

EMPIRE LIFE CANOE PORTFOLIO GIFS

Q4 2023 Update

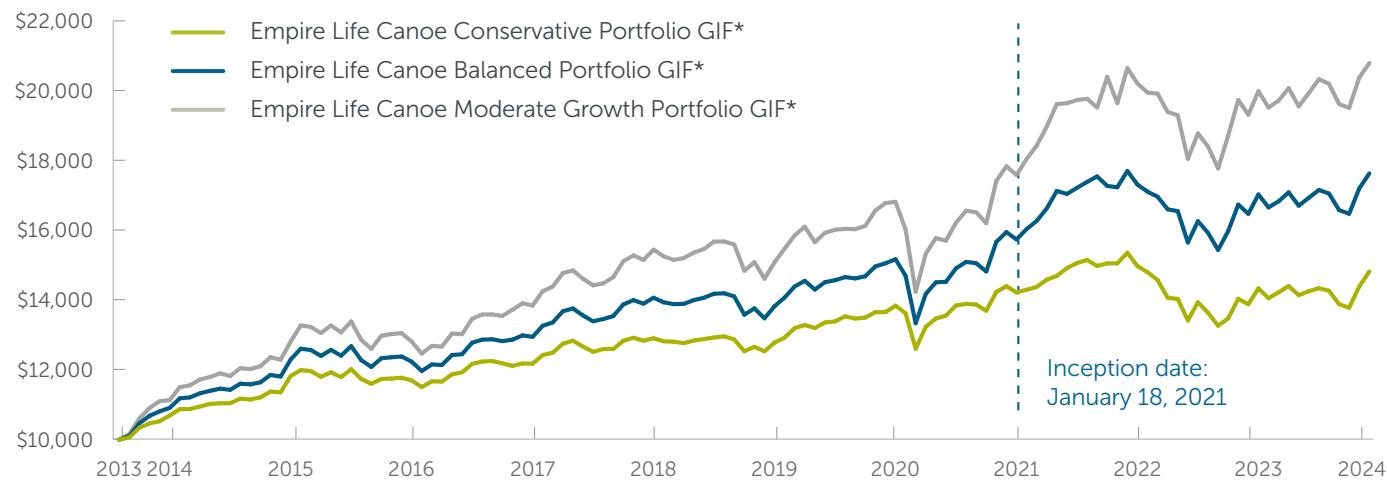
Market commentary

Both fixed income and equity markets surged in the fourth quarter, rewarding investors with a strong rally. The S&P/TSX Composite Index rose 8.1%, while the FTSE Canada Universe Bond Index gained 8.3% on falling rates, as investor sentiment shifted to the “soft landing scenario” as the most likely outcome in the new year. Equity markets ended the year on a high note, delivering impressive gains over the quarter. October was mostly negative, however markets surged higher in both November and December, thanks largely to falling bond yields and expectations of central bank rate hikes coming sooner rather than later.

Following the last policy meeting of the year, investors took US Fed Chair Jerome Powell’s comments, or in some cases, lack thereof, as a sign that not only were rate hikes done, but that cuts could be imminent. This saw investors once again adjust their portfolios for a soft-landing scenario, delivering gains for investors.

► *Continued on page 3*

Hypothetical performance of \$10,000 based on historical returns of the underlying funds¹



