

Participating Fund Update

for the year ending 31 December 2017





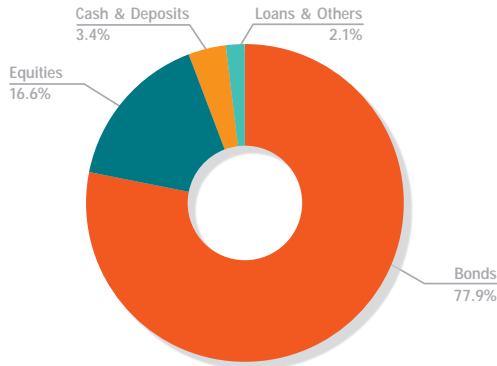
Purpose of participating fund update

This update provides you with an overview of the performance of Etiqa Insurance Pte. Ltd.’s (“Etiqa”) participating life insurance funds for the year ending 31 December 2017 and the impact of our performance on the projected values of your policies. Please note that projected values are not guaranteed, as actual future performance may not reflect the assumptions made. In addition, we will present our views on the outlook of the investment market and explain how these conditions may impact future returns.

Overview of Etiqa’s participating fund

As at 31 December 2017, the market value of policy assets held by the participating fund amounted to S\$385.8 million, an increase of approximately 133% from 2016.

Asset mix as at 31 December 2017



Investment performance in 2017

2017 was characterised by a synchronised global economic recovery. For the first time in close to a decade, all three regions, Asia, the European Union (EU), and the United States (U.S.), grew simultaneously. Economic forecasts had been continuously revised upwards throughout the year, implying that growth had been underestimated. On the back of strong economic data and positive investment sentiment, Etiqa delivered a net investment return of 10.99%, which is almost three (3) times that of 2016.

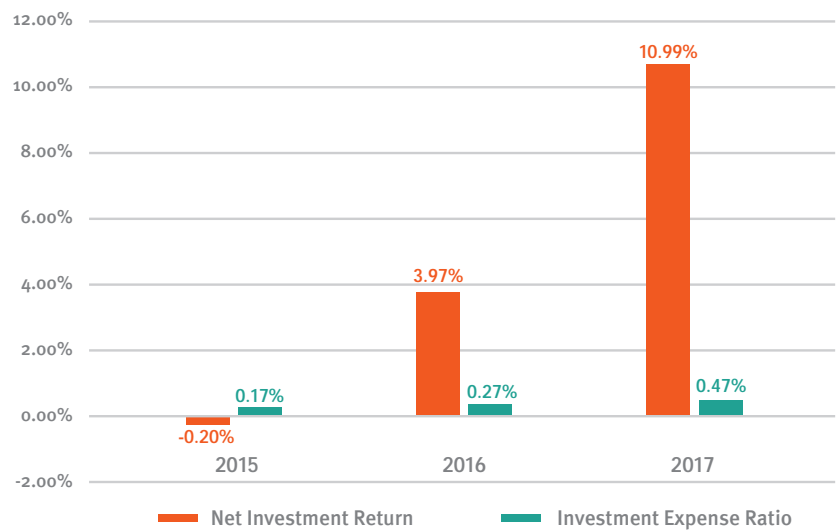
Equities

With global economies recovering in 2017, corporate earnings improved substantially, driving strong rallies in share prices. Equity returns mainly came from Price-Earning-Ratio expansion and earnings growth. Volatility was at an all-time low in 2017, a reflection of better economic conditions and benign geopolitical events. North Asia benefited most from the global recovery due to its large external sectors, such as the high proportion of trade. Our strategy to stay invested in the Asia and Singapore markets has allowed us to ride on the gains.

Bonds

Short term interest rates rose steadily over the year with the U.S. Federal Reserve normalising the rates at a measured pace. Long terms rates were traded within a range in the absence of inflationary pressures. Corporate bonds also did well with tightening spreads from better economic environment and increased corporate earnings. Our portfolio outperformed benchmarks mainly from credit selection and flattening yield curves.

The investment returns and expense ratios over the past three (3) years are:



Other areas of performance

Other factors determining the level of bonuses include mortality, surrender and expenses. Death claims, surrender payments and expenses incurred in 2017 are mostly in line with our expectations, and we do not expect this to significantly affect future bonuses.

Bonus allocation

We are committed to providing stable returns for your life participating policy while allowing you to participate in the performance of the fund in the form of bonuses. The performance of the participating fund is dependent on investment performance, claims experience and expenses of the fund.

All bonus allocations are approved by Etiqa's Board of Directors, based on recommendations made by our Appointed Actuary. The bonuses declared on your policy, if any, will be added to your policy either on 1 April 2018 or on your policy anniversary in 2018, whichever is later. Please refer to your bonus statement for details of the bonus rates declared on your policy, if any.

Outlook of the participating fund

We expect the macroeconomic backdrop to remain positive in 2018. The global recovery will progress into synchronised growth as the long term secular factors are still intact. Asia offers more value investment opportunities as the positive demographics makes it the most dynamic region globally. It also has ample capacity for fiscal spending with generally low government debt.

