ASK ME ANYTHING
with the Empire Life Investments team

Transcript for Ask me anything webinar on June 28, 2023, featuring: David Mann, Senior Portfolio Manager, Empire Life Investments Inc. and Rob Taylor, SVP & Chief Investment Officer, Canoe Financial

Thank you, and good day, everyone. I'm Rob Popazzi, Vice-President of Retail Distribution at Empire Life and your host for today. On behalf of my colleagues at Empire Life, I want to welcome you once again to our Ask me anything webinar series. We have hosted several of these webinars over the years, providing you with the opportunity to have your questions answered by a variety of investment professionals. Today's date is June 28, 2023, and we have something special planned for you today.

To celebrate the launch of the Empire Life Canoe Portfolio GIFs, we're excited to bring two of the portfolio managers contributing their expertise to the funds: David Mann, Senior Portfolio Manager, Empire Life Investments Inc. and Robert Taylor, Senior Vice President & CIO, Canoe Financial.

So let me give you a bit of background about each. David has been a member of the Empire Life Investment Team since 2019. He's the lead manager of the Empire Life International Equity GIF[1] and manager of the Empire Life Global Dividend Growth GIF[1], Empire Life Global Sustainable Equity GIF the Empire Life Global Equity GIF[1] and the Empire Life Global Smaller Companies GIF[1]. David has close to 15 years of global investing experience.

Rob Taylor is an award-winning portfolio manager whose investment career spans more than three decades. Since joining Canoe in 2013, he's been the lead manager of the Canoe EIT Income Fund, the Canoe Equity Portfolio Class, Canoe Asset Allocation Portfolio Class and Canoe North American Income Portfolio Class. Currently with over $5 billion in AUM (assets under management). Rob is a senior partner and leads the firm's asset allocation committee, and as CIO has oversight of Canoe's investment strategy overall.

Now, before we move on, I need to remind everyone that this presentation reflects the views of Empire Life and Canoe Financial as of the date published and is subject to change without notice. The information from this presentation is for general information purposes only and is not to be construed as providing legal, tax, financial, or professional advice. The Empire Life Insurance Company and its affiliates assume no responsibility for any reliance on or misuse or omissions of the information contained in this document. Information obtained from and based on third party sources are believed to be reliable, but accuracy cannot be guaranteed. Please seek professional advice before making any decisions.

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[1] This is the marketing name for the fund. The fund's legal name excludes "Empire Life" and "GIF" and includes "Fund" at the end of its name.

Let's get underway. So, there's a number of factors affecting markets around the world. Rising interest rates as central banks globally try to fend off inflation. The continued and aggressive growth of AI and its effect on the various industries and sectors, all against a backdrop of the continuing looming specter of a recession.

So, we've reached out in advance for questions, and we'll address them directly with both Rob and David. And if you have additional questions, please put them into the chat and we'll address them if time permits. If not, we'll make sure we have someone respond to you following the webinar. Now, we've asked David and Rob to join us and they'll be shedding some light on the markets and providing their insight into their areas of focus.

So welcome and let's begin with you, Rob. You describe yourself as a bit of a value manager, and I'm wondering if you could elaborate on what that means and discuss what type of environment is conducive to your investment style?

- Rob Taylor: Yeah, for sure. And I just want to say thanks very much for having us and letting us have the opportunity to participate on this call.
- The way I think of value is, for us anyway, what it means is we want to buy good quality businesses. We want to buy them at discounted valuations. So, we're all about trying to find alpha opportunities for the portfolio. When the market sells off and the VIX[2] spikes and volatility starts to increase, that tends to be a really good time in the market because, you know, generally, investors are panicking. There's a lot of value dislocations that start to show up in the market and that's what we want to take advantage of.
- The other thing that tends to do well for value managers is a period of higher rates. We think we're moving into a period of higher rates. If you look back historically the last 40 years has been a growth driven environment, but that's also been an environment where rates have been falling.
- And most of the last 40 years, if you look to the prior 40 years, 1940, 1980 that was a period of rising rates, and that was also a period that value did much, much better. And when you're in a rising rate environment, fundamentals matter a lot more. And, and that's the environment that we think we're moving into.

