Insure Your Beloved, Fulfilling Your Trust

Dear Valued Customer,

On behalf of China Life Insurance (Singapore) Pte. Ltd., I would like to express our sincere gratitude for your ongoing trust and support. We truly appreciate your partnership over the years. Wishing you and your loved ones health and safety as we navigate the year ahead.

Looking back at 2023, we've witnessed the passing of time and the changing of seasons. As the pandemic crisis gradually eases and the AI wave sweeps in as anticipated, along with a revitalized economy, we've experienced a dynamic mix of challenges and opportunities. Throughout it all, we've stood united, facing challenges head-on and striving for progress. Instead of waiting for the storm to pass, we've chosen to be a beacon of hope for each of our customers, offering support and reassurance during uncertain times.

In the past year, China Life Singapore has made high-quality development its top priority, focusing on refining new business models. Despite the challenges posed by the global financial landscape, we've remained steady, innovative, and resilient. Across areas such as asset-liability management, operations, channel expansion, and product innovation, we've shown strong performance, driving a shift towards higher standards. This has resulted in consistent growth in first-year premium income and a robust solvency ratio exceeding 200%. The introduction of 35 products tailored to market needs has not only boosted income but also expanded our reach within key markets. Overall, our business operations have maintained stability while progressing in a coordinated and effective manner, underscoring our commitment to delivering value and excellence in every aspect of our operations.

We're proud to announce that our Participating Fund has remained resilient, allowing us to maintain bonus rates for your policy this year. Our dedication to providing superior insurance services remains steadfast, aligned with our corporate vision of Lifelong Promise and Lifelong Partner.

Currently, China Life Singapore is placing a strong emphasis on addressing customer protection needs while actively exploring collaborations with relevant industries. Through our “Insurance+” ecosystem, we aim to forge connections across various sectors, including finance, technology, healthcare, education, retirement, taxation, investment, legal services, and daily living. Our objective is to create a comprehensive and high-quality ecosystem by developing integrated solutions that offer exceptional products and services. We are committed to providing outstanding, star-rated services that span the entire value chain and deliver utmost value to our diverse customer base.

Grounded in the present while setting our sights on the future, China Life Singapore remains dedicated to broadening our global perspective. Embracing the ethos of "Success for you, Success by you" in our corporate culture, we strive to offer comprehensive insurance solutions and top-notch service to our clients. Continuously innovating and refining our products, our goal is to elevate service standards and quality, providing you with a reliable haven amidst an ever-changing landscape and ensuring you can enjoy a secure and fulfilling life. Under the motto "Insure Your Beloved, Fulfilling Your Trust," we stand ready to accompany you through the journey of time towards a future filled with happiness.

Lin Xiangyang

Chief Executive

China Life Insurance (Singapore) Pte. Ltd.

Participating Fund Update for 2023

Par Fund Performance

For our Participating Fund, the past investment rates of return (after deducting investment expenses only) are shown in the table below:

	2021	2022	2023	Average of last 3 years	Average of last 5 years	Average of last 10 years
Investment Returns[1]	5.64%	-8.85%	3.60%	-0.08%	4.99%	N.A.

[1] Investment return is derived after deducting investment expenses only.

	2021	2022	2023	Average of last 3 years	Average of last 5 years	Average of last 10 years
Total Expense Ratio	6.93%	3.86%	3.38%	4.29%	N.A.	N.A.

Total Expense Ratio

Our Participating Fund was set up in March 2017. Typically, the Total Expense Ratio ("TER") for the initial three years of a new Participating Fund is not reflective of its expected long-term TER. This is because significant expenses are incurred in the initial set-up of a Participating Fund and its asset bases are still being built up. TER, which is expressed as a percentage of assets in the Participating Fund, is expected to reduce over time to a level closer to that of the industry average when the assets in the Participating Fund grow in the coming years.

Please note that past expense ratios may not be indicative of actual expenses that may be incurred in the future.

Non-investment Factors

Other factors may affect the performance of the Par Fund, such as insurance benefit claims, operating expenses and surrender payouts. The overall experience for these factors is broadly in line with our expectations, except for the operating expenses. As the Par Fund is still in its initial years of set-up, the operating expenses of the Par Fund are higher than expected. Nonetheless, over the last two years, the expense ratio has been trending downwards and closer to our expectation.

Economic Review

2023 turned out to be a much better year than expected. No doubt there were wobbles along the way such as the stress in the US banking sector around the first quarter. However, investor sentiment improved through the year as a peak in interest rates was coming into view. Consequently, global equities rose with MSCI AC World Index up +20.4%.

Equities

S&P 500 climbed +24.4% but the rally was marked by narrow leadership, dominated by the 'Super 7' stocks as the Artificial Intelligence (AI) boom lifted their share prices higher by +103.9% in 2023. The rally in the US equity market was supported by growing consensus that interest rate cuts may be approaching. MSCI Europe rose +17.9%, led by earnings upgrades in the earlier part of the year as the region had coped much better than feared without Russian gas despite the headwinds from higher rates. MSCI Asia Pacific ex-Japan climbed +5.8% with Taiwan, Korea and India being the strongest markets in 2023. Meanwhile, MSCI Emerging Markets advanced +8.2%.

