



Annual Management Report of Fund Performance | As at December 31, 2017

# 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 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](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.

(This page has been left intentionally blank.)

# Empire Life Emblem Moderate Growth Portfolio

## Annual Management Report of Fund Performance

---

### 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, 2017 (the "Period"), Empire Life Emblem Moderate Growth Portfolio (the "Fund"), Series A, returned 5.0%. 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 Index, broadly representative of the Canadian market, returned 9.1% 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 7.8% for the Period. The blended benchmark is composed of 35% FTSE TMX Canada Universe Bond Index, 20% S&P/TSX Composite Index, 20% S&P/TSX 60 Index, 10% S&P 500 Index (CAD), 10% MSCI EAFE Index (CAD) and 5% S&P/TSX Small Cap Index from January 1 to March 31. For the remainder of the Period, the blended benchmark consisted of 35% FTSE TMX Canada Universe Bond Index, 40% S&P/TSX Composite Index, 10% S&P 500 Index (CAD), 10% MSCI EAFE Index (CAD) and 5% S&P/TSX Small Cap Index. The reallocation from the S&P/TSX 60 Index to the S&P/TSX Composite Index was to better reflect the higher degree of diversification inherent in the Fund's Canadian equity investments. 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 overweight allocation to Canadian equities and underweight exposure to international equities detracted from performance. An elevated cash position was another detractor. Stock selection in Canadian equities, particularly in the Energy sector, also detracted from performance.

An underweight exposure to Canadian small-cap equities aided the Fund's performance, as they significantly underperformed the broader Canadian equity market. An overweight allocation to U.S. equities and overweight exposure to corporate bonds also contributed to performance, as did stock selection in U.S. and international equities.

During the Period, Canadian equities experienced contrasting performance between the first and second halves of the year. In the first half of 2017, Canadian equity performance was flat, as measured by the S&P/TSX Composite Index's gain of only 0.7%. This was largely a result of the Energy sector's double-digit performance decline, which was impacted by declining oil prices. West Texas Intermediate ("WTI") oil lost over 20% from its February high to its June low. U.S. oil companies increased oil production, more than doubling the number of active drilling rigs from the previous year. Global crude inventories remained stubbornly high, despite an Organization of the Petroleum Exporting Countries agreement to extend oil production cuts.

The Canadian economy performed well over the first half of the year, and was one of the world's fastest-growing developed economies. This prompted the Bank of Canada ("BoC") to raise interest rates twice over the summer, moves that were not anticipated by the market earlier in the year. BoC Governor Poloz described the moves as reversing the emergency stimulus applied in 2016 after Alberta's wildfires. The interest rate increases factored into a rise in the Canadian dollar versus the U.S. dollar.

The second half of 2017 saw fortunes reverse for Canadian equities, with the S&P/TSX Composite Index gaining 8.3%. This fell slightly short of U.S. and international market performance, but it at least kept pace. Equity markets were buoyed by the increasing prospects of U.S. tax reform and generally positive global economic growth. The Canadian economy started showing signs of slowing, with gross domestic product growing at an annualized pace of 2.3% in the third quarter (including negative growth in August), compared to 4.9% the previous quarter. A rebound in WTI oil prices of about 40% from its June lows helped Canada's Energy sector post respectable gains. These gains, however, were muted as Canadian oil and

# Empire Life Emblem Moderate Growth Portfolio

## Annual Management Report of Fund Performance

---

natural gas prices fell far short of U.S. prices. Transportation bottlenecks and oversupply were key factors behind the significant pricing discount on Canadian oil.

Canadian banks delivered strong earnings results, including record full-year profits for Canada's largest bank. Commodity prices experienced a strong rebound in the second half as well. U.S. and international equity markets performed very well, but their gains in Canadian-dollar terms were somewhat eroded. Canadian bond market performance was relatively flat for the year, negatively impacted by the generally positive economic conditions and the surprising BoC interest rate increases over the summer.

Exposure to Canadian equities was increased during the Period, based on the relative attractiveness of the asset class. Canadian equity performance trailed other equity regions, thereby encompassing more modest growth expectations by the market. As a result of an improving outlook on the asset class and stronger earnings growth rates for European companies, International equity exposure was increased to reduce the Fund's underweight allocation. An overweight allocation to U.S. equities was reduced in light of less attractive valuations and high market expectations for growth following the 2016 U.S. presidential election. At the end of the Period, the Fund's asset mix was 46% Canadian equities, 25% bonds, 13% U.S. equities, 9% international equities and 7% in short-term investments.

