



Annual Management Report of Fund Performance | As at December 31, 2018

# EMPIRE LIFE MUTUAL FUNDS<sup>®</sup>

**Empire Life Emblem Moderate Growth Portfolio**

This annual management report of fund performance contains financial highlights, but does not contain the complete 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](http://www.empirelifeinvestments.ca) or SEDAR at [www.sedar.com](http://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 Emblem Moderate Growth Portfolio

## Annual Management Report of Fund Performance

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### Management Discussion of Fund Performance

#### Investment objectives and strategies

Empire Life Emblem Moderate Growth Portfolio (the "Fund") seeks long-term capital growth with moderate income. The Fund invests in a broadly diversified mix of primarily Canadian equities and fixed income securities through a combination of strategic and tactical asset allocation and a value-oriented approach to security selection. The Fund's target asset mix is 35% fixed income securities and 65% equity investments. Tactical shifts in asset allocation may be made by the portfolio manager with the objective of adding incremental value and optimizing this Fund's risk-return profile.

#### 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 long-term capital growth, has a low to medium tolerance for risk and wishes to diversify their portfolio through fixed income and equity securities to potentially reduce volatility.

#### Result of operations

For the twelve-month period ending December 31, 2018 (the "Period"), Series A of the Fund returned -9.3%. 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 Fund's benchmark, the S&P/TSX Composite TR Index, broadly representative of the Canadian equity market, returned -8.9% for the same Period. The Fund's mandate is to invest in a diversified target asset mix of equity securities (65%) and fixed-income securities and cash (35%). Fund returns are reported net of all management fees and expenses for all series, unlike the returns of the Fund's benchmark, which are based on the performance of an index that does not pay fees or incur expenses.

The Fund's blended benchmark returned -4.2% for the Period. The blended benchmark is composed of 35% FTSE TMX Canada Universe Bond Index, 40% S&P/TSX Composite TR Index, 10% S&P 500 Index (CAD), 10% MSCI EAFE Index (CAD) and 5% S&P/TSX Small Cap Index. In the portfolio manager's view, this comparison more closely reflects the market sectors in which the Fund invests, to provide a more useful comparative to the performance of the Fund.

The Fund underperformed its blended benchmark over the Period. An underweight allocation to bonds, particularly government bonds, detracted from performance. Stock selection within international Consumer Staples, and within the U.S. Information Technology and Health Care sectors also detracted. Stock selection within Canadian equities was another detractor from performance, specifically, three stocks in the Industrials sector and one in the Energy sector. Two of the Industrials stocks were negatively affected by company-specific manufacturing or operational issues that the portfolio manager believes are transient in nature. The Energy stock experienced slower-than-expected growth from lack of takeaway capacity in Canada and depressed natural gas prices. This, coupled with overall negative sentiment towards Canadian Energy sector stocks, weighed on valuation.

An overweight allocation to U.S. equities, particularly for their exposure to the U.S. dollar, and the Fund's cash position, contributed to performance. An underweight allocation to Canadian equities, and stock selection within the Canadian Financials sector also made contributions to the Fund's performance.

During the Period, Canadian bond market performance fluctuated within a relatively narrow range for most of the year. Synchronized global growth at the beginning of 2018 pushed bond yields higher, but stock market volatility in March drove yields back down. Rising interest rates and the U.S. Federal Reserve Board's ("Fed") shrinking balance sheet influenced sentiment and bond market performance. The Canadian bond market was slightly in negative territory up until the end of October, while the U.S. 10-year Treasury yield touched its highest level since February 2011 in late October and early November.

Despite the Fed's fourth interest rate increase of the year in December, bond yields declined sharply amid the equity sell-off. Canadian government bond yields dropped across the yield curve. However, on the credit side, equity market volatility translated into a widening of credit spreads (the difference in yield between two bonds of similar maturity but different credit quality). Corporate credit spreads widened across the curve, more than offsetting the underlying Canada yield decline.

Global equity markets were subject to multiple challenges, from escalating trade tensions and geopolitical uncertainties, to the gradual removal of economic stimulus measures by central banks. All major equity regions (Canada, the U.S. and international) delivered negative returns (before accounting for any currency effects). For much of the year, Canadian equities were faced with uncertainty surrounding the renegotiation of the North American Free Trade Agreement. This uncertainty essentially lifted in September as the three countries drafted a new trade deal, called the Canada-United States-Mexico Agreement ("CUSMA").

