Multi-Strategy GIF Update Conference Call
May 12, 2020

PARTICIPANTS

Paul Holba, CFA
Vice President, Retail Distribution, Empire Life

Dave Paterson
Vice President, Strategic Investment Solutions, Empire Life

PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the Empire Life Multi-Strategy GIF Update Conference Call.

I would now like to turn the meeting over to Mr. Paul Holba. Please go ahead, Mr. Holba.

Paul Holba, Vice President, Retail Distribution, Empire Life

Thank you, Paula, and welcome, everybody. I am Paul Holba, Vice President of Retail Distribution, Empire Life. First, the disclosure statement at the beginning:

This presentation may include forward-looking information based on the opinions and views of Empire Life Investments as of May 12, 2020, and is subject to change without notice. The information contained herein is for general information purposes only and should not be considered a recommendation to buy or sell any security, nor should it be relied upon as investment, tax, or legal advice. Thank you.

Again, thank you, everybody, for joining us today. It is my pleasure to introduce today's speaker, Dave Paterson. Dave is Vice President of Strategic Investment Solutions, and he's responsible for managing the Multi-Strategy GIF. Dave joined Empire Life just over a year ago to manage the Multi-Strategy GIF. For those of you who don't know Dave, since 1994 he has specialized in investment fund research and performing ongoing analysis of thousands of mutual funds and ETFs. Before joining Empire Life, Dave most recently served as Director, Public Markets Research & Analytics at a registered portfolio management firm, where he was responsible for the sourcing, evaluation, and ongoing monitoring of investment products, and also as a Portfolio Manager, managing portfolios and a fund-of-fund portfolio program for registered third-party dealers.

Before I pass the call over to Dave to give his update on our Multi-Strategy GIFs, I wanted to take a moment just to thank all of you for your continued support of Empire Life during this COVID-19 crisis. On behalf of all of us at Empire Life, we certainly hope that you and all of your loved ones are safe and healthy.

Your continued safety and health, along with that of your clients, is top of mind for us here at Empire Life, which is why all of our segregated fund products, including Dave's Multi-Strategy GIFs, are available for sale non-face-to-face in our Fast & Full investment application. The Fast & Full investment app is an integrated screen sharing and video conferencing that makes the experience of meeting with your clients virtual to complete a new application and fund their account simple, fast, and easy. With Fast & Full investment's non-face-to-face functionality, your clients can make deposits directly from their bank account or initiate a T2033 transfer from another institution with no paper or wet signature required. Even better, for a limited time, we are offering a 10% digital bonus when you use Fast & Full investment app or FundSERV to purchase GIFs on behalf of your clients.

Speaking of T2033 transfers, I also want to highlight a recent enhancement that we made to the Additional Seg Fund Deposit Form that's available in our Advisor portal, which you can use to make non-face-to-face deposits into your existing client's segregated fund account. Our Additional Seg Fund Deposit Form now supports T2033 transfers, as well as deposits for your client's bank account, so you can continue to service your clients' seg fund accounts remotely, safely, and securely.

Now, I know you're all waiting for Dave and his update, so I'm going to now turn it over to Mr. Dave Paterson, Vice President of Strategic Investment Solutions. Dave, over to you, sir.

Dave Paterson, Vice President, Strategic Investment Solutions, Empire Life

Thanks, Paul, and thank you to everybody for taking time out of your busy schedules to listen in today. I'm not sure if Paul mentioned it or not, but I will be very happy to answer any questions you may have at the end.

Today what I'd like to do is provide a quick overview of the new Empire Life Multi-Strategy GIFs and how we've been managing them over the last few weeks through this recent little bout of market activity. For those of you that don't know me, I know Paul gave a fairly robust intro, but I joined Empire about a year ago. Really, my goal in all this is really to help expand our product lineup through the use of externally-managed investment products. The Multi-Strategy GIFs, which were launched back in October, are the first step towards that.