### Recent developments

The portfolio manager has a positive view of the Fund's medium-term outlook. The passing of the U.S. tax reform bill should have a meaningful impact on earnings and potentially increase economic activity in the coming Period. The corporate tax rate is slated to be reduced from 35% to 21%, which will boost after-tax profit margins on current projects and may increase the number of projects that meet corporate after-tax hurdle rates. This should directly affect U.S.-domiciled companies, but also Canadian companies with U.S. operations. Additionally, the U.S. tax system will shift from a worldwide to a territorial tax system that will facilitate the repatriation of overseas corporate profits and potentially lead to further capital expenditures.

The issues facing Canadian oil prices should be transitory as temporary pipeline shutdowns are fixed, as additional crude-by-rail capacity becomes available and as a new source of Canadian oil supply gets digested into the marketplace. Issues surrounding Canadian natural gas pricing may be more structural in nature, requiring more patience to see resolution.

European and Japanese markets are benefiting from recovering economies and valuations that are generally less elevated than in the U.S. Of potential risk in Europe is the European Central Bank's eventual unwinding of its asset purchase program, which may be a more complex process than that transpiring in the U.S. as corporate and high-yield bonds are part of Europe's program.

The increasing interest rate environment is typically a challenge for fixed-income securities. An overweight position in corporate bonds, with an emphasis on shorter-term maturities, may help to reduce interest rate risk. The portfolio manager views the Fund's fixed-income securities more as a buffer against equity market volatility than as a source of absolute performance in this environment.

### Future Accounting Policy Changes

#### 1) IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Manager has reviewed the Fund's financial assets and liabilities and is expecting the following impact from the adoption of the new standard on January 1, 2018:

- The Fund's cash that is currently classified as loans and receivables will satisfy the conditions for the similar amortized cost classification under the new standard and hence there will be no change to the accounting for these assets.
- The Fund's investments that are currently classified as fair value through profit and loss ("FVTPL") will continue to have the same classification under the new standard and hence there will be no change to the accounting for these assets.
- The Fund's receivables that are currently classified as loans and receivables will satisfy the conditions for the similar amortized cost classification under the new standard and hence there will be no change to the accounting for these assets.
- There will be no impact on the Fund's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL and the Fund does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.
- The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost. Based on the assessments undertaken to date

# Empire Life Emblem Moderate Growth Portfolio

## Annual Management Report of Fund Performance

---

and the characteristics of the Fund's financial instruments, the impact of the new impairment model will not have a significant impact on the Fund's Financial Statements.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Fund's disclosures about its financial instruments in the year of adoption of the new standard.

### **2) IFRS 15 Revenue from Contracts with Customers**

The IASB has issued a new standard for the recognition of revenue which is effective on January 1, 2018. This will replace IAS 18 Revenue which covers contracts for goods and services and IAS 11 Construction Contracts which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Manager has completed an analysis of IFRS 15 and has assessed that there are no material impacts to the Fund's Financial Statements.

### **Independent Review Committee ("IRC")**

While there were no changes in the composition of the IRC during the applicable period, Mr. Paul Batho, former Chair of the IRC, did not seek re-appointment following the expiry of his term of office effective January 2, 2018. At its meeting on October 18, 2017, the IRC appointed Joanne Vézina as Chair of the IRC effective January 2, 2018.

### **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 \$194,275 of total expenses otherwise payable by the Fund, as compared to \$333,982 for the year ended December 31, 2016. 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 Empire Life Investments Inc. 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 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.

