

PARTICIPATING FUND 2023 UPDATE

Key Highlights

9%

Investment Return on
Total Participating Fund

\$159M

Total Bonuses/Dividends
Declared

\$1,147M

Total Benefit Payments
Made to Policyholders

Thank you for your trust and confidence in Manulife as your preferred financial partner.

This update provides detailed information on the performance of Manulife's Participating Fund as at 31 December 2023. You will also find our asset allocation strategy and our views on the future market outlook. Through this update, we hope to provide you with a better understanding of the factors that impact bonuses for your Participating Policy(ies).

With the aim of safeguarding your long-term interests, Manulife is committed to managing your investments diligently, giving you the highest level of security on your policies while also providing you with fair returns.

1 2023 Performance Overview

The investment performance of the Participating Fund has been volatile in recent years. In 2023, we observed healthy returns for the Participating Fund. The table below shows actual investment returns over the last 3 years.

Please note that historical performance may not be indicative of future performance.

Investment Returns	2021	2022	2023
Short-Term portfolio ¹	-0.17%	-1.50%	4.54%
Participating portfolio denominated in USD	7.95%	-19.18%	9.29%
All other Participating Policies	3.09%	-7.47%	9.08%

¹ManuWealth Plus/ManuFortune/ManuHarvest/Manulife Abundance/Manulife Boost Series/Manulife Goal Series/SavvyEndowment Series

Expense Ratio	2021	2022	2023
All Participating Policies	3.30%	2.35%	1.52%

The actual investment returns shown vary due to specific strategic asset allocations relating to each portfolio of Participating Policies.

Bonus(es) allocated to a Participating Policy depends on various factors, including but not limited to the investment performance of the portfolio that the policy belongs to. The bonus declarations for 2024 will be communicated in individual policyholder statements.

2 Participating Fund Performance Details

As at 31 December 2023, the market value of the Total Assets in the Participating Fund **increased to S\$21.7 billion from S\$17.8 billion in 2022**. The growth is attributed to policyholder premiums and the investment gains from both bonds and equity holdings.

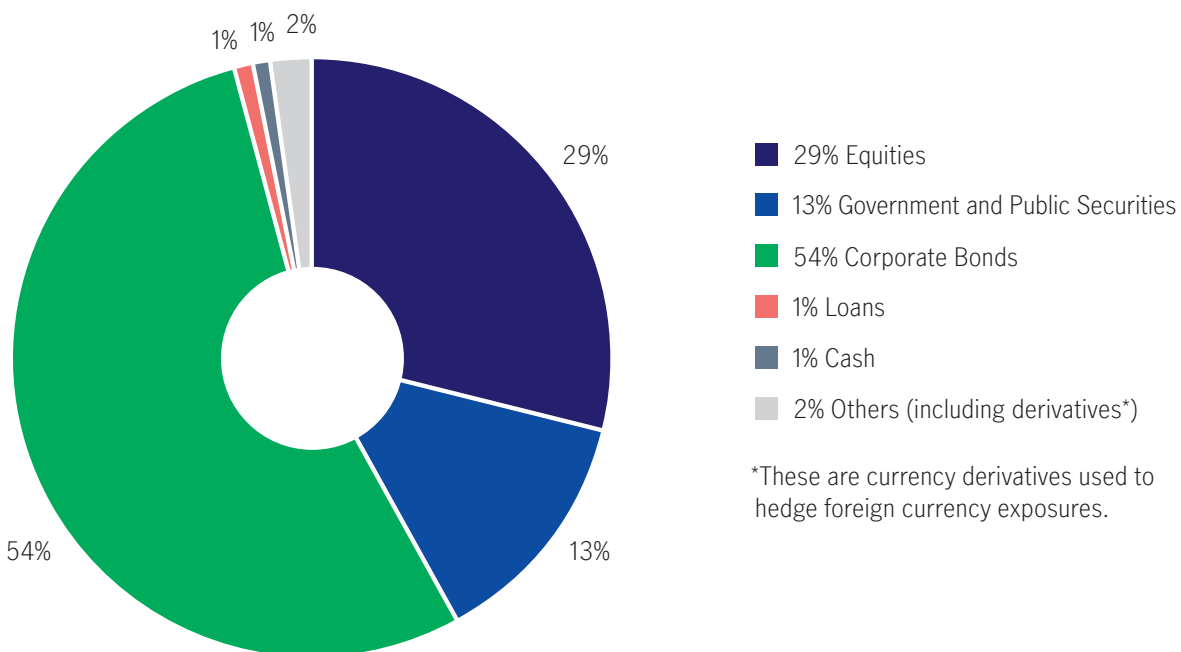
Manulife's investment strategy is strategically optimised to generate the long-term returns required to meet all the expected benefits of the Participating Fund. The target asset mix varies by product category:

