GREAT EASTERN LIFE (PARTICIPATING FUND)

PARTICIPATING FUND UPDATE FOR 2021

Participating Fund

as at 31 December 2021

2021 Fund Investment Return:

1.6%

Total Assets:

S$ 42.0b

Total Benefits Paid:

S$ 2.1b

Value of bonus declared:

S$ 669.5m

The bonuses allocated to you will vest upon your policy anniversary. They have been approved by the Board of Directors, taking into account the written recommendations by the Appointed Actuary.

Dear valued policyholder

We would like to provide you an update on the performance of the Participating Fund ("Fund") for 2021.

The Fund ended 2021 with total assets at $42 billion after a total pay-out of $2.1 billion in benefits to policyholders last year. The Fund achieved a total 1.6% investment return as overall gains in equity investments were partially offset by mark-to-market losses from fixed income caused by rising interest rates across all major economies.

For 2021 bonus declaration, we have considered the 2021 performance of the Fund, various macroeconomics and geopolitical developments thus far in 2022 as well as the current economic outlook. Despite that, we have maintained the bonus rates at the same level as previous year and we will continue to manage the Fund prudently to provide a stable medium to long-term return to our policyholders.

If you wish to receive a copy of the updated policy illustration or if you have any enquiries, you may contact us on wecare-sg@greateasternlife.com, on our hotline at 1800-248-2888 during business hours on weekdays, or speak to your Financial Representative.

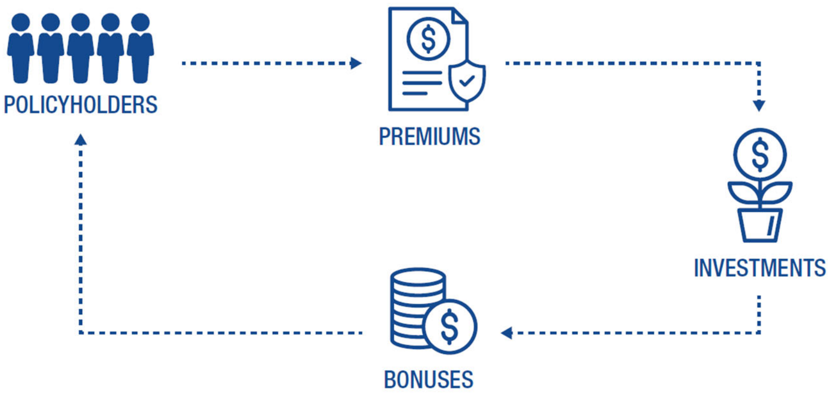
ABOUT PARTICIPATING POLICIES & BONUSES

What is a Participating Policy and how does it work?

Premiums of participating policies are pooled together to form the Fund. This Fund is invested in a range of assets such as bonds and equities and is used to pay benefits to policyholders as well as to fund management expenses.

Policyholders share in the performance of the Fund through bonuses which are non-guaranteed. Bonuses are determined yearly based on the Fund's combined performance in investment, claims (from death, critical illness and surrender) and expenses, as well as future outlook of these factors.

Bonus allocations are smoothed over a period of time to reduce fluctuations arising from market conditions.



The assets backing the short-term single premium policies are tracked separately from the rest of the Fund since inception and apply to the following plans:

- Single Premium Special/ Rewards/ Plus
- Great SP Flexi

About Great Eastern

Founded in 1908, Great Eastern is a well-established market leader and trusted brand in Singapore and Malaysia. With over S$100 billion in assets and more than 10 million policyholders, including 7.5 million from government schemes, it provides insurance solutions to customers through three successful distribution channels – a tied agency force, bancassurance, and financial advisory firm Great Eastern Financial Advisers. The Group also operates in Indonesia and Brunei and has representative offices in China and Myanmar.

The Great Eastern Life Assurance Company Limited and Great Eastern General Insurance Limited have been assigned the financial strength and counterparty credit ratings of "AA-" by Standard and Poor's since 2010, one of the highest among Asian life insurance companies. Great Eastern's asset management subsidiary, Lion Global Investors Limited, is one of the largest private sector asset management companies in Southeast Asia.

Great Eastern is a subsidiary of OCBC Bank, the longest established Singapore bank, formed in 1932. It is now the second largest financial services group in Southeast Asia by assets and one of the world's most highly-rated banks, with an Aa1 rating from Moody's. Recognised for its financial strength and stability, OCBC Bank is consistently ranked among the World's Top 50 Safest Banks by Global Finance and has been named Best Managed Bank in Singapore by The Asian Banker.

ABOUT THE PARTICIPATING FUND

What were the Fund's investment returns and expense ratios?