Okay. Now I'm wondering if you could walk us through a bit of your investment process, sort of how you allocate to sectors. What do you look for in companies? Maybe give us a bit of insight there.

- Rob Taylor: Yeah. I think there's three things through our process. It's first, identify good business, so focusing on the characteristics that make up a good business. Things like the management team, the capital structure, like the balance sheet the share account, the returns of the business, how the company allocates capital, and are they allocating capital at a higher rate of return. The free cashflow characteristics, the margin profile, the free cashflow profile, the growth profile. All those sorts of characteristics that make up a good business. Then we ask ourselves, can the company grow? Because we think, you know, the mistake of a lot of value investors is buying businesses that can't grow, that are just cheap. And that's what generally leads to value traps.
- So, we want to avoid those. And then it's all about is there value, is there a value dislocation? And we often are looking for businesses that might be trading at the low end of historical. At some sort of depressed valuation to peers to take advantage of that value dislocation in the market. The second part of the process is really, it's all about skews.

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[2] Chicago Board Options Exchange Volatility Index – this index is used as a measure of the expected volatility of the US stock market.

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- So, looking what the downside is in the stock versus the upside potential. We want to have, you know, a lot more upside potential than we could see in downside to own a security. And on top of that, there's a hurdle rate. So, every security has their own hurdle rate because every security has their own risk characteristics. And we want to make sure that we're getting, you know, adequately compensated for the risk of owning a security. In terms of the hurdle rate that we have, in terms of like sector exposure and how we, how we do that, everything comes from the bottom up. So, our sector weights really fall out of where are the best risk reward opportunities in the market at any given time? And then obviously we want to balance out the risk of the overall portfolio to make sure that we're not overly exposed to any one sector. But you know, the portfolio is obviously going to be skewed to where the best risk reward opportunities are or that we at least see at any given time.

Okay. Interesting. Thank you very much. Let's shift over to David a little bit here, and David we haven't talked about COVID in a couple of weeks, so let's talk about it now. So, it feels like the COVID recovery in China has been a bit more uneven compared to other economies, and I'm wondering if you could discuss some of the challenges as well as some of the areas where you see opportunities there.

- David Mann: Sure. Thanks Rob. Just to provide some context, the Chinese economy has been undergoing a shift over the past several years to be more consumer led and less reliant on manufacturing. And I'd say they've been kind of medium successful at that. There's still a big reliance on manufacturing and property and there's really been like a kind of three different buckets of recovery, being property, manufacturing, then the low-, mid-end consumer, and then the high-end consumer. Starting with property which is critical because it accounts for around one third of GDP and that's really just residential property. It's a much more debt laden sector than it was historically. And consumer confidence in that specific area is rather low. So, there hasn't been a lot of land purchases or property completions, and that's a key driver of the economy. And without that, you're not going to have that uplift to property prices. And therefore, some wealth effect that you've seen in other economies. The low-end consumer has struggled, low- to mid-end consumer has struggled, and you can see that in a lot of the purchasing patterns of kind of like mid-end cars, apparel, and broadly in the internet space with big companies like Alibaba and Tencent showing pretty low growth profiles relative to history. And that, again, is just low confidence. But also, there's a very stark statistic that the youth unemployment rate is 21% in China, and that's at a multi-year high, if not at all time highs.

- The positive has really been, and this is really, it's been in the same in so many different economies globally, and that's, this goes back years and years and years, is that the high-end consumer has been really strong. If you look at a business like LVMH, which owns Louis Vuitton, sales have rebounded on the mainland at a very, very rapid clip.