1) Short-Term portfolio: 100% Fixed Income

2) Participating Fund denominated in USD and all other Participating Policies:

70% Fixed Income and 30% Equities

The asset mix of the total Participating Fund at December 2023 was:



Note: The investment strategy and asset mix choice are at our discretion and may change from time to time.

Top 5 Equity Holdings as at 31 December 2023

Top 5 Equity Holdings	% of Equities Holdings
VANGUARD S&P 500 UCITS ETF	17.2%
ISHARES CORE S&P 500 UCITS E	12.9%
XTRACKERS EURO STOXX 50 UCITS ETF	9.1%
ISHARES CORE FTSE 100 UCITS ETF	8.5%
UBS ETF CH-SMI CHF	4.6%

Non-investment factors

Other factors affecting the Participating Fund's performance were claims, surrenders and expenses.

The overall experience for the above factors in 2023 were aligned with our expectations and have no immediate impact to our declared bonus.

In 2023, benefits payments totalling S\$1,147 million were made to policyholders from the Participating Fund:

Death, Total and Permanent Disability and Critical Illness Claims	S\$64 million
Surrender Benefits	S\$571 million
Maturities Benefits	S\$513 million

S\$52 million was paid as management expenses.

3 Market Review

Bonds

The 10-year US Treasury yield started 2023 at 3.9% and declined to 3.3% in April during the financial stress in the US regional banks. As US inflation and labour market conditions remained strong, the Federal Reserve increased its policy rate by a total of 100bps by the end of July. The US Treasury yield rose to a high of 5.0% by October and declined thereafter when inflation continued to trend lower and chairman Powell indicated that the Federal Reserve was considering interest rate cuts. The 10-year US Treasury yield ended the year at 3.9%. In Singapore, the 10-year government yield started 2023 at 3.1% and ended the year at 2.8%.

Investment grade credit spreads in 2023 declined slightly as investor demand was strong, and the improving economy was supportive for corporates' balance sheets. With the decline in government yields and credit spreads, the overall bond portfolio in the Participating Fund ends the year with positive return.

Equities

Equity markets were volatile in 2023. The MSCI Singapore Index returned 3.7% in 2023, while the MSCI World Index (Local) returned 23%. Equity market performance was impacted negatively by the weaker than expected economic recovery in China and the stress in the US regional banks. In the second half of 2023, inflation data declined, and the Federal Reserve shifted towards considering rate cuts. Equity investors started to price in rate cuts, and global equity markets recovered in the last quarter of 2023. Overall, most equity markets performed positively for the full year, and this contributed positively to the Participating Fund's equity allocations.

4 Future Outlook

The market outlook for 2024 is clouded by geopolitical tensions in the Middle East and Russia-Ukraine, which in turn poses upside risks to energy prices and inflation. Conversely, there may be positive developments from more measures in China to stimulate the housing sector, Southeast Asian economies continue to benefit from global diversification of supply chains and India continues to have good long-term structure potential. We expect markets to experience some volatility in 2024 as investors reprice interest rate and inflation expectations. Amidst these challenges, we continue to be discerning in our investment decisions focusing on fundamentals whilst also being cognizant of downside risks.

5 Our Commitment to You

Thank you for placing your trust in our services. We aim to maintain the highest standards of transparency and stability. With healthy solvency ratios that are well above local regulatory requirements, we are dedicated to maintaining our financial strength and fulfilling our commitments to you. We look forward to continuing to meet and exceed your expectations.

