2023 Participating Fund Update

(For The Year Ending 2022)

What is this Participating Fund Update for?

In this annual update, you will find useful information on the recent performance of TMLS's Participating Fund ("Par Fund" or the "Fund") for the year ending 31 December 2022 and the impact of its performance on the bonuses and dividends allocated to your participating policies. In addition, we will present our views on the investment future outlook and how it could impact future bonuses and dividends based on our actuarial investigation of policy liabilities.

Please note that this Par Fund update contains only general commentary of the Par Fund and therefore may not be applied specifically to individual participating policy.

A Review of 2022

Key Statistics of the 2022 Par Fund

Investment Return#:
-13.94%

Total Assets*
(31 December 2022):
S$7,115 million

Total Expense Ratio:
0.58%

2022 was a tumultuous year for investors, where both equity and fixed income markets recorded huge losses for most parts of the year. This was caused by inflation surging to 40-year highs which led to an unprecedented pace of rate hikes by major central banks, China's economic slowdown due to its zero-COVID policy, and the effects from the Russia-Ukraine war. There was, however, a relief rally towards the end of 2022 as China relaxed its COVID restrictions and commenced its economic reopening, whilst the U.S. Federal Reserve ("Fed") slowed the magnitude of rate hikes.

U.S. stock markets had their worst annual performance since 2008 as the considerable rise in interest rates heavily impacted growth stocks. However, the U.S. economy remained resilient, with Q4 gross domestic product growing at an annualised pace of 2.7 percent. Domestically, Singapore's economy continued to rebound from the pandemic, expanding by 3.6 percent in 2022, which was mainly led by construction activities, strong recovery in tourism, and a persistent demand for IT and digital solutions.

In fixed income, both domestic and Asian markets registered double-digit losses as bond yields moved higher significantly across the board as central banks raised interest rates aggressively to curb high inflation levels. The Fed raised rates by a total of 4.25 percent in 2022 to curb the stubbornly high inflation levels, with the European Central Bank and Bank of England also following suit.

About the Par Fund

The Par Fund's assets are invested prudently based on a long-term objective, which is commensurate with the long-term commitment of your insurance policy.

Total Assets* of the Par Fund as at 31 December

MARKET VALUE		
2020	2021	2022
S$8,237 million	S$8,122 million	S$7,115 million

* Total Assets refer to assets backing policy liabilities

Performance of the Par Fund

The Par Fund delivered a net investment return of -13.94% for the year ended 31 December 2022. The fixed income portfolio was the main detractor, especially for longer-dated bonds, as interest rates moved significantly higher in 2022. The equity portfolio also contributed to the negative performance as markets were spooked by both geopolitical tensions and the rapid rise in interest rates.

Non-investment experience in 2022

Operating experience (which includes mortality & morbidity, surrender, management expenses and distribution expenses) was in-line with expectations.

Investment performance for the years

	2020	2021	2022
Investment Return#	9.69%	-4.92%	-13.94%
Total Expense Ratio	0.74%	0.63%	0.58%

Investment Return includes investment expenses

Asset Mix of the Par Fund

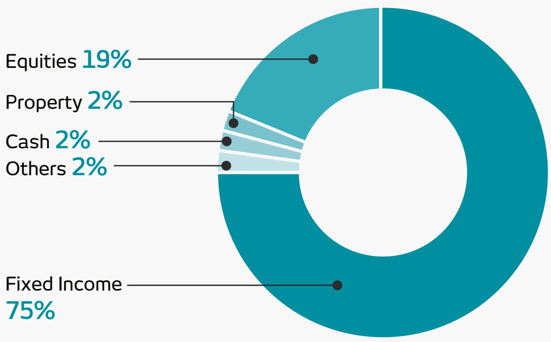
Taking into consideration the tenure of whole-life insurance products, the Par Fund has liabilities that tend to have a longer duration than the assets on its portfolio. Therefore, the Par Fund has utilised instruments such as repurchase agreements (used to acquire long-dated fixed income securities) and interest rate swaps to help manage interest rate risk arising from asset-liability mismatch risk**.

The asset mix shown below includes the fixed income assets that have been acquired using repurchase agreements (2022: 15% of total gross assets; 2021: 14% of total gross assets). Though the use of such instruments has contributed to the losses in the Par Fund this year, portfolio actions undertaken have negated the impact of these losses on the bonus decision for this year.

The Par Fund Gross Asset Mix for the year 2022 against year 2021

	2021	2022
Equities	18%	19%
Fixed Income	78%	75%
Property	1%	2%
Cash	2%	2%
Others	1%	2%
Total Gross Asset ($'m)*	9,423	8,416

Asset Mix as at 31 December 2022



* The Total Gross Asset includes assets acquired through repurchase agreements.

