

# FWD Life Insurance Company (Bermuda) Limited (Incorporated in Bermuda with limited liability)

## FWD CAPITAL GUARANTEE PLAN

### Monthly fact sheet as at 6.30.2020

#### IMPORTANT

- FWD Capital Guarantee Plan (the "Plan") is a pooled retirement fund scheme.
- The Plan is an insurance policy issued by FWD Life Insurance Company (Bermuda) Limited ("FWD Life"). The guarantee is also given by FWD Life. Your investments in the Plan are therefore subject to the credit risks of FWD Life. The guarantee is subject to qualifying conditions. Please refer to section 1 of Part II of the Principal Brochure for details of the guarantee features and conditions.
- You should consider your own risk tolerance level and financial circumstances before making any investment choices. If you are in doubt as to whether the Plan is suitable for you (including whether it is consistent with your investment objectives), you should seek financial and/or professional advice.
- You should not invest based on this document alone. You should read the Principal Brochure for details.

#### INVESTMENT OBJECTIVE

FWD Capital Guarantee Fund ("the Fund") is one of the managed funds under the Plan. The Fund's investment objective is to preserve the capital of the assets and to seek a stable return to the fund investors so as to enable FWD Life to provide the guarantee specified at the "Guarantee Feature" below.

The guarantee is subject to qualifying conditions.

Long Term Investment Strategy:

Fixed Income Securities	67%-100%
Equities	0%-33%
Cash	0%-10%

#### INVESTMENT POLICY

The Manager adopts a prudential approach in seeking stable return from high-graded fixed income securities and at the same time, an excess return from some exposure in equities.

#### GUARANTEE FEATURE

The Fund under the Plan is a managed fund that guarantees the declared rate of return every year will not be less than 0% per annum on the total contributions, less any withdrawals and less any charges and fees applicable, received for the period of ten years from the commencement date of the participation in the Fund. After ten years from the commencement date of the Fund, unless FWD Life decides otherwise, the guarantee will lapse. The annual declared rate will be announced after each fiscal year end of the Fund. To obtain the annual declared rate of return, the employer and employee contributions must be retained in the Fund until the announcement of the declared rate for the immediate preceding fiscal year; otherwise, the interim declared rate of return shall be given. Such guarantee shall remain unchanged until the expiry of such period of ten years or the termination of this Fund, whichever is the earlier. The guarantor is FWD Life. In case there is any shortfall, FWD Life will make up the difference over the first ten policy years. The guarantee is subject to qualifying conditions. Please refer to section 1 of Part II of the Principal Brochure for details of the guarantee features and conditions.

The declared rate as declared annually by FWD Life at its absolute discretion is based on the yield earned and may be nominal value on the investment, net of all relevant taxes and charges but including realized and unrealized gains and adjustments made by the actuary to smooth market fluctuations.

**Investment involves risk. There is no assurance on investment returns and your investments may suffer significant losses.**

#### MARKET REVIEW

The strong trend in Asian credit markets continued in June, delivering a 3<sup>rd</sup> straight month of strong performance on the back of continued supportive monetary and fiscal policies across DM and Asian markets, and ongoing re-openings in major markets/economies. J.P. Morgan Asia Credit Index delivering 2.1% total return with the high yield sector and the investment grade sector reporting 3.9% and 1.5% total return respectively. The market largely brushed off concerns of 2<sup>nd</sup> wave virus outbreak, US-China tensions and geopolitical flare ups (particularly on the Korean Peninsula and the India-China border). Spreads continued to grind tighter while treasuries moved largely sideways (with some bouts of volatility). With the return in risk appetite over recent months, Asia USD bond supply continued to flow at a rapid pace in June, driven mostly by IG issuers. YTD issuance continues to be on par with 2019 on a gross basis, though on a net basis we are tracking roughly 30% below YoY. The interest differential between the Hong Kong dollar swaps curve and the US dollar swaps curve narrowed during the month as HKD liquidity increased. A measure of HKD liquidity increased by 36.9 bn HKD in the month. We think IPO flows, a strong stock market, as well as a higher interest differential of Hong Kong versus the US, helped alleviate political risk in June.