# 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, 2017	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
<b>Net Assets, beginning of period</b>	\$ 13.32	\$ 12.53	\$ 12.30	\$ 11.49	\$ 10.26
<b>Increase (decrease) from operations:</b>					
Total revenue	0.34	0.32	0.33	0.33	0.32
Total expenses	(0.33)	(0.31)	(0.33)	(0.32)	(0.29)
Realized gains (losses)	0.36	0.12	0.10	0.50	0.31
Unrealized gains (losses)	0.28	0.75	0.03	0.59	1.56
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ 0.65</b>	<b>\$ 0.88</b>	<b>\$ 0.13</b>	<b>\$ 1.10</b>	<b>\$ 1.90</b>
<b>Distributions:</b>					
From income	-	-	-	-	(0.07)
From dividends	-	-	-	-	-
From capital gains	(0.25)	(0.08)	(0.02)	(0.30)	(0.17)
Return of capital	-	-	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ (0.25)</b>	<b>\$ (0.08)</b>	<b>\$ (0.02)</b>	<b>\$ (0.30)</b>	<b>\$ (0.24)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>\$ 13.74</b>	<b>\$ 13.32</b>	<b>\$ 12.53</b>	<b>\$ 12.30</b>	<b>\$ 11.49</b>

Series T6 Units	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	For the year ended December 31, 2013
<b>Net Assets, beginning of period</b>	\$ 9.97	\$ 9.96	\$ 10.39	\$ 10.29	\$ 9.69
<b>Increase (decrease) from operations:</b>					
Total revenue	0.25	0.26	0.27	0.29	0.29
Total expenses	(0.23)	(0.23)	(0.27)	(0.28)	(0.26)
Realized gains (losses)	0.26	0.10	0.11	0.46	0.30
Unrealized gains (losses)	0.21	0.59	0.07	0.50	1.17
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ 0.49</b>	<b>\$ 0.72</b>	<b>\$ 0.18</b>	<b>\$ 0.97</b>	<b>\$ 1.50</b>
<b>Distributions:</b>					
From income	-	-	-	-	(0.01)
From dividends	-	-	-	-	-
From capital gains	(0.18)	(0.06)	(0.02)	(0.25)	(0.15)
Return of capital	(0.60)	(0.60)	(0.62)	(0.62)	(0.58)
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ (0.78)</b>	<b>\$ (0.66)</b>	<b>\$ (0.64)</b>	<b>\$ (0.87)</b>	<b>\$ (0.74)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>\$ 9.68</b>	<b>\$ 9.97</b>	<b>\$ 9.96</b>	<b>\$ 10.39</b>	<b>\$ 10.29</b>

# Empire Life Emblem Moderate Growth Portfolio

## Annual Management Report of Fund Performance

Series T8 Units	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	For the year ended December 31, 2013
<b>Net Assets, beginning of period</b>	\$ 8.96	\$ 9.14	\$ 9.73	\$ 9.84	\$ 9.45
<b>Increase (decrease) from operations:</b>					
Total revenue	0.22	0.24	0.25	0.27	0.28
Total expenses	(0.20)	(0.21)	(0.25)	(0.26)	(0.25)
Realized gains (losses)	0.23	0.09	0.11	0.41	0.30
Unrealized gains (losses)	0.20	0.53	0.08	0.51	1.17
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ 0.45</b>	<b>\$ 0.65</b>	<b>\$ 0.19</b>	<b>\$ 0.93</b>	<b>\$ 1.50</b>
<b>Distributions:</b>					
From income	—	—	—	—	(0.00)
From dividends	—	—	—	—	—
From capital gains	(0.15)	(0.05)	(0.02)	(0.23)	(0.15)
Return of capital	(0.72)	(0.73)	(0.78)	(0.79)	(0.76)
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ (0.87)</b>	<b>\$ (0.78)</b>	<b>\$ (0.80)</b>	<b>\$ (1.02)</b>	<b>\$ (0.91)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>\$ 8.51</b>	<b>\$ 8.96</b>	<b>\$ 9.14</b>	<b>\$ 9.73</b>	<b>\$ 9.84</b>