- And then similarly, if you look at casinos in Macau, which is the only legal area in greater China to gamble in, gambling has rebounded pretty strongly as have the luxury stores within Macau. So, where we're seeing opportunity is kind of in those areas right now in casino and luxury goods companies because there's still a lot of long-term demand drivers for these businesses. And specifically on the casino side we think there is some further rebound potential. We're also keeping our eyes out for kind of broad stimulus. There's talks of helicopter money being put into consumers' wallets, similar to what was done in other economies, in the property market as well. And that could act as significant drivers for the Chinese economy.

Okay, great. Thank you. Appreciate the insights there. Rob let's jump over to you and talk a bit about interest rates, and you talked about a rising interest, a period of rising rates. And so, if the assumption is that they're going to be higher for longer, with that elevated inflation kind of backdrop, how does this shape your overall outlook and, and positioning? Maybe you could go a bit deeper for us here.

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- Rob Taylor: Yeah. So, I mean, if you think about the last decade and what we were in, we were in period of very low interest rates and a lot of central bank accommodation, and that led to this fantastic trending market. Everyone made a lot of money in the last decade. We saw compound returns in the double digits. And what happened because of the low rates and all the accommodation, it went into asset prices. We saw this asset price inflation, which is effectively the stock market doing really, really well.

- We think we're moving into a period of structurally higher rates and structurally higher inflation, that you made a generational low in interest rates in 2020. And because of inflation the trend is higher. And so, it's an unwinding of last decade's policy and last decade's leadership.

- So, we think it's a new playbook and that playbook is going to favor value. We think it favors short duration, cash flowing businesses, and we think it's going to be really important in the decade that we're going into, that you have some sort of inflation protection in your portfolio. Because if you look back to prior periods where we were in an elevated inflationary environment and a rising rate environment you needed to own a different sort of portfolio that provided you that inflation protection. So that's what we think we're going into. And, you know, I think the other thing to think of as an investor is that, you know, for a long time, over 10 years, it's been okay to just own the market, to just be a passive investor, but in what we think we're going into, it's going be a much more challenging decade for broader market returns. So, you need to be more active. You need to be a stock picker. I don't think it's going to be a decade where you can just be invested in the broader market like you have been. So, there's a lot of changes and a shift I think that's going on. We're, I think, in the early innings of that. So, I do think it's going be a new playbook that's required.

So, harder to get those returns in the broad market. As opposed to sort of active management, active PR, stock picking sort of models.

- Rob Taylor: Yeah. Like you can look back historically, there's lost decades for the broader market, right? Where there's a lot of rotation that takes place. Like the last lost decade we would've had for the S&P 500 was 2000 to 2008. That was following the tech bubble. And as you know, money started to unwind out of a lot of those technology stocks back then. It had to find a new home. So, there's a lot of rotation within the market. So, there were areas that you could find and rotate into where you made money. But had you stayed in the same former leadership of the prior decade you would've done very poorly. So, I think this is, this rotation, I think is in the early innings. It's going to be important to get that right and that probably means, you know, investing in a passive strategy or not being an active manager. It's going to be more difficult. I think we're already seeing signs of that in the market today.

Okay. No, that's great. Thank you. So, David, let's maybe shift over to get some of your thoughts on how higher interest rates will impact Europe because it looks like that economy is kind of already contracting a bit. So, love your thoughts there.

- David Mann: Yeah, so similar to what Rob said, it's kind of a different regime in Europe now but it's even kind of more extreme there because their rates, in many economies, were in fact negative. So, it's just a, a huge mindset shift in how people are thinking.

- I'd say, over the past 20 or so years, one of the areas that's been the biggest beneficiary of steadily declining rates is the residential property market again. And that market, you know, take Germany as an example, the companies there have been successful just by levering their balance sheet, investing in property, and then seeing net asset value appreciation. And that's been a great playbook in the falling rate environment. Now that we're in this new regime, that one area has been turned on its head. Companies have levered, are very levered. And they were levered based on this old regime, but under the new regime it doesn't work. And just one example, in Germany, over the past... property, residential property prices were down close to 7% in Q1. And that is an all time or, 25-year record price decline that you've seen in the German market, and that has changed how companies operate. It's required some equity issuances from business and there's going to be

continued funding requirements that are going to be very hard to meet within Germany and other economies in Western Europe.

