

### Key Takeaways

- Tactically increased U.S. and international equities, reduced cash
- Remain overweight in equities and underweight in fixed income

### Volatility Brings Opportunity

- The month of October historically has been one of the most volatile months for the stock market, and this year has turned out to be no different. The benchmark equity indices for the Canadian, U.S., and international markets all registered total return losses ranging from 5.5% to 6.5% (in Canadian dollar terms).
- Not surprisingly, questions abound on whether this is just a normal correction or the start of the next major bear market. While one can never be entirely sure, we lean to the former. In our view, the strong macroeconomic environment and consistent growth in corporate earnings outweigh the risks posed by rising interest rates and trade tensions. The results of the U.S. midterm elections are unlikely to lead to big policy changes, thereby eliminating a potential source of risk. Additionally, valuations have retraced back to more acceptable levels after the recent bout of volatility. In this light, we capitalized on the opportunity to deploy excess cash that had been accumulating over the past few months within the equity oriented Emblem portfolios<sup>1</sup>.
- Proceeds were deployed into our U.S. and international equity model portfolios, based on the attractiveness of the underlying stocks in the current environment. Our U.S. equity model portfolio is built on a foundation of businesses that exhibit strong cash flow characteristics, while our international equity model portfolio is primarily invested in high quality companies and with an overall defensive bias.

<sup>1</sup>Includes Emblem Balanced, Emblem Moderate Growth, Emblem Growth, Emblem Aggressive Growth

# Empire Life Emblem Portfolios: Asset Allocation Update

## Diversified Income Portfolio Change in Asset Mix\*

Cash					-0.1%
Bonds					0.1%
Canadian Equity					-0.1%
U.S. Equity					0.0%
International Equity					0.0%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	5.6%	70.9%	12.4%	6.3%	4.9%
neutral asset mix	80%		10%	5%	5%

## Conservative Portfolio Change in Asset Mix\*

Cash					0.7%
Bonds					-0.4%
Canadian Equity					-0.3%
U.S. Equity					-0.1%
International Equity					0.0%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	5.9%	55.6%	21.4%	9.5%	7.7%
neutral asset mix	65%		25%	5%	5%

## Balanced Portfolio Change in Asset Mix\*

Cash					-1.1%
Bonds					0.3%
Canadian Equity					0.0%
U.S. Equity					0.2%
International Equity					0.7%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	5.2%	41.0%	31.3%	12.0%	10.5%
neutral asset mix	50%		35%	7.5%	7.5%

## Moderate Growth Portfolio Change in Asset Mix\*

Cash					-1.4%
Bonds					0.1%
Canadian Equity					-0.2%
U.S. Equity					0.6%
International Equity					0.9%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	5.6%	25.3%	43.0%	13.7%	12.5%
neutral asset mix	35%		45%	10.0%	10.0%

## Growth Portfolio Change in Asset Mix\*

Cash					-2.3%
Bonds					0.0%
Canadian Equity					-0.3%
U.S. Equity					1.6%
International Equity					0.9%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	5.7%	10.0%	55.0%	15.5%	13.8%
neutral asset mix	20%		60%	10.0%	10.0%

## Aggressive Growth Portfolio Change in Asset Mix\*

Cash					-2.3%
Bonds					0.0%
Canadian Equity					0.2%
U.S. Equity					0.9%
International Equity					1.2%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	5.2%	0%	57.0%	22.2%	15.6%
neutral asset mix	0%		75%	12.5%	12.5%

\*change in asset mix from November 8, 2018 to November 9, 2018

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