



Interim Management Report of Fund Performance | As at June 30, 2016

EMPIRE LIFE MUTUAL FUNDS®

Empire Life Canadian Equity Mutual Fund

This interim 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 Canadian Equity Mutual Fund

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Management Discussion of Fund Performance

Result of operations

For the six-month period ending June 30, 2016 (the Period), Empire Life Canadian Equity Fund (the Fund), Series A, returned 5.08%. 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 large cap equity market, returned 9.84% for the Period. 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 underperformed its benchmark over the Period, largely as a result of sector allocation. The Fund's underweight position in the Materials sector was a significant detractor from performance. An overweight position in the Information Technology sector and the currency impact of its U.S. holdings also detracted from the Fund's performance.

The Fund's security selection contributed to its performance, particularly its positioning in the Health Care sector – where the Fund held no shares of weak-performing Valeant Pharmaceuticals International, Inc. The Fund's underweight positions in the Consumer Discretionary and Financial sectors also contributed to performance.

During the Period, the Canadian equity market rebounded in response to indications that the Canadian economy has been somewhat stronger than widely expected. The adverse impact of the weaker price of oil has thus far been mostly limited to oil-producing provinces like Alberta. Economic growth in Quebec, Ontario and British Columbia has been solid, largely as a result of the accommodative monetary and the expansionary fiscal policies. The price of oil declined by almost 30% in the first few weeks of 2016, which was in response to economic growth concerns and expectations for a global oil glut. Since that time, a weaker U.S. dollar, rising demand for oil and falling U.S. production have bolstered oil prices. Disruptions in Nigeria, Libya and Canada also helped to reduce concerns about a supply glut. The price of oil rallied more than 80% from its low earlier in the year, contributing to growth in the Canadian economy and easing pressure on the balance sheets of banks exposed to the Energy sector.

During the Period, the price of gold rose approximately 25% in response to falling interest rates around the world, and gold prices reached a two-year high after the U.K. voted to leave the European Union (Brexit). Brexit caused investors to become increasingly risk averse and to seek out the perceived "safety" of gold. A calmer tone prevailed in equity markets after a period of heightened volatility that followed the U.K. referendum. Market participants appeared to believe that central banks would take the steps necessary to limit the negative impact of the Brexit vote. By the end of the Period, the Canadian equity market had recouped most of the losses that occurred in the two days following the U.K. referendum. Additionally, the Canadian dollar appreciated by 6.4% against its U.S. counterpart in response to rising oil prices.

The Materials sector gained 52.3%, the Energy sector was up 19.3% and the Financials sector advanced 5.1% over the Period. All the other sectors on the S&P/TSX Composite Index posted positive returns except the Health Care and Information Technology sectors. These gains resulted in a return of approximately 9.8% for the index over the first half of 2016.

From a sector perspective, the Fund maintained underweight positions in the Materials and Financials sectors over the Period, as well as overweight positions in the Consumer Staples, Industrials and Information Technology sectors. The Portfolio Manager also maintained the Fund's modest exposure to U.S. equities, and gradually increased its exposure to defensive, high-quality companies in the Energy sector. The Portfolio Manager continued to focus on capital preservation and downside protection during the Period.

Recent developments

The Portfolio Manager believes the U.K.'s decision to leave the European Union is likely to cause financial market uncertainty and weigh on global economic growth for some time. That said, the Portfolio Manager also believes that the impact of this event on Canada should be limited, given that trade with the U.K. is a small part of the Canadian economy. Oil prices appear to have reached their bottom, and the Portfolio Manager believes the impact of the drop in energy investment is expected to diminish over time.

Looking ahead, macroeconomic events that could negatively impact the Canadian economy include further oil price volatility, a weakening Chinese economy and uncertainty about the strength of the U.S. economy. The continued strong Canadian housing market also remains a risk to Canada's economy. The Bank of Canada is expected to keep its monetary policy accommodative well into 2017, which should encourage economic growth.

The Portfolio Manager will continue to focus on investment in high-quality companies that have strong balance sheets, sustainable competitive advantages, solid returns on equity, quality management teams and that the Portfolio Manager believes are reasonably valued.

Future Accounting Changes

IFRS 9 *Financial Instruments*

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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 \$27,018 of total expenses otherwise payable by the Fund, as compared to \$64,794 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.

