

YOUR PARTICIPATING FUND UPDATE FOR 2019

Thank you for trusting Etiqa Insurance Pte. Ltd. (“Etiqa”) for your financial and protection needs.

As a valued policyholder of a participating policy from Etiqa, we are pleased to inform you that we will be maintaining the same bonus rates for the year 2019.

This annual update provides you with an overview of the performance of Etiqa’s Participating Life Insurance Fund (“Par Fund”) for the year ended 31 December 2019. In addition, we present our asset allocation strategy, our views on the outlook of the investment market and how these conditions may impact future returns. Through this update, we hope to provide you with a better understanding of the factors that impact bonuses for your participating policies.

► Your Participating Policy with Etiqa

A Guide to How We Manage the Fund

What is a participating policy and how does it work?

A participating policy is a plan that participates or shares in the profits of the participating fund of the insurer. It provides guaranteed benefits and non-guaranteed bonuses. Your premiums, along with those of other policyholders’, are pooled into a designated participating fund. Etiqa aims to provide stable returns for your participating policy and the fund aims to achieve this by strategically investing in a mix of assets, including bonds, equities and money market instruments to generate an investment return. You are entitled to a share of the Par Fund’s profits, distributed to you by adding bonuses to your insurance policy.

When are bonuses reviewed and declared?

Bonuses are reviewed and declared annually. Based on the Par Fund’s performance, we allocate part of the surplus of the fund to your policy via bonuses to increase its value. Each year, Etiqa informs policyholders with participating policies of the amount of bonus that may be added to their policies.

How are bonuses determined?

All bonus allocations are approved by Etiqa’s Board of Directors, based on recommendations made by our Appointed Actuary. When making recommendations, the Appointed Actuary will consider key factors including past investment performance of the Par Fund, economic outlook, claims experience, expenses, surrenders and lapses.

When declaring bonuses, we consider average performance over a period longer than one year to avoid large short-term fluctuations in year to year investment performance.

When will the bonus be allocated to my policy?

The bonuses declared on your policy, if any, will be added to your policy either on 1 April 2020 or at your policy anniversary in the year, whichever is later. Please refer to your bonus statement for details on the bonus declared on your policy. As there are no changes to the bonus rates, your original policy illustration remains unchanged. You may contact your representative or Etiqa if you wish to receive a copy of your policy illustration.

► About The Par Fund

As of 31 December 2019, the total market value of policy assets held by the Par Fund is S\$951.7 million, a 49% increase from past year.

► Par Fund Performance over the last 3 years

The Par Fund delivered a total investment return of 10.84% for the year ended 31 December 2019. The investment return and total expense ratio for the past three years are as follows.

Year	2017	2018	2019
Investment Returns ¹	10.99%	-3.32%	10.84%
Total Expense Ratio ²	5.32%	8.07%	7.46%

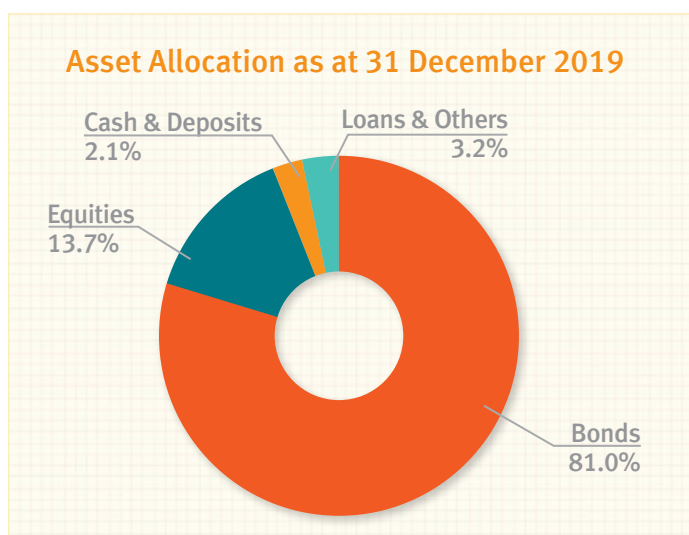
¹ This investment return is shown after deducting investment expenses incurred in managing the Par Fund. ²The total expense ratio is the proportion of total expenses incurred by the Par Fund to the assets of the Par Fund. These expenses include costs such as investment, management, distribution, taxation and other expenses.