- Second of all, I think there's been kind of less investment overall. You can see that in the purchasing, manufacturing surveys that have been put out, which are sub-50. So, in contraction mode. But more specifically, companies are being more disciplined in how they're investing because money is more expensive.

- I think Shell, the energy company, is a great example of that. And that they were, at one point, they were chasing renewables. They were chasing gas stations and many other areas, and they've really kind of narrowed down their focus to investing in some areas that are more core to them, while at the same time returning in incrementally more capital to shareholders.

- The consumer though, has been, I'd say pretty resilient. Overall lending to the consumer is at very, very low single digits, which by European standards, is pretty good. And the consumer's still spending. If you look at hotel rates, they're at multi-year highs. Again, we own a position Inditex, which is Zara, and that's a heavily European focused apparel chain. And they're doing phenomenally. And then lastly, Ryanair, the low-cost carrier, which hopefully you haven't flown. But their fares are up kind of 15 - 20% year on year. And this is just an unprecedentedly positive environment, so it's not really having the same impact on the consumer as I would've expected when talking about the declines in manufacturing and property prices.

Okay. And yes, I have had the pleasure of queuing up to fly a Ryanair flight once upon a time. And it's every person for themself for a seat. So very different model. It's quite an experience. If you haven't done it, you should really try it. It's something. But I'll do a bit of a follow up here if I could, David, on, so if the US goes into recession how will this impact the rest of the world? I'd be curious about that and the companies that you're investing in.

- David Mann: It's not going to be positive. If you look at just the... I'll break it down basically into China and Europe. China, the US is a big export market for, or sorry, the US is a big export market for China, so reduced demand there will be negative for China. And then similar for Europe, because Europe has been ex-growth for so, so many years, the businesses there have done a fantastic job diversifying into other economies and similar to China they will suffer. And then if you narrow that down onto a company level, it's roughly one third of revenues of European businesses are derived from North America and more specifically the US. So, it's not going be great. The US counterparts will be harder hit, but it'll be a drain on revenue growth for companies globally.

Okay. That's not great news, but not unexpected, I guess when you when you look at the interconnectivity of our global markets.

Rob, maybe shift gears a bit here to energy if we could, and you have significant experience in the energy sector. Wondering about your current outlook is on the North American energy stocks and what types of companies are you finding the most value from?

- Rob Taylor: Yeah. So, I mean, I think we're in the early innings of an energy cycle. And in fact, I think we're, we might be entering into a secular bull market for commodes in general. So obviously energy would participate in that. And you know, the reason being if you think about the last decade, it was a deleveraging cycle for the energy sector. There was an overbuild of capacity, a lot of leverage take on, on companies' balance sheets, you know, by the end of 2014, right as we were going into a downturn in the commodity crisis. So, you saw over the last, you know, eight to 10 years a period of time where the energy stocks really underperformed and struggled because they were dealing with low prices at a time that they had a lot of leverage on their balance sheets. But a lot of that we think is behind us that now, you know, when you look

at the sector, there's very strong free cash flow yields and north of 17%, now, almost no leverage of the balance sheets.

- The capital intensity is about 40%. Which is, you know, historically this sector has spent almost all their cash flow put it back into the ground, into the drill bit. But now they're returning capital back to shareholders. That's leading to much higher cash returns. So, you're getting paid a high dividend in many of these companies. And you know, both in terms of the fixed dividend, also variable dividends and buybacks, and the stocks are cheap. And we think that what we're entering into the next decade is a decade of shortages that you've under invested in many areas of the economy, especially the old economy, following the last decade, which was a period of below trend economic growth. It was also a debt deleveraging cycle following the great financial crisis in 2008 so there was a lot of lack of investment, let's say. And that's going to need to change because I think what you're going to see is higher prices are coming and the only way to rectify that is to step up the capital investment. And so, you know, I think that you're going to need to find ways to get these energy companies to actually spend more money to, to rectify the higher prices that are coming. So, the setup is really good for the sector, just in terms of the types of companies that we're finding value. Really, it's across the energy sector.

