

PARTICIPATING FUND 2018 UPDATE

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 2018.

1 2018 PERFORMANCE OVERVIEW

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

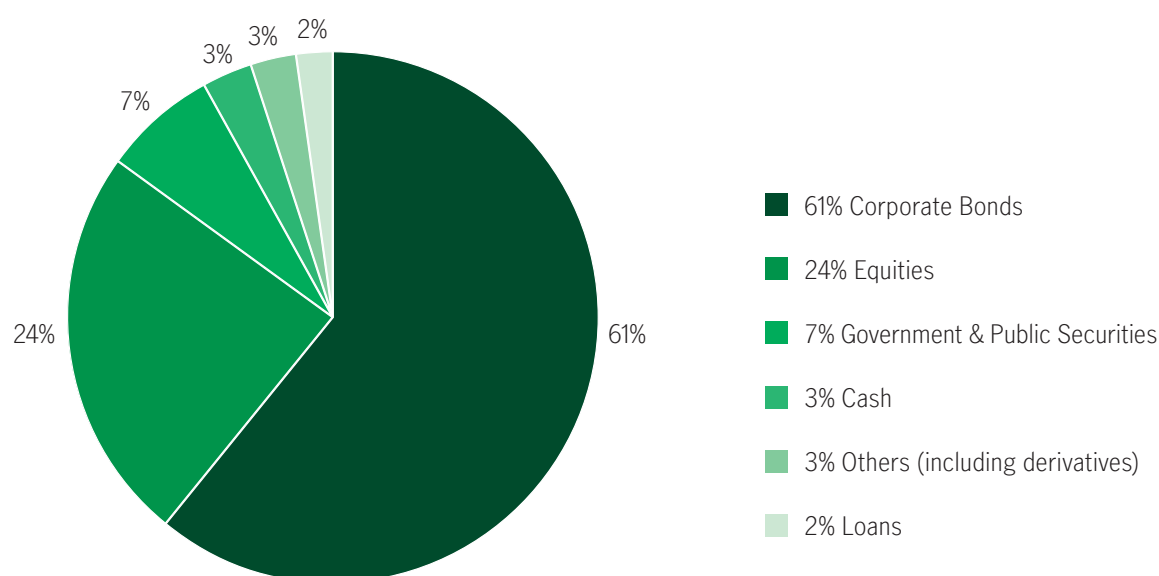
Investment Returns	2016	2017	2018
EasiSaver/ProSaver/StarSaver	1.9%	1.7%	2.3%
ManuWealth Plus/ManuFortune/ManuHarvest/ Manulife Abundance/Manulife Boost Series	3.6%	5.1%	1.0%
Participating Fund denominated in USD*	n.a.	n.a.	0.6%
All other Participating Policies	4.8%	12.7%	-1.2%

*For Signature Income & Signature Life denominated in USD, the investment returns are not available for 2016 and 2017.

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

2 PARTICIPATING FUND PERFORMANCE

As at 31 December 2018, the market value of the total assets in the Participating Fund increased to S\$7.19 billion from S\$5.99 billion in 2017. This is attributed to the increased asset allocation of corporate bonds, which remained resilient in 2018. Corporate bonds now make up 61% (from 54%) of total assets.



Bonds

2018 proved to be a challenging year for fixed income amidst a rising interest rate environment in tandem with wider Singapore corporate bond spreads.

Equities

For the period under review, the Singapore equity market declined $-7.6\%^*$. Market sentiment was strong in the first half on expectations of global synchronous growth. However, a number of macro worries in the second half resulted in a global market correction, including the escalation of the trade dispute between the US and China into a full trade war and the continued interest rate hikes by the Fed sparking concerns of imminent recessions in the US.

*MSCI Singapore total return

Top 5 Equity Holdings as at 31 December 2018

Top 5 Equity Holdings	% of Equities Holdings
ISHARES CORE S&P 500 UCITS E	18.7%
VANGUARD S&P 500 UCITS ETF	14.4%
ISHARES CORE FTSE 100 UCITS ETF GBP DIST	11.8%
DBX EURO STX 50 (DR)	11.7%
UBS ETF CH-SMI CHF	6.2%

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 – Higher	Positive
Expenses – Lower	Positive

In 2018, benefits payments totalling S\$382 million were made to policyholders from the Participating Fund. S\$53 million was paid as management expenses.

3 STRATEGIC ASSET ALLOCATION

The investment strategy aims to maximise the long term returns required to meet all the projected benefits of the Par Fund.

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

	Fixed Income	Equities
EasiSaver/ProSaver/StarSaver	100%	0%
ManuWealth Plus/ManuFortune/ManuHarvest/ Manulife Abundance/Manulife Boost Series	100%	0%
Par Fund denominated in USD	75%	25%
All other Participating Policies	65%	35%

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

4 FUTURE OUTLOOK

As we start 2019, the yields and spreads available in Singapore credits remain elevated and as such we do see strong value in the market. We think the Fed is approaching the end of its current interest rate hiking cycle and this should provide some stability in interest rates.

We expect economic activities to moderate on slower global growth due to uncertainties linked to the trade war and higher interest rate. On the macro front, there are a few developments that are encouraging, including a more dovish Federal Reserve, China switching from deleveraging to stimulus, and the more positive signals coming from the US-China trade talks.

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 Par 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 Par 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 Par 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.

2. How are bonuses declared?

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.
- bonuses which are allocated (and future bonuses) can be supported by the fund.

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 for every S\$9 distributed to policyholders, only a maximum of S\$1 is distributable to shareholders.

4. How would I know how much profit is allocated as bonus to me?

An anniversary statement will be sent to you on your policy anniversary date. Please refer to the anniversary statement for details on the bonus declared on your policy. If you wish, a full benefit 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 2019 and will be added to your policy on the next anniversary of your policy in 2019/2020.



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