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Financial Adviser

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March 2024

This notice contains important information that requires your immediate attention. Should you have any query about this notice, please seek independent professional advice. RL360 Insurance Company Limited (“RL360”) accepts responsibility for the accuracy of the information contained in this notice.

Dear <Salutation>

CHANGES IMPACTING FRANKLIN U.S. GOVERNMENT A INC USD (THE “AFFECTED INVESTMENT OPTION”) PREFERENCE (the “Scheme”) – <Policy number>

We are writing to you as your policy holds units in the above Affected Investment Option.

We have been notified by Franklin Templeton Investments (Asia) Limited, as Hong Kong Representative of Franklin Templeton Investment Funds (“Franklin Templeton”), of the following changes which impact the Franklin U.S. Government Fund which is the underlying fund (“Underlying Fund”) of the Affected Investment Option. These changes will take effect from **27 May 2024** (the “Effective Date”). Changes will be available to view in the updated Franklin Templeton Hong Kong explanatory memorandum after the Effective Date.

Changes to the investment policy

The Board of Directors of Franklin Templeton has decided to amend the investment policy of the Underlying Fund to introduce investments into the “to-be-announced” (“TBA”) market. A majority of mortgage-backed securities are traded in the TBA market, which is the most liquid mortgage market, and having access to these securities provides liquidity and price benefits.

In addition, “TBA transaction risk” will be added, as an additional risk, to both the sub-section headed “Risks of Investing in the Fund” in the profile of the Underlying Fund and in the section headed “RISK CONSIDERATIONS” within the updated Franklin Templeton Hong Kong explanatory memorandum.

For more details of the changes that will apply to the investment policy from the Effective Date, **please refer to the Appendix on page 3 of this letter.**

The changes will have no material impact on the way the Underlying Fund is managed, its portfolio composition, and will not change or increase the overall risk profile of the Underlying Fund.

The above changes will happen automatically to the Underlying Fund of the Affected Investment Option you hold within your policy and you do not need to take any action.

How to switch the Affected Investment Option if you wish

If you are not happy with the changes, you are free to switch your existing holdings out of the Affected Investment Option to other investment options available under the Scheme, free of charge. You may visit the interactive fund centre for your product to help you decide on new investment option(s) -

www.rl360.com/row/products/closed-products/preference/fundcentre.htm

Please note that our website contains investment options marked with '#' which are not available to Hong Kong policyholders. You will only be able to switch your existing holdings to other investment options available under the Scheme which are available to Hong Kong policyholders. Once you have decided, complete a Fund Switch instruction form, which is available on request or from our website, and return the same to us **by email, fax or post.**

You should consider your attitude to risk and speak to a financial adviser before making any investment decision. Investment involves risk. Performance can go up and down. Past performance may not be repeated and should not be used as a guide to future performance.

You should read the corresponding offering documents (including Product Key Facts Statement) of the underlying funds (including, without limitation, their investment objectives and policies, risk factors and charges), which will be made available by our Hong Kong office upon request.

Who to contact if you have any queries

If you have questions regarding this letter or any general queries, please don't hesitate to get in touch. Call our Customer Service Team on **+852 3929 4333** or send an email to hongkong@rl360.com and one of our team will be happy to help.

Kind regards



Chris Corkish
Investment Marketing Manager

Please note that our website contains products that are not authorised by the SFC and are not available to Hong Kong investors. The information in the website has not been reviewed by the SFC. Investment options marked with '#' are not available to Hong Kong policyholders.

Appendix

Affected Investment Option Name	Franklin U.S. Government A Inc USD
Underlying Fund Name and Share Class	Franklin U.S. Government Class A (Mdis) USD
ISIN	LU0029872446
<p>Changes to the Investment Policy of the Underlying Fund</p> <p>The underlined text is new wording to be added to the Underlying Fund investment policy information from the Effective Date.</p> <p>Terms not defined herein shall have the same meaning as set out in the Franklin Templeton Investments Explanatory Memorandum</p>	<p>The Underlying Fund seeks to achieve its objective primarily through a policy of investing in debt obligations issued or guaranteed by the United States of America government and its agencies, including purchasing mortgage- and asset-backed securities. The Underlying Fund will have an allocation to fixed income securities of at least 75% of its net assets. The Underlying Fund may invest 100% of its assets in transferable securities and Money Market Instruments issued or guaranteed by the US government, its agencies and related entities, in accordance with the applicable risk diversification requirements contained in the "Investment Restrictions" section of the Explanatory Memorandum, including but not limited to, the United States Treasury, the U.S. Federal Reserve, the Government National Mortgage Association (GNMA), and up to 20% in both the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (FNMA).</p> <p><u>In addition, the Underlying Fund may also purchase or sell mortgage-backed securities (issued by GNMA, Freddie Mac and FNMA) on a delayed delivery or forward commitment basis through the "to-be-announced" ("TBA") market. With TBA transactions, the particular securities to be delivered are not identified at the trade date but the delivered securities must meet specified terms and standards (such as yield, duration, and credit quality) and comply with the Underlying Fund's investment objectives and policy. Investments in TBA securities will not exceed 20% of the Underlying Fund's net assets. The Underlying Fund may only enter into TBA sale trades or TBA roll transactions with respect to securities which it owns.</u></p> <p>The Underlying Fund may use financial derivative instruments for the purpose of efficient portfolio management and interest rate hedging. Such financial derivative instruments may include, inter alia, swaps, forwards and futures contracts (including, but not limited to, futures on interest rates).</p> <p>The Underlying Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.</p>

Additional Risk Consideration to the Underlying Fund of the Affected Investment Option from the Effective Date:

TBA Transaction risk

TBA transactions are forward-settling mortgage-backed securities ("MBS") trades where the particular securities to be delivered are not identified at the trade date but the delivered securities must meet specified terms and standards (such as issuer, maturity, coupon, price, par amount, and settlement date). Forward settling securities, such as TBA transactions, involve leverage which may magnify investment risks. TBA transactions are also subject to market risk, counterparty risk and liquidity risk.

TBA transactions are exposed to changes in the value of the underlying investments during the term of the agreement. The obligation to purchase securities on a specified future date involves the risk that the

market value of the securities that the Fund is obligated to purchase may decline below the purchase price.

Funds may enter into TBA sale commitments to hedge their portfolio positions or to sell securities they own under delayed delivery arrangements. In entering TBA sale commitments, a Fund will bear the risk that the price of the MBS to be delivered increases before the settlement date. This could result in a reduction of the potential for realising gains on the concerned security.

Funds may enter into TBA roll transactions where the buyer agrees to sell an MBS and repurchase another MBS with similar characteristics at a later date. The buyer of a TBA roll bears the risk to be bound to buy a similar security at a higher price if the concerned pool of assets increases in price over the time of the roll.

SAMPLE