



Annual Management Report of Fund Performance | As at December 31, 2016

EMPIRE LIFE MUTUAL FUNDS[®]

Empire Life Money Market Mutual Fund

This annual management report of fund performance contains financial highlights, but does not contain either the complete interim or annual financial statements of the investment fund. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling the toll-free number 1 855 823-6883, by writing to us at 165 University Avenue, 9th Floor, Toronto, Ontario M5H 3B8 or by visiting our website at www.empirelifeinvestments.ca or SEDAR at www.sedar.com. Unitholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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Empire Life Money Market Mutual Fund

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Management Discussion of Fund Performance

Investment objectives and strategies

Empire Life Money Market Mutual Fund (the "Fund") seeks capital preservation and liquidity. The Fund invests in high quality, short-term Canadian dollar-denominated fixed income securities issued by Canadian governments and/or corporations. The Fund is managed to maintain a NAV per unit of \$5, although this cannot be guaranteed.

Risk

The overall level of risk of investing remains as discussed in the Simplified Prospectus. Any changes as a result of operations during the period have not affected the overall risk of the Fund. The Fund is suitable for the investor who seeks capital stability, interest income, liquidity, and who have a low tolerance for risk.

Result of operations

For the twelve-month period ending December 31, 2016 (the "Period"), Empire Life Money Market Mutual Fund (the "Fund"), Series A, returned 0.05%. The net returns of other series of this Fund are provided under the section titled "Past Performance". The series have different returns due to the expenses charged to each series.

The Period unfolded in an environment of extremely low interest rates. The three-month Canada Treasury bill provided an average yield of only 0.5% during the Period, and the Bank of Canada ("BoC") maintained its overnight target rate at 0.5% throughout. Low interest rates were deemed necessary by the BoC to offset oil price weakness and the negative impact of Alberta's wildfires in the first half of the Period. In fact, the Canadian economy shrank at an annualized rate of 1.3% in the second quarter of 2016.

Inflation was not a concern over the first eleven months of the Period, with total consumer price index (CPI) inflation averaging only 1.4%, well below the BoC's target of 2.0%. Further, the Bank of Canada renewed its Canada's inflation-control target for a further five years - out until the end of 2021 - whereby monetary policy's goal is maintain CPI inflation at 2%, with a control range of 1-3%.

The Canadian dollar gained 3.1% against the U.S. dollar over the Period. All of the gain was achieved in the first half of the Period, supported by a strong rebound in crude oil prices. However, as the Period progressed and the economic fundamentals between Canada and the U.S. diverged, the Canadian dollar experienced a steady, but gradual deterioration in its exchange rate. At the end of the Period, one Canadian dollar was worth 0.745 U.S. dollars.

The Fund's allocation to corporate paper and bankers acceptances contributed to its performance over the Period, as they generally outperformed comparable Canada Treasury Bills. The most significant detractor from the Fund's absolute performance was the low interest rate environment.

As a result of the low interest rate environment, the portfolio manager absorbed a portion of management fees on an as needed basis to maintain capital preservation for unit holders.

No significant changes were made to the Fund's holdings during the Period, and the portfolio manager continued to roll over maturing securities into high quality, liquid securities.

Fund returns are reported net of all management fees and expenses for all series.

Recent developments

As the Period progressed, oil prices staged a meaningful rally, helped in part by agreements among the Organization of the Petroleum Exporting Countries (OPEC) to limit production. At the end of the Period, the commodity price was \$54 (U.S./barrel), representing about a 100% advance from its Period low in February 2016.

The election of Donald Trump to the White House in November 2016 provided additional support to oil prices and other industrial commodities due to his growth oriented campaign platform. However, his administration's goal to promote American operations and renegotiate trade agreements poses an unknown risk to Canadian exporters. Additionally, the rise in global bond yields - including those in Canada - following Trump's election may act as a headwind to economic recovery and higher interest rates in Canada.