Fixed Income

Within fixed income, the US 10-year yield was little changed, from 3.87% as at end-2022 to 3.88% as at end-2023. However, this masked the volatility in bond markets throughout the year. At one point, the 10-year US Treasury Yield hit 5% in mid-October before retreating to 4.93% at month-end. Government bond yields were on the rise notably in Q3 amid higher-than-expected inflation and a greater resolve by central banks to combat inflation. Bond markets eventually stabilised towards year-end when the US Fed shifted from a hawkish to a more dovish tone in December as it became comfortable with the progress made in bringing inflation back towards its 2% target. Meanwhile, Global and Asia investment grade debt posted positive returns as spreads largely tightened amid robust labour markets, declining inflation and rebounding consumer confidence.

Alternatives

Commodities fell -13.9%, primarily due to falling energy prices. Gold surged +11.4% as investors sought safe havens, driven by fears of more negative banking news during the US banking crisis early in the year, hopes for Fed rate hike pauses, the ongoing Middle East conflict and high demand from central banks. In currencies, the US Dollar weakened -2.1% (based on the DXY Index) as investors' appetite for riskier currencies revived. Meanwhile, SGD appreciated by +1.4% against the greenback in 2023.

All returns above are quoted in SGD terms.

Asset Mix of the Par Fund

The strategic asset allocation and the asset mix of the Par Fund as at 31 December 2023 are summarised below.

Asset Class	Strategic Asset Allocation	Actual Asset Mix
Equities	15%	23%
Fixed Income	80%	68%
Alternatives	5%	0%
Cash and Equivalents	0%	9%

Market Outlook

The year ended on a high, with investors riding a wave of optimism that interest rates may have peaked. The US economy's steady progress towards a 'soft landing' and the Fed indication of a potential rate easing cycle in 2024 brought cheer to investors. Expectations of rate cuts in Europe also fuelled the festive spirit, leading to gains across most equity and fixed income markets.

The challenge we now face is that strong returns across equities and bonds mean that our soft-landing view is priced in, making it difficult for us to maintain our positive views across asset classes. At the same time, it is too early for us to turn negative as we see few signs of imminent recession in the US. In particular, employment levels remain supportive of consumer demand. Consequently, against this backdrop, we are neutral on equities, government bonds and credits.

While we are neutral on equities, we have shifted under the surface. Previously, we were medium-term bearish but short-term bullish on sentiment. Now, we are more cautious on a short-term pullback but believe that the Fed pivot has improved the chance of a soft landing. We have raised our US and European equities exposure while reducing Japan amid heightened Yen volatility. We believe that the US and Europe should benefit from a 'soft-landing' amid falling inflation and prospects of easier monetary policy.

In fixed income, we are comfortable with our current position. Our allocations now have a shorter maturity profile than previous months, meaning they are less sensitive to potential increases in yields.

In conclusion, rates are reaching a plateau and we expect growth to soften in the next few months. The strong move in markets in recent weeks leaves us neutral as we start 2024. We remain cognisant of restrictive monetary policies, slowing growth and geopolitical tensions. However, despite all these, we are optimistic that such short-term headwinds can be a source of opportunities due to the mispricing they generate.

Frequently Asked Questions

1. What is a participating policy?

Participating policies are life insurance policies which aim to provide stable medium to long-term returns by providing non-guaranteed benefits in the form of bonuses.

2. What is a Participating Fund?

A Participating Fund (“Par Fund”) is a fund which combines premiums pooled from all participating policies to invest in a range of assets, such as bonds and equities, to generate an investment return. The Par Fund aims to achieve the illustrated investment rate of return while controlling risks by actively managing a mix of asset classes. Profits from the Par Fund are used to determine the non-guaranteed bonuses on your participating policy.

3. What does the Par Fund invest in?

The Par Fund invests in a diversified portfolio comprising the following asset classes:

- Fixed income securities and convertible bonds;
- Equities;
- Alternatives (Gold, Commodities, Global REITs), and
- Cash

The portfolio is managed in a conservative manner and overweights high quality investment grade bonds at all times to protect capital value and then seek higher returns with a risk-managed approach.

4. How are bonuses determined and when will bonuses become guaranteed?

In determining the bonuses that we can pay, we consider the actual experience and the future outlook of key factors affecting the performance of the Par Fund. These key factors include investment performance, expenses and payments of benefits.

As the performance as well as the future outlook for the Par Fund may vary from year to year, bonuses may be smoothed to ensure stable medium- to long-term return. As a result, bonuses may be retained in good years to support the bonuses in years when experience is less favourable.

Our bonus allocation policy is to keep the bonuses at a level that we expect that they can be supported over the medium- to long-term. Thus, while we review the bonus rates yearly, we do not expect them to rise and fall much from year to year. Nevertheless, there may be significant adjustments under exceptional circumstances.