I've been in the business for over 26 years, and most of that I've been working with independent financial advisors, really helping them to narrow their fund selection and help them build better portfolios. It's this experience that's allowed me to build out an extensive understanding of the managed money landscape in Canada. On a monthly basis, I cover Canadian mutual funds and Canadian pooled funds, Canadian and U.S. equity—traded ETFs, as well as Canadian domiciled hedge funds. I'm also extending my coverage to include global offshore managers that we may be able to access at some point for the Multi-Strategy Fund or other products that we may be looking for at some point in the future.

Looking at the Multi-Strategy Funds specifically, we came to market with six. We have three standalone equity offerings: Empire Life Multi-Strategy Canadian Equity, which, as the name suggests, invests in Canadian equities; we have Empire Life Multi-Strategy U.S., which is U.S. equities; then we have Empire Life Multi-Strategy Global Equity, which has a go-anywhere mandate and invests all across the world.

In addition, we have three portfolio options: We have our Global Conservative Portfolio, Global Balanced, and Global Moderate Growth, which have various risk tolerances and investment objectives.

Now, what makes these funds different compared to our older, more established Empire Life GIF products which are managed by Ian Hardacre and his team that use a very disciplined value-focused type of investment process, the Multi-Strategy Funds use external investment products that provide exposure to a number of different investment styles and strategies, ideally in one easy solution. We invest in ETFs, mutual funds, pooled funds that are offered by third-party managers across a number of different investments styles. Hence, the name Multi-Strategy.

From the outset our goal with these was to make these very strong complements to our existing fund lineup, so much so that I do not have currently, nor do I expect in the near term, to have a dedicated value sleeve in them. I believe that we have a great value-focused team already, and if you want exposure to the value style, we can then combine the Multi-Strategy Fund with our existing lineup and give you that full complementary approach. While these are designed to be complementary, they're also good standalone products. They're well-diversified portfolios invested across a wide range of investment styles.

The process that I used to build these portfolios is one that I have been working on and developing over the years, and it really blends quantitative fund screening with a more hands-on qualitative research process. What I'm looking for are funds that are ideally better and different than what we can get from a simple passive strategy. I'm looking for investment strategies that have a disciplined investment process and a well-resourced team. And by following this approach, it helps us find investment managers with smart data products that we believe can deliver solid risk-adjusted returns on a go-forward basis.

The first step in my process is a quantitative screen. What it does is it really helps me to identify those funds that have a demonstrated history of consistent performance on both an absolute and a risk-adjusted basis. I'm looking for several factors that have been found present in funds that have gone on to outperform, so things like lower than average volatility; a positive information ratio, which means the managers have consistently outperformed their benchmarks; and I'm looking for a lower than average R-squared, which really shows me how similar a fund's return is to its benchmark.

Once I've screened on those, then we'll take a more robust qualitative analysis of the strategy. This includes understanding the Investment Management team, their track record, how this team works together, and then I want to understand their investment process from start to finish to make sure that there's a strong discipline to it.

Before we can consider any fund for inclusion in the Multi-Strategy Funds, they have to pass both the quantitative and the qualitative screen.

Now, we're going to look at—there's three basic what's called styles or strategies. You have the passive strategies, and these are what you think of when you're thinking of a well-known market index, like the S&P 500, the TSX Composite, or MSCI World. Passive strategies are designed to track those.

Then we're going to invest in Smart Beta or style strategies, and these are designed to provide exposure to a specific investment style or factor, such as growth or low volatility or momentum or dividend yield.

The last thing we're going to layer in are high-quality, differentiated active managers who use discipline and repeatable investment styles.

By incorporating all these different styles, we get very strong diversification characteristics because each of the different investment styles are going to provide a different return pattern at different points in the economic cycle. If we can put those together in a smart way, we're likely to see lower levels of volatility without having a substantial reduction in our expected return.

