



CANOE EL PROTECTION PORTFOLIOS

Segregated funds

Q1 2022 Update

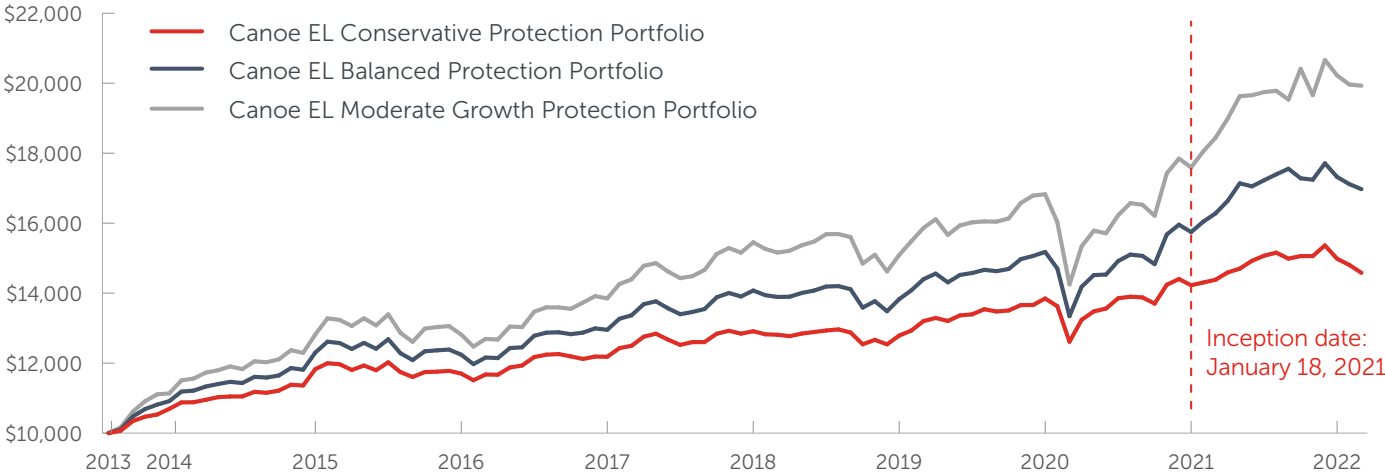
Market commentary

2022 certainly is off to an interesting start with volatility rising in both the equity and fixed income markets around the world. Inflation remains stubbornly high and central banks are now turning their attention towards fighting it. The market rally that started in March 2020 faced real headwinds in the first quarter as most equity markets ended in negative territory.

Central banks ramped up their hawkish comments throughout the quarter, pushing bond yields and interest rate expectations sharply higher and bond prices lower. In Canada, the benchmark Government of Canada 10-year bond rose nearly 100 basis points, to close on March 31 yielding 2.40%. It was a similar story in the U.S., where the 10-year bond index started the year at 1.51%, and closed on March 31 yielding 2%.

► *Continued on page 3*

Growth of \$10,000



Source: Morningstar Research Inc., as of March 31, 2022. **Performance is a simulation of past returns, based on the weighted percentage of the portfolios' underlying holdings.** Performance indicated is based on that of the Canoe EL Protection Portfolio 75/75 series. Important: Past returns are not indicative of future returns.

