

Your Participating Fund Update for 2022

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

This report details the performance of the **Par Retirement SGD Sub-Fund** and the bonus allocation for your participating policy for the year ending 31 December 2022.

At a glance

In 2022, our Par Fund generated an investment return of **-14.32%**. The total expense ratio was maintained at **less than 3%**. Nevertheless, we will be **maintaining the bonus rates for all policies for financial year 2022**.

YEAR	2020	2021	2022	AVERAGE OF THE LAST...		
				3 YEARS	5 YEARS	10 YEARS
Investment Return ¹	5.22%	3.48%	-14.32%	-2.29%	NA	NA
Total Expense Ratio ²	2.50%	2.67%	2.65%	2.61%	2.71%	2.83%

Your Bonus Allocation

Details of your bonus allocation can be found in your Bonus Notice.

Bonuses declared depend on the actual experience and future outlook of key factors affecting the performance of the Par Fund, including investment performance, operating expenses, and benefits payouts (from insurance claims, surrenders and survival benefits). We aim to provide stable bonuses and returns over the lifetime of your policy and 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. An effect we term as "smoothing".

Your Bonus Notice will be progressively issued between April to September 2023, and upon receipt, you will be able to view it by logging in to **PRUaccess eDocuments**.

¹ The investment return is shown after deducting investment expenses incurred in managing the par fund. Past performance is not necessarily indicative of future performance.

² This Total Expense Ratio is computed at the total Participating Fund level and includes all participating sub-funds. This ratio is the proportion of total expenses incurred by the Participating Fund to the assets of the Participating Fund. These expenses include investment, management, distribution, taxation and other expenses. Past expense ratios do not necessarily indicate actual expenses that may be incurred in the future.

Factors affecting the Par Fund's performance in 2022

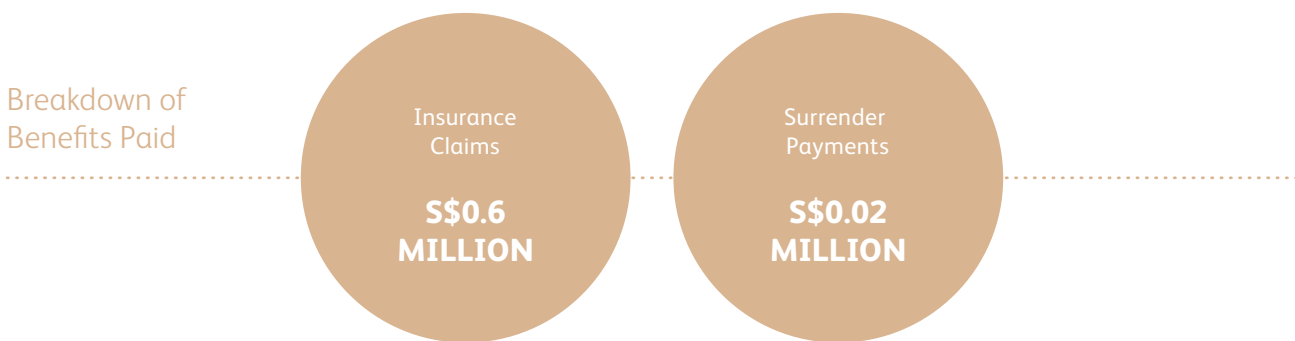
The Par Fund's performance and its declared bonuses are determined by a number of factors. These include the fund's portfolio composition and performance and non-investment-related factors, such as operating expenses and benefits payouts. Let's go through the details in the following pages.

1 / Non-investment Factors

Benefit payouts from insurance claims, surrendered policies, and operating expenses, could impact the Par Fund's performance and the level of bonuses declared. We do not expect short-term fluctuations in these non-investment factors to significantly affect current and future bonuses.