For equities, valuation of Asian markets are more attractive relative to the developed world. For bonds, we expect headwinds from interest rate hikes. Asian credits are still more attractive compared to the U.S. and the EU. We will continue to optimise our bond portfolio through credit selection, particularly those with strong fundamentals.

While we are cautiously optimistic about investing in Asia, we will continue to watch for geopolitical risks and inflation. We maintain a long term focus in our investment strategy and are committed to manage our investment diligently to meet your financial goals.

Frequently Asked Questions

1. When are bonuses reviewed and declared?

Bonuses are reviewed and declared annually. Each year, Etiqa will inform policyholders with participating policies of the amount of bonus that may be added to their policies.

The bonuses declared on your policy, if any, will be added permanently to your policy either on 1 April or at your policy anniversary in the year, whichever is later.

2. How are bonuses determined?

Bonus rates declared are approved by Etiqa's Board of Directors, based on recommendations made by our Appointed Actuary. When making recommendations for the bonus declaration, the Appointed Actuary will consider key factors including past investment performance of the fund, economic outlook, claims experience, expenses, surrenders and lapses.

3. What are the key factors affecting performance of the participating fund and level of bonuses?

The following factors affect the performance of the participating fund and the level of bonuses:

Investment strategy

Investment of the participating fund follows a strategic asset allocation which was decided when the fund was first set-up. This will be updated if there are significant changes in the profile of the fund. The current strategic asset allocation of the participating fund is 25% equities, 73% bonds and 2% cash.

The participating fund's investment return

The fund's investment return is critical to the participating fund's performance. We manage the participating fund with a long-term view of delivering stable and reasonable returns for all customers, while maintaining the financial soundness of the fund.

Non-investment factors

Several non-investment factors may impact performance of the participating fund. These factors include claims and surrender experience, as well as expenses.

4. What items and expenses are charged to the participating fund?

The value of the participating fund is affected by different types of expenses relating to the participating policies. These include claims payment, investment fees relating to the management of assets, marketing, other distribution-related expenses and general management expenses.

5. What does the participating fund invest in?

Etiqa aims to provide stable returns for your participating policy and the participating fund aims to achieve this by investing in a mix of assets, including bonds, equities and cash.

6. Who manages the participating fund at Etiqa?

Maybank Asset Management Singapore Pte. Ltd. ("MAMS") manages our participating fund. MAMS is comprised of teams of specialist fund managers and is a fully owned subsidiary of Maybank Asset Management Group Berhad. The group manages assets in excess of US\$7.7 billion (as at 31 December 2017).

For more information on MAMS, please visit <http://www.maybank-am.com.sg>.

7. What are the risks involved in the participating fund?

The key risk factors that could influence the performance of the participating fund include investment returns, lapses, surrender experience, claims experience and expenses incurred.

8. How are risks shared?

The participating fund's assets comprise accumulated premiums from different policies within the participating fund. The accumulated assets will be used to fund policy benefits, expenses and charges incurred in the operation of the participating fund, with surpluses to be invested accordingly. Therefore, key risks affecting the investment performance of the participating fund are shared by all policies in the participating fund.

9. Will bonuses be revised?

Future bonuses are not guaranteed. Rather, they are dependent on the experience of the participating fund, particularly their past and expected future investment performance as well as claims experience and expenses.

When considering suitable bonus rates, we consider average performance over a period longer than one year to minimise any short term fluctuation. We will make changes to bonus rates only after thorough review.

10. How can I find out more about participating policies and bonuses?

If you have questions, please do not hesitate to contact your representative. Alternatively, you can contact our customer care consultants at +65 6887 8777 or email us at customer.service@etiqa.com.sg.

About Etiqa Insurance Pte. Ltd.

Etiqa Insurance Pte. Ltd. (Etiqa) is owned by Maybank Ageas Holdings Berhad, a joint venture company that combines local market knowledge with international insurance expertise. The company is 69% owned by Maybank, the fourth largest banking group in Southeast Asia with more than 22 million customers worldwide in 20 countries; and 31% by Ageas, an international insurance group with 33 million customers across 16 countries and a heritage that spans over 180 years. As a licensed life and general insurance company registered in the Republic of Singapore and regulated by the Monetary Authority of Singapore (MAS), we are governed by the Insurance Act.

Etiqa has been protecting Singaporeans since 1961 with a range of general insurance solutions that constantly evolve to meet their ever-changing needs. As the appointed insurer for the Housing Development Board (HDB) Fire Insurance Scheme in Singapore, we have been protecting more than 500,000 homes since 2009. In 2014, Etiqa added a comprehensive suite of life insurance solutions, including protection, savings and retirement solutions to our portfolio to better serve our growing customer base and the needs of the modern day consumer. We are rated "A-" by Fitch in September 2017 for our financial strength and stable outlook.

At Etiqa, our passion is to humanise insurance. We place people over policies, and we are committed to helping our customers plan for a better future.

Let's have a chat!
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