Empire Life Emblem Portfolios: Asset Allocation Update

Update from the Asset Allocation Oversight Team

April 8, 2015

Summary of Asset Allocation Decisions

Asset Class	Current Asset Allocation Positioning
Fixed Income	Underweight
Canadian Equity	Underweight
U.S. Equity	Overweight
International Equity	Underweight

	Neutral Allocation*				Current Target Allocation (change from prev.)			
Emblem Portfolio	Fixed Income	Canadian Equity	U.S. Equity	International Equity	Fixed Income	Canadian Equity	U.S. Equity	International Equity
Diversified Income	80.0%	10.0%	5.0%	5.0%	77.5%	8.5% (+2.0%)	10.0% (-2.0%)	4.0%
Conservative	65.0%	25.0%	5.0%	5.0%	62.0%	21.0% (+1.0%)	13.0% (-1.0%)	4.0%
Balanced	50.0%	35.0%	7.5%	7.5%	49.0%	28.5% (+1.5%)	18.0% (-1.5%)	4.5%
Moderate Growth	35.0%	45.0%	10.0%	10.0%	33.5%	40.0% (+2.0%)	21.5% (-2.0%)	5.0%
Growth	20.0%	60.0%	10.0%	10.0%	17.5%	51.5% (+2.5%)	25.0% (-2.5%)	6.0%
Aggressive Growth	-	75.0%	12.5%	12.5%	-	66.0% (+3.0%)	26.0% (-3.0%)	8.0%

*Neutral allocation is based on the Fund's respective long-term strategic asset allocation

Rationale

Key Takeaway: Tactically reduced U.S. equity; increased Canadian equity.

In March, the current bull market hit the six-year mark and has continued to chug along strongly to start April. Our outlook towards equities remains favourable as inflation pressures remain absent in most developed markets, allowing central banks to remain accommodative on the monetary policy front.

U.S. stocks are now up more than 200% from their March 2009 lows. The unemployment rate recently dipped to 5.5% and there has been a notable increase in wage hike announcements, including at Wal-Mart, TJ Maxx and McDonalds. While we are confident that the underlying picture in the U.S. will remain robust, we believe this may be an opportune time to take some profits, ahead of the Q1 earnings season where corporate profits could potentially show some softness due to the strengthening U.S. dollar.

In Canada, we have some headwinds such as lower oil prices and rising household debt. But there are some offsets to this headwind. First, for 80% of Canada's gross domestic product, lower oil prices are a good thing, just as it is in the U.S. Secondly, the lower Canadian dollar will help exporters, including resource companies, who sell a U.S. dollar priced commodity but have costs in Canadian dollars.

As a result, we remain overweight U.S. equities but have tactically trimmed this position and increased the target allocation to Canadian equities.

Empire Life Investments

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