To actually build the portfolios, we use a process that is a blend of quantitative and qualitative, and it's very foundational in nature in that we start with a passive strategy. The passive strategies are great because they provide exposure to the broad market index, or the asset class that we're looking for. This is important because over time it's been shown that it's the market that drives most of a portfolio's return.

The next thing we do is we layer in different investment styles and factors, which can ideally help deliver a better return with less risk. The type of factors that we're going to have at any point in time are going to be dependent on where we are in the market environment. We may be more offensive or more defensive, depending on what the outlook is. Then we'll run an optimization to make sure that we're getting a nice mix of these different passive and smart data strategies and we're helping to enhance returns and reduce risk.

Finally, we're going to look for these differentiated high-quality asset managers with disciplined processes. Some of the asset managers that we're using are Beutel Goodman. We're using them in our Canadian Equity Portfolio, and they're running a North American concentrated Growth-at-a-Reasonable-Price strategy. We're using Guardian Capital, and we're using two of their mandates. We're using their Canadian Focused Equity Fund in our Canadian Equity Fund, and that is a concentrated Quality Growth Portfolio, and then we're using their Global Fundamental Global Equity Fund, which is again, concentrated, high conviction, long-term focused strategy that looks for sustainable, high-quality growth companies. We're using Calgary-based Mawer Investments in our Global and U.S., and they are running very quality focused risk managed type of approach to the way that they manage money.

On the fixed income side, we're using PIMCO, who are running an active global strategy that really blends more conservative, defensive type fixed income investments in mortgage-backed securities, government debt, investment grade corporates, with some high yielding opportunities, emerging market debt high yield, and some securitized investments.

We use an optimization approach that helps to really provide a good balance between risk and return. Once we've built the portfolio mix, these are not static portfolios. What we do, there is a little bit of an active strategy to them in that we tilt the portfolios towards the investment styles that we believe are most likely to outperform based on where we are in the market cycle, and I'll walk you through that. Hopefully, you can see that as the situation unfolded how the tactical tilt works for us.

Now, a real quick recap of the market environment. I'm not going to spend a ton of time on this. I'm sure that you, like me, have been inundated by every fund company you've ever talked to in your life on what's going on. But one thing that I really do want to emphasize is that this is a very unique situation, and it's unlike anything that I've ever seen in my time in the business.

This is a lot different than your typical recession. A typical recession, a typical market selloff, is usually the result of some massive buildup or some massive imbalance in a part of the economy or the markets. You go back to the tech bubble when there was all this money flowing into these dot com names that had nothing to back them up and there was a massive bubble in that space. It popped and then there was this imbalance that needed to be worked out. The global financial crisis, it was a situation where there was massive speculation in real estate. Many bubbles in various fixed income products related to the real estate market and some more structured products that caused problems. When that popped, there was all this excess that needed to be worked out.

Here there wasn't an imbalance that needs to be worked out. Because if you look at what the economy was doing before we shut it down, it was doing okay. There was no real massive speculative bubble that was open and pulling demand forward. There's no massive imbalance that needs to be worked through here. The economy wasn't overheating. It was running at a fairly decent pace. It wasn't great, there were signs of improvement, but it was fine. It was doing okay. So it's not a case where we have a lot of demand that's been pulled forward, rather than destroyed. In this case, the governments have mandated that various economies need to be locked down to help stem the spread of this virus. It's like somebody pressed pause on the economy. It's a situation where a lot of the demand is not destroyed as it would have been, or destroyed or pulled forward as it would've been in a traditional recession. But instead it's delayed.

As we shut the economy down, certain areas were hit very hard. Travel, hospitality, retail were the hardest. If you saw the employment numbers from Friday, they were bad. There were 20.5 million people that lost their jobs in the month of April, which put the unemployment rate in the U.S. just shy of 15 percent. One of the things that really kind of stood out to me was the average hourly earnings number. Now, if you go back and you look at it over the last year or two, it's

chugging along, with a little bit of growth here, and then it popped up 4.7 percent. It's not that wages grew by nearly 5 percent in the month of April, but it really drives home how much of the economy has been—how much of the service economy has been hit, and it's been the lower end of the wage scale, in the restaurant, hospitality, travel, and tourism that was hit disproportionately hard. It's going to be a lot harder for those sectors to come back, I believe.