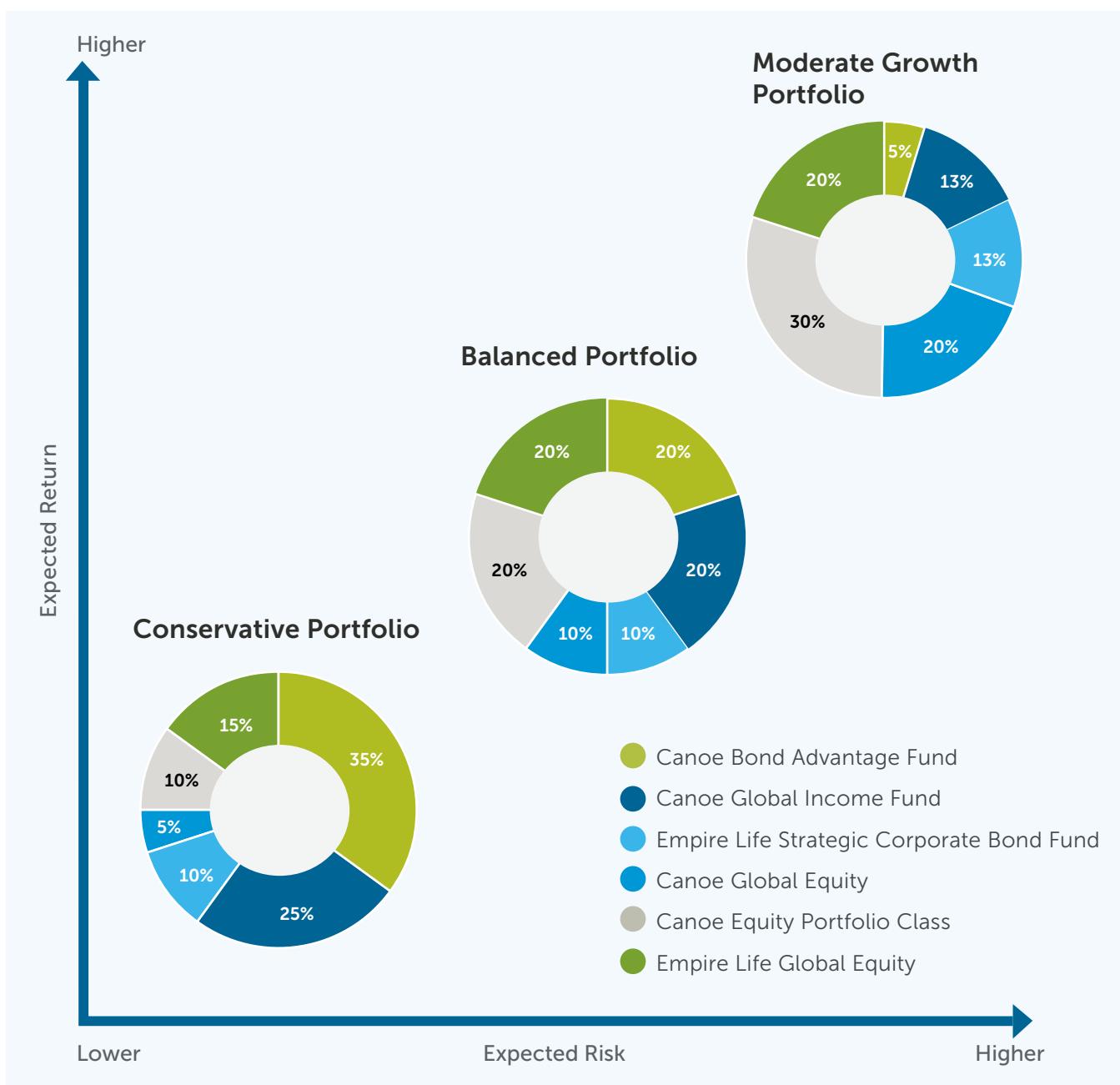
Source: Morningstar Research Inc., as of December 31, 2023.

* This is the marketing name for the fund. The fund's legal name excludes "Empire Life" and "GIF" and includes "Canoe EL" at the start and "Protection Portfolio" at the end of its name.

Reasons to invest

- 1. Track record of performance** – Built with a combination of funds that have demonstrated resilience through various market cycles
- 2. Proudly Canadian-owned and operated** – Award-winning² Canadian investment managers investing for Canadians with a global focus
- 3. Strategic Asset Allocation** – A long-term investment approach that seeks to align with an investor's goals

Diversification in an instant



As at December 31, 2023. Asset allocation for the portfolios are rebalanced back to this strategic allocation on a monthly basis. Due to rounding totals may not add up to 100%.

² Empire Life won two 2023 Fundata FundGrade A+ Awards for the Empire Life Asset Allocation GIF and Empire Life Canoe Moderate Growth Portfolio GIF. Canoe Financial won five 2023 Fundata FundGrade A+ Awards of which the Canoe Equity Portfolio Class and Canoe Global Equity Fund were among the winning funds. Canoe Financial won the 2023 LSEG Lipper Fund Awards, Best Canadian Focused Equity Fund over 3 years and Best Tactical Balanced Fund over 3, 5 and 10 years. Please see the last page of this document for further information about these awards.

► *Continued from page 1*

From a style and factor perspective, growth stocks outpaced more value focused strategies in the quarter. The MSCI Growth Index gained 10.6%, compared to 8.8% for the MSCI World Index and 6.8% for the MSCI World Value Index.

Quality, momentum, and small-cap stocks outperformed the broader market in anticipation of a new market regime. The MSCI World Quality Index jumped 9.8%, while the MSCI World SMID Cap Index and MSCI World Momentum Index were both up 9.4%. On the other hand, low volatility was the weakest performing factor, gaining a modest 4.2%.

Fixed income moved in tandem with equities in the fourth quarter, delivering strong gains across the board. Foreign bonds ended the quarter on a positive note but trailed their Canadian counterparts.

As with equities, the bond market responded optimistically to the December rate announcement. Bonds rallied as yields fell on expectations that central bank rate cuts were likely to occur in the near future. In this environment, it was the more rate-sensitive areas of the bond markets that rallied, with longer duration bonds meaningfully outpacing shorter duration bonds and government bonds outpacing corporate bonds.

Bond yields closed off the year by moving lower across the yield curve. In December, the yield on the two-year bond moved from 4.20% to 3.88%, the five-year bond moved from 3.64% to 3.17%, and 10-year bonds fell by 46 basis points to end the quarter at 3.10%.