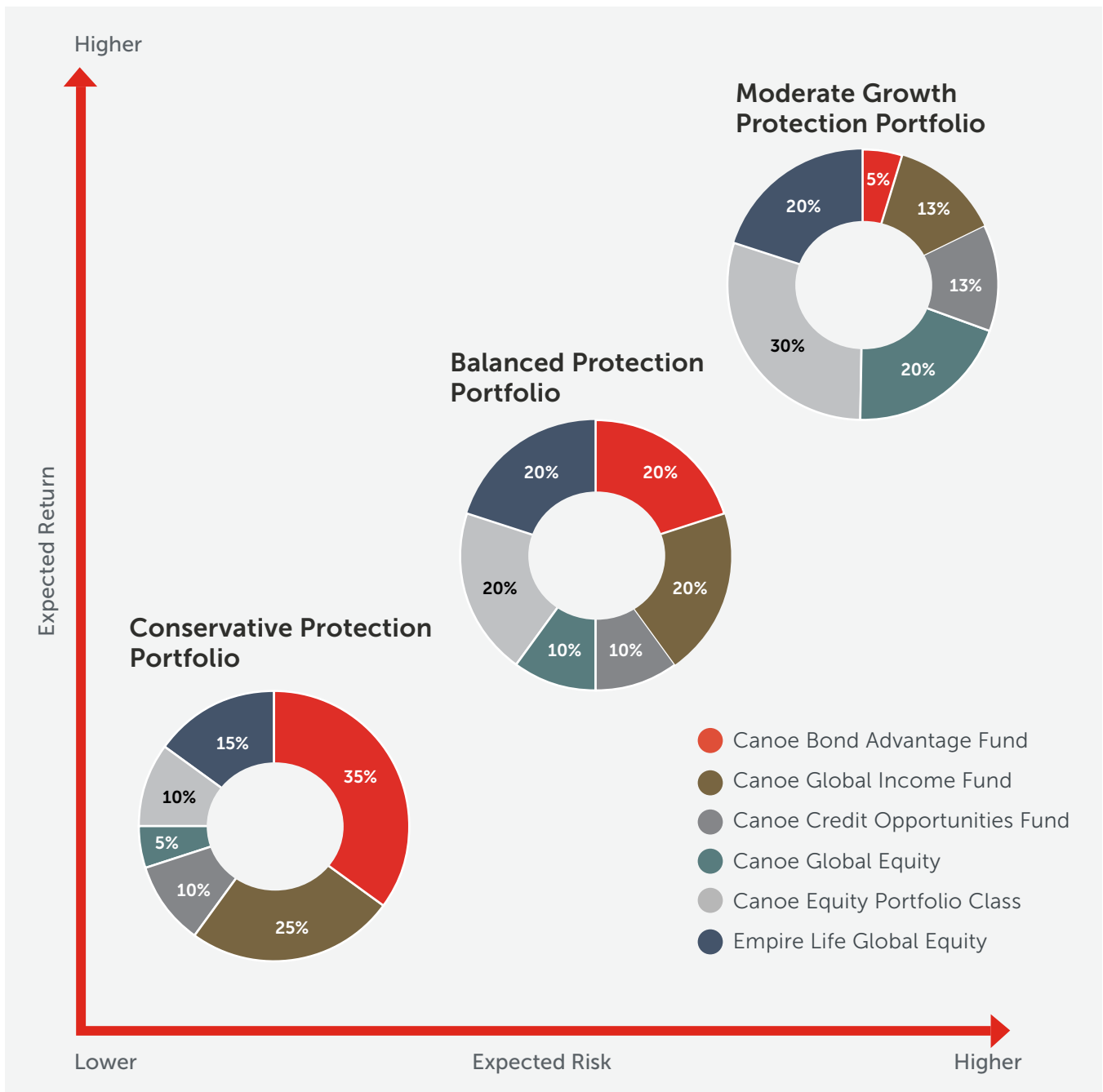


Three Protection Portfolios to meet your goals

It's easy to find the right Portfolio to meet your investment goals. Choose from Conservative, Balanced or Moderate Growth Portfolios:

- Diversified across fixed income and equities – Canadian and global regions
- Professionally managed, made-in-Canada investment solution
- Rebalanced monthly to maintain your target asset mix
- Portfolios are exclusive to World Financial Group Insurance Agency of Canada (WFG)

Diversification in an instant!



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%.

► *Continued from page 1*

In isolation, sharply rising bond yields and record-setting levels of inflation would certainly cause many investors to start to get a little bit nervous. This is especially true with many equity markets, particularly those with strong growth tilts trading near the upper end of their valuation ranges. But factor in a highly transmissible COVID-19 variant that is pushing case counts around the world to record levels, and the growing conflict between Russia and Ukraine, and you have a perfect storm to push uncertainty and volatility sharply higher.

In November, Omicron was first identified as a variant of concern and by mid-January, global cases were hitting more than 25 million per week, according to the World Health Organization (WHO). This record number of cases saw increasing restrictions in many parts of the world. This continued to weigh on the global supply chain, resulting in continued shortages of many goods, keeping inflation stubbornly high.

On the geopolitical front, Russia launched an attack on neighboring Ukraine in late February. As the conflict continues to rage, it has created an unimaginable humanitarian crisis, resulting in millions of Ukrainians fleeing their homeland in search of safe harbour. In addition, there has been economic fallout as global sanctions against Russia have driven the price of energy and other commodities to near record levels with no end in sight. This has created further price pressures in Europe with sharp rises in the price of gasoline and food. In many parts of the world, food insecurity is becoming a serious problem, with many yet unknown consequences.

Typically, when equity markets become volatile, fixed income markets tend to rise as investors flock to the relative safety of bonds. That didn't hold up this time around because the upward pressure on bond yields negated any safe-haven flows, resulting in downward pressure on bond prices. Meaning there were very few places for investors to hide.

In January, the Canoe EL Protection Portfolios celebrated their first anniversary, rewarding investors with above-average returns.¹ That trend has continued and on March 31, the Canoe EL Moderate Growth Protection Portfolio delivered a one-year return of 9.2%, putting it in the top quartile. Canoe EL Conservative Protection Portfolio ended the year down with a modest 0.4% decline, and the Canoe EL Balanced Protection Portfolio was up 4.2%, both ending in the second quartile.

In the first quarter of 2022, the Canoe EL Protection Portfolios all posted negative returns but managed to outpace their respective peer groups. Digging deeper, the outperformance was driven largely by the equity holdings, with a particularly strong showing from the Canoe Equity Portfolio. This Canadian-focused equity fund delivered a return in the quarter of 4.9%, which outpaced the 4.3% rise of the S&P/TSX Composite Index. Given the value tilted style of the Fund, it benefitted from its overweight to energy, and a meaningful underweight to technology.

The Fixed income portion of the Funds ended the quarter in negative territory but outpaced the broader Canadian bond market because of its higher allocation to corporate bonds, which outperformed in a rising interest rate environment.

Outlook

There are many challenges on the horizon including rising interest rates, stubbornly high inflation, the Russia-Ukraine war, and of course, the ongoing pandemic. One thing they all share is that they create much uncertainty, which leads to multiple potential outcomes for both equity and fixed income investors.

In this type of environment, it is important to be diversified across different asset classes, geographies, and investment styles. This diversification can help build portfolio resiliency which can help in a wider range of circumstances. The Canoe EL Protection Portfolios are very well diversified by design with an eye on managing overall portfolio risk, making them well positioned for this type of uncertain environment.

Real life protection and estate planning

As segregated funds, the Canoe EL Protection Portfolios provide you with the growth potential of investment funds with the security of insurance guarantees:

- Offer valuable insurance benefits
- Maturity and death benefit guarantees²
- Annual Resets
- Potential creditor protection
- Estate planning opportunities

▶▶▶ **Canoe EL Protection Portfolios can help offer protection on your voyage through life. Talk to your WFG agent for more information!**

¹ Relative to the peer groups as of January 31, 2022. Source: Morningstar Research Inc. © 2022 Morningstar Research Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

² Maturity and death benefit guarantees are reduced proportionately for withdrawals.

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