Bonus rates are determined and declared yearly as approved by our board of directors based on the written recommendation of our appointed actuary. Once bonuses are declared and allocated, they will form part of the guaranteed benefits of your policy.

5. What items and expenses are charged to the Par Fund?

There are different types of expenses and charges relating to the operation and management of the Par Fund, including distribution-related expenses.

Examples of these expenses include:

- Commission and distribution cost
- Investment fees paid to external fund managers
- Management expenses such as policy issuance, underwriting and claims related expenses
- Overhead expenses

6. What are the risks affecting the performance of the Par Fund?

The key risks affecting the performance of the Par Fund include:

- Investment risk
- Expenses incurred in managing the Par Fund being higher than expected. The types of expenses include investment, management, distribution and other expenses.
- Mortality and morbidity risks which affect the amount of claims paid out for policies in the Par Fund
- Persistency experience, which is the number of lapsed or surrendered policies in the Par Fund

7. How are risks shared?

All policies written within the participating fund will share in the overall experience and performance of the participating fund, which enables risks to be pooled and diversified.

The key risks that the Participating Fund are subject to investment risks, expense risks, mortality and morbidity risks as well as lapse and surrender risks.

8. What are the key factors affecting the level of Cash bonus?

There are four key factors:

- Performance: The Par Fund's historical investment performance and future outlook.
- Expenses: Amounts paid such as claims and the expenses incurred by the Par Fund. The types of expenses include investment, management, distribution and other expenses.
- Bonus allocation policy: Our intent is to keep the bonus at the level that we expect that it can be supported over the medium to long term. Thus, while we may review the bonus rate yearly, we do not expect it to rise and fall much year to year. Nevertheless, there may be significant adjustments under exceptional circumstances.
- Smoothing of Bonuses: As the performance as well as the future outlook for the Participating Fund may vary from year to year, bonuses may be smoothed to ensure stable medium- to long-term return. As a result, bonuses may be retained in good years to support the bonuses in years when experience is less favourable. The effect of smoothing is intended to be neutral across generations of policy owners over the long-term.

9. Will bonuses / dividends be revised?

Future bonuses are not guaranteed, dependent in particular on the past and the future outlook of investment returns, expenses and payments of benefits affecting the performance of the Par Fund.

Revisions to the bonus rates will only be made after a thorough review, in consideration of the Par Fund performance over a period longer than one year to minimize any short-term fluctuations.

10. Who manages the Par Fund?

The Par Fund is managed by us and Schroder Investment Management (Singapore) Ltd. which is part of Schroders plc (“Schroders”). As at 31 December 2023, Schroders, a global investment manager with a long history of over 200 years, had USD951.7 billion of assets under management and administration and operates from 38 locations across Europe, the Americas, Asia, the Middle East and Africa.

11. Who should I contact to find out more on my policy matters?

Should you have any queries, please feel free to contact your insurance intermediary or call our Customer Care Hotline at 6727 4800, or email us at CustomerCare@chinalife.com.sg.

About Us

Established in 2015, China Life Insurance (Singapore) Pte. Ltd. is a licensed life insurer which is regulated by the Monetary Authority of Singapore. As part of China Life Insurance (Group) Company ("China Life") which is the largest state-owned financial insurance corporation in China, we are backed by its financial strength and established heritage^. For 21 consecutive years, China Life is a Fortune Global 500 company, ranking 54 in 2023. It is an influential global brand with a brand value of RMB 485.567 billion*.

Our parent company, China Life Insurance (Overseas) Company Limited ("China Life (Overseas)") is a wholly-owned subsidiary of China Life. China Life (Overseas) has extended its footprint in Southeast Asia region in recent years, and established subsidiaries in Singapore and Indonesia in 2015 and 2018 respectively. Its financial rating by Moody's was "A1" (insurance financial strength rating in 2023) and by Standard & Poor's was "A" (long-term local currency issuer credit rating and insurer financial strength rating in 2023).

As a socially responsible company, we are committed to offer value-added financial solutions to customers to fulfil their risk protection, retirement, wealth management, and legacy planning needs. We believe in giving back to society through our corporate social responsibility activities to make a positive impact on the community and our customers. On March 15, 2024, Moody's assigned our company an insurance financial strength rating (IFSR) of A3 for the second consecutive year. The outlook remains stable. We have a network of 19 branches formed by strategic partnership of 2 banks, and 22 strategic partners formed by local and international brokerages, and wealth management companies. In 2020, we proudly launched our Agency Channel. This strategic move allows us to deepen our reach within the local insurance industry, build a team of trusted advisors to deliver exceptional service to all clients.

^ Note: The Fortune Global 500 ranking was accorded to our strong ultimate parent company, China Life Insurance (Group) Company. The Standard & Poor's credit ratings was accorded to China Life Insurance (Overseas) Company Limited, our parent company.

* Source: Top 500 Most Valuable Chinese Brands 2023 by World Brand Lab