# Empire Life Emblem Moderate Growth Portfolio

## Annual Management Report of Fund Performance

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Trade tensions between the U.S. and China continued throughout the Period as various tariffs and counter tariffs were imposed. As concerns over slowing global economy activity mounted, its effect on the price of oil reached a tipping point late in the Period. West Texas Intermediate ("WTI") oil fell from a high of about US\$76 per barrel in early October to US\$45 per barrel at the end of the Period. For Canadian oil, the price dipped significantly lower. At one point, a barrel of Western Canadian Select oil was trading for less than US\$11 per barrel, while a barrel of WTI was trading at US\$50. In response, the Alberta government imposed a production decrease of 325,000 barrels per day starting in January 2019 to help shrink the pricing discount. Not surprisingly, the Energy sector was the worst-performing sector in the benchmark Index during the Period.

The portfolio manager deployed some of the Fund's accumulated cash into high-quality equities at more reasonable valuations following periods of market volatility. In March, proceeds were invested in international equities, and in U.S. and international equities in November. In August, the Fund's increased allocation to international equities was done at the expense of Canadian equities. At the end of the Period, the Fund's asset mix was: 41% Canadian equities, 14% U.S. equities, 12% international equities, 26% bonds and 7% cash and short-term investments.

### Recent developments

The portfolio manager expects that central banks in Canada and the U.S. will take a more cautious approach to tightening monetary policy in 2019. Current bond yields are relatively low and the recent interest rate rebound and credit spread widening may be overdone as yields declined significantly amid the stock market's volatility and the Bank of Canada's change in policy.

The portfolio manager's outlook for Canadian equities is positive. Financials, particularly banks and life insurance companies, should benefit from rising interest rates. The portfolio manager's view of the Canadian Energy sector is also positive as it should benefit from improved oil pricing as transportation issues are relieved by increased crude-by-rail capacity and new pipeline projects.

Regarding U.S. and international equities, the portfolio manager is cautiously optimistic over the near term. U.S. economic and earnings results have been strong. Although macroeconomic challenges abound internationally (trade disputes, the U.K.'s exit from the European Union, a general rise in populism and increasing civil unrest in France), current stock market valuations generally have discounted these risks. Additionally, the portfolio manager expects the international equity component of the Fund to continue to be invested in higher-quality companies with defensive characteristics.

### Independent Review Committee ("IRC")

Effective January 2, 2018, Joanne Vézina was appointed as chair of the IRC and Paul Batho's term of office expired.

### Related party transactions

Empire Life Investments Inc. (the "Manager") 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, other than in the case of Series I, where fees are paid directly by the investor to the Manager. The rates for each series are disclosed under "Management fees".

During the Period, the Manager absorbed \$255,697 of total expenses otherwise payable by the Fund, as compared to \$194,275 for the year ended December 31, 2017. 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.

### Series description

The Fund offers the following series: A, T6, T8, F and I. Series A, T6 and T8 units are available to all investors. Series T6 and T8 are designed for investors seeking regular monthly cash flows from a Fund. Series F units are only available to investors who have a fee-based account with their dealer and whose dealer has signed an agreement with the Manager. Management fees are payable by the Funds on all series except for Series I. 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 the Manager and the investor and is payable directly to the Manager 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 past five years. This information is derived from the Fund's audited annual financial statements for the period.

