

EMPIRE LIFE CANOE PORTFOLIO GIFS

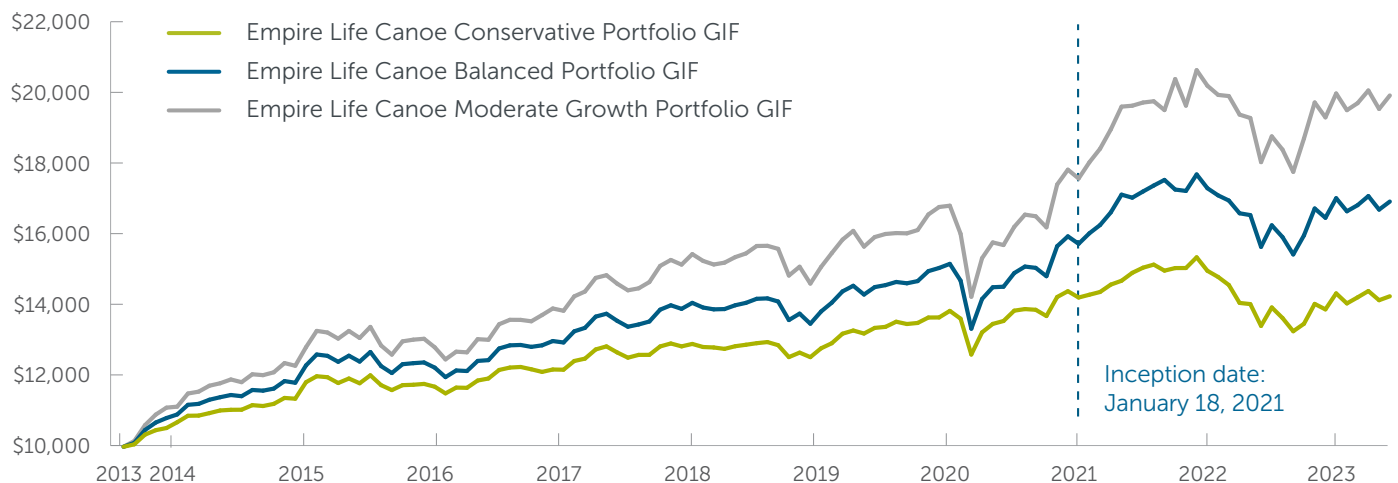
Q2 2023 Update

Market commentary

The first half of 2023 delivered much stronger gains than expected at the start of the year. Many equity markets around the world posted double-digit returns, despite central banks' continued commitment to raising interest rates in their fight against stubbornly high inflation. The second quarter began with markets reeling over worries that the regional banking system in the U.S. was in trouble after the March failure of Silicon Valley Bank (SVB) and other smaller institutions. Some investors were concerned that more failures were on the horizon. Fortunately, the regional and other U.S. banks remained relatively stable throughout the quarter.

► *Continued on page 3*

Hypothetical long-term growth of \$10,000 based on historical returns of the underlying funds



This illustration shows the performance of the Canoe EL Protection Portfolios. Source: Morningstar Research Inc., as of June 30, 2023. Performance prior to January 18, 2021, is a simulation of past returns, based on the weighted percentage of the portfolios' underlying holdings. Performance after January 18, 2021 is based on the actual performance of the portfolios. The performance is based on 75/75 series in each portfolio. Important: Past returns are not indicative of future returns. The fund name used 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.