- Then, you know, the next part of the cycle that should really benefit would be the service sector. So, the producers did really, really well the last part of the cycle, which is normal. And the early part of any energy cycle, the cash flow first flows through to the producers and then, you know, the baton shifts and it gets handed over to the service companies. They're the ones that have the advantage, that have the pricing power. They're going benefit from the spending cycle that's about to come. So, they're a later cycle outperformer. So, we think you're going see this shift to a CapEx cycle on the other end of, you know, whatever we're in right now, if we're heading into recession or deep slowdown, eventually we'll head into a recovery. And we think in that recovery, the spending cycle's going need to begin because in that next recovery is when prices will tend to move higher. So, we kind of look at it as like attractive fundamentals of the moment. You're getting these companies cheap, at a kind of trough of [the] cycle [for] energy prices and there's a free option on higher prices in the future.

Wonderful. Okay. Great insight, and particularly around the setup being good for the overall sector. And again, we've heard something similar in the past from Ashley Misquitta and some of his talk and some of the funds that he manages. But I like the way you described it, sort of the producer and then into the service sector sort of play as well. So, thank you for that.

David, I'm wondering about a particular question that came in about the Inflation Reduction Act in the US and how that might impact China and Europe.

- David Mann: Okay, so for background the IRA (Inflation Reduction Act) is one of several measures that the US has put in place to encourage investment in the US and with an effort or a goal of decoupling or reducing reliance on China largely. And it has been pretty successful so far. There's been a lot of big projects that have been put in place in the US largely as a result of pretty significant subsidies that the US has offered. TSMC or Taiwan Semi is the largest semiconductor fab (fabrication plant) globally, and they hadn't built a fab in the US in years. And as a result of the subsidies, they are putting a fab in the US in Arizona, and I'll break the impact into kind of short-term and then medium- and long-term. In the short term, from an economic perspective, it'll be helpful for US economic growth because more capital investment, more jobs, more spend, et cetera.

- And then Europe is not getting that similar investment, so they won't benefit from a corresponding perspective. But then from a medium- or long-term perspective, it could be harmful to, more harmful to Europe and China relative to the US because the US will be getting more of that IP (Intellectual property) and that manufacturing capability and knowhow.

- And if Europe and China don't respond in some way, they kind of risk losing out on that mid- to long-term opportunity. And you can say like, China's benefitted over the past several years from being a manufacturing hub, they've, you know, however you want to phrase it, they've gained technology from the US and if the US is kind of putting a halt to that, which it appears that they are specifically through semiconductors, China's not going to have that learning avenue that they've had over the past several years.

- Europe is very, very similar to that in that there's not a lot of innovation that occurs in Europe relative to the US. Aside from a few very large technology companies, it's very hard to think of businesses like Facebook or Amazon or Google Access that have come out of Europe. And if Europe doesn't incentivize businesses to do that while the US is, it's going to be a further detriment to Europe's long, longer term growth profile.

- Neither of those economies are standing still and they're trying to figure out in their own individual ways how to kind of balance off the investments that the US has. It wasn't part of your question, but it's very interesting, Rob, that here in Canada, Volkswagen, like Canada's trying to figure out how to react as well and correct. Volkswagen has announced a massive plant here that is costing Canada several billions of dollars. And that plant wouldn't be here without subsidies that various governments are providing to VW. So, I'd say it's kind of a US versus rest of world.

Okay. And David, continuing on sort of with the global sort of perspective, you know the Japanese market. Let's talk a bit about that. It's performed very well this year, and I'm wondering what some of the reasons for this and the current exposure are, and, you know, I'm curious about your thoughts in that space.

