

# ANNUAL BONUS UPDATE FOR PRUINVESTOR SUB-FUND

As a valued customer of a participating policy from Prudential Assurance Company Singapore (Pte) Limited, we are pleased to provide you with this Annual Bonus Update.

The purpose of this report is to present you with an update on the performance of the PruInvestor Sub-Fund ('Fund') for the year ending 31 December 2014 and how it impacts the bonuses allocated to your participating policy. It also sets out our views on the future outlook of the Fund based on our latest actuarial investigation of policy liabilities and updates you on any changes in non-guaranteed benefits.

If you would like to know how a participating fund operates in general, a copy of *Your Guide to Participating Policies* is available on Prudential's website ([www.prudential.com.sg](http://www.prudential.com.sg)) or you may request for a copy from your Financial Consultant.

## What are the benefits of your participating policy?

The benefits of your participating policy are made up of guaranteed and non-guaranteed benefits. The non-guaranteed benefits are in the form of the following types of bonuses:

- **Income Bonus** is added monthly to your policy and becomes part of the guaranteed benefits of the policy.
- Full **Growth Bonus** is a one-off bonus, which may be payable only if the policy is held to maturity or upon death. Growth Bonus is sensitive to investment performance and is likely to vary more than Income Bonus over time.

## What are the risks that affect the level of bonuses and how are the risks shared?

The level of bonuses depends on the actual experience and future outlook of key factors affecting the performance of the Fund. The key factors include investment performance and future investment outlook of the Fund, claims experience (with respect to Death), surrender experience and level of expenses incurred by or allocated to the Fund.

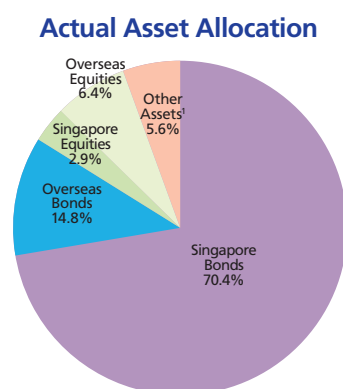
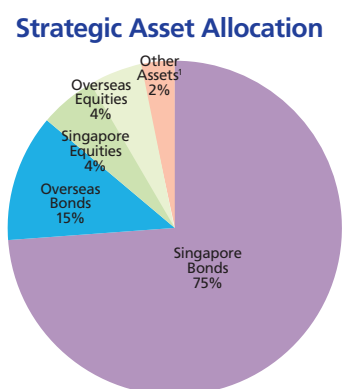
In determining the level of bonuses that can be supported, the assets available to back the policy will be derived by accumulating the premiums paid at the actual rate of investment return less the cost of insurance, expenses incurred, commissions paid, taxes and other costs that may be incurred in managing the Fund.

## How are bonuses smoothed over time?

As investment performance fluctuates over time, bonuses are smoothed to ensure stable medium to long term returns on your policy. As a result, some of the investment returns in good years may not be distributed immediately so as to smooth out the returns in years when the investment return is low. However, the effect of smoothing is intended to be neutral over time.

## Asset Allocation

The Strategic Asset Allocation and Actual Asset Allocation of the Fund as of 31 December 2014 are as follows:



<sup>1</sup> Other assets include policy loans and cash

## Investment Performance of the Fund

Investment performance is the key factor that determines the level of bonuses.

Equity markets generated positive returns in 2014, in a year where global economic conditions continued to experience sub-par growth. Following an exceptional year in 2013, global equities continued to generate positive returns with the US market in particular achieving significant returns on the back of improving economic conditions and labour markets. Asian and Singapore markets experienced improved returns compared to last year but continued to lag behind their global counterparts.

Bond yields fell globally across major developed countries due to sub-par growth and subdued inflation. Singapore bond yields experienced the same fate. As a result of falling bond yields, bond returns were positive in 2014.

The investment performance of the Fund was better than expected. Therefore, Prudential is able to increase the bonus rates for some policies and maintain bonus rates for the remaining policies under the Fund for the performance up to financial year end 2014.

The investment return and investment expense ratio over the past 3 years are as follows:

Year	Investment Return <sup>2</sup>	Investment Expense Ratio <sup>3</sup>
2012	7.0%	0.20%
2013	2.9%	0.22%
2014	3.9%	0.20%

Source: Sub-Fund's financial statement.

<sup>2</sup> This investment return is shown after deducting investment expenses incurred in managing the Fund. Past performance is not necessarily indicative of future performance.

<sup>3</sup> Investment expense ratio is defined as the costs incurred in investment (which would include investment fees paid to fund managers for providing fund management services) expressed as a percentage of the size of funds under management.

For comments on the investment outlook going forward, please refer to the Future Outlook section. You may also refer to the enclosed Bonus or Policy Notice (where applicable) for details of your policy's projected benefits.

## Other Areas of Performance

For the year 2014, the operating expenses under the Fund were higher than expectations while surrender payments and insurance claims were lower than expected. These short-term fluctuations are not expected to significantly affect current and future bonuses.

## Assets and Benefits in 2014

Your policy is written out of the Fund which has a size of S\$257 million as at 31 December 2014. Benefit payments of S\$51 million were made out to policyholders in 2014, with the following breakdown:

Insurance Claims	S\$420,471
Maturity Payments	S\$47,220,190
Surrender Payments	S\$3,594,687

Source: Sub-Fund's financial statement.

## Future Outlook

Global economic growth is expected to improve in 2015, but still below long term averages. Inflation is likely to remain below central bank targets due to excess capacity and falling commodity prices. As such, central banks globally are likely to maintain easy monetary policy. On the back of such an economic environment, equities are likely to perform well while bonds are expected to generate low returns in line with low starting yields. However, one can expect volatility in the bond and equity markets as investor sentiments change with the ongoing developments in major economies.

While the economies remain volatile, the asset allocation for the Fund aims to deliver the current expected level of investment returns. In line with our bonus philosophy, we will continue to manage the Fund prudently to protect the interests of policyholders and aim to provide stable medium to long term returns on the participating policies. This will be done through a combination of guaranteed and non-guaranteed benefits where non-guaranteed benefits are smoothed over time.

This Annual Bonus Update is also available in English and Chinese at our website [www.prudential.com.sg/visit/APU](http://www.prudential.com.sg/visit/APU)

如果您需要我们华文版的年度红利报告, 您可浏览我们的网页[www.prudential.com.sg/visit/APU](http://www.prudential.com.sg/visit/APU)

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