Series F Units	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	For the year ended December 31, 2013†
<b>Net Assets, beginning of period</b>	\$ 13.16	\$ 12.32	\$ 12.03	\$ 11.19	\$ 10.00 *
<b>Increase (decrease) from operations:</b>					
Total revenue	0.34	0.31	0.33	0.32	0.29
Total expenses	(0.16)	(0.15)	(0.17)	(0.17)	(0.14)
Realized gains (losses)	0.36	0.12	0.12	0.49	0.27
Unrealized gains (losses)	0.31	0.75	(0.01)	0.71	2.03
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ 0.85</b>	<b>\$ 1.03</b>	<b>\$ 0.27</b>	<b>\$ 1.35</b>	<b>\$ 2.45</b>
<b>Distributions:</b>					
From income	(0.06)	(0.03)	(0.08)	(0.08)	(0.13)
From dividends	(0.09)	(0.06)	—	—	—
From capital gains	(0.25)	(0.07)	(0.03)	(0.29)	(0.17)
Return of capital	—	—	—	—	—
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ (0.40)</b>	<b>\$ (0.16)</b>	<b>\$ (0.11)</b>	<b>\$ (0.37)</b>	<b>\$ (0.30)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>\$ 13.59</b>	<b>\$ 13.16</b>	<b>\$ 12.32</b>	<b>\$ 12.03</b>	<b>\$ 11.19</b>

Series I Units	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	For the year ended December 31, 2013
<b>Net Assets, beginning of period</b>	\$ 14.08	\$ 13.17	\$ 12.86	\$ 11.89	\$ 10.45
<b>Increase (decrease) from operations:</b>					
Total revenue	0.37	0.35	0.36	0.35	0.32
Total expenses	(0.02)	(0.02)	(0.03)	(0.03)	(0.03)
Realized gains (losses)	0.39	0.16	0.02	0.53	0.35
Unrealized gains (losses)	0.33	0.86	(0.11)	0.76	1.14
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ 1.07</b>	<b>\$ 1.35</b>	<b>\$ 0.24</b>	<b>\$ 1.61</b>	<b>\$ 1.78</b>
<b>Distributions:</b>					
From income	(0.12)	(0.09)	(0.24)	(0.17)	(0.16)
From dividends	(0.19)	(0.16)	—	—	—
From capital gains	(0.27)	(0.08)	(0.03)	(0.31)	(0.18)
Return of capital	—	—	—	—	—
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ (0.58)</b>	<b>\$ (0.33)</b>	<b>\$ (0.27)</b>	<b>\$ (0.48)</b>	<b>\$ (0.34)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>\$ 14.56</b>	<b>\$ 14.08</b>	<b>\$ 13.17</b>	<b>\$ 12.86</b>	<b>\$ 11.89</b>

# Empire Life Emblem Moderate Growth Portfolio

## Annual Management Report of Fund Performance

### Ratios and supplemental data

	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	For the year ended December 31, 2013
<b>Series A Units</b>					
<b>Total Net Asset Value</b>	\$ 30,470,302	\$ 35,798,967	\$ 33,917,721	\$ 21,305,949	\$ 7,693,984
<b>Number of units outstanding</b>	2,217,901	2,687,804	2,707,271	1,732,582	669,699
Management expense ratio <sup>(5)</sup>	2.36%	2.35%	2.35%	2.34%	2.35%
Management expense ratio before waivers or absorptions	2.51%	2.59%	2.71%	3.50%	6.09%
Trading expense ratio <sup>(6)</sup>	0.09%	0.09%	0.14%	0.18%	0.19%
Portfolio turnover rate <sup>(7)</sup>	84.82%	113.46%	119.39%	133.60%	105.04%
<b>Net Asset Value per unit</b>	<b>\$ 13.74</b>	<b>\$ 13.32</b>	<b>\$ 12.53</b>	<b>\$ 12.30</b>	<b>\$ 11.49</b>

	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	For the year ended December 31, 2013
<b>Series T6 Units</b>					
<b>Total Net Asset Value</b>	\$ 4,501,916	\$ 4,282,405	\$ 3,837,671	\$ 3,428,327	\$ 2,597,508
<b>Number of units outstanding</b>	465,043	429,459	385,196	330,108	252,380
Management expense ratio <sup>(5)</sup>	2.36%	2.35%	2.35%	2.35%	2.35%
Management expense ratio before waivers or absorptions	3.01%	2.55%	2.60%	3.33%	6.60%
Trading expense ratio <sup>(6)</sup>	0.09%	0.09%	0.14%	0.18%	0.19%
Portfolio turnover rate <sup>(7)</sup>	84.82%	113.46%	119.39%	133.60%	105.04%
<b>Net Asset Value per unit</b>	<b>\$ 9.68</b>	<b>\$ 9.97</b>	<b>\$ 9.96</b>	<b>\$ 10.39</b>	<b>\$ 10.29</b>

