

Investment Policy

The Investment Policy sets forth the basic principles that govern the effectively oversight, supervision, monitoring and evaluation of the investment and asset-liability management functions for the Company's insurance funds and the shareholders' fund.

The Policy is aligned with the MAS Notice 125 and has been formally set forth to:

1. Establish the oversight responsibilities of the Board and Senior Management and to establish an Investment Committee to carry out the investment and asset-liability management activities in accordance with this Policy.
2. Establish the investment goals and objectives including: the permitted asset classes, investment management styles, asset-liability management, asset allocations, overall risk tolerance and total long term risk-return requirements and solvency position.
3. Provide guidance and limitations on the activities to achieve sufficient levels of overall diversification, investment risk management, cash inflows and funding versus liability cashflows requirement, liquidity within the portfolio, so that all assets are managed in accordance with the long-term objectives.
4. Establish a basis for evaluating and reporting investment performance.

BOARD RESPONSIBILITY

ECICS Board of Directors has fiduciary responsibility to ensure that the investment activities are carried out without compromising the interest of policy owners and relevant stakeholders

ECICS Board of Directors delegates its authority over its investment activities to the Investment Committee to carry out the investment and asset-liability management activities in accordance with this Policy.

INVESTMENT COMMITTEE

The Investment Committee's duties broadly include the following functions:

1. Review the Policy on a regular basis so that it remains appropriate, recognizing among other things, changes in the business and economic environment and ensure that it is consistent with the asset-liability management strategies required to support any new and existing products.
2. Ensure all investment activities are carried out in accordance with this Policy.

3. Report any and all investment activities and decisions of material consequences regularly (at least quarterly) to the Board. In particular, report to the Board within two weeks, any investment-related activity of material consequence arises, with details of the various issues and the impact on the funds and ECICS.
4. Ensure risk management and internal controls are appropriate and adequate to support the investment activities.
5. Ensure that resources dedicated to the investment activities and asset-liability management are sufficient to implement and manage this Policy and any other activities requested by the Board.

The Investment Committee determines the board investment policy and strategic asset allocation decisions. It meets every fortnightly to review the following issues:

1. Investment Policy and Strategy
2. Asset Liability Management
3. Asset Allocation Strategy
4. Compliance Report

The Investment Committee's primary responsibilities are to review the appropriateness of the asset structure for the insurance funds and shareholders' fund; decide on suitable changes to be made to the asset allocation.

INVESTMENT OBJECTIVE

The investment objective is to achieve long-term growth of capital with capital preservation by investing in:

1. Quality value equities in recognized stock markets to provide growth potential.
2. Fixed income securities to provide stability in capital and income to fund our liabilities.
3. Achieving a rate of return higher than is available for 2-year Singapore Government Securities Bond.

The Company invests in equities and corporate debts that are offering attractive return or good investment value. In corporate debts, the emphasis is attractive long-term yield at acceptable credit quality. The aim is to provide a stable stream of positive income on the respective investment portfolios.

STRATEGIC ASSET ALLOCATION

Strategic asset allocation and long-term target rates of return on investment are determined by taking into account our asset-liability structure and time horizon, overall risk tolerance and performance expectations as well as solvency position.

Risk tolerance is mainly a function of the products we underwrite and the surpluses in the funds, influenced by the market conditions and opportunities.

On a year-to-year basis, ECICS set a target return and target asset allocation for the year. These take into consideration prevailing and expected market outlook, the surpluses in the funds and investment opportunities available. The Investment Committee shall table the annual strategic asset allocation to the Board for approval.

All ALM requirements shall be covered by fixed income securities designated at Held-to-Maturity at date of purchase. Any surplus funds in excess of the ALM and liquidity requirements shall be managed in accordance with the strategic asset allocation and to achieve the overall objective of achieving longterm growth of capital with capital preservation.

Prohibited investments include, but are not limited to derivative instrument except where such derivative instruments such as rights, warrants are acquired as a result of entitlement arising from equity shareholdings.

INVESTMENT RISK MANAGEMENT

The main focus of investment risk management is to ensure solvency of the insurance funds, taking into account the impact of market and other risks on assets and liabilities.

The risk management framework covers the following types of risks are actively managed:

1. Market Risk
2. Credit Risk
3. Liquidity Risk
4. Currency Risk
5. Operational Risk