

# PARTICIPATING FUND 2019 UPDATE

Thank you for choosing Manulife as your preferred financial partner. This update provides detailed information on the performance of Manulife's Participating Fund as at 31 December 2019.

## 1 2019 PERFORMANCE OVERVIEW

The Investment performance of the Par Fund has been volatile in recent years. This is reflected in the table below, which shows actual investment returns over the last 3 years.

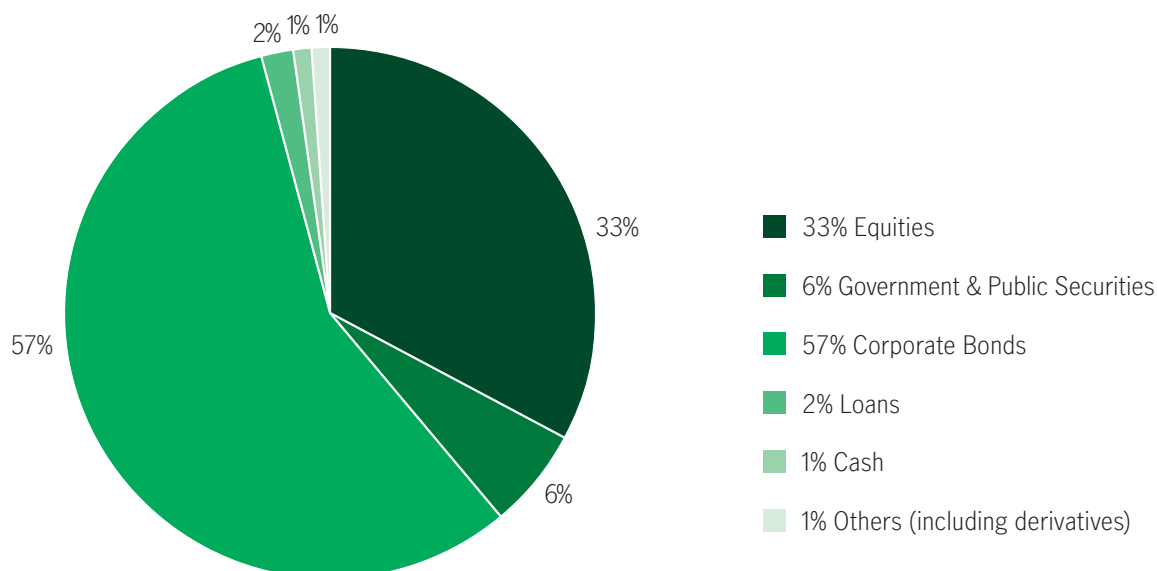
<b>Investment Returns</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
EasiSaver/ProSaver/StarSaver	1.7%	2.3%	1.6%
ManuWealth Plus/ManuFortune/ManuHarvest/ Manulife Abundance/Manulife Boost Series/ Manulife Goal Series/SavvyEndowment Series	5.1%	1.0%	4.4%
Participating Fund denominated in USD*	n.a.	0.6%	12.9%
All other Participating Policies	12.7%	-1.2%	11.9%

\*For Signature Income & Signature Life denominated in USD, the investment return for 2017 is not available.

Please note the actual investment returns shown vary due to specific strategic asset allocations relating to each group of participating policies. In addition, current investment performance is not indicative of future performance.

## 2 PARTICIPATING FUND PERFORMANCE

As at 31 December 2019, the market value of the total assets in the Participating Fund increased to S\$9.50 billion from S\$7.19 billion in 2018. This is attributed to the increase in new business and investment gains from declining interest rates and better equity market performance



\*These are currency derivatives used to hedge foreign currency exposures.

### Bonds

The fixed income segment recorded a respectable return for the year against the backdrop of a low interest rate environment which saw tightening of Singapore corporate bond spreads.

### Equities

For the period under review, the Singapore equity market gained 13.50%\*. Market sentiment was strong in the first half on the back of positive market developments such as the Federal Reserve turning dovish, China's stimulus policy as well as encouraging updates on the China-US trade negotiations front. In the second half, market conditions remained volatile, dictated by the tone of the China-US trade war talks. Weaker economic data coupled with disappointing company earnings resulted in some selling pressure. The selling sentiment soon reversed towards the end of the year buoyed by the cutting of rates by the Federal Reserve as well as the signing of Phase 1 of the China-US trade deal.

\*MSCI Singapore total return

### Top 5 Equity Holdings as at 31 December 2019

Top 5 Equity Holdings	% of Equities Holdings
VANGUARD S&P 500 UCITS ETF	14.6%
ISHARES CORE S&P 500 UCITS E	12.9%
DBX EURO STX 50 (DR)	10.4%
ISHARES CORE FTSE 100 UCITS ETF GBP DIST	10.1%
UBS ETF CH-SMI CHF	5.3%

## Non-investment factors

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

Key Factors	Impact on Bonus
Mortality/Morbidity Claims – Lower	Positive
Surrender Claims – Higher	Positive
Expenses – Lower	Positive

In 2019, benefits payments totalling S\$476 million were made to policyholders from the Participating Fund. S\$59 million was paid as management expenses.

## 3 STRATEGIC ASSET ALLOCATION

The investment strategy aims to maximise the long-term returns required to meet all the projected benefits of the Par Fund.

The target asset mix for each product category is indicated below.

	Fixed Income	Equities
EasiSaver/ProSaver/StarSaver	100%	0%
ManuWealth Plus/ManuFortune/ManuHarvest/Manulife Abundance/ Manulife Boost Series/Manulife Goal Series/SavvyEndowment Series	100%	0%
Par Fund denominated in USD	75%	25%
All other Participating Policies	65%	35%

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

## 4 FUTURE OUTLOOK

Going into 2020, valuations are slightly on the richer end as there was a fair bit of credit spread tightening throughout 2019. With this in mind, we expect to be more discerning in our investment decisions, focusing on strong credits with robust fundamentals. We think the Fed would continue its accommodative policy stance providing some stability in interest rates.

We expect economic activities to moderate on slower global growth due to uncertainties linked to the trade war, potential geopolitical risks and the impact of the recent outbreak of Covid-19. That said, as central banks maintain their accommodative policy stance coupled with the possibility of unveiling of stimulus packages as a result of Covid-19, it is likely that growth will remain intact albeit at a slower pace.

## 5 OUR COMMITMENT TO YOU

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. 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.

**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 Par 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 Par Fund's profits, distributed to you by adding bonuses to your insurance policy. Bonuses once added to your policy are guaranteed.

The future performance of the Par Fund is determined by factors such as investment returns, claims on policies (death, critical illness and surrenders) and the 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.

### 2. How are bonuses declared?

Bonuses are declared once a year. When declaring bonuses, Manulife 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.
- bonuses which are allocated (and future bonuses) can be supported by the fund.

### 3. 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.

### 4. How would I know how much profit is allocated as bonus to me?

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

### 5. When will the bonus be allocated to my policy?

The bonus declared will be effective from 1 July 2020 and will be added to your policy on the anniversary of your policy in 2020/2021.

### Finding out more about participating policies and bonuses

If you would like to know more about participating policies and the types of bonuses, you may refer to industry's guide to customers ("Your Guide to Participating Policies") which is available on our website, <https://www.manulife.com.sg/en/insurance-guides.html>.



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