- David Mann: So, if you look at let's say global portfolio managers over the past decade, being underweight Japan has been a fantastic call. There are great businesses in Japan, but for the most part, they're not run for shareholders. Rather they're run more with a stakeholder approach. So, looking at the economy or looking at employees and safety concerns, versus putting shareholders first.

- And also, Japan's been in in deflation for several years. So, it's been a great investment for consumers just to save and not spend on, on consumption patterns. That's changed. First, I'll start with inflation, which is running on two and a half, 3%. And that's, again, much like other economies. It's a big mindset shift for the Japanese to say that, you know, if you don't spend, you're going to have less money now or less money in the future than you have now.

- You haven't seen a change really in consumption pattern. But it's a very slow-moving economy. So, I think that will take a longer time to manifest itself onto shareholder focus. Japan is... like companies there are notorious for being huge cash hoarders. Because cash provides a margin of safety and when things go bad, it's better to have that cash to support your business than have to look at alternative measures.

- But even considering that there's too much cash held in Japan, and activists have really taken note of this. And some of the largest activists globally have taken big stakes in traditionally very sleepy and stodgy Japanese companies and encouraged them to return cash to shareholders through dividends or buybacks. And with the goal of returning, of increasing return on equity to more globally acceptable levels. And they've been very, very successful in that. I'll take one business, Fuji Tech, they make elevators. You might have seen their name on elevators that you've been in. We know the elevator businesses are excellent, excellent businesses. There's an initial install component and then there's a recurring revenue component through the services. Despite being such a great business, when you compared Fuji Tech's returns to other elevator companies globally, they were far, far lower. That was because largely there was too much cash being held on the balance sheets, and they weren't using the balance sheet to its full potential as a result of some activist activities. That has changed and there's been a change in the board of directors as well, and that is just emblematic of bigger changes happening within the Japanese market, more significantly. There's a new head of the Tokyo Stock Exchange and he's basically put in place measures that have said, if you don't

increase your ROE, you threaten being kicked out of the index and being kind of publicly shamed. And that's a very, very big deal in Japan.

I want to remind people that David did an excellent piece on Japan and the Japanese market and it's available on empire.ca/investments. So, I don't know if we've got it in the handout section here in the call, but if not, please go to the website and check it out. Some great insight inside of that article.

Rob we're going to come back to North America and wondering where you're finding more value. So, this question was, are you finding value in Canada or the US, and maybe a bit about why.

- Rob Taylor: Yeah, so I mean, the short answer is we're finding value in both markets. We're North American equity investors. And I think, you know there's value that you can find in both markets. From, I guess a headline basis, Canada's a cheaper market than the US but when you dissect the US and look at it, the reason the US is expensive is really because it's dominated by a few growth stocks. So, I think the top 10 stocks in the S&P 500, right now, about 32% of the index, which is very high versus history. You have to go back to 2000 during the tech bubble or back to the 1970s when you had this group of companies called the Nifty 50 to see the concentration of the market as high as it is today. And those stocks are expensive. And so, when you look at the broader market, the broader market in the US is very skewed in terms of valuation to those more expensive growth stocks, making the overall market look expensive. But when you look at the remaining stocks in the S&P 500, they're actually quite cheap.

- So, I think there's a lot of cheap areas within the broader market that you just need to search for. And we're finding that across many different sectors, whether it's healthcare or energy or financials or industrials, I think there's opportunities to find cheap stocks. You just need to find them. And unfortunately, you don't get that by just investing in the index because that index, again, is very skewed to [only a few] companies that are very crowded and expensive at the moment.

That's a great insight around the index being very skewed and I think people kind of sometimes, you know, for simplicity and for ease, maybe forget that point. So, it's a great insight. Thanks Rob.

Question for both of you. Maybe we'll start Rob with you since you were just sort of talking about the value where you're finding it, what's your overall sort of positioning, sector positioning?

