

Participating Fund Update For 2020

Thank you for choosing Manulife as your preferred financial partner.

This update provides detailed information on the performance of Manulife's Participating Fund as at 31 December 2020. In addition, you will find our asset allocation strategy and our views on the future market outlook. Through this update, we hope to provide you with a better understanding of the factors that impact bonuses for your participating policies.

1 2020 Performance Overview

The investment performance of the Participating Fund has been volatile in recent years. This is reflected in the table below, which shows actual investment returns over the last 3 years.

Investment Returns	2018	2019	2020
ManuWealth Plus/ManuFortune/ManuHarvest/ Manulife Abundance/Manulife Boost Series/ Manulife Goal Series/SavvyEndowment Series	1.0%	4.4%	4.2%
Participating Fund denominated in USD	0.6%	12.9%	8.1%
All other Participating Policies	-1.2%	11.9%	8.6%

Expense Ratio	2018	2019	2020
All Participating Policies	4.88%	4.74%	3.67%

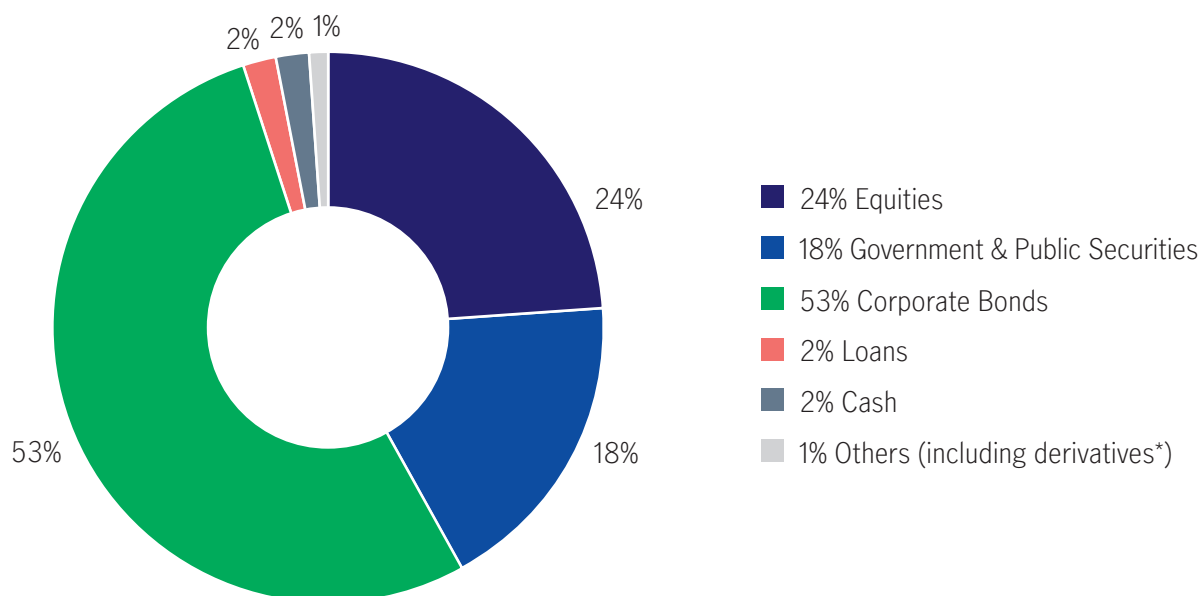
Please note that the investment returns shown above vary across the groups of participating policies due to specific strategic asset allocations relating to each group. In addition, current investment performance is not indicative of future performance.

While the investment performance in 2020 may seem favourable, the prevailing low interest rate environment does result in lower reinvestment assumptions, which poses a challenge to maintain current bonuses.

2

Participating Fund Performance

As at 31 December 2020, the market value of the total assets in the Participating Fund increased to S\$13.3 billion from S\$9.50 billion in 2019. This is attributed to the increase in new business and investment gains from bond holdings due to declining interest rates.



*These are currency derivatives used to hedge foreign currency exposures.

Bonds

The fixed income segment recorded a respectable return for the year in spite of the volatility in the financial markets as a result of the Covid-19 pandemic as well as the continuing low interest rate environment which saw Singapore corporate bond spreads widening initially but ending the year trading closer to pre-Covid-19 levels.

Equities

Equity markets were highly volatile during the period under review, with relatively weak sentiment especially in the first quarter of the year on the back of global Covid-19 concerns, market uncertainties and fears of a global recession. Fragile sentiment continued throughout the year as the pandemic showed little signs of abatement as daily cases climbed. Reprieve came towards the end of 2020, when news of Covid-19 vaccine breakthroughs lifted market sentiment globally. Major indices ended the year mixed with the likes of S&P 500, Dow Jones and Nasdaq ending the year in positive territory whereas the likes of MSCI Singapore, FTSE-100 were in the red.

Top 5 Equity Holdings as at 31 December 2020

Top 5 Equity Holdings	% of Equities Holdings
VANGUARD S&P 500 UCITS ETF	15.6%
ISHARES CORE S&P 500 UCITS E	13.6%
DBX EURO STX 50 (DR)	9.5%
ISHARES CORE FTSE 100 UCITS ETF GBP DIST	9.4%
UBS ETF CH-SMI CHF	4.6%

Non-investment factors

Other factors affecting the Participating Fund's performance were claims, surrenders and expenses.

Key Factors	Impact on Bonus
Mortality/Morbidity Claims – Lower	Positive
Surrender Claims – Lower	Negative
Expenses – Lower	Positive

In 2020, benefits payments totalling S\$634 million were made to policyholders from the Participating Fund. S\$65 million was paid as management expenses.