	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	For the year ended December 31, 2013
<b>Series T8 Units</b>					
<b>Total Net Asset Value</b>	\$ 3,380,395	\$ 3,225,753	\$ 2,683,221	\$ 2,385,496	\$ 970,061
<b>Number of units outstanding</b>	397,048	360,189	293,656	245,275	98,565
Management expense ratio <sup>(5)</sup>	2.36%	2.35%	2.35%	2.34%	2.35%
Management expense ratio before waivers or absorptions	3.06%	2.48%	2.59%	3.12%	6.20%
Trading expense ratio <sup>(6)</sup>	0.09%	0.09%	0.14%	0.18%	0.19%
Portfolio turnover rate <sup>(7)</sup>	84.82%	113.46%	119.39%	133.60%	105.04%
<b>Net Asset Value per unit</b>	<b>\$ 8.51</b>	<b>\$ 8.96</b>	<b>\$ 9.14</b>	<b>\$ 9.73</b>	<b>\$ 9.84</b>

	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	For the year ended December 31, 2013†
<b>Series F Units</b>					
<b>Total Net Asset Value</b>	\$ 2,555,984	\$ 2,166,163	\$ 1,872,437	\$ 1,517,753	\$ 601,048
<b>Number of units outstanding</b>	188,086	164,577	151,979	126,159	53,733
Management expense ratio <sup>(5)</sup>	1.16%	1.15%	1.15%	1.15%	1.15% **
Management expense ratio before waivers or absorptions	2.12%	1.20%	1.30%	1.84%	3.30% **
Trading expense ratio <sup>(6)</sup>	0.09%	0.09%	0.14%	0.18%	0.19% **
Portfolio turnover rate <sup>(7)</sup>	84.82%	113.46%	119.39%	133.60%	105.04%
<b>Net Asset Value per unit</b>	<b>\$ 13.59</b>	<b>\$ 13.16</b>	<b>\$ 12.32</b>	<b>\$ 12.03</b>	<b>\$ 11.19</b>



# Empire Life Emblem Moderate Growth Portfolio

## Annual Management Report of Fund Performance

Series I Units	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	For the year ended December 31, 2013
<b>Total Net Asset Value</b>	\$ 283,341,510	\$ 179,399,680	\$ 90,615,997	\$ 14,148,176	\$ 4,195,774
<b>Number of units outstanding</b>	19,453,969	12,737,854	6,881,632	1,100,436	352,820
Management expense ratio <sup>(5)</sup>	0%	0%	0%	0%	0%
Management expense ratio before waivers or absorptions	0.03%	0.15%	0.26%	0.93%	2.60%
Trading expense ratio <sup>(6)</sup>	0.09%	0.09%	0.14%	0.18%	0.19%
Portfolio turnover rate <sup>(7)</sup>	84.82%	113.46%	119.39%	133.60%	105.04%
<b>Net Asset Value per unit</b>	<b>\$ 14.56</b>	<b>\$ 14.08</b>	<b>\$ 13.17</b>	<b>\$ 12.86</b>	<b>\$ 11.89</b>

\* Initial offering price.

\*\* Annualized.

† From January 15, 2013 to December 31, 2013.

- (1) This information is derived from the Fund's interim and 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 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	2.05%	51.43%	48.57%
Series T6	2.05%	68.42%	31.58%
Series T8	2.05%	44.42%	55.58%
Series F	0.85%	0.00%	100.00%