- Rob Taylor: Yeah, I mean, just in terms of overall positioning, we think we're moving into a decade where the old economy areas that suffered in the prior decade are going to be some of your secular leaders. So that would be in areas like industrials and energy and financials and material sector. So, I find the portfolio is more skewed to the cyclical value areas of the market. Now, like I said, we're in this period of inverted yield curve and you know, it tends to be a difficult and challenging environment when you're in that latter part of the cycle.

Okay. Thank you. So, David some of your thoughts there, same ideas? Similar?

David Mann: Well, we're more of a growth focused investor, so we we're looking for businesses where we think there's going be a step up in growth that's really not recognized by the market or where we think the growth is just being underpriced by the market. And so, we continue to find a lot of opportunities there.

Okay, thank you. A final question here, maybe if you could kind of summarize your long-term equity outlook and, what advice would you give to investors to take advantage of these opportunities? You've both kind of spoken to it a little bit, but if you would kind of like to

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summarize your thoughts this morning. What would be your outlook and maybe David, we'll start with you.

- David Mann: So first my advice is stay invested because investors tend to run after things are bad and raise cash, then so often the return of an equity manager over time will outperform the return of the average client because the client doesn't stay invested for the long-term.
- And every equity manager is going to have years of outperformance and underperformance. And it's critical for you to do your diligence on investment managers and then just stay invested alongside your risk profile and with the managers. So, running and raising cash when things are bad is often a bad thing to do, but because of just human behavior it tends to be something that happens time and in time out.
- And long-term, I'd say I'm optimistic in that businesses tend to generate returns in excess of their cost of capital, or at least the businesses that we invest in. And with that economic profit being generated for businesses and their shareholders. And as we invest in businesses that are able to compound their returns, that should be positive for the share prices.

Great. Thank you. Rob?

- Rob Taylor: Yeah, I mean, I share a lot of the same things that Dave was talking about. I guess in addition to that, I'd just say that I think we're entering into a challenging decade for the broader market. So, I think, you know, this is a decade where the returns are not going be like the prior decade. It's going to be lower returns and you know, we just need to be ready for that and positioned properly for that, and I think that, you know, the last decade, like I said, was a decade where you just wanted to be in the broader market. You had this rising tide lifting all boats, all this accommodation from central banks, very low interest rates. It led to this fantastic asset price inflation and great returns. But if we're in this different period of time with higher rates and unwinding of last decade's policy. I think it's, you know, get ready for a different sort of environment. So, you want to be, again, be with an active manager, I think, more so now than before.
- And you know, I just think that, you know, the other thing to just think about is we're probably going into this secular CapEx cycle because like I said, I think we're moving into this decade of shortages and you know, so you want to have some exposure to companies that are going to benefit from that and inflation protection. So, if we're heading into a period of structurally higher inflation you just have to look back to the 1940s or the 1970s and, you know, those decades were all about protecting your purchasing power. So, we all think of things in terms of nominal returns, like, I'm going to get 5% on my bonds, and that feels great. Except if you have 5% inflation, you're really on a road to nowhere. So, it's about being able to protect your purchasing power and allocating some of your portfolio to that inflation protection, which you're going to get from equity exposure. But it's the right equity exposure that you need to own, which is why, you know, I think having a portfolio manager that you trust is going to be increasingly important in the decade we're going into.

A hundred percent. Thank you both, gentlemen, for your insight and your time today. I'd like to again open it up to the group. We've got a number of people on the call. We have the chat, the Q&A box available. And so, if you type in a question, we'll take a few minutes and address it. If there are no questions live in the session today, you can also follow up with our investment team. Of course, our account executives have all the information on both David's funds and of course the new Canoe GIF funds as well. So give people a minute to drop in some questions and while we're doing that, maybe what I'll do is I'll start our conclusion and we'll see if there's any questions that do come in, because I know if people type at the same speed as I type, it might take a minute or two, but the Empire Life Canoe Portfolio GIFs, they use a long-term investment approach, as you heard from Rob. It really aims to align with your investors' goals while providing some diversification. And these portfolios combine the investment expertise of two award-winning

investment shops. We've got the Empire Life Investments team and the Canoe Financial team. Please check out the handout section for more information about these additions to the Empire Life GIF.

