

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

## FWD CAPITAL GUARANTEE PLAN

### Monthly fact sheet as at 7.31.2020

#### 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

Asian credit markets performed strongly for the 4th consecutive month on the back of stronger than expected regional macro data along with encouraging developments on a vaccine, which offset the negative sentiment arising from escalating US-China tensions and the resurgence of virus cases in select regions. The J.P. Morgan Asia Credit Index delivering 2.2% total return with the high yield sector and the investment grade sector reporting 2.4% and 2.1% total return respectively. Spreads tightened a further 26bps over the period while treasuries also provided a boost, tightening 13bps and 22bps on 10YR and 30YR UST respectively. Asian US dollar bond supply came to USD31bn in July, the strongest July issuance on record, but lower by 13% MoM versus June, which corresponded also with slightly easing hard currency fund inflows. YTD issuance continues to be broadly on par with 2019 on a gross basis, though on a net basis we are tracking roughly 26% below YoY, which continues to provide a supportive technical backdrop. The interest rate differentials between the Hong Kong dollar and the US dollar swaps curves narrowed further in July as HKD liquidity increased. The Hong Kong Aggregate Balance, a measure of HKD liquidity, increased by 51.7 bn HKD during the month. We think a strong stock market, as well as higher liquidity of the Hong Kong dollar, helps to narrow the interest rate differentials between the US and Hong Kong.

#### MARKET OUTLOOK

Following the strong performance in the past 4 months, valuation of the Asian credit market is not as dislocated as before but current credit spread levels remain wider than historical average and are still pricing in excessive rating and default risks, in our view. We continue to monitor the development of 2nd and 3rd wave of virus outbreaks and the trajectory of recoveries in different economies. As different countries and issuers have varying abilities to withstand this shock, we expect increasing returns dispersion though we remain constructive on the broad market and expect average credit spread to further tighten. 1H/2Q corporate earnings will be on focus in the coming month. For the number of names which have reported earnings thus far, with the exception of banks and select consumer sectors, the performance has been more resilient than expected. The rising US-China tension also remains a potential source of market volatility but we note that directly vulnerable sectors to this theme only account for a very small percentage of the Asian credit market. Overall, we remain selective in credit positioning and focus at sectors and companies which will withstand the current economic downturn and benefit from supportive government measures. We expect rates in Hong Kong to follow the rates trajectory of the US in the long term, but the local economy and political issues, especially US and China tensions, present the magnitude and volatility of risk premium to interest rates in Hong Kong. Planned listings of Chinese companies in Hong Kong and the inflow to invest in those stocks will continue to support the HKD for now, in our view.

#### 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%

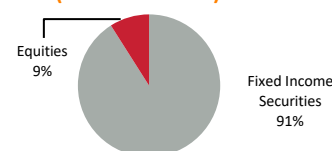
Annual Declared Rate  
(From 1 Oct to 30 Sep)

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%

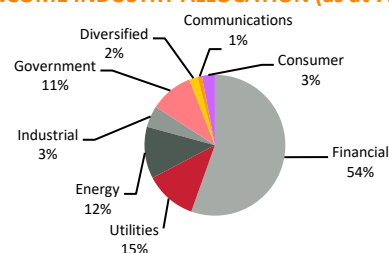
Source: FWD Life Insurance Company (Bermuda) Limited

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 7.31.2020)



#### FIXED INCOME INDUSTRY ALLOCATION (as at 7.31.2020)



#### 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.