The other thing, if you go back and you take a look at a more traditional recession, there's these built-up excesses that need to be worked through, and they are worked through as economic activity picks up and that output gap closes. This time around, it's not as simple. Because first of all, there's no output gap. There's no excess to work through and we need to get the economy moving again. But how we do that is really going to be the challenge. Essentially, we are at the mercy of the virus, and it's going to be the virus that really helps us determine what our path back to normal is.

The other thing—the big byproduct from this is it's created a lot of uncertainty, and markets do not like uncertainty. We saw that as all risk assets sold off hard in February and March, really bottoming around the 23rd of March. April bounced back nicely. This was the quickest bull-to-bear market in history. We've seen that nice bounce-back in April, and it's really difficult at this point to say whether this is a rally for real, or whether this is just—exactly what it is. The reality is we just don't have the clarity right now to fully understand where we are.

There are arguments on both sides of this. The bull case, we'll point out that there's been massive stimulus from governments and central banks injecting a lot of liquidity into the system, and that's going to help. Then on the bear case, there's just a lot of uncertainty and we really don't have a clear path forward.

In the last week or so, we've started to see many areas looking to restart their economies, but there's still a lot of uncertainty in how that's going to play out. We don't know if people are going to go back to restaurants and stores. We don't know if the safety measures that are in place are going to provide sufficient protection. We don't know if we're going to get a vaccine, and if we are, when. Then there's this uncertainty about a second or third wave, so there's a lot of uncertainty hanging over the horizon. There are certain parts of the economy that I think are going to bounce back fairly quickly, but the longer this drags on, the less confident I am that the pace of recovery is going to be very strong. I think we'll see some retail bounce-back. Other sectors, like travel, cruise lines, and even commercial real estate might take a little bit longer to rebound as we all adjust to this new normal.

Looking at the funds specifically and how we've managed through this, unfortunately the funds are less than a year old so we're not able to really discuss the performance in any detail. But if you have Morningstar or Globe Advisor or Fund Library, you can go in and take a look and see how we've performed.

Going back, when we launched these back in October, our equity portfolios were fairly well positioned. We were fairly defensive. I reran my model back in December and it suggested that we get even more defensive, particularly in Canadian equity and global equity. It's not that my model was predicting any kind of a pandemic, like the reality is we were expecting Q1 earnings to disappoint, which would create a little bit of a sell-off after we saw such a massive run up in valuations in 2019. That was the basic thesis. We did not expect a pandemic. Heading into this, we were fairly defensively positioned. We had healthy exposure to low volatility, high-quality dividends and active management out of the gate.

Now, as volatility started to pick up in February, we started to get a little bit more defensive in our positioning. So, the first thing we did was we increased cash. Our target weight in the portfolios for cash is about 3.5 percent, and through late February and March we were carrying typically between 4.5 and 5 percent to provide us with a little bit of a buffer against that volatility.

The next thing we did was we increased our exposure to low volatility stocks. Low volatility stocks are those that don't tend to have the same level of fluctuation as the broader market does. That trend, that low volatility factor held up fairly well this time around, too, as many of the low volatility names largely outperformed the broader markets during the sell-off.

We also increased our exposure to active strategies, particularly those that had a very high-quality focus. One of the ones is Beutel Goodman North American Focus which we use in our Canadian Equity Fund. As I mentioned earlier, it's a Growth-at-a-Reasonable-Price strategy. It had about 45 percent of its portfolio in U.S. stocks, and that U.S. exposure has an unhedged currency position. That really helped us because the U.S. equity did better than Canadian equity which got hit hard because of the double whammy of the virus and then the price war between the Saudis and Russia. But also, too, the U.S. dollar tends to benefit in times of volatility because people tend to flock to the U.S. dollar and the U.S. dollar tends to increase in value relative to the Canadian dollar. So having 45 percent of the portfolio invested in U.S. stocks was certainly helpful.

