

Participating Fund Update for 2018

As a valued policyholder of a participating policy from NTUC Income (“Income”), we are pleased to update you on the performance of our Life Participating Fund (“the Fund”) for the year ended 31 December 2018.

We believe it is important to keep you updated on how the Fund performed in 2018 as policyholders share in the profits and losses of the Fund through bonuses which are non-guaranteed. Bonuses are determined yearly based on the Fund’s investment performance, claims and surrender experience, as well as, the cost to manage the Fund.

This update also sets out our views on the future outlook of the Fund based on our latest actuarial investigation of policy liabilities and market analysis. It also serves to inform you about major business developments at Income that relate significantly to the Fund. It does not, however, address any participating policy specifically.

Fund performance in 2018

The Fund achieved a return of +0.82% for the year ended 31 December 2018. The investment return and investment expense ratio for the past three years are as follows.

	2016	2017	2018 ¹
Investment Return	4.49%	9.04%	0.82%
Investment Expense Ratio	0.171%	0.191%	0.207%

Factors that affected the fund performance in 2018

1. Performance of the global financial markets

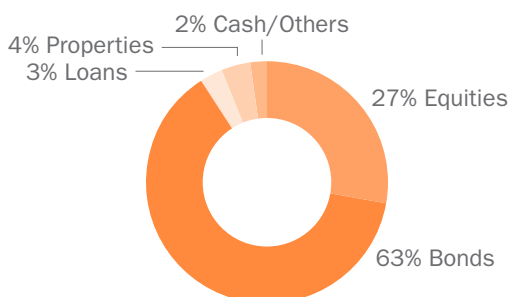
After two years of steady growth in asset prices, global financial markets witnessed high volatility and less favourable returns across major asset classes in 2018, posting sharp declines on concerns over global trade and slowing economic growth. Investors’ sentiments were markedly depressed due to persistent concerns over the US-China trade conflict and the pace of US interest rate hikes. While China’s economy recorded its weakest quarterly growth as policymakers responded with mitigating economic measures in the last quarter of 2018, the Singapore economy also slowed in late 2018 due to softer growth in manufacturing and export demands.

2. Investment mix of the Fund

The investment mix of the Fund, with a total market value of \$26.7 billion as at 31 December 2018, is as follows. It remained largely similar to 2016 with a slightly higher exposure in equities. The top five equity holdings of the Fund are listed below.

Asset Mix	Equities	Bonds	Loans	Properties	Cash / Others
2017	28%	63%	3%	4%	2%
2018 ¹	27%	63%	3%	4%	2%

¹ Figures are not additive due to rounding.



Top 5 Equity Holdings of the Fund

Top 5 Equity Holdings of the Fund	% of Equity Holdings
VANGUARD GLOBAL STK-A INS \$ GBL STOCK ID	8.0%
PARKWAY PARADE PARTNERSHIP LIMITED	5.5%
SAVU INVESTMENTS	3.6%
DBS GROUP HOLDINGS LTD	2.9%
EUROPEAN PROPERTY INVESTORS SP OPP 3	2.4%

3. Non-investment factors

For the year ended 31 December 2018, the cost to manage the Fund, as well as claims and surrender experience, were consistent with our expectation. The table below illustrates the total benefits paid to policyholders by the Fund in 2018.

Deaths and Other Benefits ¹	Saving Proceeds ²	Annuity Payments
\$146 million	\$1,295 million	\$176 million

¹ Other Benefits include dread disease and total permanent disability (TPD) claims.

² Saving Proceeds include surrender and maturity pay-outs.

Some non-participating and investment-linked businesses were also written in the Fund. These businesses continued to enjoy guaranteed benefits and did not participate in the experience of the Fund. However, these businesses were subjected to mortality, lapse and other insurance-related risks, which were accounted for as profits or losses in the surplus of the Fund.

Determining the level of bonuses

The level of bonuses is determined by the actual experience and future outlook of the factors that affect the performance of the Fund. These factors include the Fund's investment performance and its future investment outlook, its claims and surrender experience, as well as, the cost to manage the Fund. Bonus allocations are smoothed over a period of time to avoid large short-term fluctuations in the bonuses declared.

Most participating policies have two types of bonuses. The first is annual bonus and the other, terminal or special bonus. An annual bonus is added to your policy each year. Once declared and added to your policy, an annual bonus is guaranteed. A terminal or special bonus is an additional amount added to your policy when money is paid out on your policy upon death, surrender or maturity. With bonuses, the money invested in your participating policy is expected to grow over a medium to long-term period.

Bonus allocation

The Board of Directors of Income has approved the bonuses for 2018 based on the written recommendation made by the Appointed Actuary. The bonuses declared on your participating policy will be vested either on 1 April 2019 or at the policy anniversary, whichever is later. Please refer to your bonus statement for details on the bonus rates declared on your participating policy.

Investment outlook for 2019

Rising U.S. interest rates, a strong dollar and trade concerns had put a damper on growth in 2018. For 2019, we expect global financial markets to remain highly volatile as interest rates continue to be normalised by central banks and global economic slow-down, amidst rising geo-political tensions. Despite such an economic backdrop, we can still expect corporate earnings to grow, albeit at a slower pace, given that the US economy is basically strong and will likely continue to expand. As such, global investors can still be cautiously optimistic in 2019. For Income, we will continue to stay diversified in this market environment, and focus on delivering long-term investment returns.

Finding out more about participating policies and bonuses

If you would like to know more about participating policies, bonuses and how we manage the Fund, please refer to our website, www.income.com.sg, for the industry's guide to customers, "Your Guide to Participating Policies". Alternatively, you may request for an updated benefit illustration from your insurance adviser or contact one of our Customer Service Officers at 6788 1122 or email us at csquery@income.com.sg.