► Factors that affected the Par Fund performance in 2019

The Par Fund's performance and its declared bonuses are determined by investment and non-investment factors. The former would be related to investment mix and performance of the regional and/or global financial markets while the latter would be related to policy claims, policy surrenders and others.

1. Investment Mix of the Par Fund

As at 31 December 2019, our asset allocation mix and top equity holdings are as follows. Compared to 2018, we have tactically reduced our equity allocation given the increased market volatility.



Top 5 Equity Holdings of the Par Fund

Asset Type	Actual Allocation as at 31 December 2019
United Overseas Bank Ltd	7.5%
DBS Group Holdings Ltd	7.3%
Oversea-Chinese Banking Corporation	5.9%
Alibaba Group Holdings – SP ADR	3.5%
Tencent Holdings Ltd	3.4%

2. Performance of regional and/or global financial markets

In 2019, Etiqa recorded a higher investment return of 10.84% on the back of broadly favourable financial market conditions despite increased market volatilities as the impact from slower global growth gradually rises. This led to further easing or reduction in policy rates by global central banks, especially the US Federal Reserve to help avoid a potential recession. For the year, our investment mix also contributed positively to overall returns as higher holdings in bonds benefitted from the lower rates while lower holdings in equities helped to reduce portfolio volatility.

3. Non-investment Factors

Benefit payouts from insurance claims and surrendered policies as well as operating expenses could impact the Par Fund's performance and level of bonuses declared. Insurance claims and expenses were in line with our expectations in 2019. Short-term fluctuations are not expected to significantly affect future bonuses.

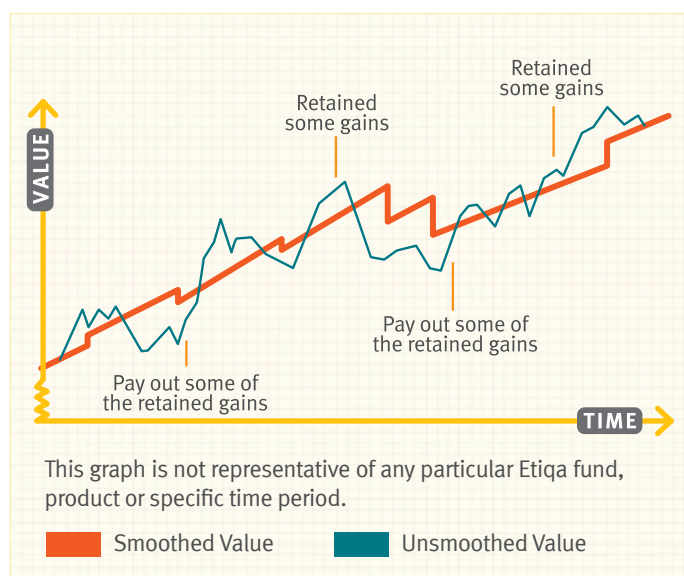
► Future Outlook

In 2020, investment prospects for equities and bonds continues to be challenging combined with increasing market volatilities. Prospects for global growth remains weak after more than two years of trade tensions between US and China. Thus, we expect global central banks to continue playing a key role in stabilising markets and encouraging growth through accommodative monetary policies. Elsewhere, other key risks to our outlook are ongoing geopolitical uncertainties such as UK's Brexit and the US presidential elections as well as non-economic events, such as the recent COVID-19 outbreak, that may impact markets and accordingly, investment returns.

► Stability for Our Policyholders

At Etiqa, we are committed to manage the performance of our Par Fund through a well-diversified portfolio that balances both risks and returns and aims to deliver stable returns over the medium to long term – to meet your financial goals and aspirations.

As financial markets can be volatile from year to year, Etiqa adopts the “smoothing” concept to help stabilise the returns over the life of your participating policy. Simply put, instead of distributing what the Par Fund makes in a particular year, we try to spread profits and losses over the life of your plan. For example, if the Par Fund performance is particularly favourable in one year, we may retain some of the investment returns so that your bonus rates can be maintained in years when the fund does not perform as well.



