

Participating Fund Update for 2016

As a valued policyholder of a participating policy from NTUC Income (“Income”), we are pleased to update you on the performance of our Life Participating Fund (“the Fund”) for the year ended 31 December 2016.

We believe it is important to keep you updated on how the Fund performed in 2016 as policyholders share in the profits and losses of the Fund through bonuses which are non-guaranteed. Bonuses are determined yearly based on the Fund’s investment performance, claims and surrender experience, as well as, the cost to manage the Fund.

This update also sets out our views on the future outlook of the Fund based on our latest actuarial investigation of policy liabilities and market analysis. It does not, however, address any participating policy specifically.

How did the Fund perform in 2016?

The Fund achieved a return of +4.49% for the year ended 31 December 2016. The investment return and investment expense ratio for the past three years are as follows:

	2014	2015	2016 ¹
Investment Return	5.45%	1.79%	4.49%
Investment Expense Ratio	0.160%	0.146%	0.171%

¹ Based on unaudited figures as of February 2017

What factors affected the Fund’s performance in 2016?

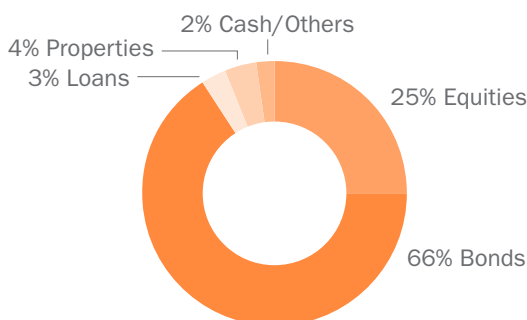
1. Performance of the global financial markets

The year 2016 began with a correction in the equity market amidst concerns about China’s slowing economy and falling oil prices. Further stimulus from the central banks and expectation of oil producers cutting output contributed to the subsequent recovery of the equity market. Global equities ended the year higher despite Brexit and the unexpected results from the American presidential election. On the domestic front, the Straits Times Index ended flat. Meanwhile, Singapore bond yields declined initially as investors sought the safety of bonds amidst market volatility. However, yields started ascending in the second half of the year on improved growth outlook and rose further after the American Presidential election in anticipation of reflationary policies and rate hikes by the U.S. Federal Reserve. Nonetheless, bond yields ended the volatile year generally lower.

2. Investment mix of the Fund

The investment mix of the Fund, with a total market value of \$24.3 billion as at 31 December 2016, is as follows. It remained largely similar to 2015 with a slightly higher exposure in equities. The top five equity holdings of the Fund are also listed below.

Asset Mix	Equities	Bonds	Loans	Properties	Cash / Others
2015	24%	67%	3%	4%	2%
2016	25%	66%	3%	4%	2%



Top 5 Equity Holdings of the Fund

Top 5 Equity Holdings of the Fund	% of Equity Holdings
PARKWAY PARADE PARTNERSHIP LIMITED	5.7%
VANGUARD GLOBAL STK-A INS \$ GBL STOCK ID	5.6%
CIMB-PRIN APAC DYN INC SGD CPASSGD	2.5%
DBS GROUP HOLDINGS LTD	1.9%
SINGAPORE TELECOM LTD	1.8%

3. Non-investment factors

For the year ended 31 December 2016, the cost to manage the Fund, as well as claims and surrender experience, were consistent with our expectation. The table below illustrates the total benefits paid to policyholders by the Fund in 2016.

Deaths and Other Benefits ¹	Saving Proceeds ²	Annuity Payments
\$155 million	\$2,384 million	\$164 million

¹ Other Benefits include dread disease and total permanent disability (TPD) claims.

² Saving Proceeds include surrender and maturity payouts.

Some non-participating and investment-linked businesses were also written in the Fund. These businesses enjoyed guaranteed benefits and did not participate in the experience of the Fund. However, these businesses were subjected to mortality, lapse and other insurance related risks, which were accounted for as profits or losses in the surplus of the Fund.

What determined the level of bonuses?

The level of bonuses is determined by the actual experience and future outlook of the factors that affect the performance of the Fund. These factors include the Fund's investment performance and its future investment outlook, its claims and surrender experience, as well as, the cost to manage the Fund. Bonus allocations are smoothed over a period of time to avoid large short-term fluctuations in the bonuses declared.

Most participating policies have two types of bonuses. The first is annual bonus and the other, terminal or special bonus. An annual bonus is added to your policy each year. Once declared and added to your policy, an annual bonus is guaranteed. A terminal or special bonus is an additional amount added to your policy when money is paid out on your policy upon death, surrender or maturity. With bonuses, the money invested in your participating policy is expected to grow over a medium to long-term period.

When will bonuses be allocated to my policy?

The Board of Directors of Income approved the bonuses for 2016 based on the written recommendation made by the Appointed Actuary. The bonuses declared on your participating policy will be vested either on 1st April 2017 or at the policy anniversary, whichever is later. Please refer to your bonus statement for details on the bonus rates declared on your participating policy.

What is the investment outlook for 2017?

Income continues to hold a long-term investment horizon and will be looking to capitalise on the gradual recovery of the global economy in the next 12 months. Although we can expect considerable market volatility owing to uncertainties pertaining to geopolitics and policies by the new American Presidential administration, we anticipate growth prospects in the U.S.A. to likely improve and eventually cascade down to the rest of the world barring a significant rise in protectionism. Improving corporate earnings are also likely to translate to sustainable growth in equity prices. We will continue to stay on course to diversify the Fund's investments and are committed to achieve policyholders' long-term expected returns.

How can I find out more about participating policies and bonuses?

If you would like to know more about participating policies, bonuses and how we manage the Fund, please refer to our website, www.income.com.sg, for the industry's guide to customers, "Your Guide to Participating Policies". Alternatively, you may request for an updated benefit illustration from your insurance adviser or contact one of our Customer Service Officers at 6788 1122 or email us at csquery@income.com.sg.