Mawer, with their risk focus, their quality growth approach, has done very well for us in both the U.S. Equity and our Global Equity Funds, and Guardian's fundamental equity strategy has been a standout for this and they've done exceptionally well, outpacing

both the MSCI World and the peer group, given its focus on that sustainable, high-quality, long-term growth companies.

The other thing that we did was we reduced our exposure to passive strategies. The rationale for this is with a passive strategy, they are designed by nature to track the market. So we would be fully exposed to the downside, so we wanted to reduce our exposure to that and help protect a little bit against the sell-off.

With respect to momentum, which is really trend following, we were neutral for that coming in. We did have some exposure to it, and we pulled back a little bit as markets started to—as markets really sold off and looked like they were starting to rebound. The reason for that is momentum strategies are kind of like the shape-shifters of the investment world in that they go wherever the trend is. They tend to do well in a market that's trend-driven, whether it's up or down. So when you get into those inflection points where we start to see a range bound market or you're kind of at a market peak or a market bottom, momentum strategies are likely to underperform there. That's where I think we are right now, kind of at an inflection point or a range bound market for at least the next little near term, and so I pulled back on my momentum strategies a little bit. As we start to see a trend emerge, we'll likely move that back to neutral weight.

That defensive positioning really helped us in February and March, but in April, when markets rebounded strongly, that was a little bit of a headwind.

When we look at the balanced portfolios, our Global Conservative, Global Balanced, and Global Moderate Growth, they went at 30 percent equity for the Conservative, 50 percent equity for the Balanced, and 70 percent equity for our Moderate Growth. Now, the equity exposure in that portfolio comes from our Multi-Strategy Global Equity Fund, which was fairly defensively positioned through this.

For the fixed income portion, we have a fairly well-diversified fixed income sleeve where we have our Empire Life Bond Fund, which we use as our core fixed income exposure; Empire Life's strategic corporate bonds, which gives us a blend of short-term investment grade and high-yield bonds in Canada and the U.S.; PIMCO Monthly Income, which is an actively managed global bond solution that provides almost a barbell approach to high-quality bonds and those that offer a little bit of a higher yield exposure; and then we have the Vanguard Global ex-U.S. Aggregate Bond ETF which invests into the diversified portfolio a blend of issuers outside of Canada and the U.S. In normal market conditions, each of these bond holdings has very interesting correlation profiles, so they tend to work well as a bundle.

Now, as we headed into sort of late February and March, we had a very healthy exposure to corporate bonds. The premise or the thesis for carrying higher exposure to corporate bonds was that in most market environments corporate bonds are going to pay a higher yield, so we're going to generate a higher level of coupon income, or carry, and on the investment grade side they would be expected to underperform governments in volatile markets, but in a rising rate environment, they do better. So we believed that to be the case, we being my team, which is me.

As volatility started to pick up in February and March, we started to reduce our exposure to our credit strategies and added more to our core bonds because of the higher exposure to government bonds. Rather than buying or selling, what we were doing is the funds were in a net sales position, meaning they were getting new money in every day, and so we were using that to allocate to the core and reduce our exposure. We felt we had a little bit more time to get out of the way of the volatility, but unfortunately, we didn't really get out of the way quite in time because it hit with a vengeance and our exposure to PIMCO Monthly Income and the Empire Life Strategic Corporate Bond, we started to see those really start to underperform. So we sold out a good chunk of those and moved all that to the Empire Life Bond Fund. We kept the Vanguard roughly at our target weight because it provides exposure to a blend of government and high-grade corporate bonds.