► Frequently Asked Questions

1. What are the key factors affecting performance of the Par Fund and level of bonuses?

The following factors affect the performance of the Par Fund and the level of bonuses:

Investment strategy Investment of the Par Fund follows a strategic asset allocation which was decided when the fund was first set-up. This will be updated if there are significant changes in the profile of the fund. For the year 2019, the strategic asset allocation of the Par Fund is 73% bonds, 25% equities and 2% cash.

The Par Fund's investment return The fund's investment return is critical to the Par Fund's performance. We manage the Par Fund with a long-term view of delivering stable and reasonable returns for all customers, while maintaining the financial soundness of the fund.

Non-investment factors Several non-investment factors may impact performance of the Par Fund. These factors include claims and surrender experience, as well as expenses.

2. What items and expenses are charged to the Par Fund?

The value of the Par Fund is affected by different types of expenses relating to the participating policies. These include claims payment, investment fees relating to the management of assets, marketing, other distribution-related expenses and general management expenses.

3. Who manages the Par Fund at Etiqa?

Maybank Asset Management Singapore Pte. Ltd. (“MAMS”) manages our Par Fund. Established in 2008, MAMS is a fully owned subsidiary of Maybank Asset Management Group Berhad – an award winning asset management company. Backed by one of the largest banks in ASEAN, the group manages assets in excess of US\$6.5 billion (as at 31 December 2019).

For more information on MAMS, please visit <http://www.maybank-am.com.sg>.

4. What are the risks involved in the Par Fund and how are the risks shared?

The key risk factors that could influence the performance of the Par Fund include investment returns, lapses, surrender experience, claims experience and expenses incurred. The Par Fund's assets comprise accumulated premiums from different policies within the Par Fund. The accumulated assets will be used to fund policy benefits, expenses and charges incurred in the operation of the Par Fund, with surpluses to be invested accordingly. Therefore, key risks affecting the investment performance of the Par Fund are shared by all policies in the Par Fund.

5. Will bonuses be revised?

The future performance of the Par Fund is determined by factors such as investment returns, claims experience and expenses incurred by or allocated to the Fund. This future performance will determine bonuses to be paid in the future. Bonuses not yet distributed/declared are not guaranteed.

When considering suitable bonus rates, we consider average performance over a period longer than one year to minimise any short term fluctuation. We will make changes to bonus rates only after thorough review.

6. How can I find out more about participating policies and bonuses?

If you have questions, please do not hesitate to contact your representative. Alternatively, you may wish to contact our customer care consultants via WhatsApp at +65 6887 8777 or email us at customer.service@etiqa.com.sg. any short term fluctuation. We will make changes to bonus rates only after thorough review.

About Etiqa Insurance Pte. Ltd.

Protecting customers since 1961, Etiqa is a licensed life and general insurance company registered in the Republic of Singapore. We are regulated by the Monetary Authority of Singapore (MAS) and governed by the Insurance Act.

With a comprehensive suite of protection, savings, retirement and legacy planning solutions, we are committed to helping our customers from mass to affluent segments plan for a better future. Rated 'A' by Fitch Ratings in 2020 for our continued financial strength and stable outlook, Etiqa humanises insurance by placing people over policies.

Etiqa is owned by Maybank Ageas Holdings Berhad, a joint venture company that combines local market knowledge with international insurance expertise. Maybank Ageas Holdings Berhad is 69% owned by Maybank, the fourth largest banking group in Southeast Asia, and 31% by Ageas, an international insurance group with footprints across 16 countries and a heritage that spans over 190 years.

Important Information

This update is prepared by Etiqa Insurance Pte. Ltd. and is provided for information only. Bonuses are not guaranteed and may vary according to the future performance of the Par Fund. The Company will decide the level of bonus to be declared each year (if any) as approved by the Board of Directors, taking into account the written recommendation by the Appointed Actuary. Past performance is not necessarily indicative of future performance. This is only a general commentary and cannot be applied specifically to any participating policy.

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