	2019	2020	2021	Average of last 3 years	Average of last 5 years	Average of last 10 years
NET INVESTMENT RETURN						
Main Fund (excluding the short-term single premium portfolio)	11.02%	8.41%	1.62%	6.94%	5.78%	5.52%
Short Term Single Premium Portfolio	4.92%	4.08%	1.47%	3.48%	3.22%	4.24%
TOTAL EXPENSE RATIO	1.71%	1.20%	2.02%	1.66%	1.69%	1.66%

Total expense ratio is the proportion of total expenses incurred by the Fund to the assets of the Fund.
Total expenses include investment, management, distribution, tax and other expenses.

What factors affected the Fund's performance?

1. Performance of the global economy

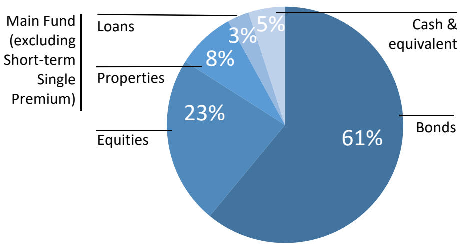
The concern over new COVID-19 variants in 2021 was short-lived. The new variants have been proven to be more contagious but less lethal. The gradual reopening of many countries has helped in global economic recovery. However, the momentum of global economic recovery has been uneven across the world as different government pursue different COVID-19 strategies.

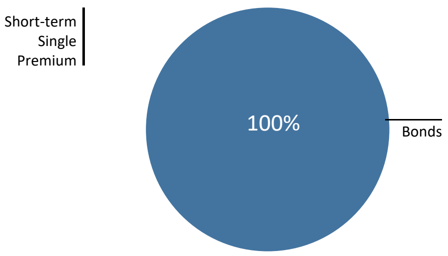
While various economic sectors normalise and output catches up with potential, price pressures has become more broad based and persistent. This has led to inflationary pressure across major economies and Singapore.

The Federal Reserve's ultra-accommodative stance in 2020-21 has now morphed into an accelerated pace of tapering and interest rate hike with the objective to prevent inflation from becoming entrenched. Nevertheless, inflation remains elevated in the near term while equity markets and risk assets will be sensitive to tightening liquidity conditions. Geopolitical risk further dampen sentiments as it could trigger a sharp spike in energy prices, worsening the inflation problem.

2. The asset mix of the Fund

Total market value of the Fund was S$42.0 billion as at 31 December 2021 with the following asset mix:





Bonds

The U.S. 10-year Treasury yield ended 2021 at around 1.5% after a 60bps increase throughout the year. It climbed further to 2.9% by the end of April 2022. Generally global bond yields moved upwards throughout 2021 and accelerated in early 2022 amid concerns on inflation as well as due to the Federal Reserve easing off its pandemic-era easy monetary policy. Overall, credit spreads held up well in 2021 due to continued global economic growth and appetite for risk assets. However, the changing sentiments and geopolitical events in 2022 have caused credit spreads to rise. Overall bond prices were lower in 2021-22 due to a combination of rising yields and widening credit spread.

Equities

Global equities ended 2021 well despite a sharp rise in volatility in the last quarter, with the MSCI All Country World Index rising 19%. However, there was a marked divergence in performance as cyclical sectors (Energy, Financials and Technology) significantly outperformed defensive sectors (Consumer Staples and Utilities). The performance in 2022 so far has been less encouraging as many major equity indices recorded negative return in the first quarter of 2022.

TOP 5 EQUITY HOLDINGS	% of Equity Holdings
TSMC Ltd	1.6%
DBS Group Holdings Ltd	1.5%
Tencent Holdings Ltd	1.0%
Samsung Electronics Co Ltd	1.0%
SEA Ltd	0.9%

Properties

Physical real estate and real estate funds achieved positive return in 2021 driven by both income and valuation gains. The physical assets are held for long term rental income whilst the real estate funds are primarily for diversification and capital growth.

3. Non-investment factors

Other factors affecting the Fund's performance are claims payout, expenses and surrenders. The overall experience for the above factors is in line with expectations.

Here is the breakdown of the benefit payments made to our policyholders of the Fund:

BENEFIT PAYMENTS OF THE FUND (S$)	
Maturity and Survival Benefits	1,428m
Death, Total and Permanent Disability, Critical Illness Claims	185m
Surrender Payments	277m
Cash Bonuses	247m

What is the outlook for the Fund?

Overall, economic recovery is expected to be uneven across the world given the divergence of issues faced by different countries. Supply chain bottleneck issues arising from the pandemic era continue to put upward pressure on inflation, which could be exacerbated by a further rise in energy prices. Global growth will moderate in 2022 as financial conditions tighten and central banks elect measures to reign in inflation. Slower growth and tighter financial conditions will be significant headwinds for equity and corporate bonds. If inflation remains persistently elevated, more aggressive measures might be implemented by the Federal Reserve and other central banks. Bond yields could surge higher, putting further downward pressure on equities as the market starts to price in a significant slowdown in growth or the risk of a recession. Against this backdrop, we continue to maintain a prudent, well-diversified portfolio to achieve our long term investment objective.

This is a general commentary on the Fund and cannot be used to specifically describe individual policies.