We're now very much underweight our exposure to corporate bonds and overweight our allocation to our core bonds. But really, the corporate bond exposure was a headwind and, even though we were able to reduce our exposure to it, it still hurt us. There were a couple reasons for that. First, we saw credit spreads, which is the difference in yield between a corporate bond and a government bond, they spiked sharply. As more of the economy started to be shut down, investors started to demand a higher premium to hold corporate bonds over governments, so this put more selling pressure on corporate bonds.

Now, it's not so much the magnitude of the spread widening that created the problem, but it was the speed at which this widening occurred that caused the biggest problem. Looking at investment grade bonds in Canada, the spread moved from 115 to, on February 28, 273. If we go back to 2008, a widening of spreads of that magnitude took 11 months. Here, we did it in 23 days. It wasn't just in Canada. We saw similar action around the global bond market, and it was unlike anything that we'd seen before. That's really what hurt us, was just how quickly those spreads moved out.

Another factor that really hurt bond markets was the selling pressure that was creating liquidity issues, which resulted in some pretty big dislocations. As a result to the underperformance, what this also did, it created big discounts in ETFs, fixed income ETFs.

Normally, the price of an ETF, the market price of an ETF tracks very closely the portfolio of underlying bonds. There's a little bit of a premium or discount, depending on the day, but for the most part it tracks pretty closely. But as these liquidity issues in the bond market ramped up, the spread between market price and net asset value on ETFs just blew out massively.

Looking at our portfolio, specifically, the PIMCO Monthly Income Fund, which we hold as an ETF, it typically—historically it's traded at a slight premium to its value. But as this crisis, or the liquidity crunch took hold, it was trading at between 500 and 600 basis points below the net asset value. This was a temporary phenomenon, but what it did was it created a lot of unnecessary volatility and a larger than expected drawdown in our funds in the short term.

Now, you fast-forward to late March, central banks had stepped in with massive amounts of liquidity in the market. They've also announced in the U.S. programs for purchasing investment grade corporate bonds and even high-yield ETFs, and what this has done is bring some level of normalcy back to the bond markets.

The managers that we hold in the fixed income space are still—I still have very strong and very high level of confidence in them, and I continue to hold that. As we start to see things normalize, I will look at gradually bringing my credit exposure back more towards where my model would suggest we should be.

One of the questions in speaking with advisors over the last few weeks has been why didn't we raise cash higher. The first thing is that's not what I do. There is an active approach to what we do, but the active calls are really more tilting the portfolio towards opportunity and away from risk, rather than making big bets. We don't want to make big bets because they tend to be very binary in nature. Really, our objective is to manage risk, and making a binary bet is very difficult to get it right consistently.

Another reason is that making that big move into cash is extremely difficult from a timing perspective. We would've had to have gotten the sell and the buy transaction near perfect in order to really benefit, and that's not something that really anybody has an ability to do consistently.

What we did do for this is first, we stuck to our process. We stuck to our discipline. The portfolio construction process is one that is based on a process that was developed by Harry Markowitz, and he won a Nobel Prize for it. It's something that has stood the test of time. Within that framework, though, we did apply some tactical tilt to increase the defensive positioning of the portfolio, particularly as volatility ticked up. But we did stay within our basic portfolio guidelines.

Now, the other thing as I've been in contact with all of our underlying managers, and I'm very encouraged to report that to a T they have all remained very focused and very disciplined on what they're doing. None have made any major changes to their portfolio, to the process, or to their Investment team. Instead, they have done similar to us. They've made adjustments based on our opportunity set. They have all gone through their portfolios line-by-line, making sure that there are no lasting or permanent impairments to any of their holdings. Where they have identified permanent impairments, they have reduced or sold out of those opportunities. But they still say most—for most in the managers, in fact, all of them, portfolio turnover has so far been fairly modest.

The other thing that they're doing is they're using this volatility as an opportunity to increase the quality of the portfolios. They're finding those companies that are very much in line with their particular investment style and process and picking those companies up at prices that are significantly more attractive than they would've been, say, three months ago.