# Empire Life Emblem Moderate Growth Portfolio

## Annual Management Report of Fund Performance

### The Fund's net assets per unit<sup>(1)</sup>

Series A Units	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
<b>Net Assets, beginning of period</b>	\$ 13.74	\$ 13.32	\$ 12.53	\$ 12.30	\$ 11.49
<b>Increase (decrease) from operations:</b>					
Total revenue	0.36	0.34	0.32	0.33	0.33
Total expenses	(0.33)	(0.33)	(0.31)	(0.33)	(0.32)
Realized gains (losses)	0.05	0.36	0.12	0.10	0.50
Unrealized gains (losses)	(1.29)	0.28	0.75	0.03	0.59
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (1.21)</b>	<b>\$ 0.65</b>	<b>\$ 0.88</b>	<b>\$ 0.13</b>	<b>\$ 1.10</b>
<b>Distributions:</b>					
From income	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	(0.13)	(0.25)	(0.08)	(0.02)	(0.30)
Return of capital	-	-	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ (0.13)</b>	<b>\$ (0.25)</b>	<b>\$ (0.08)</b>	<b>\$ (0.02)</b>	<b>\$ (0.30)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>\$ 12.33</b>	<b>\$ 13.74</b>	<b>\$ 13.32</b>	<b>\$ 12.53</b>	<b>\$ 12.30</b>

Series T6 Units	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
<b>Net Assets, beginning of period</b>	\$ 9.68	\$ 9.97	\$ 9.96	\$ 10.39	\$ 10.29
<b>Increase (decrease) from operations:</b>					
Total revenue	0.25	0.25	0.26	0.27	0.29
Total expenses	(0.22)	(0.23)	(0.23)	(0.27)	(0.28)
Realized gains (losses)	0.03	0.26	0.10	0.11	0.46
Unrealized gains (losses)	(0.89)	0.21	0.59	0.07	0.50
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (0.83)</b>	<b>\$ 0.49</b>	<b>\$ 0.72</b>	<b>\$ 0.18</b>	<b>\$ 0.97</b>
<b>Distributions:</b>					
From income	-	-	-	-	-
From dividends	(0.01)	-	-	-	-
From capital gains	(0.09)	(0.18)	(0.06)	(0.02)	(0.25)
Return of capital	(0.58)	(0.60)	(0.60)	(0.62)	(0.62)
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ (0.68)</b>	<b>\$ (0.78)</b>	<b>\$ (0.66)</b>	<b>\$ (0.64)</b>	<b>\$ (0.87)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>\$ 8.14</b>	<b>\$ 9.68</b>	<b>\$ 9.97</b>	<b>\$ 9.96</b>	<b>\$ 10.39</b>

# Empire Life Emblem Moderate Growth Portfolio

## Annual Management Report of Fund Performance

Series T8 Units	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
<b>Net Assets, beginning of period</b>	\$ 8.51	\$ 8.96	\$ 9.14	\$ 9.73	\$ 9.84
<b>Increase (decrease) from operations:</b>					
Total revenue	0.21	0.22	0.24	0.25	0.27
Total expenses	(0.19)	(0.20)	(0.21)	(0.25)	(0.26)
Realized gains (losses)	0.03	0.23	0.09	0.11	0.41
Unrealized gains (losses)	(0.78)	0.20	0.53	0.08	0.51
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (0.73)</b>	<b>\$ 0.45</b>	<b>\$ 0.65</b>	<b>\$ 0.19</b>	<b>\$ 0.93</b>
<b>Distributions:</b>					
From income	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	(0.07)	(0.15)	(0.05)	(0.02)	(0.23)
Return of capital	(0.68)	(0.72)	(0.73)	(0.78)	(0.79)
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ (0.75)</b>	<b>\$ (0.87)</b>	<b>\$ (0.78)</b>	<b>\$ (0.80)</b>	<b>\$ (1.02)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>\$ 7.01</b>	<b>\$ 8.51</b>	<b>\$ 8.96</b>	<b>\$ 9.14</b>	<b>\$ 9.73</b>

Series F Units	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
<b>Net Assets, beginning of period</b>	\$ 13.59	\$ 13.16	\$ 12.32	\$ 12.03	\$ 11.19
<b>Increase (decrease) from operations:</b>					
Total revenue	0.36	0.34	0.31	0.33	0.32
Total expenses	(0.16)	(0.16)	(0.15)	(0.17)	(0.17)
Realized gains (losses)	0.04	0.36	0.12	0.12	0.49
Unrealized gains (losses)	(1.30)	0.31	0.75	(0.01)	0.71
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (1.06)</b>	<b>\$ 0.85</b>	<b>\$ 1.03</b>	<b>\$ 0.27</b>	<b>\$ 1.35</b>
<b>Distributions:</b>					
From income	(0.08)	(0.06)	(0.03)	(0.08)	(0.08)
From dividends	(0.10)	(0.09)	(0.06)	—	—
From capital gains	(0.13)	(0.25)	(0.07)	(0.03)	(0.29)
Return of capital	—	—	—	—	—
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ (0.31)</b>	<b>\$ (0.40)</b>	<b>\$ (0.16)</b>	<b>\$ (0.11)</b>	<b>\$ (0.37)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>\$ 12.16</b>	<b>\$ 13.59</b>	<b>\$ 13.16</b>	<b>\$ 12.32</b>	<b>\$ 12.03</b>

