

# Participating Fund 2022 Update

**Thank you for choosing  
Manulife as your preferred  
financial partner**

This update provides detailed information on the performance of Manulife's Participating Fund as at 31 December 2022. In addition, you will find our asset allocation strategy and our views on the future market outlook. Through this update, we hope to provide you with a better understanding of the factors that impact bonuses for your participating policies.

## 1

### 2022 Performance Overview

The Investment performance of the Par Fund has been volatile in recent years. This is reflected in the table below, which shows actual investment returns over the last 3 years.

<b>Investment Returns</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
ManuWealth Plus/ManuFortune/ManuHarvest/ Manulife Abundance/Manulife Boost Series/ Manulife Goal Series/SavvyEndowment Series	4.20%	-0.17%	-1.50%
Participating Fund denominated in USD	8.11%	7.95%	-19.18%
All other Participating Policies	8.57%	3.09%	-7.47%

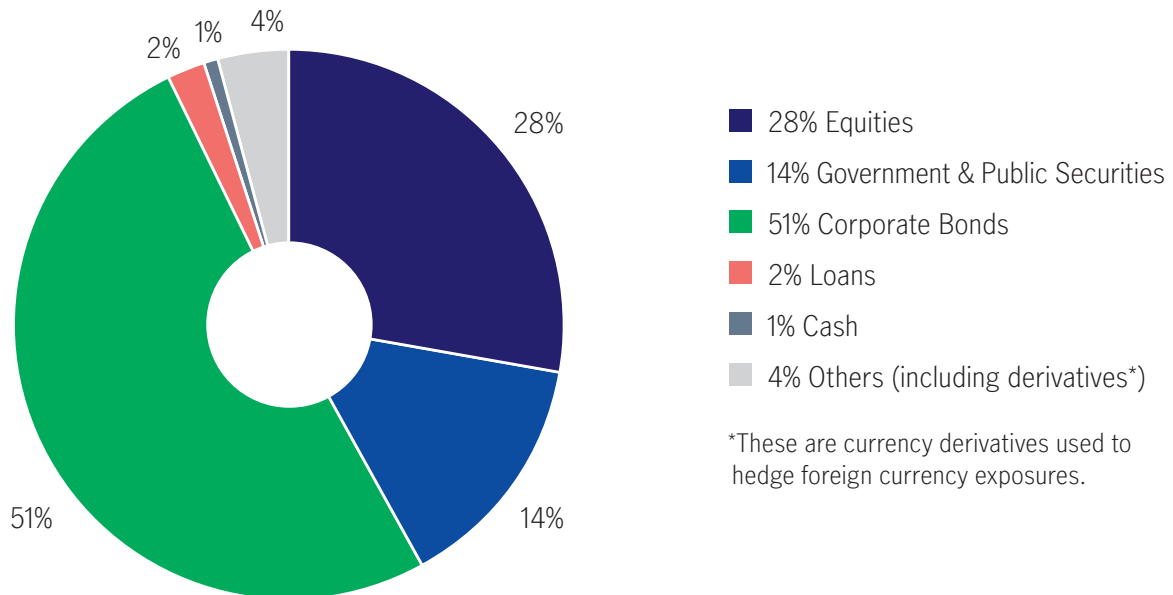
<b>Expense Ratio</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
All Participating Policies	3.67%	3.30%	2.35%

Please note that the actual investment returns shown vary due to specific strategic asset allocations relating to each group of participating policies. In addition, current investment performance is not indicative of future performance.

# 2

## Participating Fund Performance

As at 31 December 2022, the market value of the total assets in the Participating Fund increased to S\$17.8 billion from S\$17.5 billion in 2021. This is attributed to the increase in new business.



### Bonds

2022 has been a year of elevated uncertainties and volatility, as markets battled between the theme of growth and inflation driven by accelerating policy rates as central banks took a firm stance on inflation alongside hawkish rhetoric. Overall, as the Covid-19 pandemic faded further into the background, economic activity has picked up and global central banks have embarked on a series of rate hikes to tackle rising inflation, which led to a surge in yields and tighter monetary conditions globally.