The U.S. economy continued its recovery, prompting the U.S. Federal Reserve (the "Fed") to raise interest rates by a quarter of one percent in December 2016, and is expected to further raise interest rates in 2017. A starkly different situation exists in Canada, where the BoC Governor

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indicated late in the Period that the Canadian economy continued to exhibit significant slack. At the end of the Period, the implied probability - according to financial markets - that the BoC will increase interest rates by any amount in 2017 was only about 34%.

As a result of these developments, the portfolio manager believes a low interest rate environment is likely to continue into 2017. Given this outlook, the portfolio manager will likely maintain a focus on capital preservation.

Future Accounting Changes

IFRS 9 *Financial Instruments*

In July 2014, the International Accounting Standards Board published the complete version of IFRS 9, which is effective for annual periods beginning on or after January 1, 2018, with retrospective application. The new standard includes requirements on the classification and measurement of financial assets and liabilities, an expected credit loss model that replaces the existing incurred loss impairment model and new hedge accounting guidance. The Manager is currently evaluating the impact of IFRS 9 on the Fund's financial statements.

Related party transactions

Empire Life Investments Inc. is the Manager, Trustee and Portfolio Manager of the Fund. The Manager is a wholly-owned subsidiary of The Empire Life Insurance Company.

The Manager provides or arranges for the provision of all the management and administrative services for the day-to-day operations of the Fund, including providing or arranging the provision of investment advice, record keeping and other administrative services, some of which are provided by an affiliate of the Manager. In consideration of the management and administrative services, the Fund pays the Manager a monthly management fee calculated as a percentage of daily net asset value of each series of the Fund. The rates for each series are disclosed under "Management fees".

During the Period, the Manager absorbed \$76,713 of total expenses otherwise payable by the Fund, as compared to \$66,523* for the year ended December 31, 2015. The amount of expenses waived or absorbed is determined annually on a series by series basis at the discretion of the Manager and the Manager can terminate the waiver or absorption at any time.

* The expenses absorbed by the Manager for the year ended December 31, 2015 of \$66,523 have been revised from the \$65,519 reported in the Annual Management Report of Fund Performance for the year ended December 31, 2015. This revision has been made to conform with the presentation used in the Fund's 2016 Annual Financial Statements, where Management fee rebates have been reclassified from Management fee expense to Expenses absorbed by Manager.

Series description

The Fund offers the following series: A and I. Series A units are available to all investors. Management fees are payable by the Fund on these series. Series I units are available to institutional investors who meet a minimum investment threshold and who have entered into a Series I agreement. The management fee for Series I units is negotiated between Empire Life Investments Inc. and the investor and is payable directly to Empire Life Investments Inc. by the investor.

Financial highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period and each of the other periods as shown below. This information is derived from the Fund's audited annual financial statements for the period.

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The Fund's net assets per unit⁽¹⁾

Series A Units	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014	For the year ended December 31, 2013	For the year ended December 31, 2012
Net Assets, beginning of period	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00 *
Increase (decrease) from operations:					
Total revenue	0.04	0.05	0.07	0.07	0.07
Total expenses	(0.04)	(0.04)	(0.05)	(0.05)	(0.05)
Realized gains (losses)	-	-	-	-	-
Unrealized gains (losses)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total increase (decrease) from operations⁽²⁾	\$ 0.00	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.02
Distributions:					
From income	(0.00)	(0.01)	(0.02)	(0.02)	(0.02)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions⁽³⁾	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.02)
Net Assets, end of period⁽⁴⁾	\$ 5.00				

Series I Units	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014	For the year ended December 31, 2013	For the year ended December 31, 2012
Net Assets, beginning of period	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00 *
Increase (decrease) from operations:					
Total revenue	0.05	0.05	0.07	0.07	0.07
Total expenses	-	-	-	-	-
Realized gains (losses)	-	-	-	-	-
Unrealized gains (losses)	-	-	-	-	-
Total increase (decrease) from operations⁽²⁾	\$ 0.05	\$ 0.05	\$ 0.07	\$ 0.07	\$ 0.07
Distributions:					
From income	(0.04)	(0.05)	(0.07)	(0.07)	(0.07)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions⁽³⁾	\$ (0.04)	\$ (0.05)	\$ (0.07)	\$ (0.07)	\$ (0.07)
Net Assets, end of period⁽⁴⁾	\$ 5.00				