Series I Units	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
<b>Net Assets, beginning of period</b>	\$ 14.56	\$ 14.08	\$ 13.17	\$ 12.86	\$ 11.89
<b>Increase (decrease) from operations:</b>					
Total revenue	0.39	0.37	0.35	0.36	0.35
Total expenses	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)
Realized gains (losses)	0.04	0.39	0.16	0.02	0.53
Unrealized gains (losses)	(1.45)	0.33	0.86	(0.11)	0.76
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (1.04)</b>	<b>\$ 1.07</b>	<b>\$ 1.35</b>	<b>\$ 0.24</b>	<b>\$ 1.61</b>
<b>Distributions:</b>					
From income	(0.16)	(0.12)	(0.09)	(0.24)	(0.17)
From dividends	(0.20)	(0.19)	(0.16)	—	—
From capital gains	(0.14)	(0.27)	(0.08)	(0.03)	(0.31)
Return of capital	—	—	—	—	—
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ (0.50)</b>	<b>\$ (0.58)</b>	<b>\$ (0.33)</b>	<b>\$ (0.27)</b>	<b>\$ (0.48)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>\$ 13.02</b>	<b>\$ 14.56</b>	<b>\$ 14.08</b>	<b>\$ 13.17</b>	<b>\$ 12.86</b>

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### Ratios and supplemental data

	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
<b>Series A Units</b>					
<b>Total Net Asset Value</b>	\$ 21,774,433	\$ 30,470,302	\$ 35,798,967	\$ 33,917,721	\$ 21,305,949
<b>Number of units outstanding</b>	1,766,476	2,217,901	2,687,804	2,707,271	1,732,582
Management expense ratio <sup>(5)</sup>	2.35%	2.36%	2.35%	2.35%	2.34%
Management expense ratio before waivers or absorptions	2.67%	2.51%	2.59%	2.71%	3.50%
Trading expense ratio <sup>(6)</sup>	0.09%	0.09%	0.09%	0.14%	0.18%
Portfolio turnover rate <sup>(7)</sup>	52.13%	84.82%	113.46%	119.39%	133.60%
<b>Net Asset Value per unit</b>	<b>\$ 12.33</b>	<b>\$ 13.74</b>	<b>\$ 13.32</b>	<b>\$ 12.53</b>	<b>\$ 12.30</b>

	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
<b>Series T6 Units</b>					
<b>Total Net Asset Value</b>	\$ 3,611,717	\$ 4,501,916	\$ 4,282,405	\$ 3,837,671	\$ 3,428,327
<b>Number of units outstanding</b>	443,625	465,043	429,459	385,196	330,108
Management expense ratio <sup>(5)</sup>	2.35%	2.36%	2.35%	2.35%	2.35%
Management expense ratio before waivers or absorptions	3.27%	3.01%	2.55%	2.60%	3.33%
Trading expense ratio <sup>(6)</sup>	0.09%	0.09%	0.09%	0.14%	0.18%
Portfolio turnover rate <sup>(7)</sup>	52.13%	84.82%	113.46%	119.39%	133.60%
<b>Net Asset Value per unit</b>	<b>\$ 8.14</b>	<b>\$ 9.68</b>	<b>\$ 9.97</b>	<b>\$ 9.96</b>	<b>\$ 10.39</b>