The US Federal Reserve (Fed) raised its benchmark policy rate in every meeting since March, with the range ending the year at 4.25% to 4.50%, the highest level since 2007. As a result, both US Treasury and Singapore sovereign yields ended the year broadly higher across flatter curves as investors priced in tighter monetary conditions and the possibility of a recession in 2023. Most of 2022 saw Asian USD credit spreads widening, as risk assets took a hit due to volatility in the markets and amidst tighter financial conditions.

However, spreads grinded tighter in the last two months of 2022 as China's move away from its Covid-zero policy lent support, with Chinese property papers in particular staging a meaningful rally on the back of strong concrete measures by the Chinese authorities to support the sector.

Comparatively, SGD credit spreads remained resilient throughout the year given the higher quality nature of the investment universe, as well as a continued lack of SGD corporate bond supply. The Monetary Authority of Singapore (MAS) also tightened its policy throughout the year by either recentring the mid-point of the exchange rate policy at the prevailing level of the Singapore dollar nominal effective exchange rate (S\$NEER), or increasing the rate of appreciation of the band, or a combination of both.

## Equities

2022 saw equity markets endured one of the steepest corrections since the global financial crisis (GFC). Persistent inflationary pressure, continued geopolitical upheaval, and an aggressive Federal Reserve drove double-digit declines across many asset classes.

During the year, there was a clear rotation into value stocks versus growth stocks, with the financials and energy sectors strongly outperforming and growth stocks hit particularly hard by rising concerns over a global economic slowdown and a potential hard landing in the US.

Most of the equity markets posted losses, with the US equity markets faring the worst among major indices across European Union and Asia due to their higher exposure to growth stocks.

Closer to home, on the economic front, the Monetary Authority of Singapore (MAS) tightened monetary policy five times in a row since October 2021, to dampen 'persistent' inflation and ensure medium-term price stability. Core and headline inflation for the full year 2022 grew 4.1% and 6.1% year-on-year (YoY) respectively, both at their fastest pace since 2008.

With all the risk factors remained at the end of 2022, we should expect a reasonable slowdown in the economy to translate into earnings headwinds, which in turn would likely impact equity risk premiums and valuations. This should keep equity markets volatile and constrained, at least in the first half of 2023.

## Top 5 Equity Holdings as at 31 December 2022

Top 5 Equity Holdings	% of Equities Holdings
VANGUARD S&P 500 UCITS ETF	16.7%
ISHARES CORE S&P 500 UCITS E	11.8%
XTRACKERS EURO STOXX 50 UCITS ETF	9.1%
ISHARES CORE FTSE 100 UCITS ETF	9.0%
UBS ETF CH-SMI CHF	4.6%

## Non-investment factors

Other factors affecting the Participating Fund's performance were claims, surrenders and expenses.

Key Factors	Impact on Bonus
Mortality/Morbidity Claims – Higher	Negative
Surrender Claims – Lower	Negative
Expenses – Lower	Positive

In 2022, benefits payments totaling S\$1,446 million were made to policyholders from the Participating Fund. S\$66 million was paid as management expenses.

# 3

## Strategic Asset Allocation

The investment strategy aims to maximise the long-term returns required to meet all the projected benefits of the Participating Fund.

The target asset mix for each product category is indicated below.

	Fixed Income	Equities
ManuWealth Plus/ManuFortune/ManuHarvest/Manulife Abundance/ Manulife Boost Series/Manulife Goal Series/SavvyEndowment Series	100%	0%
Par Fund denominated in USD	70%	30%
All other Participating Policies	70%	30%

Note: The investment strategy and asset mix choice are at our discretion and may change from time to time.

