



Doug Cooper, CFA
Senior Portfolio Manager, Canadian Equities
Empire Life Investments Inc.
Off the Cuff Video
May 26, 2022

Greetings, my name is Doug Cooper, Senior Portfolio Manager, Canadian Equities at Empire Life Investments. I'm co-manager on the Empire Life Asset Allocation Fund, also the lead manager of the Empire Life Dividend Growth Fund.

Today I want to provide a quick update on the positioning of the Empire Asset Allocation Fund. As of the end of April, the Fund was a 56% invested in equities, 36% fixed income and about 8% in cash. The equity weight is at the lower end of the Fund's targeted range, which is 55 to 65%, reflecting a conservative stance that we have been taken for a number of months and continue to take today. We believe that it will be difficult for equities to do well in an environment where the outlook for global economic growth continues to deteriorate, and where IPA (Inflation-Protected Annuity) cost of inflation is becoming a real challenge for a number of industries and companies.

The Fund is overweight, in Canadian equities, which makes up just over 77% of the equity allocation. We believe that Canadian equities are relatively well positioned for three reasons.

First, a major source of IPA costs inflation mentioned previously, is due to elevated commodity prices as a result of the Russia-Ukraine conflict. Canada's commodity-driven economy has- and we believe, should continue to benefit from this.

Second, valuations for Canadian equities remain attractive on a relative and on an absolute basis with the S&P/TSX, trading at about 13 times earnings.

Third, interest rates have increased significantly year-to-date, and we expect them to remain elevated for the foreseeable future. And really, there are two implications for this, the first being that a significant portion of the Canadian equities market, in particular the Canadian banks and the Canadian life insurance companies benefit from a rising rate environment. The second implication is that we've seen a material rotation away from growth stocks triggered by rising interest rates, and Canada is very much under indexed to growth stocks, relative to global markets and U.S. equity markets in particular. And with our view that interest rates remain elevated for the foreseeable future this rotation away from growth stocks could continue.

On the fixed income side, the Fund has maintained a low duration at less than four years over the past year or so, and this has really sheltered the portfolio from the rising rate environment. Corporate bonds, make up over 80% of the fixed income allocation where we're seeing attractive value and then the weighted average yield of the fixed come allocation is just over 4%. We expect interest rates to continue to move higher in the short term, as central banks continue to tighten to counter inflation, but we are watching economic data and the yield curve very closely to inform our views on the extent to which economic growth slows, which may eventually bring rates down.

So, to summarize, the Fund's conservative equity positioning and overweight in Canada, along with low duration on a fixed income side over the past year or so, collectively has allow the Fund to perform relatively well recently, and especially over the year-to-date period during some very volatile market conditions. We believe this volatility will continue and therefore remain conservatively positioned in equities favoring Canada and maintain a short duration on the fixed income side consistent with our view that rates continue to increase, at least in the short term.

Thank you very much for your time. I really appreciate it.

Segregated Fund contracts are issued by The Empire Life Insurance Company ("Empire Life"). Empire Life Investments Inc. is the Portfolio Manager of the Empire Life segregated funds. Empire Life Investments Inc. is a wholly-owned subsidiary of The Empire Life Insurance Company. A description of the key features of the individual variable insurance contract is contained in the Information Folder for the product being considered. **Any amount that is allocated to a segregated fund is invested at the risk of the contract owner and may increase or decrease in value.** Past performance is no guarantee of future performance. All returns are calculated after taking expenses, management and administration fees into account.

This document includes forward-looking information that is based on the opinions and views of Empire Life Investments Inc. as of the date stated and is subject to change without notice. This information should not be considered a recommendation to buy or sell nor should it be relied upon as investment, tax or legal advice. Information contained in this report has been obtained from third party sources believed to be reliable, but accuracy cannot be guaranteed. Empire Life Investments Inc. and its affiliates do not warrant or make any representations regarding the use or the results of the information contained herein in terms of its correctness, accuracy, timeliness, reliability, or otherwise, and does not accept any responsibility for any loss or damage that results from its use. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. **Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.**

Empire Life Investments Inc. is the Manager of the Empire Life Emblem Portfolios and Empire Life Mutual Funds (the "Portfolios" or "Funds"). The units of the Portfolios and Funds are available only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such units.

® Registered trademark of **The Empire Life Insurance Company**. Empire Life Investments Inc. is a licensed user of this trademark.