

Participating Fund Update for 2020

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 2020.

We believe it is important to keep you updated on how the Fund performed in 2020 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 2020

The investment return and total expense ratio for the past three years are as follows.

	2018	2019	2020 ¹
Net Investment Return S\$ Plans	0.82%	9.59%	9.14%
Net Investment Return US\$ Plans	n/a	n/a	7.88% ²
Total Expense Ratio	0.85%	0.83%	0.82%

¹ Based on unaudited figures as of February 2021

² Life Participating Fund US\$ was setup in June 2020

Participating Plans by Currency

Singapore Dollar Participating Plans	US Dollar Participating Plans
All other S\$ Participating plans	Grandeur Solitaire (US\$)

Factors that affected the fund performance in 2020

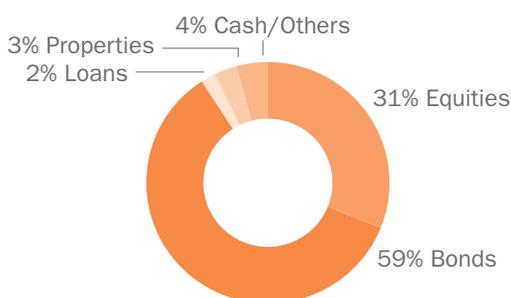
1. Performance of the global financial markets

The year 2020 will be most remembered for how the Covid-19 pandemic managed to single-handedly and synchronously plunge the world into an economic turmoil. Financial markets experienced extreme volatility, with the sharpest correction on record, quickly followed by the fastest recovery. The pandemic caused unprecedented demand destruction through lockdowns seen across the globe. Central banks and governments implemented extensive monetary and fiscal stimuli, which included cash payments to individuals and loans to small businesses. Historical low interest rate levels and injections of unprecedented large amounts of liquidity by central banks fuelled strong rallies in the equity markets and fixed income markets. As a long-term investor, Income took a disciplined and diversified approach and achieved strong investment performance in this volatile market. We had maintained a disciplined and well diversified portfolio strategy throughout the year despite the sharp sell-off in the first quarter. This has contributed to the strong returns registered in 2020.

2. Investment mix of the Fund

The investment mix of the Fund, with a total market value of \$33.3 billion as at 31 December 2020, is as follows. It remained largely similar to 2019 with a slightly higher exposure in equities. The top five equity holdings of the Fund is listed below.

Asset mix of the Fund



Asset mix of the Fund by Currency

Asset Mix ¹	Equities	Bonds	Loans	Properties	Cash/Others
Singapore Dollar Participating Plans					
2019	29%	62%	3%	4%	3%
2020	31%	59%	2%	3%	4%
US Dollar Participating Plans					
2019	n/a	n/a	n/a	n/a	n/a
2020	21%	72%	0%	0%	7%

¹ Figures may not be additive due to rounding.

Top 5 Equity Holdings of the Fund	% of Equity Holdings
Parkway Parade Partnership Pte. Ltd.	3.9%
DBS Group Holdings Ltd.	3.6%
Oversea-Chinese Banking Corp Ltd.	2.3%
SAVU INVESTMENTS (16 COLLYER QUAY)	2.3%
United Overseas Bank Ltd.	2.1%

3. Non-investment factors

For the year ended 31 December 2020, 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 2020.

Deaths and Other Benefits ¹	Saving Proceeds ²	Annuity Payments
\$168 million	\$1,333 million	\$190 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 2020 based on the written recommendation made by the Appointed Actuary. The bonuses declared on your participating policy will be vested either on 1 April 2021 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 2021

Looking into 2021, the shape of economic growth will be dependent on a number of factors, including infection rates, effective vaccine adoption, and the policies adopted by central banks and governments. The global economy is expected to show improvement as the pandemic recedes. The availability and effective distribution of safe and effective vaccines should bolster economic activity. However, the pace of recovery is uncertain, with the Covid-19 cases continuing to surge in many regions. Accommodative monetary policies across major central banks will continue to suppress government bond yields at historically low levels. In stock markets, the earning yield of stocks remain attractive compared to low bond yields. Risk assets are still favoured in 2021 in view of the potential improvement in corporate earnings whilst monetary policies remain accommodative. However, equity markets are trading at rich valuations, making them vulnerable to short-term corrections. This, coupled with persistent low interest rate environment, may present challenges to the Fund's investment returns over the years. For Income, our strategy is to continue to keep our investment portfolio diversified in this uncertain 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.