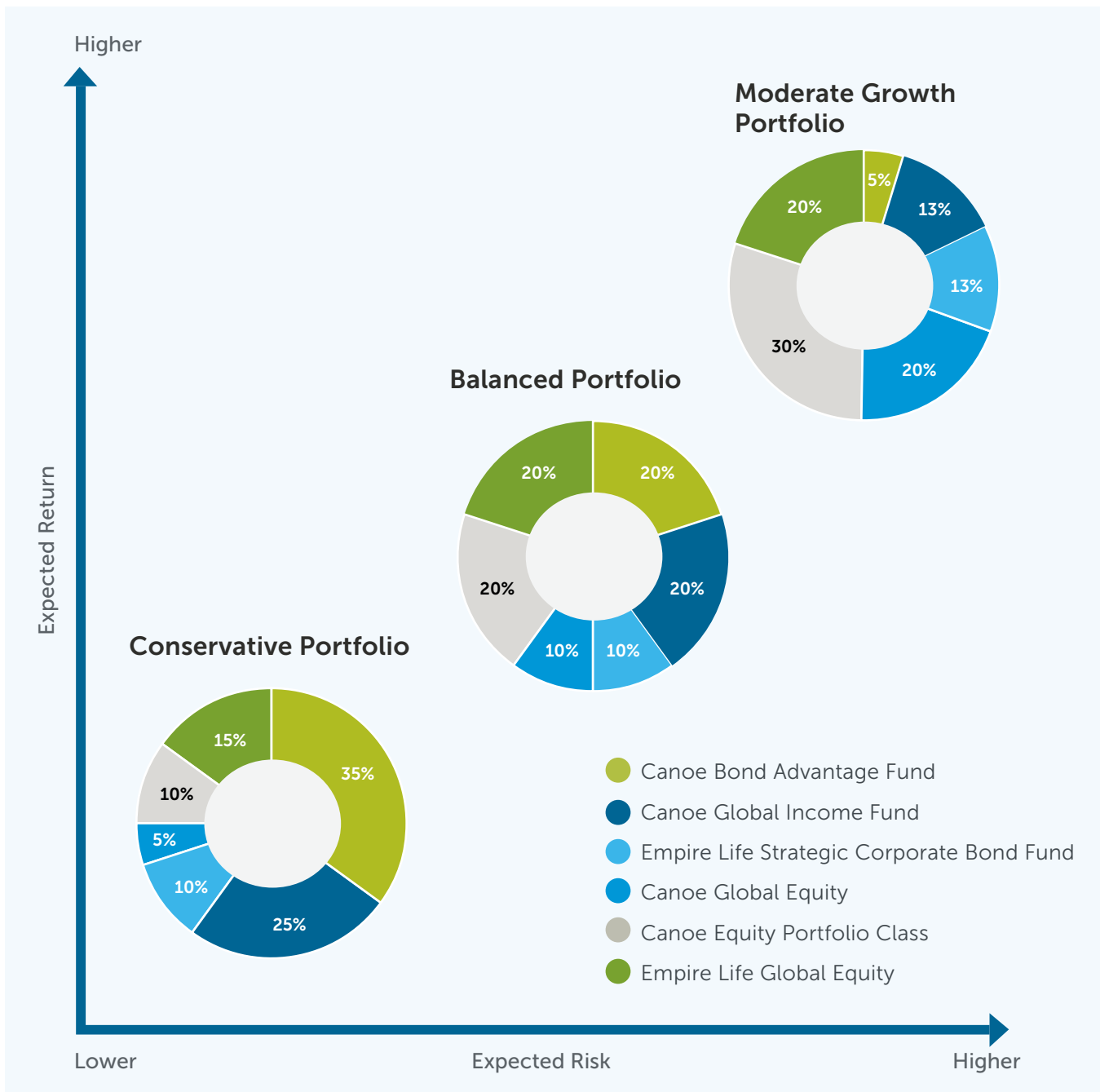
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Reasons to invest

- 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-winning¹ 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 June 30, 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%.

¹ Empire Life won two 2022 Fundata FundGrade A+ Awards for the Empire Life Asset Allocation GIF and Empire Life Short Term High Income GIF. Canoe Financial won two 2022 Fundata FundGrade A+ Awards for the Canoe Equity Portfolio Class and Canoe Global Equity Fund. Canoe Financial won the 2022 Lipper Fund Awards for Best Mixed Assets Group over 3 years, Best Canadian Focused Equity Fund over 3 years, Best Tactical Balanced Fund over 3 years and Best Global Neutral Balanced Fund over 3 years.

► *Continued from page 1*

U.S. equities extended their rally, delivering strong gains led by the resurgence of mega-cap growth stocks. The tech-heavy NASDAQ 100 rose by nearly 13% in the quarter surging even higher after chipmaker NVIDIA announced strong earnings and very optimistic guidance on the expected strength of AI. The S&P 500 was also strong, gaining 6.3% to close the quarter at a 14-month high. The headline number was a bit deceiving however as returns were heavily concentrated in a handful of mega-cap technology stocks, while most other segments of the equity market saw timid returns. Canadian markets were positive, but failed to keep up with the U.S., as the S&P TSX ended the quarter up 1.1%.

Internationally, Japanese stocks accelerated throughout the quarter driving the Nikkei 225 Index higher by 6.7% in Canadian dollar terms. These gains have come amid ongoing expectations of corporate governance reforms and structural shifts in the Japanese economy. Tensions between the U.S. and China, and a slowing Chinese economy were key drivers of the underperformance of Emerging Markets stocks. China, which combined with Taiwan makes up approximately 45% of the MSCI Emerging Markets Index, struggled. The MSCI China Index was down 11.7%, weighing on the Emerging Markets Index, which fell 1.3%.

