

Your Participating Fund Update for 2017

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

We are committed to keeping you well-informed on the performance of the **Regular Premium Life Sub-Fund** (Par Fund) and the bonus allocation to your participating policy for the year ending 31 December 2017.

At a glance

In 2017, our Par Fund generated an investment return of 10.6% for Singapore Dollar product and 12.4% for US Dollar product. The investment expense ratio is maintained at 0.30%.

Year	2015	2016	2017
Investment Return (SGD product) ¹	0.2%	8.3%	10.6%
Investment Return (USD product) ¹	-3.9%	9.7%	12.4%
Investment Expense Ratio ²	0.22%	0.28%	0.30%

¹ This investment return is shown after deducting investment expenses incurred in managing the Par Fund. Past performance is not necessarily indicative of future performance.

² 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.

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.

How are bonuses of participating policies determined?

The level of bonuses depends 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 benefit payouts (from insurance claims, surrenders and survival benefits).

Prudential aims to provide stable bonuses and returns over the life of your policy. To make sure bonuses are less impacted by fluctuations in the financial markets, we adopt a 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 2017?

We are pleased to announce that we will be increasing the bonus rates for some policies for financial year 2017. The bonus rates for remaining policies will be maintained. Details of bonus allocation to your policy and changes to projected benefits can be found in the enclosed Bonus or Policy Notice.

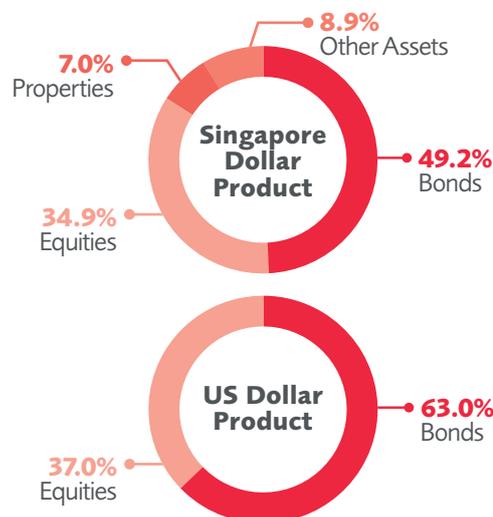
What factors affected the Par Fund's performance in 2017?

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 benefit payouts, and the health and outlook of the global economy.

1. Portfolio composition

As of 31 December 2017, the size of the Par Fund is S\$17,832 million and the Actual Asset Allocation is as follows:

Actual Asset Allocation*



*For SGD products, the strategic asset allocation is 31% in Equities, 50% in Bonds, 7.5% in Property and 11.5% in Other Assets (include alternative assets, policy loans and cash). For USD products, the strategic asset allocation is 37% in Equities and 63% in Bonds. The actual allocation is reviewed periodically and may deviate from the target due to market and business movements.

2. Market review

In 2017, the global economy grew 3.3% – its best performance in seven years. We saw strong gains across most asset classes, especially equities, which benefited from robust corporate earnings growth. Emerging markets also fared well on the back of better-than-expected economic growth from China and a recovery of oil and commodity prices.

Bonds

The global bond market performed well in 2017, despite the US Federal Reserve Bank raising interest rates three times and the European Central Bank reducing its purchase of bonds during the year.

In 2017, the Singapore government bond index rose 4% as long-term yields for the 10-year Singapore Government declined 0.47%.

Singapore corporate bond index gained 6%, boosted by increased investor demand for higher-risk and higher-yielding credits.

Equities

Global equities performed strongly in 2017 with a gain of 13% (in Singapore Dollar terms). Singapore equities had a good year, outperforming global equities with a 26% increase for the year.

This robust performance was driven by a US and Europe-led global economic recovery that was supported by jobs growth, greater corporate capital expenditure and stronger consumer confidence.

Emerging markets were the best performers. Signs of an economic recovery coupled with attractive equity prices saw investment flowing into the emerging markets, which have underperformed the global markets for several years.

Top five equities	% of equity holdings
iShares Core S&P 500 ETF	1.7%
DBS Group Holdings Ltd	1.4%
DB X-Trackers MSCI Emerging Markets ETF	1.4%
Oversea-Chinese Banking Corporation	1.2%
United Overseas Bank	1.2%

3. Non-investment factors

Operating expenses as well as benefit payouts from insurance claims and surrendered policies could impact the Par Fund's performance and the level of bonuses declared.

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>

您可浏览我们的网页以获取中文版的报告: <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 2017 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 37(1) of the Insurance Act and updates you on any changes in future non-guaranteed benefits.

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We do not expect short-term fluctuations in these expenses and payouts to affect current and future bonuses significantly.

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

In 2017, the total amount of benefits paid to our customers amounted to S\$1,181 million.

Insurance Claims **S\$50.3 million**

Surrender Payments **S\$169.5 million**

Survival Benefit Payments* **S\$961.3 million**

* Includes Maturity Benefit and Cash Benefit

Looking ahead

The global economy is expected to continue on a solid footing backed by steady fundamentals such as robust global trade and healthy corporate spending. Favourable monetary and fiscal policies, such as US tax cuts, low interest rates and increased money supply from global central banks, are likely to continue to buoy overall sentiment.

While the investment outlook is generally positive, we expect to see more moderate returns in 2018 as compared to the last year. We may also see greater volatility in the financial markets due to fears of inflationary pressures and the prospect of interest rates trending upwards. However, the risk of a prolonged global recession is unlikely given the strong macro-economic momentum that is in place.

At Prudential, we 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.