

Participating Fund Update for 2021

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 2021.

We believe it is important to keep you updated on how the Fund performed in 2021 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 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 2021

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

	2019	2020	2021 ¹
Net Investment Return of Life Participating Fund (S\$)	9.59%	9.14%	0.54%
Net Investment Return of Life Participating Fund (US\$)	n/a	7.88% ²	2.17%
Total Expense Ratio	0.83%	0.82%	1.01%

¹ Based on unaudited figures as of February 2022

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

Participating plans by currency

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

Factors that affected the fund performance in 2021

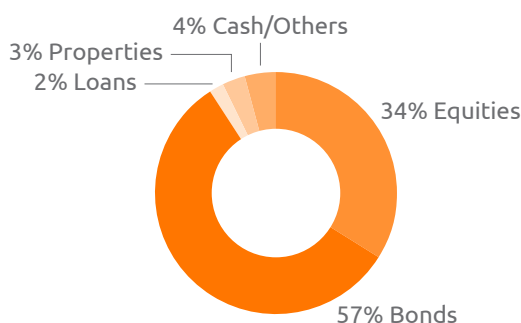
1. Performance of the global financial markets

2021 was a year of recovery with heightened uncertainty revolving around Covid-19. Distribution of vaccines and easing of lockdowns were followed by an economic rebound, but the emergence of new Covid variants posed setbacks to the recovery. Despite these challenges, global stock markets continued to climb higher in 2021, ending the year with strong returns. In Asia markets, policy changes in China impacted risk sentiment significantly. The Singapore equity market, which has a significant exposure in financial companies such as banks, benefitted as interest rates rose. Bond markets suffered losses in 2021 as interest rates rose from very low levels due to inflationary pressures and Fed’s monetary tightening stance.

2. Investment mix of the Fund

The investment mix of the Fund, with a total market value of \$34.0 billion as at 31 December 2021, is as follows. It remained largely similar to 2020 with a higher exposure in equities. The top five equity holdings of the Fund are 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					
2020	31%	59%	2%	3%	4%
2021	34%	57%	2%	3%	4%
US Dollar Participating Plans					
2020	21%	72%	0%	0%	7%
2021	21%	71%	0%	0%	8%

¹ Figures may not be additive due to rounding.

Top 5 Equity Holdings of the Fund	% of Equity Holdings
DBS Group Holdings Ltd	4.0%
Parkway Parade Partnership Pte. Ltd.	3.5%
United Overseas Bank Ltd	2.4%
Sea Ltd	2.3%
SAVU INVESTMENTS (16 COLLYER QUAY)	2.3%

3. Non-investment factors

For the year ended 31 December 2021, 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 2021.

Deaths and Other Benefits ¹	Saving Proceeds ²	Annuity Payments
\$183 million	\$1,345 million	\$115 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 the outlook of the Fund's performance. The factors that can affect the Fund's outlook include its investment performance and outlook, its claims and surrender experience, as well as, the cost to manage the Fund. Bonus allocations are smoothed over 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 2021 based on the written recommendation made by the Appointed Actuary. The bonuses declared on your participating policy will be vested either on 1 April 2022 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 2022

In 2022, developed equity markets could still deliver positive returns with improving fundamentals and flushed liquidity. However, monetary policy tightening by the Fed could bring higher volatility to the equity markets. In Asia equity markets, although Chinese monetary conditions are loosening, regulatory risks and negative developments in the property sector might not have fully played out yet. In the bond markets, interest rates are likely to rise further on the back of policy rate hikes and tightening of monetary policy by the Fed. In this uncertain market environment, Income's strategy is to further diversify our investment portfolios and focus on delivering long-term investment returns to our policyholders.

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 get in touch with us through your preferred mode of contact at www.income.com.sg/contact-us.