With respect to the portfolio models, when we put it through the portfolio construction process, our intention was to run that on a quarterly basis. I had intended to run this in late March to see if there were any adjustments that needed to be made to the strategic asset mix of the portfolios. We didn't do that. The reason being is there was and still is far too much uncertainty to be able to run the model with any degree of confidence.

Instead, what we're doing is we're keeping our fairly defensive December positioning in place for now, and we'll use those tactical tilts to adjust the portfolio to do the ramp-up opportunity or increase our risk management. As more clarity emerges, which I'm hoping will be summer, we'll be able to re-run the models and make any adjustments that we believe would be necessary to the longer-term strategic asset mix.

I'm always reviewing other funds and opportunities to see if there's anything that may be accretive to the overall risk-reward profile of the portfolios.

The point here is I have no intention of straying from the process. I'll continue to follow the process that has been developed over the years, and I'll continue to blend quantitative analysis with a qualitative review. The one question is where do we go from here, and if I'm being honest, I don't know with any degree of certainty. I can see reasons to be both bullish and bearish. We touched on the bullish side, the amount of stimulus and liquidity that's in the system, the amount of money that governments have provided via various programs for individuals and businesses, and we are starting to see parts of the economy slowing return to normal. But on the bear side, there's a lot of risk,

including the virus and possibility of a slower-than-expected return to normal. In recent days, Donald Trump seems to have decided to reignite his trade war with China, so we'll see how that plays out.

But the reality is, instead of me trying to predict what's going to happen next, I'm going to continue to remain disciplined and focused on the portfolios, make sure we have good-quality managers that are continuing to do what we hired them to do, and that our portfolios have appropriate weightings to various strategies to help protect capital as best we can, and to be in a position where we can tilt the portfolios to try to take advantage of other opportunities as they present themselves.

That's it for my prepared comments, so I'll turn it back to Paul.

Paul Holba, Vice President, Retail Distribution, Empire Life

Thank you. Paula, we did say we'd open up the lines for questions, so if you could remind people how to ask a question and maybe poll for those if you could now, please? Thanks, Paula.

QUESTION AND ANSWER SESSION

Operator

Thank you. To signal for a question, please press star, one, on your telephone keypad. Also, if you are using a speakerphone, please make sure that your mute button is turned off to allow your signal to reach our equipment. A voice prompt on your phone line will indicate when your line has been opened. Please state your name before posing your question. Once again, star, one, on the phone lines for questions.

Paul Holba, Vice President, Retail Distribution, Empire Life

Thank you, Paula. As we do, as always, wait for those questions to come up, Dave, we did have some that were sent in earlier. The first one I'll ask is, with respect to—you sort of touched on it, but as the Canadian and U.S. economies start to open up, what kind of adjustments will you make to the portfolios as a result?

Dave Paterson, Vice President, Strategic Investment Solutions, Empire Life

Well, that's really going to be dependent on what we see. If it looks as though we're on the right path and we're starting to see an improvement in the overall environment, then what we'll do is we will start to pare back our exposure to our low-vol strategies. We will add exposure to our more growth styles. We'll increase our exposure to a passive strategy. What we'll do is we'll add on more investments that are more likely to benefit from an improving economy. We may look to other styles as well. We may look to small-cap; we may look to something that has something a little bit more pure growth. We may look on the U.S. side, looking at bringing in some more tech or healthcare. I'm a little hesitant to go too far down the sector road, but those are the types of opportunities that we'd be looking at.

Now, within the portfolio funds, we would gradually start to increase our exposure to corporate bonds, reduce our exposure to government (bonds), and position the portfolio for a more rising rate environment.

Paul Holba, Vice President, Retail Distribution, Empire Life

Okay, great. Thanks, Dave. Paula, do we have any questions on the line?

Operator

There are no phone questions at this time. As a quick reminder, star, one, if you do have a question.

We'll take our first telephone question.

Paul Holba, Vice President, Retail Distribution, Empire Life

Oh, we do? Thanks, Paula.