Series description

The Fund offers the following series: A, T6, T8 and I. Series A, Series T6 and T8 units are available to all investors. Management fees are payable by the Funds on these series. Series T6 and T8 are designed for investors seeking regular monthly cash flows from a Fund. 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 unaudited interim financial statements for the Period.

The Fund's net assets per unit⁽¹⁾

Series A Units	For the 6 months ended June 30, 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	\$ 12.51	\$ 13.02	\$ 11.94	\$ 10.08	\$ 10.00 *
Increase (decrease) from operations:					
Total revenue	0.17	0.32	0.31	0.29	0.29
Total expenses	(0.15)	(0.31)	(0.31)	(0.26)	(0.23)
Realized gains (losses)	0.12	0.36	0.60	0.08	(0.50)
Unrealized gains (losses)	0.47	(0.67)	0.63	1.75	0.64
Total increase (decrease) from operations⁽²⁾	\$ 0.61	\$ (0.30)	\$ 1.23	\$ 1.86	\$ 0.20
Distributions:					
From income	–	(0.02)	(0.05)	(0.05)	(0.11)
From dividends	–	–	–	–	–
From capital gains	–	(0.31)	(0.23)	–	–
Return of capital	–	–	–	–	–
Total annual distributions⁽³⁾	\$ –	\$ (0.33)	\$ (0.28)	\$ (0.05)	\$ (0.11)
Net Assets, end of period⁽⁴⁾	\$ 13.14	\$ 12.51	\$ 13.02	\$ 11.94	\$ 10.07

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Series T6 Units	For the 6 months ended June 30, 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	\$ 9.90	\$ 10.95	\$ 10.60	\$ 9.45	\$ 10.00 *
Increase (decrease) from operations:					
Total revenue	0.14	0.26	0.27	0.26	0.29
Total expenses	(0.12)	(0.25)	(0.26)	(0.24)	(0.22)
Realized gains (losses)	0.10	0.31	0.50	0.09	(0.43)
Unrealized gains (losses)	0.38	(0.48)	0.56	1.63	0.67
Total increase (decrease) from operations⁽²⁾	\$ 0.50	\$ (0.16)	\$ 1.07	\$ 1.74	\$ 0.31
Distributions:					
From income	–	(0.01)	–	–	(0.13)
From dividends	–	–	–	–	–
From capital gains	–	(0.25)	(0.19)	–	–
Return of capital	(0.30)	(0.65)	(0.64)	(0.57)	(0.60)
Total annual distributions⁽³⁾	\$ (0.30)	\$ (0.91)	\$ (0.83)	\$ (0.57)	\$ (0.73)
Net Assets, end of period⁽⁴⁾	\$ 10.10	\$ 9.90	\$ 10.95	\$ 10.60	\$ 9.44

Series T8 Units	For the 6 months ended June 30, 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	\$ 9.06	\$ 10.23	\$ 10.15	\$ 9.24	\$ 10.00 *
Increase (decrease) from operations:					
Total revenue	0.12	0.24	0.25	0.25	0.29
Total expenses	(0.11)	(0.24)	(0.25)	(0.23)	(0.21)
Realized gains (losses)	0.07	0.29	0.50	0.13	(0.43)
Unrealized gains (losses)	0.11	(0.42)	0.58	1.81	0.65
Total increase (decrease) from operations⁽²⁾	\$ 0.19	\$ (0.13)	\$ 1.08	\$ 1.96	\$ 0.30
Distributions:					
From income	–	–	(0.04)	(0.03)	(0.13)
From dividends	–	–	–	–	–
From capital gains	–	(0.23)	(0.18)	–	–
Return of capital	(0.36)	(0.82)	(0.81)	(0.74)	(0.80)
Total annual distributions⁽³⁾	\$ (0.36)	\$ (1.05)	\$ (1.03)	\$ (0.77)	\$ (0.93)
Net Assets, end of period⁽⁴⁾	\$ 9.15	\$ 9.06	\$ 10.23	\$ 10.15	\$ 9.23