# Empire Life Emblem Moderate Growth Portfolio

## Annual Management Report of Fund Performance

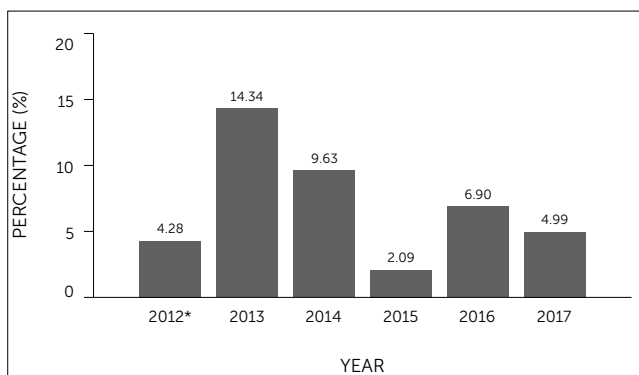
### Past performance

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

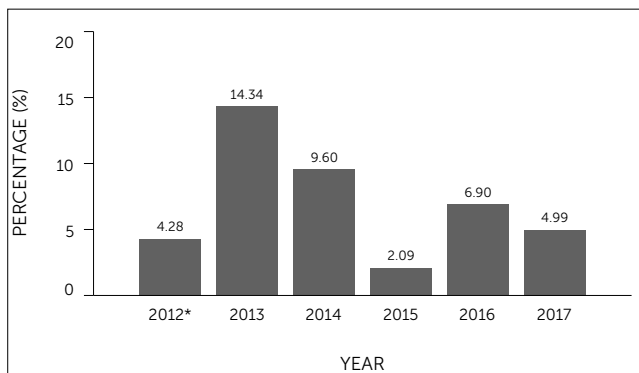
The following bar charts show the annual performance for each series of the Fund and illustrate how that series' performance has varied from year to year. The charts show, in percentage terms, how much an investment made on the first day of each financial year would have increased or decreased by the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



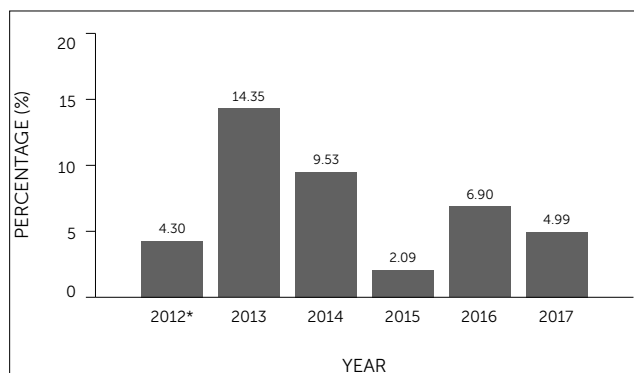
\*From January 9, 2012 to December 31, 2012 (not annualized)

Series T6



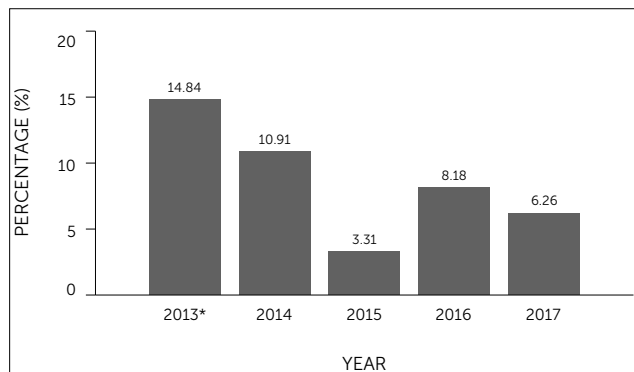
\*From January 9, 2012 to December 31, 2012 (not annualized)

Series T8



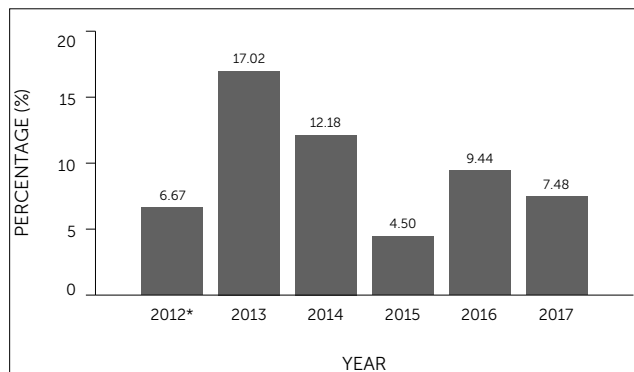
\*From January 9, 2012 to December 31, 2012 (not annualized)