Fund review

Fund ³	Canada Insurance Category	3 month	1 year	2 year	Inception
Empire Life Canoe Conservative Portfolio GIF	Global Fixed Income Balanced	6.1	5.1	-2.9	-0.7
Quartile Rank		3	4	3	-
# of funds in the category		357	348	333	-
Empire Life Canoe Balanced Portfolio GIF	Global Neutral Balanced	5.8	5.5	-1.7	2.0
Quartile Rank		4	4	2	-
# of funds in the category		895	878	833	-
Empire Life Canoe Moderate Growth Portfolio GIF	Global Equity Balanced	5.5	6.3	-0.5	4.6
Quartile Rank		4	4	1	-
# of funds in the category		982	971	956	-

Source: Morningstar Research Inc., as of December 31, 2023.

³ Annual Compound Returns: Returns under 1 year are simple rates of return. All others are annual compound rates of return. All returns are calculated after taking expenses, management and administration fees into account.

The Empire Life Canoe Portfolio GIFs ended the year on a high note, delivering strong returns for investors and posting positive returns for the quarter and the year. The Empire Life Canoe Conservative Portfolio GIF rose by 6.1%. At the same time, the Empire Life Canoe Balanced Portfolio GIF, which targets an equal mix of equities and bonds, gained 5.8%, and the more growth-focused Empire Life Canoe Moderate Growth Portfolio GIF rose by 5.5%.

Drilling deeper into the performance, most of the underperformance relative to peers came from the equity side of the portfolios. Looking at the Empire Life Canoe Balanced Portfolio GIF, the most significant headwind for the quarter came from the Canoe Equity Portfolio, which invests in high-quality large-cap companies that are trading at attractive valuations and small and mid-cap growth stocks. The fund gained 4.9% for the quarter, trailing the S&P/TSX Composite Index, which gained 8.1%. The strongest performer was the Canoe Bond Advantage Fund, which maintains a duration positioning in line with the broader Canadian bond market and gained 8.2% over the quarter.

Outlook

It now looks as though the rate hiking cycle is over, and the focus has turned to when central banks will begin to cut rates and by how much. This market expectation saw bond yields move significantly lower towards the end of the quarter as cuts were priced into both equity and bond prices.

However, in the first few days of 2024, some of that aggressive positioning was reduced, as the timing of the first expected central bank cuts has been pushed further down the road. Even with the possibility of rate cuts in 2024, the highly anticipated "soft landing" scenario is far from certain as worries of an economic slowdown persist.

Ongoing geopolitical tensions are also a concern, as a continued escalation could see the prices of imported goods and oil increase, reigniting inflationary pressures and providing a further headwind for the economy.

Despite the optimism we saw heading into the end of 2023, the year ahead is shaping up to be another potentially challenging one for investors. In this type of environment, we believe that constructing a resilient portfolio that is diversified across asset classes, regions, and investment styles is the best way to hedge against a wide range of potential outcomes.

A global view with a Canadian focus

Empire Life Canoe Portfolio GIFs combine the portfolio management style of award-winning⁴ investment managers, Empire Life Investments and Canoe Financial – proudly Canadian investment management firms that take a long-term view of building portfolios with Canadian investors in mind.



⁴ Empire Life won two 2023 Fundata FundGrade A+ Awards for the Empire Life Asset Allocation GIF and Empire Life Canoe Moderate Growth Portfolio GIF. Canoe Financial won five 2023 Fundata FundGrade A+ Awards of which the Canoe Equity Portfolio Class and Canoe Global Equity Fund were among the winning funds. Canoe Financial won the 2023 LSEG Lipper Fund Awards, Best Canadian Focused Equity Fund over 3 years and Best Tactical Balanced Fund over 3, 5 and 10 years.



For more information, visit empire.ca/canoeportfolios or speak with your financial advisor.

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¹ Assumptions for the Hypothetical performance of \$10,000 illustration. A back-tested model portfolio was used to generate the hypothetical returns shown in the graph above for the Empire Life Canoe Portfolio GIFs ("the funds") for all dates prior to January 18, 2021 which was the date the funds were launched. The model used the security allocations held in the fund at launch and used the historical returns of the underlying securities to generate a return profile for the purposes of providing a simulated historical return illustration. The model included applying an estimated annual Management Expense Ratio of 2.65% for the Empire Life Canoe Conservative Portfolio GIF, 2.75% for the Empire Life Canoe Balanced Portfolio GIF, and 2.85% for the Empire Life Canoe Moderate Growth Portfolio GIF in an attempt to display the performance as net of fund level fees.

The creation of back-tested hypothetical performance reflects application of a methodology and selection of model constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance and cannot account for all financial risk that could have affected the hypothetical results. Actual returns experienced by an investor could have differed significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results.

For the period January 18, 2021 to December 31, 2023 shown in the graph, the performances shown are the actual performances of the Class T versions of the respective Canoe EL Protection Portfolios using information from Morningstar Research Inc. and were calculated after taking expenses, management and administration fees into account. On January 18, 2021, Empire Life introduced Class T of the Canoe EL Protection Portfolios and on May 29, 2023 Empire Life introduced Class K of the Empire Life Canoe Portfolio GIFs. There are no differences between these classes of funds that could affect performance and the performance is based on the 75/75 series of each portfolio.

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