	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
<b>Series T8 Units</b>					
<b>Total Net Asset Value</b>	\$ 2,611,191	\$ 3,380,395	\$ 3,225,753	\$ 2,683,221	\$ 2,385,496
<b>Number of units outstanding</b>	372,654	397,048	360,189	293,656	245,275
Management expense ratio <sup>(5)</sup>	2.35%	2.36%	2.35%	2.35%	2.34%
Management expense ratio before waivers or absorptions	3.32%	3.06%	2.48%	2.59%	3.12%
Trading expense ratio <sup>(6)</sup>	0.09%	0.09%	0.09%	0.14%	0.18%
Portfolio turnover rate <sup>(7)</sup>	52.13%	84.82%	113.46%	119.39%	133.60%
<b>Net Asset Value per unit</b>	<b>\$ 7.01</b>	<b>\$ 8.51</b>	<b>\$ 8.96</b>	<b>\$ 9.14</b>	<b>\$ 9.73</b>

	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
<b>Series F Units</b>					
<b>Total Net Asset Value</b>	\$ 2,184,257	\$ 2,555,984	\$ 2,166,163	\$ 1,872,437	\$ 1,517,753
<b>Number of units outstanding</b>	179,652	188,086	164,577	151,979	126,159
Management expense ratio <sup>(5)</sup>	1.15%	1.16%	1.15%	1.15%	1.15%
Management expense ratio before waivers or absorptions	2.30%	2.12%	1.20%	1.30%	1.84%
Trading expense ratio <sup>(6)</sup>	0.09%	0.09%	0.09%	0.14%	0.18%
Portfolio turnover rate <sup>(7)</sup>	52.13%	84.82%	113.46%	119.39%	133.60%
<b>Net Asset Value per unit</b>	<b>\$ 12.16</b>	<b>\$ 13.59</b>	<b>\$ 13.16</b>	<b>\$ 12.32</b>	<b>\$ 12.03</b>

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Series I Units	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
<b>Total Net Asset Value</b>	\$ 278,662,698	\$ 283,341,510	\$ 179,399,680	\$ 90,615,997	\$ 14,148,176
<b>Number of units outstanding</b>	21,410,980	19,453,969	12,737,854	6,881,632	1,100,436
Management expense ratio <sup>(5)</sup>	–	–	–	–	–
Management expense ratio before waivers or absorptions	0.03%	0.03%	0.15%	0.26%	0.93%
Trading expense ratio <sup>(6)</sup>	0.09%	0.09%	0.09%	0.14%	0.18%
Portfolio turnover rate <sup>(7)</sup>	52.13%	84.82%	113.46%	119.39%	133.60%
<b>Net Asset Value per unit</b>	<b>\$ 13.02</b>	<b>\$ 14.56</b>	<b>\$ 14.08</b>	<b>\$ 13.17</b>	<b>\$ 12.86</b>

- (1) This information is derived from the Fund's annual audited financial statements. The financial statements are prepared using International Financial Reporting Standards (IFRS).
- (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, T6, T8 and F 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 the Manager. 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 the Manager 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, providing or arranging for the provision of investment advisory services and/or marketing services to the Fund. Management fees are also used to pay trailing commissions in connection with Series A, Series T6 and Series T8 to registered dealers for the services and/or advice that they provide to investors.

	As percentage of management fees		
	Management fee rates	Dealer compensation	General administration, investment advice and profit
Series A	2.05%	49.39%	50.61%
Series T6	2.05%	46.64%	53.36%
Series T8	2.05%	45.38%	54.62%
Series F	0.85%	0.00%	100.00%



# Empire Life Emblem Moderate Growth Portfolio

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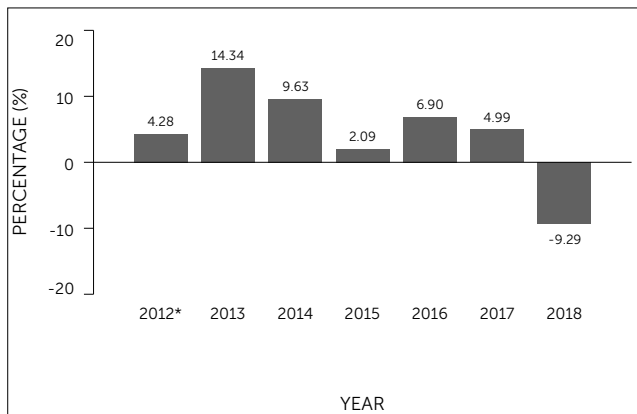
### Past performance

