

HSBC Par Fund II (SGD) update 2023

For the financial year ended on 31 December 2023

HSBC Life Singapore

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Dear valued client,

Thank you for being a participating policyholder of HSBC Life Singapore. It is our pleasure to provide you with the annual updates of the HSBC Par Fund II (SGD) ("Par Fund") since the last review.

These updates include the performance of our participating fund for 2023 and our investment outlook for this year, based on the latest actuarial investigation of policy liabilities carried out pursuant to Section 95(1) of the Insurance Act 1966.

Please note that this bonus update contains only general commentary of the Par Fund and cannot be applied specifically to any participating policy.

A review of the investment markets 2023

Financial market performance exhibited positive trends in 2023 as a combination of encouraging global inflation data, rate cut expectations, and technology stock optimism fuelled risk-on sentiment, particularly in the last quarter of the year.

For equity markets, performance was predominantly driven by developed markets, specifically in the US, as technology developments tied to artificial intelligence drove asset gains. However, these were tempered by weaker performance in Asian equity markets due mainly to drags from China as its property sector's debt problems and lacklustre economic data curbed investor enthusiasm. Additionally, the portfolio's real estate segment suffered from valuation pressures and contributed negatively to performance as it experienced re-rating headwinds amidst the elevated interest rate environment. The corporate bond portfolio also experienced challenges related to rising interest rates for most of the year but managed to end the year positively as credit spreads turned tighter. This helped to offset the government bond portfolio, which performed weaker on higher interest rates.

Performance of the Par Fund

The Par Fund produced positive net investment return of 3.99% in 2023.

Year	2021	2022	2023	Average of last 3 years	Average of last 5 years	Average of last 10 years
Investment return	-7.24%	-14.07%	3.99%	-6.06%	0.22%	2.50%

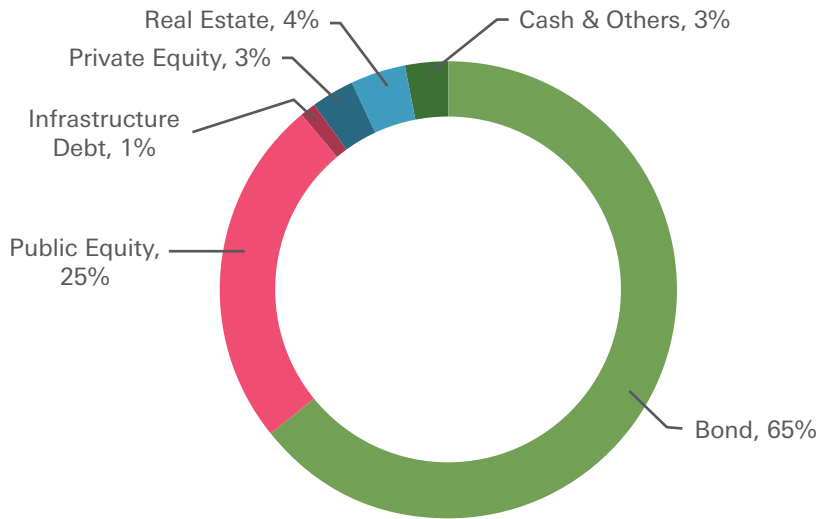
Investment return has been computed based on the Life Insurance Association Guidelines.

SGD1,395m

HSBC Par Fund II (SGD)

Asset mix of the Par Fund investments

Our plan to diversify the portfolio via alternative assets such as real estate, private equity, alternative credit and infrastructure debt to improve the portfolio's risk-adjusted return continued to progress at pace. The allocation of alternative assets was 7.5% at the end of 2023.



Figures may not be additive due to rounding.

Other factors affecting performance

Besides investment returns, other factors affect the fund performance, including mortality and morbidity claims, voluntary surrenders and expenses incurred and allocated to the Par Fund.

Maturity benefits	Surrenders
S\$ 29.8 million	S\$ 17.6 million
Death & TPD benefits	Cash advances
S\$ 18.0 million	S\$ 14.4 million

In 2023, expenses and surrenders were broadly in line with our expectations while the insurance claims experience was slightly higher than expected. Short-term fluctuations of non-investment performance are not expected to significantly affect future bonuses.

The Total Expense Ratios are shown below:

Year	2021	2022	2023	Average of last 3 years	Average of last 5 years	Average of last 10 years
Total Expense Ratio	2.20%	1.88%	2.39%	2.16%	2.81%	5.11%

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

The investment outlook for 2024

The outlook for 2024 remains tinged with uncertainty as investors brace for the potential for prolonged elevated interest rates and persistent financial tightening, alongside geopolitical tensions and conflicts in Eastern Europe and the Middle East, which could further exacerbate market volatility. Upcoming elections in major economies such as the US are expected to provide clarity on future fiscal policies, yet also have the potential to intensify existing economic uncertainties.

The interest rate trajectory and the timing of its changes will be important. Persistent inflationary pressures may delay anticipated rate cuts, and potentially stifle economic growth and negatively impact corporate earnings. A moderation in inflation could lead to global central banks initiating rate cuts, supporting risk sentiment for assets such as equities. However, if this comes with slowing growth, it may also trigger a widening of fixed income credit spreads from its tight levels seen at the end of 2023.

In line with our bonus philosophy, our investment strategy aims to maintain stability in our bonus rates and deliver the current expectations of investment returns for all our policyholders. The guaranteed bonuses on the Par Fund's products, in relation to the basic sum assured and the bonuses earned to date, are and will continue to be effective regardless of the situation.

Bonus allocation

Premiums of participating policies are pooled together to form the Fund, which is invested in a range of assets and used to pay bonuses to policyholders like you. The main feature of your participating policy is its ability to provide stable long-term returns on your policy, allowing you to participate in the performance of the Par Fund in the form of bonuses which are non-guaranteed.

Your future policy bonuses are dependent on the future Par Fund's performance, which includes investment returns, claims and expenses of the fund. Bonus allocations are smoothed over a period of time to reduce fluctuations arising from market conditions.

All bonuses are approved by the Board of Directors of HSBC Life Singapore and based on the recommendation by the Appointed Actuary.

For a Policy Illustration of your policy based on the current projected bonus, register your request via e-mail to us at e-surance@hsbc.com.sg.

About HSBC (The Hongkong and Shanghai Banking Corporation Limited)

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group. HSBC serves customers worldwide from offices in 62 countries and territories. With assets of US\$3,001bn at 31 March 2024, HSBC is one of the world's largest banking and financial services organisations.

About HSBC Life Singapore

HSBC Life (Singapore) Pte. Ltd. is a wholly owned subsidiary of HSBC Insurance (Asia Pacific) Holdings Limited, which is ultimately owned by HSBC Holdings plc, the London-based holding company of the HSBC Group. HSBC Life Singapore has received an A+ rating by Standard & Poor's, most recently affirmed in February 2024. It provides a wide range of solutions that cater to life, health, retirement, protection, education, legacy planning, and wealth accumulation needs of retail and corporate clients.