** Further details can be found in the FAQs available on our website https://www.tokiomarine.com/sg/en/life/resources/par-fund-update-faqs.html

Equities:

Top 5 Equity Holdings of the Par Fund as at 31 December 2022

Equity Holdings	% of Equity Holdings
ISHARES CORE S&P 500 UCITS ETF	16%
DBS GROUP HOLDINGS LTD	8%
OVERSEA-CHINESE BANKING CORP	6%
UNITED OVERSEAS BANK	5%
SINGAPORE TELECOMMUNICATIONS	4%

Fixed Income:

Breakdown of Fixed Income Assets as at 31 December 2022

Category	% of Fixed Income Assets
Singapore Government Securities	38%
Quasi-Govt / Investment-Grade Bonds	51%
Other Bonds	2%
Preference Shares / Perpetual Securities	9%

Bonus Allocation

The main feature of your participating policy is its ability to provide stable returns on your policy while allowing you to participate in the performance of the Par Fund in the form of bonuses and/or dividends.

Your policy benefits, including bonuses and/or dividends, is dependent on the Par Fund's performance, which includes past and future projected portfolio mix, investment returns, claims and surrender experiences, as well as expenses of the Par Fund. Based on the historical performance and future outlook, we will allocate part of the surplus of the Fund to increase your policy value via bonuses and/or dividends.

All bonus and dividend allocations are approved by the Board of Directors, based on the recommendation made by the Appointed Actuary.

Future Outlook

As of the time of writing, the relief rally in equity and fixed income markets from late last year continued into 2023. This was largely due to the less hawkish stance by central banks and decreasing inflation levels. However, the positive gains were pared back after the recent fall of Silicon Valley Bank and Signature Bank in the U.S. as well as the forced merger of Credit Suisse and UBS in Switzerland, which triggered a risk-off market sentiment. However, as governments and central banks swiftly intervened to stabilise the situation, concerns over the health of the global banking sector have eased.

Global economic growth is expected to slow further as central banks grapple to contain inflation. This is coupled with geopolitical risks, including the ongoing Russia-Ukraine war and U.S.-China tensions. Though the Fed has slowed the magnitude of rate hikes, given the extent of monetary tightening introduced and uncertainty in the banking sector, market participants are expecting a recession likelihood for the U.S. economy. In China, the faster-than-expected reopening has resulted in a strong rebound in economic activities and is likely to be supported by pent-up consumer demand. This is coupled by the supportive stance by the Chinese government as they pursue economic growth as its main agenda in 2023.

The International Monetary Fund in its World Economic Outlook Report in January 2023 commented that global growth is projected to fall to 2.9 percent in 2023 but rise to 3.1 percent in 2024 as rising interest rates and the war in Ukraine continue to weigh on economic activity.

Our outlook for non-investment items remains unchanged. We expect future claims and expenses to remain in-line with our expectation as we continue to maintain disciplined underwriting and careful expense management.

While future bonuses and dividends cannot be guaranteed, we remain committed to managing our investments, claims and expenses prudently to maintain the solvency of the Fund and strive to safeguard our policyholders' long-term interests. We will continue to review the supportability of future bonuses and dividends, taking into consideration, amongst others, the market environment.

About TMLS

Tokio Marine Life Insurance Singapore Ltd. is part of the Tokio Marine Holdings, Inc. which was established as the first insurance company in Japan more than 140 years ago. Today, Tokio Marine is one of the world's largest insurance groups, with a robust network that spans across 46 countries and regions operated by high-performing teams of more than 40,000 employees.

Our alignment of strategy to drive a strong performance and people-centric culture has advanced our standing in Singapore as a leading life insurer. Our values and vision define and guide us in everything that we do. A firm commitment to the traits of customer centricity, integrity and excellence underpins our promise to be the go-to partner for all financial planning needs.

Contact Us

If you wish to learn more about the current protection and cash value of your participating insurance policy, you can request a full benefit illustration from your Financial Representative or email **customercare@tokiomarine-life.sg.**

Important Note:

This policy[1] is protected under the Policy Owners' Protection Scheme, which is administered by the Singapore Deposit Insurance Corporation (SDIC). Coverage for your policy is automatic and no further action is required from you. For more information on the types of benefits that are covered under the scheme as well as the limits of the coverage, where applicable, please contact us or visit LIA **www.lia.org.sg** or SDIC **www.sdic.org.sg**.

[1] Exclude policies registered in Brunei

Common Reporting Standard (CRS)

CRS is an internationally agreed standard for automatic exchange of financial account information for tax purposes. With effect from 1 January 2017, CRS requires all financial account holders to complete and submit a self-certification form on tax residency status. This includes changes in circumstances such as change of personal details, occupational status or TIN number etc. Certification form is available on our website at **www.tokiomarine.com**. The form can be found under Life & Health > Resources > Forms. You may send a completed and signed softcopy to **customercare@tokiomarine-life.sg** or through your representative. Alternatively, a completed and signed hardcopy may be submitted to us by mail. For more information on CRS, please visit the IRAS website at **www.iras.gov.sg.**