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

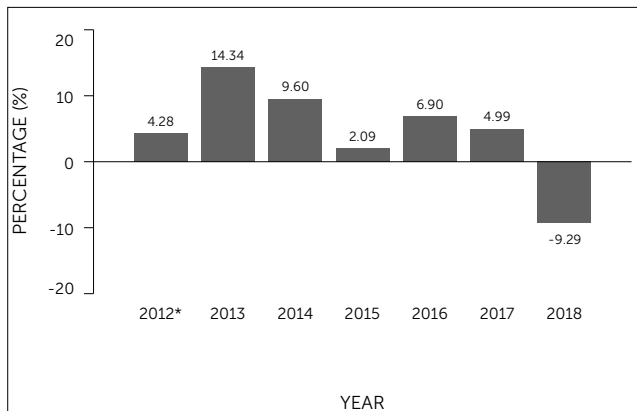
The following bar charts show the annual performance for each series of the Fund and illustrate how that series' performance has varied from year to year. The charts show, in percentage terms, how much an investment made on the first day of each financial year would have increased or decreased by the 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**



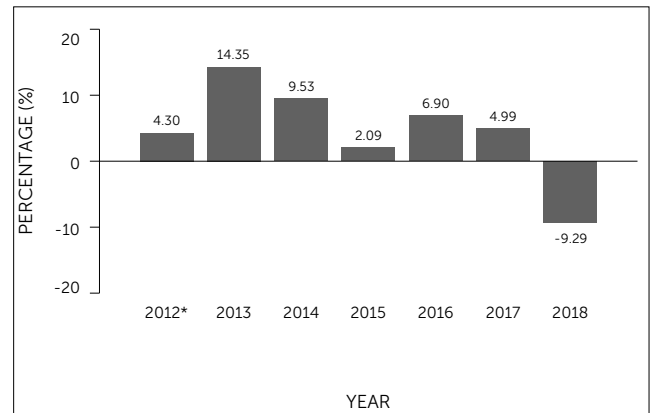
\*From January 9, 2012 to December 31, 2012 (not annualized)

**Series T6**



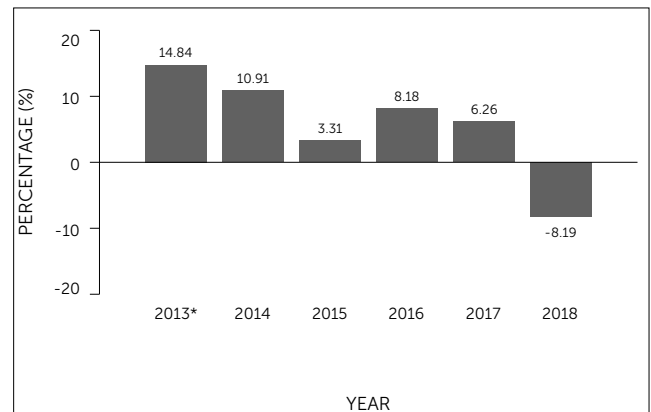
\*From January 9, 2012 to December 31, 2012 (not annualized)

**Series T8**



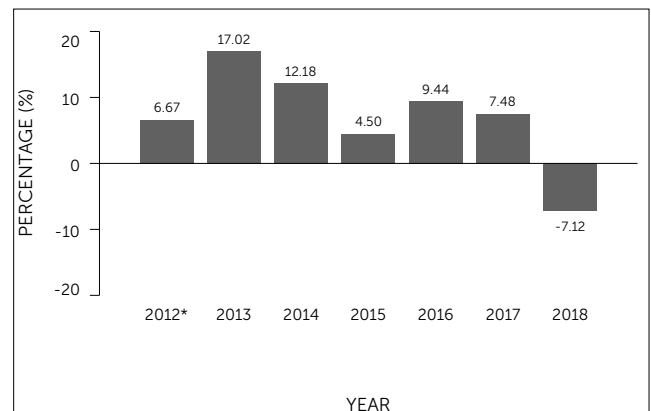
\*From January 9, 2012 to December 31, 2012 (not annualized)

**Series F**



\*From January 15, 2013 to December 31, 2013 (not annualized)

**Series I**



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

# Empire Life Emblem Moderate Growth Portfolio

## Annual Management Report of Fund Performance

### Annual compound returns

This table shows the Fund's historical annual compound returns for each series of the Fund for the periods indicated compared to a broad based index and a blended index, as described below.