Got one question from Denise that's come in. In times of instability, precious metals have been favored, in particular gold. Would this be viewed as a good protector from inflation today? David, do you want to take that one or do you want to Rob?

- David Mann: Perhaps Rob. Gold's a lot bigger in Canada than it is around the world.

Let's go to Rob.

- Rob Taylor: Yeah. So, I do think it is a... I always think of gold as it's an insurance policy. And you're right, in periods of inflation and when you start to see things like financial instability, gold tends to do better. So, I do think it's something that will do well. Now, I guess, like we've been in an environment where gold's really struggled. So if we got into a period, let's say, where the Fed is no longer able to fight inflation, because there's risk of, you know, we've seen the most rapid increase in rates in years and, you know, I think you saw back in March, you started to see some negative effects from that rapid increase in rates, in terms of instability in some of the regional banks in the US. So if that were to spread into other areas, if there's other unintended consequences of those higher rates that we have not yet seen, where the Fed's not able to continue to aggressively fight inflation, I think gold would do very, very well in that environment. So that's not a zero-probability event that, you know, a lot of people think that at some point in time that we might enter into a period of yield control. Where the Fed, you know, just like in the 1940s, there's a lot of debt in the system. We saw these waves of inflation. Rates would've otherwise moved higher, but they couldn't, because of the amount of leverage that was in the system, it would've broken the financial system. So, it sounds very familiar to maybe what we're seeing today. So, I do think it's, you know, an allocation that you could have in your portfolio as an insurance policy against that sort of event occurring.

Okay. Rob, another question came in particularly about Canoe and the Canoe funds. What would be the turnover rate inside of the funds? Some advisors are asking, you know, give us a bit more insight about the funds, how they turn.

- Rob Taylor: We're active managers, right? So, we're not a buy and hold strategy. So, I'd say buy and hold strategies would probably have turnover between 20% and 30%. We're a bit more active than that. We're probably in around the 50% turnover rate in the portfolio. So that's what we were in the last 12 months. But, you know, every cycle is going be a little bit different. Like I said, at the very beginning. When the VIX[2] spikes and people start to panic and there's a lot of opportunities that start to present themselves, those are rotational markets. And those are opportunities to start to get exposure to the next leadership of the next business cycle. So, what I would assume during periods like that, you know, we will take advantage of some of these dislocations, and the turnover could increase, you know, during those periods of time. But like in periods that we were in, like last year where we were already positioned for the environment that we went into, we had very low turnover. So, it really depends on the environment that we're going into.

Okay. Well, we're close on time so what I would like to do is maybe do a quick closing comment here, and again just remind people of the GIF Growth Commission Bonus campaign, which has been extended for 2023. All Empire Life GIFs, including the new Empire Life Canoe Portfolio GIFs, are included in the program. So, reach out to my sales team, the account executives, have all the details and happy to talk about that and the new funds.

The investment team does continue to find opportunities in all market cycles and you can stay informed on the team's activities through the investments blog. Remember to check out the

handouts in the handout session of this webinar for some more insights. And if you have any questions on the webinar or any of our product choices, of course, reach out to our account executives or our retail sales associates on the inside team. We'd love to talk to you and help you with your client. So, watch your inbox for the next few days for an e-blast that will include a replay of today's call. You could share it with your colleagues that may have missed it. There's lots of resources on our website and empire.ca/advisor would be where you go to get that information.

So, I want to personally say thank you to Rob [Taylor] and David [Mann] for taking the time for the preparation and for the webinar today. It's been great. Very insightful, and a great opportunity to learn more about Canoe and to learn more about David, the funds that you're managing. Looking forward to working with both of you more closely in the future and doing these again at another date. So, thank you very much, gentlemen. And at this point, we'll conclude the webinar. Thanks everyone for joining. Have a great day.

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