It was a mixed quarter for the bond markets as investors began to accept that rates aren't coming down anytime soon. Both U.S. and Canadian bonds ended the quarter in negative territory as yields moved higher. Central banks continued raising rates with the U.S. Federal Reserve taking a pause at their June meeting after ten consecutive hikes. The Bank of Canada paused after their January meeting but hiked again in June. As short-term yields grinded higher, the U.S. 2-year bond yield skyrocketed and is now flirting with the cycle peak that occurred right before the failure of SVB. Longer-term yields have risen too, but not nearly as much, which reflects investors' skepticism in the sustainability of high interest rates.

Fund review

Fund	Category	3 month	1 year	2 year	Inception
Empire Life Canoe Conservative Portfolio GIF 75/75	Global Fixed Income Balanced	-0.10	4.55	-3.38	-2.11
Quartile Rank		3	2	3	
# of funds in the category		346	331	331	
Empire Life Canoe Balanced Portfolio GIF 75/75	Global Neutral Balanced	0.30	6.55	-1.31	1.03
Quartile Rank		3	3	2	
# of funds in the category		876	831	831	
Empire Life Canoe Moderate Growth Portfolio GIF 75/75	Global Equity Balanced	0.86	8.80	0.93	4.03
Quartile Rank		3	3	1	
# of funds in the category		979	960	932	

Source: Morningstar Research Inc., as of June 30, 2023.

The Empire Life Canoe Portfolio GIFs were mixed in Q2 while trailing their respective blended benchmarks. The Empire Life Canoe Conservative Portfolio GIF, the most defensive of the portfolios, ended the quarter in negative territory, pulled lower by its fixed income allocation. In contrast, the Empire Life Canoe Balanced Portfolio GIF and the Empire Life Canoe Moderate Growth Portfolio GIF delivered positive returns. The largest detractor in Q2 was the Canoe Global Income Fund, which invests in a diversified portfolio of global government and corporate bonds. It was down 0.6%, pulled lower by rising yields.

The largest contributor in Q2 was the Canoe Global Equity Fund. It rose by 3.0%, yet still trailed the 4.6% gain registered by the MSCI World Index. The fund benefitted from strong stock selection in materials, and by having no exposure to energy and utilities. Poor performance from its consumer discretionary stocks combined with underweights to Amazon, Tesla, NVIDIA, and Apple were the key reasons for the underperformance.

Outlook

Inflation appears to have peaked and is well below the highs seen in 2022. However, there is still some distance to the 2% target and central banks are not ready to let their guard down just yet. Signs of a slowdown are showing, and even with inflation falling, central banks have been vocal about their intentions to keep interest rates higher for longer. This is expected to weigh on economic activity and lead to a less friendly macroeconomic environment.

Bonds once again look to be strong investment options, offering yields not seen in over a decade. Bonds, particularly government bonds, have historically held their value quite well in rocky market environments, helping to provide protection against equity market selloffs. This wasn't the case in 2022, but with the central banks' rate hike cycle closer to the end than the beginning, bonds are even more likely to be an excellent ballast in the portfolios. The fixed income portion of the portfolios is very well diversified, offering exposure to government and corporate bonds in both Canada and around the world, combined with a portion in high yield bonds.

Much uncertainty remains on the horizon. In this type of environment, it is often better to have a well-diversified portfolio. The Empire Life Canoe Portfolio GIFs, with their exposure to a mix of asset classes, geographies, and investment styles, offer diversification that can help improve resiliency and deliver return through various points in the cycle.

A global view with a Canadian focus

Empire Life Canoe Portfolio GIFs combine the portfolio management style of award-winning¹ 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.



¹ Empire Life won two 2022 Fundata FundGrade A+ Awards for the Empire Life Asset Allocation GIF and Empire Life Short Term High Income GIF. Canoe Financial won two 2022 Fundata FundGrade A+ Awards for the Canoe Equity Portfolio Class and Canoe Global Equity Fund. Canoe Financial won the 2022 Lipper Fund Awards for Best Mixed Assets Group over 3 years, Best Canadian Focused Equity Fund over 3 years, Best Tactical Balanced Fund over 3 years and Best Global Neutral Balanced Fund over 3 years.



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

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