#### MARKET OUTLOOK

After the strong performance in 2Q, the Asian credit market is not as dislocated as in March but current credit spread levels remain wider than historical average and still pricing in excessive rating downgrade and default risks, in our view. India continues to be the weaker spot within the Asian market with fallen angel risk further increased after negative ratings actions by the rating agencies in the month. Elsewhere major economies China and Korea remain ahead of the curve in virus containment though second wave outbreak remains a risk notably in countries outside of Asia. The rising US-China tension is expected to make more news headlines though we note directly vulnerable sectors to this theme only account for a very small percentage of the Asian credit market. We remain selective in credit positioning and focus at sectors and companies which will withstand the current economic downturn and benefit from supportive government policy. Both the secondary and primary markets still present attractive opportunities amid market volatility. We expect rates in Hong Kong to follow the rates trajectory of the US in the long term, but the local economy and social/political issues present the magnitude and volatility of risk premium to interest rates in Hong Kong.

#### DECLARED RATE

Annual update in Nov of the year

Interim Declared Rate

01 Oct 2019 – 31 Dec 2019	1.50%
01 Jan 2020 – 30 Sep 2020	1.50%

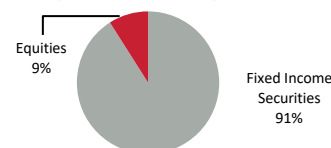
Annual Declared Rate  
(From 1 Oct to 30 Sep)

2018 / 2019	2.20%
2017 / 2018	2.20%
2016 / 2017	2.40%
2015 / 2016	2.20%
2014 / 2015	2.20%
2013 / 2014	3.10%
2012 / 2013	3.05%
2011 / 2012	3.15%
2010 / 2011	3.60%
2009 / 2010	5.10%
2008 / 2009	5.25%
2007 / 2008	3.00%
2006 / 2007	7.25%
2005 / 2006	6.25%
2004 / 2005	6.25%
2003 / 2004	6.25%
2002 / 2003	7.00%
2001 / 2002	6.00%
2000 / 2001	6.25%
1999 / 2000	7.50%
1998 / 1999	8.75%
1997 / 1998	7.00%
1996 / 1997	7.50%
1995 / 1996	8.10%

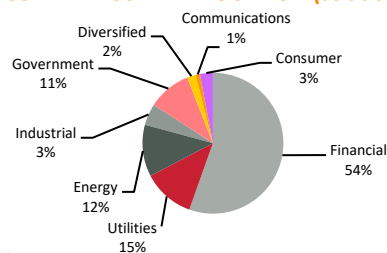
Source: FWD Life Insurance Company (Bermuda) Limited

The above are historical rates FWD Life has declared to its clients. Please note that the declared rate is the actual rate at which interest has been credited to the Fund accounts and that no deductions are made by FWD Life from such interest. Please also note that the figures are for indication only and that past performance is not necessarily a guide to future performance. Investment return may fluctuate. The interest will be credited to individual member's account on the policy anniversary (or the termination of membership). Subject to the guarantee feature as described under the "Guarantee Feature" sector above, the declared rate will be determined entirely at FWD Life's discretion. Moreover, FWD Life, at its sole discretion, has the right to retain the investment income of the Fund in excess of the declared and guaranteed benefits under

#### ASSET ALLOCATION (as at 6.30.2020)



#### FIXED INCOME INDUSTRY ALLOCATION (as at 6.30.2020)



#### Important Notes:

- The Plan has been authorised by the Securities and Future Commission Authorisation does not imply official recommendation.
- Investment involves risk and past performance information presented is not indicative of future performance. The Plan may be not suitable for everyone. There is no assurance on investment returns and your investments/accrued benefits may suffer significant losses.
- For further details including the features, the investment objectives and risks involved of the Plan, please refer to the details in the Principal Brochure. If you are in doubt about the meaning or effect of the contents of the Principal Brochure, you should seek professional advice.
- This fund fact sheet is issued by FWD Life Insurance Company (Bermuda) Limited.