Ratios and supplemental data

Series A Units	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014	For the year ended December 31, 2013	For the year ended December 31, 2012
Total Net Asset Value	\$ 1,832,937	\$ 1,051,563	\$ 1,659,881	\$ 715,145	\$ 59,435
Number of units outstanding	366,591	210,312	331,976	143,029	11,887
Management expense ratio ⁽⁵⁾	0.95%	0.94%	0.99%	1.00%	1.00% **
Management expense ratio before waivers or absorptions	3.24%	3.85%	5.50%	31.58%	278.12% **
Trading expense ratio ⁽⁶⁾	-	-	-	-	-
Portfolio turnover rate ⁽⁷⁾	-	-	-	-	-
Net Asset Value per unit	\$ 5.00				

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Series I Units	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014	For the year ended December 31, 2013	For the year ended December 31, 2012
Total Net Asset Value	\$ 583,972	\$ 584,716	\$ 577,152	\$ 575,717	\$ 496,149
Number of units outstanding	116,795	116,943	115,430	115,143	99,230
Management expense ratio ⁽⁵⁾	—	—	—	—	—
Management expense ratio before waivers or absorptions	6.17%	6.35%	11.01%	15.84%	10.15% **
Trading expense ratio ⁽⁶⁾	—	—	—	—	—
Portfolio turnover rate ⁽⁷⁾	—	—	—	—	—
Net Asset Value per unit	\$ 5.00				

* Initial offering price.

** Annualized.

- (1) This information is derived from the Fund's interim and annual audited financial statements. The 2016, 2015, 2014 and 2013 numbers are determined using International Financial Reporting Standards (IFRS), while the 2012 numbers are determined using previous Canadian generally accepted accounting principles (CGAAP). Closing amounts for 2012 may therefore vary slightly from opening balances for 2013. The term Net Asset Value per Unit used under CGAAP has been changed under IFRS to Net Assets Attributable to Holders of Redeemable Units per Unit.
- (2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.
- (3) Distributions were paid in cash or reinvested in additional units of the Fund, or both.
- (4) This is not a reconciliation of the beginning and ending net assets per unit.
- (5) The management expense ratio ("MER") is based on total expenses (excluding withholding tax and other transaction costs) as an annualized percentage of daily average net asset value during the Period.
- (6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the Period.
- (7) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. Portfolio turnover rate is calculated based on the lesser of the cumulative cost of purchases or cumulative proceeds of sales divided by the average market value of the portfolio, excluding short-term investments.

Management fees

The management fee for Series A units is an annualized rate calculated as a percentage of net assets of the applicable series of the Fund and accrued daily and paid monthly to Empire Life Investments Inc. The management fee for Series I units is negotiated and paid directly by the investor, not by the Fund.

The Fund's management fees were used by Empire Life Investments Inc. to pay for the costs of the overall business and affairs of the Fund including activities related to making units of the Fund available to investors, and providing or arranging for the provision of investment advisory services and marketing services to the Fund.

	As percentage of management fees		
	Management fee rates	Dealer compensation	General administration, investment advice and profit
Series A	0.95%	51.27%	48.73%

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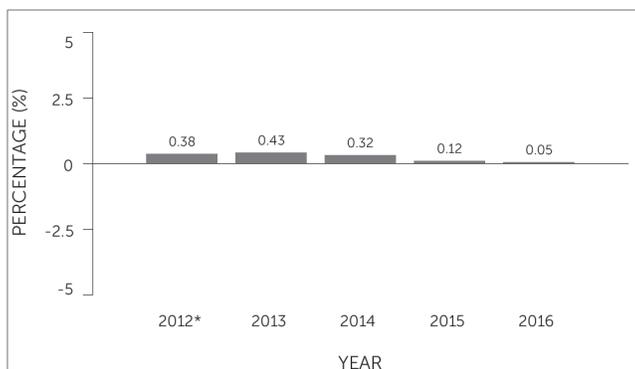
Past performance

The indicated rates of return assume reinvestment of all distributions. They do not take into account sales, redemption, distribution or optional sales charges that would have reduced returns. The past performance of the Fund is not necessarily an indication of how it will perform in the future.

