

# ANNUAL BONUS UPDATE FOR PRU LIFE REGULAR PREMIUM SUB-FUND

As a valued customer of a participating policy from Prudential Assurance Company Singapore (Pte) Limited, we are pleased to provide you with this Annual Bonus Update. The purpose of this report is to provide you with an update on the performance of the Pru Life Regular Premium Life Sub-Fund (Fund) for the year ending 31 December 2013 and how it impacts the bonuses allocated to your participating policy. It also sets out our views on the future outlook of the Fund based on our latest actuarial investigation of policy liabilities and updates you on any changes in non-guaranteed bonus.

If you would like to know how a participating fund operates in general, a copy of *Your Guide to Participating Policies* is available on Prudential's website ([www.prudential.com.sg](http://www.prudential.com.sg)) or you may request for a copy from your Financial Consultant.

## What are the benefits of your participating policy?

The benefits of your participating policy are made up of guaranteed and non-guaranteed benefits. The non-guaranteed benefits may be in the form of the following types according to your policy's Terms and Conditions:

- **Reversionary Bonus** is an annual bonus added to your policy benefits. Once declared, it will form part of the guaranteed benefits of the policy.
- **Terminal Bonus** (if any) is a one-off bonus, which may be payable when you surrender, when a claim is paid or when the policy matures. The amount will vary depending on the date of termination. Terminal Bonus is sensitive to investment performance and is likely to vary more than Reversionary Bonus over time.
- **Dividend** (if any) may be payable on your policy anniversary
- **Non-Guaranteed CashBack** (if any) may be payable on your policy anniversary together with the guaranteed CashBack

## What are the risks that affect the level of bonuses and how are the risks shared?

The level of bonuses depends on the actual experience and future outlook of key factors affecting the performance of the Fund. The key factors include investment performance and future investment outlook of the Fund, claims experience (with respect to Death, Critical Illness, Total & Permanent Disability and Terminal Illness), surrender experience and level of expenses incurred by or allocated to the Fund.

In determining the level of bonuses that can be supported, the assets available to back the policy will be derived by accumulating the premiums paid at the actual rate of investment return less the cost of insurance, expenses incurred, commissions paid, taxes and other costs that may be incurred in managing the Fund.

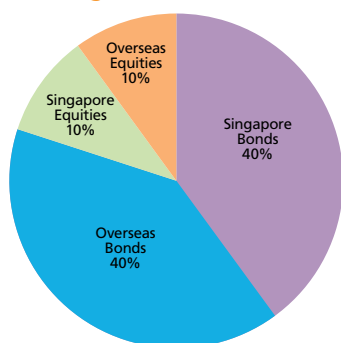
## How are bonuses smoothed over time?

As investment performance fluctuates over time, bonuses are smoothed to ensure stable medium to long term returns on your policy. As a result, some of the investment returns in good years may not be distributed immediately so as to smooth out the returns in years where the investment return is low. However, the effect of smoothing is intended to be neutral over time.

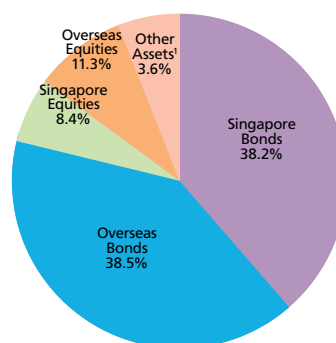
## Asset Allocation

The Strategic Asset Allocation and Actual Asset Allocation of the Fund as of 31 December 2013 are as follows:

**Strategic Asset Allocation**



**Actual Asset Allocation**



<sup>1</sup> Other assets include policy loans and cash

## Investment Performance of the Fund

Investment performance is the key factor that determines the level of bonuses. Equity markets experienced an exceptional year in 2013, with the developed markets leading the gains on the back of improved economic growth and outlook. However, Asian and Singapore markets lagged behind developed markets as investors were concerned about growth and current account deficits in these countries.

Bond yields rose globally as the market participants anticipated the start of the tapering of quantitative easing (QE) in the US, which eventually happened in December 2013. Singapore bond yields experienced the same fate. As a result of rising bond yields, bond returns were negative in 2013. Although the investment performance of the Fund is below expectation, Prudential is able to maintain the bonus rates for all policies under the Fund for the performance up to the financial year end of 2013.

The investment returns over the past 3 years are as follows:

Year	Investment Return <sup>2</sup>
2011	1.5%
2012	8.9%
2013	2.2%

Source: Sub-Fund's financial statement.

<sup>2</sup> This investment return is shown after deducting investment expenses incurred in managing the fund. Past performance is not necessarily indicative of future performance.

For comments on the investment outlook going forward, please refer to the Future Outlook section. You may also refer to the enclosed Bonus or Policy Notice (where applicable) for more information.

## Other Areas of Performance

For the year 2013, the insurance claims and surrender payments under the Fund were lower than expectations. The operating expenses were higher than expected. These short-term fluctuations are not expected to significantly affect current and future bonuses.

## Assets and Benefits in 2013

Your policy is written out of the Fund which has a size of S\$675 million as at 31 December 2013. Benefit payments of S\$43 million were made out to policyholders in 2013, with the following breakdown:

Insurance Claims	S\$1,001,947
Survival Benefit Payments <sup>3</sup>	S\$40,125,003
Surrender Payments	S\$2,349,482

Source: Sub-Fund's financial statement.

<sup>3</sup> It includes maturity benefits, annuity benefits, CashBack benefits and dividends.

## Future Outlook

Developed economies are expected to experience improved growth in 2014, although at a lower magnitude compared to 2013. This will be positive to the developed market equities. Asian countries are undergoing adjustments to their economies, such as reducing excessive investments and credit growth. Hence, Asian equities (including Singapore's) are likely to face headwinds. Longer term bond yields in Singapore and the developed countries are expected to continue their rising trend, on the back of further QE tapering in the US. This can be further fuelled by investors anticipating central banks to raise interest rates sometime in 2015/2016. However, one can expect volatility in the bond and equity markets as investor sentiments change with the ongoing developments in the major economies.

While the economies remain volatile, the asset allocation for the Fund aims to deliver the current expected level of investment returns. In line with our bonus philosophy, we will continue to manage the Fund prudently to protect the interests of policyholders and aim to provide stable medium to long term return on the participating policies. This will be done through a combination of guaranteed and non-guaranteed benefits where non-guaranteed benefits are smoothed over time.

This Annual Bonus Update is also available in English and Chinese at our website [www.prudential.com.sg/visit/APU](http://www.prudential.com.sg/visit/APU)

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 [www.prudential.com.sg/visit/APU](http://www.prudential.com.sg/visit/APU)

PRUDENTIAL ASSURANCE COMPANY  
SINGAPORE (PTE) LIMITED  
(Reg. No. 199002477Z)

30 Cecil Street #30-01 Prudential Tower,  
Singapore 049712  
Tel: 1800 333 0 333 Fax: 67349555  
Website: [www.prudential.com.sg](http://www.prudential.com.sg)  
Part of Prudential plc