

# 2022 Non-Participating Fund Update for Future – S policyholders

Dear Valued Client

Thank you for choosing us as your preferred partner to ensure a lasting legacy for your loved ones.

Future - S is a non-participating whole life insurance product which offers lifetime protection and non-guaranteed benefits, paid in the form of Annual Additions and a Final Addition. We are pleased to share this annual update detailing the performance of the Future - S non-participating fund for 2022 and the future outlook based on the latest actuarial investigation of policy liabilities. This update is intended to provide you with information that is relevant to the determination of your non-guaranteed additions.

## Summary of Outlook on Additions

Key Factors	Impact on Additions
Investment	Positive
Mortality and Mortality Improvement	Future – S70/S100: Positive Future – S NextGen: Neutral
Persistency and Surrender	Neutral
Other Factors	Neutral

## Investment

### 2022 Investment Performance

The historical investment rates of return (after deducting investment expenses) of the assets backing Future – S, which is part of the Non-Participating Fund, are shown below:

	2021	2022
Investment Returns	3.91% <sup>1</sup>	-9.78%

<sup>1</sup>The Future - S asset portfolio was established in July 2021 and the rate shown is the annualized investment rate of return.

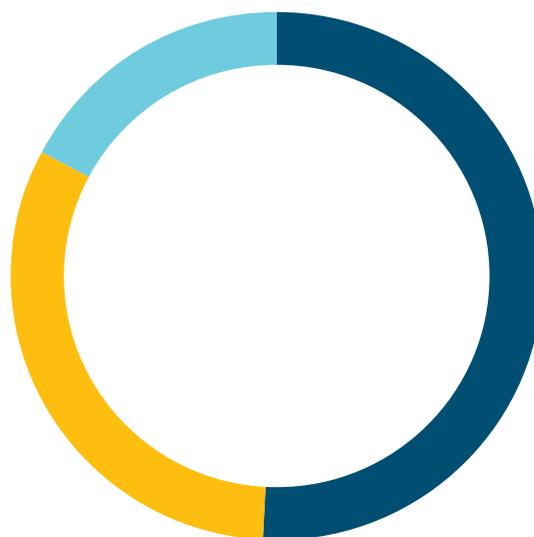
2022 was a challenging year for investors and asset managers alike. Global economies struggled against high inflation, which brought about concerns over interest rates and slowing growth. Geopolitical instability and global security worries created more challenges worldwide. Central banks around the world enacted severe interest rate increases to fight inflation, and we may see the fuller effects of these policies manifest in 2023.

This led to the worst ever total return performance year recorded by the bond market since the formation of the Bloomberg Aggregate Index in 1977. It also marked the first time over this period that both stocks and bonds delivered negative returns in the same calendar year.

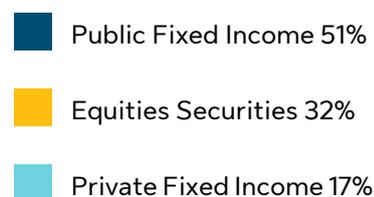
However, the bond market selloff of 2022 has created a potential window for insurance investors to lock in attractive yields in both the traditional and alternative fixed income markets, which can benefit investment income for years to come.

### Asset Mix

The market value of assets allocated to Future – S was US\$203 million as at 31st December, 2022. The investment strategy is managed with your long-term wealth protection and accumulation needs in mind. The assets supporting the investment strategy consist of a diversified range of fixed income and non-fixed income assets.



Overall Future – S allocation, as of December 2022



### Investment Outlook for 2023

The year ahead will not be without its risks, from central banks responding to data surprises, to liquidity concerns in some asset classes, to possible economic contractions more serious than forecast.

As supply shocks fade and central banks raise rates, inflation across most developed economies is expected to drop. However, we expect that global growth will be subpar and divergent as higher rates mute activity and varying local and geopolitical challenges take a toll.

### Impact on Additions

The investment return is typically the most significant determinant of additions performance. Smoothing is used to reduce the volatility of policy values and helps deliver more stable returns. The historical investment returns include fluctuations in the value of assets from market movements. The investment return in 2022 was largely driven by reductions in market value of fixed income assets from increases in US Treasury Yields. These fluctuations do not affect the long term returns of assets if they are held to maturity and therefore these fluctuations are not expected to materially affect your additions. While the increase in interest rates decreased the value of our asset holdings, it also increased the expected yield on new investments. Equity markets performed below expectations in 2022. Equity performance is smoothed to reduce the volatility of policyholder benefits.

The impact of investment experience and outlook on your additions was positive, due to the improved outlook from increases in expected yield.

## Mortality and Mortality Improvement

There were no death claims in 2022 and no immediate change in the outlook of mortality.

We regularly review our long-term assumptions based on internal and external experience and any other factors. Following the launch of Future — S70 and S100, we conducted a review that resulted in a change in outlook for mortality improvement. The change in outlook was reflected in the initial pricing of Future — S NextGen and therefore your illustrated benefits had already reflected this outlook.

The change in outlook had the following impacts on expected additions:

- Impact on Future — S70/S100: Positive
- Impact on Future — S NextGen: Neutral

## Persistency and Surrender

There were no Surrender claims in 2022. We have not changed our expected outlook on persistency, so there has been no impact on your benefits related to persistency or surrender claim expectations.

## Other factors

There were no changes in our outlook of other factors that affected your benefits in 2022.

## Additions Updates

Future — S is a non-participating adjustable policy. As an adjustable policy, there are non-guaranteed benefits that can only be affected by certain factors. These factors include, but are not limited to, investment returns, claims, persistency, reinsurance, and taxes. Our Appointed Actuary will recommend any changes to non-guaranteed additions based on these factors. Any recommendations are reviewed by our internal Adjustable Governance Committee.

The Board of Directors of Sun Life (“the Board”) establishes criteria<sup>2</sup> for changes to all adjustable contracts of the Company. Sun Life regularly reviews the additions to ensure compliance with all relevant Singapore and Canadian regulations, guidelines, standards of practice, and the Company’s established criteria, as approved by the Board.

The Appointed Actuary of our head office reports annually to the Board as to whether the changes made to adjustable products in the preceding twelve months are fair and in compliance with these criteria. The additions management process seeks to achieve reasonable equity among classes and generations of policies, to the extent practicable.

Historical claims experience and volatility of claims cannot be used to determine the additions, however changes in the expected outlook of these factors can affect your additions. Our outlook on these factors may be affected by our experience, and therefore this update includes details on the experience of the non-participating fund and how this experience may affect our outlook.

Expense experience, with the exception of investment expense, cannot be used to determine your additions. Similarly, outlook on future expenses cannot be used to determine your additions. Therefore, this update does not refer to expense experience, expense outlook or any allocation of expenses to the non-participating fund.

An annual statement will be sent to you on your next policy anniversary date. Please refer to the annual statement for details on additions credited to your policy, if any.

A full Policy Illustration is available upon request. If you would like to see an updated Policy Illustration, please reach out to your Representative.

## Sun Life investment strategy – with you in mind

Our investment strategy is managed with Clients’ long-term wealth protection and accumulation needs in mind. The investment strategy is reviewed periodically and controls are in place to meet the investment targets by type of assets, credit quality of the assets and risk tolerance limits. So that we can fulfil our core purpose of providing lifetime financial security and fair returns to you as our valued Client.

<sup>2</sup> You can find more information on our website at: [www.sunlife.com/sl/sg/en/product-solutions/adjustable-contracts-policy/](http://www.sunlife.com/sl/sg/en/product-solutions/adjustable-contracts-policy/)