Year-by-year returns

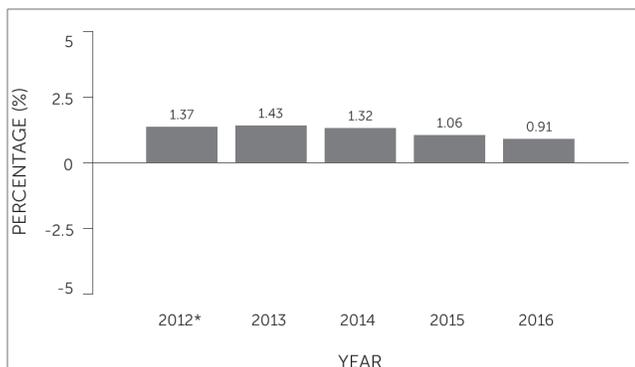
The following bar charts show the annual performance for each series of the Fund and illustrate how that series' performance has varied from year to year. The charts show, in percentage terms, how much an investment made on the first day of each financial year would have increased or decreased by the end of the period. For the first year of a series, the percentage shown is the actual return of the series from its commencement of operations.

Series A



*From January 9, 2012 to December 31, 2012 (not annualized)

Series I



*From January 9, 2012 to December 31, 2012 (not annualized)

Summary of investment portfolio

The summary of investment portfolio may have changed since December 31, 2016, due to ongoing portfolio transactions of the Fund. Quarterly updates are available within 60 days after quarter-end, except

for December 31st, the Fund's fiscal year-end, when they are available within 90 days.

Top 25 Holdings	Percentage of Net Asset Value (%)
Province of Saskatchewan 0.611% Feb 15, 2017*	12.3
Firstbank 0.880% May 15, 2017*	8.2
Dollarama Inc. Floating Rate 1.437% May 16, 2017*	7.9
Concentra Financial Services Association 0.002% Jan 16, 2017*	7.2
Cash & Cash Equivalents	6.9
Bank of Nova Scotia Floating Rate 1.070% Oct 11, 2017*	6.2
Toronto-Dominion Bank 0.760% Feb 28, 2017*	6.2
Inter Pipeline Limited, Floating Rate 1.385% May 30, 2017*	5.9
City of Toronto 5.050% Jul 18, 2017*	5.3
Government of Canada 0.504% Jan 5, 2017*	5.2
HSBC Bank Canada Floating Rate 1.250% Apr 28, 2017*	4.1
Vancouver City Savings Credit Union Floating Rate 1.548% Apr 10, 2017*	4.1
Canadian Imperial Bank of Commerce Floating Rate 1.113% May 17, 2017*	4.1
Canadian Imperial Bank of Commerce 0.772% Feb 14, 2017*	4.1
National Bank of Canada 0.809% Apr 11, 2017*	4.1
Toyota Credit Canada Inc. 0.980% Apr 3, 2017*	4.1
Province of Ontario 0.700% May 17, 2017*	4.1
	100.0

* Debt instruments

Portfolio by Category

Asset Type	Percentage of Net Asset Value (%)
Short Term	55.8
Fixed Income	37.6
Cash & Cash Equivalents	6.9
Other Net Assets (Liabilities)	(0.3)
	100.0

Sector	Percentage of Net Asset Value (%)
Canadian Corporate Bonds	32.3
Bankers' Acceptances	22.7
Promissory Note	12.4
Commercial Papers	11.4
Treasury Bills	9.3
Cash & Cash Equivalents	6.9
Municipal Bonds	5.3
Other Net Assets (Liabilities)	(0.3)
	100.0

Country	Percentage of Net Asset Value (%)
Canada	93.4
Cash & Cash equivalents	6.9
Other Net Assets (Liabilities)	(0.3)
	100.0



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A NOTE ON FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement.

Forward-looking statements are the opinions and views of Empire Life Investments Inc. Inc. based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors and are subject to change without notice. Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and avoid placing undue reliance on forward-looking statements. The Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise.

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