Series F



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

Series I



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

### Annual compound returns

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

# Empire Life Emblem Moderate Growth Portfolio

## Annual Management Report of Fund Performance

	1 Year	3 Years	5 Years	Since Inception	Inception Date
Series A units <sup>1</sup>	5.0%	4.6%	7.5%	7.0%	January 9, 2012
Series I units <sup>1</sup>	7.5%	7.1%	10.0%	9.5%	January 9, 2012
Series T6 units <sup>1</sup>	5.0%	4.6%	7.5%	7.0%	January 9, 2012
Series T8 units <sup>1</sup>	5.0%	4.6%	7.5%	7.0%	January 9, 2012
Series F units <sup>1</sup>	6.3%	5.9%	NA	8.7%	January 15, 2013
S&P/TSX Composite TR Index <sup>2</sup>	9.1%	6.6%	8.6%	8.4%	(6 year return)
Blended Benchmark <sup>3</sup>	7.8%	6.6%	8.4%	8.2%	(6 year return)

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

(2) The S&P/TSX Composite Index is broadly representative of the Canadian equity market. The S&P/TSX Composite 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, 20% S&P/TSX Composite Index, 20% S&P/TSX 60 Index, 10% S&P 500 Index (CAD), 10% MSCI EAFE Index (CAD) and 5% S&P/TSX Small Cap Index from inception to March 31, 2017. For the remainder of 2017, the blended benchmark consisted of 35% FTSE TMX Canada Universe Bond Index, 40% S&P/TSX Composite 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, 2017, 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 (%)
Bank of Nova Scotia 1.095% January 5, 2018	3.1
Toronto-Dominion Bank	2.8
Royal Bank of Canada	2.7
Bank of Nova Scotia	2.5
Government of Canada 1.250% November 1, 2019	2.0
Federation des caisses Desjardins du Quebec 0.118% February 1, 2018	2.0
Royal Bank of Canada 0.950% January 2, 2018	1.9
Alimentation Couche-Tard Inc. 'B'	1.8
Bank of Montreal	1.8
Brookfield Asset Management Inc. 'A'	1.7
Agrium Inc.	1.7
PrairieSky Royalty Limited	1.5
Keyera Corporation	1.5
Canadian National Railway Company	1.5
Maxar Technologies Limited	1.4
Government of Canada 0.750% September 1, 2020	1.3
Government of Canada 1.000% June 1, 2027	1.3
Shaw Communications Inc. 'B'	1.3
Enbridge Inc.	1.3
Rogers Communications Inc. 'B'	1.2
CGI Group Inc. 'A'	1.1
Toromont Industries Limited	1.1
Saputo Inc.	1.1
Government of Canada 2.250% June 1, 2025	1.1
Molson Coors Brewing Company	1.0
	<b>41.7</b>

\* Debt Instruments

### Portfolio by Category

Asset Type	Percentage of Net Asset Value (%)
Equities	67.7
Fixed Income	25.1
Short-term Investments	7.0
Cash & Cash Equivalents	0.2
Other Net Assets (Liabilities)	0.0
	<b>100.0</b>

Sector	Percentage of Net Asset Value (%)
Financials	17.4
Energy	10.8
Corporate Bonds	9.7
Government Bonds	9.1
Industrials	9.0
Consumer Staples	7.2
Consumer Discretionary	6.7
Materials	5.4
Provincial Bonds	5.1
Information Technology	4.1
Bankers' Acceptances	3.1
Health Care	2.7
Bearer Deposit Notes	2.0
Term Deposit Receipts	1.9
Telecommunication Services	1.6
Utilities	1.6
Real Estate	1.2
U.S. Corporate Bonds	1.1
Cash & Cash Equivalents	0.2
Municipal Bonds	0.1
Other Net Assets (Liabilities)	0.0
	<b>100.0</b>

Country	Percentage of Net Asset Value (%)
Canada	76.5
United States	13.9
United Kingdom	2.2
Japan	1.4
Germany	1.0
Bermuda	0.7
France	0.5
Australia	0.4
Switzerland	0.4
Netherlands	0.4
Denmark	0.3
Finland	0.3
Ireland	0.3
Italy	0.3
Singapore	0.2
Belgium	0.2
Luxembourg	0.2
Cash & Cash Equivalents	0.2
Spain	0.1
China	0.1
Sweden	0.1
Cayman Islands	0.1
India	0.1
Norway	0.1
Other Net Assets (Liabilities)	0.0
	<b>100.0</b>



Empire Life Investments Inc.  
165 University Ave, 9th Floor  
Toronto, ON  
M5H 3B8

[www.empirelifeinvestments.ca](http://www.empirelifeinvestments.ca)

#### 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.

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

MF-REG-603-EN 03/18