3 Strategic Asset Allocation

The investment strategy aims to maximise the long-term returns needed to meet all the expected benefits of the Participating Fund.

The target asset mix for each product category is indicated below.

	Fixed Income	Equities
ManuWealth Plus/ManuFortune/ManuHarvest/Manulife Abundance/Manulife Boost Series/Manulife Goal Series/SavvyEndowment Series	100%	0%
Par Fund denominated in USD	75%	25%
All other Participating Policies	70%	30%

Note: The investment strategy and asset mix choice are at our discretion and may change from time to time.

4 Future Outlook

Moving into 2021, valuations continue to remain on the higher end despite the Covid-19 pandemic as corporate credit spreads have tightened throughout 2020 and is expected to continue due to the low interest rate environment. With the uncertainties in the markets, amid the low interest rate environment, we continue to be more discerning in our investment decisions, focusing on credits with strong fundamentals.

Economic activities are expected to recover in 2021, although at an uneven pace, supported by the accommodative monetary policy stance taken by global central banks. That said, negative headlines related to geopolitical tensions and Covid-19 could potentially derail the recovery. Hence, being cognizant of the downside risks would be crucial in 2021.

5 Our Commitment To You

With the aim of safeguarding your long-term interests, Manulife is committed to managing your investments diligently, giving you the highest level of security on your policies while also providing you with fair returns. With healthy solvency ratios that are well above local regulatory requirements, we are dedicated to maintaining our financial strength and fulfilling our commitments to you.

Disclaimer: This report is prepared by Manulife (Singapore) Pte. Ltd. and is provided for information only. Past performance is not necessarily a guide to future performance. This is only a commentary and cannot be generalised to any policy.

Frequently Asked Questions

1. What is a participating policy and how does it work?

Premiums paid to participating insurance policies are pooled together to form a Participating Fund. This fund invests in a range of assets, which are used to pay benefits to participating policyholders and to meet the expenses incurred in running the fund.

You are entitled to a share of the Participating Fund's profits, distributed to you by adding bonuses to your insurance policy. Bonuses once added to your policy are guaranteed.

The future performance of the Participating Fund is determined by factors such as investment returns, claims on policies (death, critical illness and surrenders) and the expenses incurred by or allocated to the Fund. This future performance will determine bonuses to be paid in the future. Bonuses not yet distributed/declared are not guaranteed.

If you would like to know more about participating policies and the types of bonuses, you may refer to the industry's guide to customers ("Your Guide to Participating Policies") which is available on our website, <https://www.manulife.com.sg/en/insurance-guides.html>.

2. How are bonuses declared/determined?

Bonuses are declared once a year. When declaring bonuses, Manulife aims to smooth the bonus allocations over time to avoid short-term fluctuations that can occur in year-to-year investment performance.

All recommendations on bonus declarations are prepared by the company's Appointed Actuary and must be approved by the company's Board of Directors. When making recommendations, the Appointed Actuary must ensure that

- policyholders from all groups of participating policies are treated fairly and that no group is favoured over others, and
- bonuses which are allocated (and future bonuses) can be supported by the fund.

It is a prudent measure to maintain our financial strength and ensure that future benefits provided to our customers are sustainable. Our priority is always to safeguard our customers' long-term interests by giving them the highest level of security on their policies while providing them with fair returns.

3. How do I know that my interest as a participating insurance policyholder is protected?

To prevent excessive distribution of profits to shareholders, the profit that can be paid to shareholders of Manulife is limited to a maximum of 1/9 of the value of bonuses allocated to participating policyholders. This means that for every S\$9 distributed to policyholders, only a maximum of S\$1 is distributable to shareholders.

4. How would I know the amount of bonus declared on my policy(ies)?

A Policy Anniversary Statement will be sent to you on your policy anniversary date which contains details on the bonus declared on your policy. If you wish, a full policy illustration can also be made available to you upon request.

5. When will the bonus be allocated to my policy?

The bonus declared will be effective from 1 July 2021 and will be added to your policy on the anniversary of your policy in 2021/2022.

6. Should I consider making changes to my policy as a result of this bonus revision?

An insurance policy is intended to meet your long-term financial needs. Making changes to your policy may affect the level of protection provided by your policy. Before doing so, we strongly encourage you to contact your Representative to seek advice and discuss the best course of action suited to your financial needs.

7. Will Manulife increase bonus rates if interest rates increase in the future?

Future bonuses will depend on the prevailing economic and investment environment at that point in time. We will review future bonuses on an annual basis and determine if there should be any increase or decrease in the bonus rates.

8. What steps are Manulife taking in its investment in response to the low interest rate environment?

We constantly explore various investment opportunities to enhance the future investment returns for the Participating Fund. We have diversified our equity investment into non-Singapore equity markets and continued to increase our investment in non-SGD fixed income assets. Our aim is to optimise the return for our customers, while maintaining the financial strength of our Participating Fund to meet our commitments to our customers.

9. Why are my accumulated regular payouts not included in the illustrated Maturity/Surrender value?

The illustrated Maturity/Surrender value shown in the Policy Summary assumes that the regular payouts are paid out instead of accumulating in the policy. This is because accumulated payouts may be withdrawn at any time (subject to the terms of the policy). Hence, we sought to provide you with an easier assessment of your future Maturity/Surrender value by excluding the accumulated payouts (both past and future) to remove the impact of such potential withdrawals.

Your past accumulated regular payouts will be reflected in your next Policy Anniversary Statement, and a full policy illustration can also be made available to you upon request.

10. Who can I contact if I have further questions regarding this bonus revision?

You may contact your Representative or email us at service@manulife.com. Please note that Bonus related enquiries will only be handled via email as we have a dedicated team of trained resource to assist with such email enquiries.



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