	1 Year	3 Years	5 Years	Since Inception	Inception Date
Series A units <sup>1</sup>	-9.3%	0.6%	2.6%	4.5%	January 9, 2012
Series I units <sup>1</sup>	-7.1%	3.0%	5.1%	7.0%	January 9, 2012
Series T8 units <sup>1</sup>	-9.3%	0.6%	2.6%	4.5%	January 9, 2012
Series T6 units <sup>1</sup>	-9.3%	0.6%	2.6%	4.5%	January 9, 2012
Series F units <sup>1</sup>	-8.2%	1.8%	3.9%	5.7%	January 15, 2013
S&P/TSX Composite TR Index <sup>2</sup>	-8.9%	6.4%	4.1%	5.7%	(7 year return)
Blended Benchmark <sup>3</sup>	-4.2%	4.7%	5.0%	6.2%	(7 year return)

(1) Net of all fees and expenses paid by the Fund.

(2) The S&P/TSX Composite TR Index is broadly representative of the Canadian equity market. The S&P/TSX Composite TR Index tracks the performance of some of the largest and most widely held stocks listed on the Toronto Stock Exchange.

(3) The blended benchmark is composed of 35% FTSE TMX Canada Universe Bond Index, 40% S&P/TSX Composite TR Index, 10% S&P 500 Index (CAD), 10% MSCI EAFE Index (CAD) and 5% S&P/TSX Small Cap Index.

### Summary of investment portfolio

The summary of investment portfolio may have changed since December 31, 2018, 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 (%)
Royal Bank of Canada 1.700% January 2, 2019*	3.3
Royal Bank of Canada	2.6
Toronto-Dominion Bank	2.4
Bank of Nova Scotia	2.4
Canada Housing Trust 1.250% December 15, 2020*	2.3
DowDuPont Inc.	1.7
Bank of Montreal	1.7
Shaw Communications Inc. 'B'	1.7
Brookfield Asset Management Inc. 'A'	1.6
Canadian Treasury Bill 1.740% February 7, 2019*	1.6
Saputo Inc.	1.5
Alimentation Couche-Tard Inc. 'B'	1.4
Toromont Industries Limited	1.4
Keyera Corporation	1.4
Enbridge Inc.	1.3
PrairieSky Royalty Limited	1.3
Intact Financial Corporation	1.3
Cenovus Energy Inc.	1.0
Restaurant Brands International Inc.	1.0
CGI Group Inc. 'A'	1.0
Canadian National Railway Company	1.0
Cineplex Inc.	1.0
Parkland Fuel Corporation	1.0
Province of Ontario 1.929% April 10, 2019*	1.0
Domino's Pizza Group PLC	0.9
	<b>38.8</b>

\* Debt Instruments

### Portfolio by Category

Asset Type	Percentage of Net Asset Value (%)
Equities	66.7
Fixed Income	25.6
Short-term Investments	6.9
Cash & Cash Equivalents	0.2
Other Net Assets (Liabilities)	0.6
	<b>100.0</b>

Sector	Percentage of Net Asset Value (%)
Financials	17.3
Canadian Corporate Bonds	13.4
Energy	10.4
Industrials	7.6
Provincial Bonds	6.8
Consumer Discretionary	6.3
Materials	5.3
Communication Services	5.0
Consumer Staples	4.9
Information Technology	4.4
Other	18.6
	<b>100.0</b>

Country	Percentage of Net Asset Value (%)
Canada	72.3
United States of America	13.9
United Kingdom	2.9
Japan	2.0
Switzerland	1.2
France	1.0
Netherlands	0.8
Denmark	0.8
Australia	0.5
Finland	0.4
Italy	0.4
Norway	0.4
Germany	0.4
Bermuda	0.4
Ireland	0.3
Cayman Islands	0.2
Luxembourg	0.2
India	0.2
Belgium	0.2
China	0.2
South Korea	0.2
Spain	0.2
Cash & Cash Equivalents	0.2
Jersey	0.1
Other Net Assets (Liabilities)	0.6
	<b>100.0</b>

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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. 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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