% in 2018 after peaking at close to 4% in 2017. Global growth is projected to decline further to 3.3% in 2019 before returning to 3.4% in 2020.

Rising political uncertainties in the past year, especially in the area of trade where regulatory tariff actions were taken between major economies, the waves and uncertainties of Brexit, internal rate hikes in the US, coupled with concerns over weaker global economic growth, contributed to dismal performance of the financial assets.

2. The asset mix of the Fund

Total market value of the Fund was $27.8 billion as at 31 December 2018 with the following asset mix:

- **Equities**: After a similar performance in 2017, 2018 had been a challenging year for the equity portfolio due to concerns over global trade and slowing economic growth. All major equity indices experienced downturn, in the US, S&P 500, Dow and Nasdaq fell 4% to 6%. Outside of the US, EuroStoxx 50, Nikkei and Hang Seng indices fell 12% to 14%.
- **Top 5 Equity Holdings**:
  - DGS Group Holdings Ltd: 2.4%
  - United Overseas Bank Ltd: 1.6%
  - Tencent Holdings Ltd: 1.3%
  - AIA Group Ltd: 1.2%
  - Singapore Telecommunication Ltd: 1.2%
- **Properties**: Physical real estate achieved positive return in 2018 driven by both income and capital gains relative to 2017. Separately, real estate funds also saw improved return due to positive disposements and income distributions. The physical assets are largely held for long-term rental income while the funds are primarily for diversification and capital growth.
- **Bonds**: J-4 Treasury yields rose sharply for much of the year as US Federal Reserve raised interest rates four times. Outside of the US, German and Japanese 10-year bond yields fell, resulting in rising bond prices. In Singapore, the yield of 10-year Singapore Government Securities was bid at 2% in 2018.
- **Corporates**: Bonds underperformed government bonds worldwide. Concerns over US-China trade war as well as other uncertainties from geo-political factors had contributed to widening of corporate spreads. Bonds in emerging markets also underperformed in 2018.

**WHAT IS THE OUTLOOK FOR THE FUND?**

Looking ahead, 2019 appears to be more promising as risk assets have rebounded sharply due to more supportive central bank policy as well as progress in the US-China trade negotiation. There are concerns that the sharp rebound in risk assets has already reflected a recovery. In global growth later in the year. Hence, weak economic data and earnings challenging the thesis that growth is picking up or new trade disputes could derail the recovery. Nevertheless, it would be premature to turn overly bearish as economic and corporate earnings growth are still expected to remain positive and the broader risks to global economy are contained. 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 how actual investment returns compare with expectation. As such, they may be reviewed in response to the actual performance. On non-investment factors, mortality/morbidity claims 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.

**About Great Eastern**

Great Eastern is a wholly-owned subsidiary of OCBC Bank, the largest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1907. It is now the second largest listed financial services group in Southeast Asia by asset and one of the world’s main-tier-rated banks with an AA rating from Moody’s. Recognized for its brand strength and stability, OCBC Bank is consistently ranked among the World’s Top 50 Safest Banks by Global Finance and has earned the title ‘Bank of the Year’ in Singapore. OCBC Bank’s key markets are Singapore, Indonesia and Brunei Darussalam. It has more than 450 branches and representative offices in 18 countries and regions. These include over 50 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.