Disclaimer: This report is prepared by Manulife (Singapore) Pte. Ltd. and is provided for information only. Past performance is not necessarily a guide to future performance. This is only a commentary and cannot be generalised to any policy.

Frequently Asked Questions

1. What is a Participating Policy and how does it work?

Premiums paid to participating insurance policies are pooled together to form a Participating Fund. This fund invests in a range of assets, which are used to pay benefits to Participating Policyholders and to meet the expenses incurred in running the fund.

You are entitled to a share of the Participating Fund's profits, distributed to you through a combination of bonuses including reversionary bonus added to your insurance policy(ies) annually and terminal bonus payable upon maturity/surrender/claim or any other non-guaranteed cash bonuses and dividends. Participating Fund bonuses will depend on the prevailing Participating Fund experience, consideration of the economic market outlook, and expected future performance of the Participating Fund.

The future performance of the Participating Fund is determined by factors such as investment returns, claims on policies (death, total and permanent disability, critical illness, terminal illness and surrenders) and the expenses incurred by or allocated to the Fund. The future performance will determine bonuses to be paid in the future. Bonuses not yet distributed/declared are not guaranteed.

2. What is the difference between reversionary bonus, cash bonus and terminal bonus?

Reversionary bonus is an annual bonus that adds to the cash value and claim benefits.

Cash bonus, which could be in the form of non-guaranteed regular coupons or non-guaranteed regular income for some participating plans, is declared annually. Policyholders can opt to withdraw regular coupon/regular income or accumulate it with the Company.

Reversionary and cash bonuses are product-specific and are guaranteed once declared.

Terminal bonus may refer to maturity, surrender or claim bonus that is additional bonus:

- paid to policy upon maturity.
- paid when a policy is surrendered after being in force for the required minimum period.
- paid when there is a claim for death, total and permanent disability, critical illness or terminal illness.

Terminal bonus is product-specific and is not guaranteed.

3. How are bonuses declared?

Bonuses are declared once a year. When declaring bonuses, the Company aims to smooth the bonus allocations over time to avoid short-term fluctuations that can occur in year-to-year investment performance.

All recommendations on bonus declarations are prepared by the Company's Appointed Actuary and must be approved by the Company's Board of Directors. When making recommendations, the Appointed Actuary must ensure that:

- policyholders from all groups of Participating Policies are treated fairly and that no group is favoured over others, and
- bonuses that are allocated (and future bonuses) can be supported by the fund.

4. How do I know that my interest as a Participating insurance Policyholder is protected?

To prevent excessive distribution of profits to shareholders, the profit that can be paid to shareholders of Manulife is limited to a maximum of 1/9 of the value of bonuses allocated to Participating Policyholders. This means for every S\$9 distributed to policyholders, only a maximum of S\$1 is distributable to shareholders.

5. How would I know how much profit is allocated as reversionary bonus to me?

An anniversary statement will be sent to you on your next policy anniversary date. Please refer to the anniversary statement for details on the reversionary bonus declared on your policy. If you wish, a full policy illustration can also be made available to you upon request.

6. When will the reversionary bonus be allocated to my policy?

The reversionary bonus declared will be effective from 1 July 2024 and will be added to your policy on the next anniversary of your policy in 2024/2025.

7. Should I consider making changes to my policy as a result of this bonus declaration?

An insurance policy is intended to meet your long-term financial needs. Making changes to your policy may affect the level of protection provided by your policy. Before doing so, we strongly encourage you to contact your Representative to seek advice and discuss the best course of action suited to your financial needs.

8. Will Manulife increase bonus rates if interest rates increase in the future?

Future bonuses will depend on the prevailing economic and investment environment. We will review future bonuses on an annual basis and determine if there should be any increase or decrease in the bonus rates.

Finding out more about Participating Policies and bonuses

If you would like to know more about Participating Policies, you may refer to the industry guide on Participating Policies that is available on our website (<https://www.manulife.com.sg/en/insurance-guides.html>) or you can ask your representative for a copy. The guide is also on the Life Insurance Association website at www.lia.org.sg



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