

Participating Fund Update for 2019

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 2019.

We believe it is important to keep you updated on how the Fund performed in 2019 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 2019

The Fund achieved a return of 9.59% for the year ended 31 December 2019. The investment return and investment expense ratio for the past three years are as follows.

	2017	2018	2019 ¹
Investment Return	9.04%	0.82%	9.59%
Investment Expense Ratio	0.191%	0.207%	0.237%

¹ Based on unaudited figures as of February 2020

Factors that affected the fund performance in 2019

1. Performance of the global financial markets

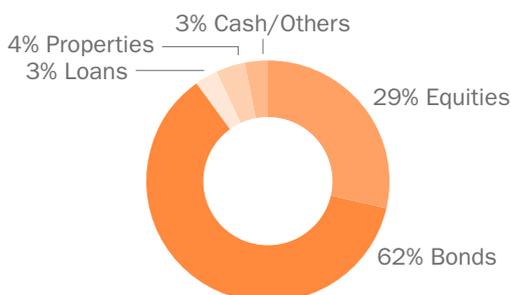
In 2019, the fear of recession gripped markets as global manufacturing contracted and the United States (US) yield curve inverted amidst escalating China-US tension, Brexit and uncertainties in Hong Kong. The US Federal Reserve (Fed) cut interest rates three times in 2019 to calm the markets and to reduce recession risk. On the back of China and the US reaching a limited trade deal, the latest economic data is pointing to global economies showing some signs of improvement, averting concerns of a global recession in the near term. Given the turnaround in the initial negative market sentiment together with the Fed’s accommodative monetary policy which provided ample liquidity to the global markets, 2019 delivered a relatively strong performance, reversing the loss experienced in 2018.

2. Investment mix of the Fund

The investment mix of the Fund, with a total market value of \$30.4 billion as at 31 December 2019, is as follows. It remained largely similar to 2018 with a slightly higher exposure in equities. The top five equity holdings of the Fund is listed below.

Asset Mix ¹	Equities	Bonds	Loans	Properties	Cash/Others
2018	27%	63%	3%	4%	2%
2019	29%	62%	3%	4%	3%

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 Investment Series PLC - Global Stock Index Fund	8.6%
PARKWAY PARADE PARTNERSHIP LIMITED	4.6%
SAVU INVESTMENTS (16 COLLYER QUAY)	3.0%
DBS Group Holdings Ltd	2.1%
STREET SQUARE PTE LTD	1.8%

3. Non-investment factors

For the year ended 31 December 2019, 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 2019.

Deaths and Other Benefits ¹	Saving Proceeds ²	Annuity Payments
\$165 million	\$1,246 million	\$183 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 2019 based on the written recommendation made by the Appointed Actuary. The bonuses declared on your participating policy will be vested either on 1 April 2020 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 2020

The global economy, in 2020, is likely to continue to grow slowly with muted inflation. Manufacturing and business investments are likely to recover, with services and consumer spending staying robust. We also foresee loose monetary policy to carry over to 2020. "Phase One" of the China-US trade deal could help stabilize manufacturing/business investments. However, we are keeping vigilant about potential trade friction and geopolitical uncertainty that could arise again. As such, global markets are expected to be positive although it is unlikely to be as bullish as 2019. For Income, we will continue to keep our investment portfolio 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 the industry's guide to customers, "Your Guide to Participating Policies" that you can download from our website, www.income.com.sg. 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.