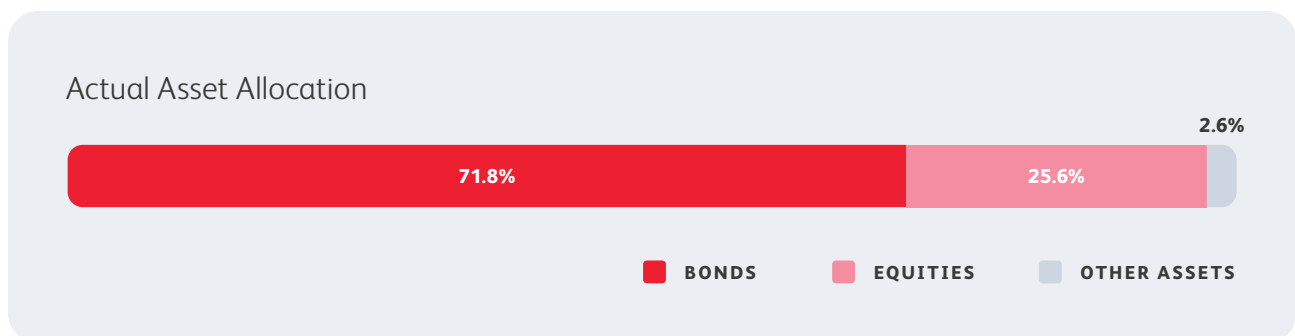
KEY NON-INVESTMENT FACTORS	IMPACT ON BONUS
Insurance claims were lower than expected	Positive
Surrender payments were lower than expected	Negative
Expenses were lower than expected	Positive

In 2022, the total amount of benefits paid to our customers was **S\$0.6 million**.



2 / Portfolio Composition

As of 31 December 2022, the size of the Par Fund is **S\$353 million**, and the Actual Asset Allocation is as follows:



3 / Market Review

2022 was an exceptionally challenging year for financial markets. Market uncertainty was driven by unforeseen shocks that dominated global headlines: high inflation, unprecedented interest rate hikes, and the Russian-Ukraine war.

High inflation can be attributed in part to global supply chain issues, the war in Ukraine, and soaring energy prices. As inflation peaked in the year, US treasury yields rose to their highest level since 2007. The US Federal Reserve and subsequently central banks around the world made a series of interest rate increases to combat inflation. The hikes have caused a sell-off in global bond markets. Moreover, the increase in interest rates in response to intense price

pressures rather than strong demand conditions has reduced diversification benefits between equities and bonds.

Global equities have declined significantly over the last year amid fears of recession. As economic growth slowed and interest rates rose, speculative interest in growth stocks that had built up over the past decade began to fade. As a result, value stocks have outperformed their growth stocks counterparts. While investors may find few positive returns across equity markets, Singapore had finished the year ahead of its global peers as investors believed that the country had shown financial stability and strength amid the turbulence last year.

Looking ahead

Inflation is expected to stabilize in 2023 as post-pandemic and war-induced disruptions continue to fade. In addition, the prospect of a more accommodative policy backdrop, improving global demand and reopening tailwinds from China may help to slow inflation. However, the risk of recession remains elevated, particularly in certain markets which may continue to struggle with weaker growth and ultimately translate to weaker demand and earnings.

All in all, we approach 2023 with cautious optimism. The effects of central bank policies have yet to fully come to fruition. Furthermore, there is additional complexity from the uncertain growth outlook globally, particularly in China. Nevertheless, we have seen in 2022 that increased volatility also comes with some attractive opportunities. Investors should always ensure that their portfolios are well-positioned for ever-changing conditions in financial markets.

As a leading life insurer, we are committed to being a responsible leader. We have been actively engaging with all our stakeholders to grow as a responsible and sustainable business. Environmental, social and governance (ESG) considerations are included in our investment decisions to produce better results for our policyholders. We continue to explore ways for our customers to invest more sustainably and at the same time maintain diversification through our investment portfolio across different countries, currencies and sectors to reduce portfolio risk and thus enhance our customers' long-term total returns.

For your convenience, we have provided both the English and Chinese versions of this update. It can be accessed at the following link: <https://www.prudential.com.sg/annual-bonus-update>

如果您需要我们华文版的年度红利报告, 您可浏览我们的网页: <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 2022 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 95(1) of the Insurance Act and updates you on any changes in future non-guaranteed benefits.