# 4

## Future Outlook

The market outlook for 2023 remains challenging on the back of the current high interest rate environment following one of the steepest interest rate hikes on record in 2022 to combat soaring inflation. Market volatility is expected to be prevalent throughout the year with uncertainties abound surrounding geopolitical tensions, tightening financial conditions, inflationary pressures which could translate into a possible global economic slowdown. Amidst these challenges, we continue to be discerning in our investment decisions focusing on fundamentals whilst also being cognizant of the downside risks.

# 5

## Our Commitment To You

With the aim of safeguarding your long-term interests, Manulife is committed to managing your investments diligently, giving you the highest level of security on your policies while also providing you with fair returns. With healthy solvency ratios that are well above local regulatory requirements, we are dedicated to maintaining our financial strength and fulfilling our commitments to you.

**Disclaimer:** This report is prepared by Manulife (Singapore) Pte. Ltd. and is provided for information only. Past performance is not necessarily a guide to future performance. This is only a commentary and cannot be generalised to any policy.

## Frequently Asked Questions

### 1. What is a participating policy and how does it work?

Premiums paid to participating insurance policies are pooled together to form a Par Fund. This fund invests in a range of assets, which are used to pay benefits to participating policyholders and to meet the expenses incurred in running the fund.

You are entitled to a share of the Par Fund's profits, distributed to you by adding bonuses to your insurance policy. Bonuses once added to your policy are guaranteed.

The future performance of the Par Fund is determined by factors such as investment returns, claims on policies (death, critical illness and surrenders) and the expenses incurred by or allocated to the Fund. This future performance will determine bonuses to be paid in the future. Bonuses not yet distributed/declared are not guaranteed.

### 2. How are bonuses declared?

Bonuses are declared once a year. When declaring bonuses, Manulife aims to smooth the bonus allocations over time to avoid short-term fluctuations that can occur in year-to-year investment performance.

All recommendations on bonus declarations are prepared by the company's Appointed Actuary and must be approved by the company's Board of Directors. When making recommendations, the Appointed Actuary must ensure that

- policyholders from all groups of participating policies are treated fairly and that no group is favoured over others, and
- bonuses which are allocated (and future bonuses) can be supported by the fund.

### 3. How do I know that my interest as a participating insurance policyholder is protected?

To prevent excessive distribution of profits to shareholders, the profit that can be paid to shareholders of Manulife is limited to a maximum of 1/9 of the value of bonuses allocated to participating policyholders. This means for every S\$9 distributed to policyholders, only a maximum of S\$1 is distributable to shareholders.

### 4. How would I know how much profit is allocated as bonus to me?

An anniversary statement will be sent to you on your next policy anniversary date. Please refer to the anniversary statement for details on the bonus declared on your policy. If you wish, a full benefit illustration can also be made available to you upon request.

### 5. When will the bonus be allocated to my policy?

The bonus declared will be effective from 1 July 2023 and will be added to your policy on the next anniversary of your policy in 2023/2024.

### 6. Should I consider making changes to my policy as a result of this bonus declaration?

An insurance policy is intended to meet your long-term financial needs. Making changes to your policy may affect the level of protection provided by your policy. Before doing so, we strongly encourage you to contact your Representative to seek advice and discuss the best course of action suited to your financial needs.

## **7. Will Manulife increase bonus rates if interest rates increase in the future?**

Future bonuses will depend on the prevailing economic and investment environment. We will review future bonuses on an annual basis and determine if there should be any increase or decrease in the bonus rates.

### **Finding out more about participating policies and bonuses**

If you would like to know more about participating policies and the types of bonuses, you may refer to industry's guide to customers ("Your Guide to Participating Policies") which is available on our website, <https://www.manulife.com.sg/en/insurance-guides.html>.



Manulife (Singapore) Pte. Ltd. (Reg. No. 198002116D).

Main Office: 8 Cross Street, #15-01 Manulife Tower, Singapore 048424

Client Service Center: 8 Cross Street, #01-01A Manulife Tower Singapore 048424

Tel: 6833 8188

[www.manulife.com.sg](http://www.manulife.com.sg)