Josh Brock

Good afternoon, this is Josh Brock calling. I have a question for Dave with respect to—I know that you're focusing on the portfolios and whatnot with current economic signals and whatnot. How much of the science are you actually following though, too, because we have seen the market kind of price in some gains when there've been some advancements or news of possible treatments and vaccines for this? Are you watching any of that in terms of maybe it's time to adjust the portfolio at that time?

Dave Paterson, Vice President, Strategic Investment Solutions, Empire Life

I am following it, but I don't know that that would really be a key determinant on whether it's time to make a change. That would be one thing that we would want to consider, because clearly, before things can return to

normal we would need to have a vaccine or a better form of treatment. We would need to have improved testing. These are all things that we're watching, but that will also help play into the other factors in terms of potential for economic growth, and so forth. It's on the radar, but it's certainly not a deciding factor.

Paul Holba, Vice President, Retail Distribution, Empire Life

Thanks for the question, Josh. Paula, do we have any other questions?

Operator

There are no further phone questions at this time.

Paul Holba, Vice President, Retail Distribution, Empire Life

I'll ask a question about globally. As you look within the Global Equity Portfolio, what sort of areas do you look at from a geographic nature, Dave?

Dave Paterson, Vice President, Strategic Investment Solutions, Empire Life

The portfolio itself has a go-anywhere mandate. Right now we are about half the portfolio is in the U.S., we have a 10 percent sleeve in Canada, and the rest is split between Europe and Asia. From a geographic standpoint, likely U.S. is where we're finding the best opportunity at the moment. Longer term, given the run-up in valuations, I'm not so sure, but we'll have to re-run the model and see how what the model says once we get a little bit more clarity around this.

Paul Holba, Vice President, Retail Distribution, Empire Life

Okay, excellent. Thanks, Dave. Thanks, everybody, for participating today.

I did want to remind everyone that Empire Life does remain committed to our segregated fund lineup, and that does include our Guaranteed Withdrawal Benefit product, Class Plus 3.0, which has the highest guaranteed bonus in the industry at 4 percent. After the market volatility we've seen in the last few months and the uncertainty around the economic outlook going forward, I know that there are many Canadians, especially those nearing retirement or recently retired, who are very concerned about whether their investment portfolios will be there to support them through their retirement. Class Plus 3.0 allows your clients to remain invested in the market to participate in the upside while providing them with the security of having guaranteed retirement income that will last as long as they do, regardless of how the markets perform.

Contrary to one of our competitors in the marketplace, we are very much open in Class Plus 3.0 and very much willing to take any and all business you wish to send to us. If you're not familiar with our Class Plus product, I'd encourage you to touch base with your Empire Life sales representative, and we would all be very happy to provide you with the details of how this product works and how it's an important part of the client's retirement plan.

Speaking of retirement planning, I do want to just pitch a little commercial here. Coming up on May 28, Empire Life's own Peter Wouters will be hosting the latest installment of our very successful tax, retirement, investment, and insurance planning strategy and solutions—easy for me to say, easier if I say TRIIPSS—webinar series. This month's topic is incredibly important. It's called The Sequence of Returns: Risk Retirement Income Strategy. As we've gotten to the period of time lately in the market, the sequence of returns has become incredibly important again where we're not in just a raging straight-up bull market. Peter's going to dive into some of the risks investors face in retirement, including how sequence of returns can disrupt an otherwise well put together retirement plan. Check your inbox for an invite, because they were just mailed out recently.

Again, thanks to Dave Paterson for a very information view on Empire Life Multi-Strategy GIF. Active or passive, now you don't have to choose. If you'd like to listen to the call again, or if you know a colleague who may be interested, we will have this call available on demand next week and we'll email you all the details. Again, thank you very much for joining and please, everyone, please stay safe. Play safe, stay safe, be healthy, and thank you very much for the business that you continue to send our way. We very much appreciate it.

Paula, this will conclude our call today.

Operator

Thank you. Once again, we'd like to thank everyone for your participation. You may now disconnect.
