



Your Participating Fund Update for 2021

Regular Premium Life Sub-Fund

Thank you for trusting Prudential with your investment and protection needs.

We're writing to share the performance of the Regular Premium Life Sub-Fund and the bonus allocation for your participating policy for the year ending 31 December 2021.

At a glance

In 2021, our Par Fund generated an investment return of **5.13%** for the Singapore Dollar products and **4.56%** for the US Dollar products. The total expense ratio was **maintained at around 3%**.

Year	2019	2020	2021
Investment Return¹ (SGD products)	12.26 %	5.65 %	5.13%
Investment Return¹ (USD products)	14.36 %	6.83 %	4.56%
Total Expense Ratio²	2.92 %	2.50 %	2.67%

What is a participating policy?

A participating policy is a life insurance plan which provides guaranteed benefits and non-guaranteed bonuses. The premiums of participating policies are pooled into a Par Fund which invests in a range of assets such as bonds and equities and pays customers when they make a claim or surrender their plans or when the plan matures.

How are bonuses of participating policies determined?

Bonuses declared depend on the actual experience and future outlook of key factors affecting the performance of the Par Fund. The key factors include investment performance, operating expenses, and benefits payouts (from insurance claims, surrenders and survival benefits).

At Prudential, we aim to provide stable bonuses and returns over the lifetime of your policy. To make sure bonuses are less impacted by fluctuations in the financial markets, we adopt the concept of "smoothing". This means we may save a portion of the Par Fund's investment returns in good years to help us maintain bonuses in periods when returns are lower.

What is my bonus allocation for 2021?

We are pleased to announce that we will be **increasing the terminal bonus rates for selected policies for financial year 2021**. Details of bonus allocation to your policy and changes to projected benefits can be found in your Bonus Notice. Bonus Notices will be progressively sent out and made available via PRUaccess between April 2022 to September 2022.

¹ The investment return is shown after deducting investment expenses incurred in managing the par fund. Past performance is not necessarily indicative of future performance.

² This Total Expense Ratio is computed at the total Participating Fund level and is inclusive of all participating sub-funds. This ratio is the proportion of total expenses incurred by the Participating Fund to the assets of the Participating Fund. These expenses include costs such as investment, management, distribution, taxation and other expenses. Past expense ratios are not necessarily indicative of actual expenses that may be incurred in the future.

What factors affected the Par Fund's performance in 2021?

The Par Fund's performance and its declared bonuses are determined by a number of factors. These include the fund's portfolio composition and performance, non-investment related factors, such as operating expenses and benefits payouts.

Let's go through in detail below.

01 Non-investment Factors

Benefit payouts from insurance claims and surrendered policies as well as operating expenses can impact the Par Fund's performance, and the level of bonuses declared. We do not expect short-term fluctuations in these non-investment factors to affect current and future bonuses significantly.

Key Non-Investment Factors	Impact on Bonus
Insurance claims were lower than expected	Positive
Surrender payments were lower than expected	Negative
Expenses were close to expected	Neutral

In 2021, the total amount of benefits paid to our customers was S\$ 1,852.1 million.

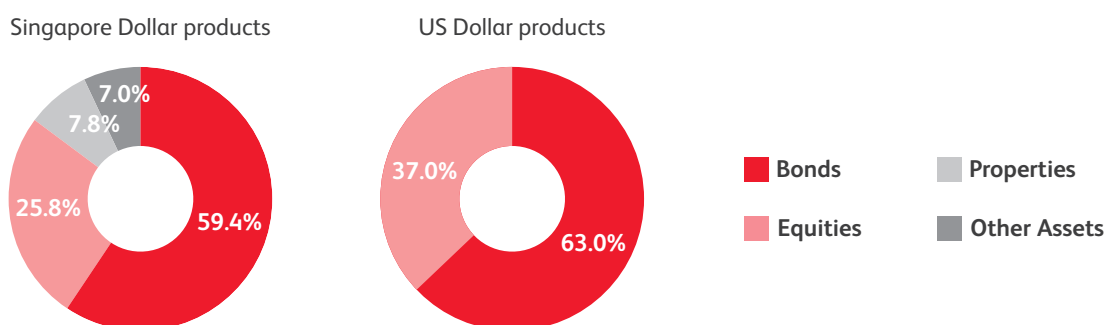
Breakdown of Benefits Paid	Amount
Insurance Claims	S\$ 76.6 million
Surrender Payments	S\$ 189.0 million
Survival Benefit Payments*	S\$ 1,586.5 million

*Includes Maturity Benefit, Cash Benefit and Monthly Income

02 Portfolio Composition

As of 31 December 2021, the size of the Par Fund is S\$ 31,215 million and the Actual Asset Allocation is as follows:

Actual Asset Allocation



03 Market Review

Throughout 2021, investors had been worrying about the COVID-19 variants, inflation, and US Federal Reserve (The Fed) tapering. COVID-19 variants are highly contagious, but the evidence so far indicates that vaccines are effective. As vaccine coverage improves globally, we believe that the broader economic reopening should continue, and post-lockdown recovery should be strong.

Treasury yields have moved higher throughout the year. Fiscal and monetary policies were led by COVID-19, which also caused volatility in the economic market. While the inflation spike has been larger than expected, it has been widely believed that it was caused mainly by base effects from when the US consumer price index fell during the lockdown in 2020 and by temporary supply chain constraints.

Global equities advanced due to the roll-out of COVID-19 vaccines and economic stimulus. However, emerging market equities underperformed amid a sell-off in China in Q3 2021. Despite concerns rising on the Omicron COVID-19 variant and Fed's tapering, market gains were still robust in Q4 2021. By year-end, stock markets have somewhat stabilised after a relatively volatile period and scored some record high watermarks, again supported by a strong economy and robust corporate earnings.

Looking ahead

2022 will be characterised as a 'normalisation' year, where monetary and fiscal policies become less supportive of global growth. Policymakers are expected to adopt a tighter stance after two years of supportive measures. Yet the strong recovery seen earlier in 2021 has moderated and remains uneven across economic regions. Slower growth in the US and China, the threat posed by emerging new COVID-19 variants, and supply chain bottlenecks continue to pose global growth and inflation challenges, respectively. The Fed believed that rising inflation and a very tight labour market could call for lifting of short-term rates sooner than participants had earlier anticipated. Some officials also thought the Fed should start shrinking its balance sheet relatively soon after raising rates. Even with the course of pandemic unclear, inflation and the Fed poised to raise interest rates, we will continue to manage our investment prudently wherever possible to achieve stable returns in the long run.

At Prudential, we will continue to adopt a disciplined approach to investing by maintaining a diversified portfolio and balancing both risks and returns in our asset selection. We aim to deliver stable returns over the long term to help you meet your financial goals. As a life insurer, we also play a critical role in responding to environmental, social, and governance (ESG) issues. Therefore, we will further integrate ESG considerations into our investment decisions.

We have provided both the English and Chinese versions of this update for your convenience. It can be accessed at the following link: <https://www.prudential.com.sg/annual-bonus-update>

如果您需要我们中文版的年度红利报告，您可浏览我们的网页: <https://www.prudential.com.sg/annual-bonus-update>

The purpose of this report is to present you with an update on the performance of the Par Fund for the year ending 31 December 2021 and the bonuses allocated for the year. It also sets out our views on the future outlook of the Par Fund based on our latest actuarial investigation of policy liabilities carried out under section 95(1) of the Insurance Act and updates you on any changes in future non-guaranteed benefits.

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