Series I Units	For the 6 months ended June 30, 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	\$ 12.94	\$ 13.40	\$ 12.19	\$ 10.23	\$ 10.00 *
Increase (decrease) from operations:					
Total revenue	0.18	0.33	0.32	0.30	0.27
Total expenses	(0.01)	(0.01)	(0.02)	(0.02)	–
Realized gains (losses)	0.13	0.40	0.62	(0.10)	(0.47)
Unrealized gains (losses)	0.50	(0.61)	0.77	1.81	0.62
Total increase (decrease) from operations⁽²⁾	\$ 0.80	\$ 0.11	\$ 1.69	\$ 1.99	\$ 0.42
Distributions:					
From income	–	(0.24)	(0.24)	(0.24)	(0.20)
From dividends	–	–	–	–	–
From capital gains	–	(0.33)	(0.24)	–	–
Return of capital	–	–	–	–	–
Total annual distributions⁽³⁾	\$ –	\$ (0.57)	\$ (0.48)	\$ (0.24)	\$ (0.20)
Net Assets, end of period⁽⁴⁾	\$ 13.76	\$ 12.94	\$ 13.40	\$ 12.19	\$ 10.21

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Ratios and supplemental data

Series A Units	For the 6 months ended June 30, 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	\$ 639,645	\$ 643,074	\$ 463,865	\$ 222,340	\$ 115,604
Number of units outstanding	48,664	51,409	35,629	18,626	11,468
Management expense ratio ⁽⁵⁾	2.30% **	2.30%	2.30%	2.30%	2.30%
Management expense ratio before waivers or absorptions	6.28% **	6.70%	11.08%	24.82%	121.20%
Trading expense ratio ⁽⁶⁾	0.05% **	0.05%	0.08%	0.12%	0.20%
Portfolio turnover rate ⁽⁷⁾	12.21%	31.04%	43.03%	52.47%	75.30%
Net Asset Value per unit	\$ 13.14	\$ 12.51	\$ 13.02	\$ 11.94	\$ 10.08

Series T6 Units	For the 6 months ended June 30, 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	\$ 40,199	\$ 38,876	\$ 27,215	\$ 12,021	\$ 10,059
Number of units outstanding	3,980	3,927	2,486	1,134	1,065
Management expense ratio ⁽⁵⁾	2.30% **	2.30%	2.29%	2.30%	2.30% **
Management expense ratio before waivers or absorptions	5.32% **	6.55%	10.28%	16.52%	370.37% **
Trading expense ratio ⁽⁶⁾	0.05% **	0.05%	0.08%	0.12%	0.20% **
Portfolio turnover rate ⁽⁷⁾	12.21%	31.04%	43.03%	52.47%	75.30%
Net Asset Value per unit	\$ 10.10	\$ 9.90	\$ 10.95	\$ 10.60	\$ 9.45

Series T8 Units	For the 6 months ended June 30, 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	\$ 89,531	\$ 106,763	\$ 110,133	\$ 34,214	\$ 10,040
Number of units outstanding	9,780	11,779	10,762	3,372	1,086
Management expense ratio ⁽⁵⁾	2.30% **	2.30%	2.29%	2.30%	2.30% **
Management expense ratio before waivers or absorptions	4.68% **	4.40%	5.75%	10.91%	370.43% **
Trading expense ratio ⁽⁶⁾	0.05% **	0.05%	0.08%	0.12%	0.20% **
Portfolio turnover rate ⁽⁷⁾	12.21%	31.04%	43.03%	52.47%	75.30%
Net Asset Value per unit	\$ 9.15	\$ 9.06	\$ 10.23	\$ 10.15	\$ 9.24

Series I Units	For the 6 months ended June 30, 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	\$ 890,456	\$ 848,988	\$ 871,632	\$ 779,948	\$ 491,134
Number of units outstanding	64,730	65,585	65,067	63,965	48,026
Management expense ratio ⁽⁵⁾	–	–	–	–	–
Management expense ratio before waivers or absorptions	3.06% **	3.92%	6.75%	12.34%	7.85% **
Trading expense ratio ⁽⁶⁾	0.05% **	0.05%	0.08%	0.12%	0.20% **
Portfolio turnover rate ⁽⁷⁾	12.21%	31.04%	43.03%	52.47%	75.30%
Net Asset Value per unit	\$ 13.76	\$ 12.94	\$ 13.40	\$ 12.19	\$ 10.23

* 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.

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- (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 and T8 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	2.00%	29.09%	70.91%
Series T6	2.00%	16.67%	83.33%
Series T8	2.00%	25.62%	74.38%

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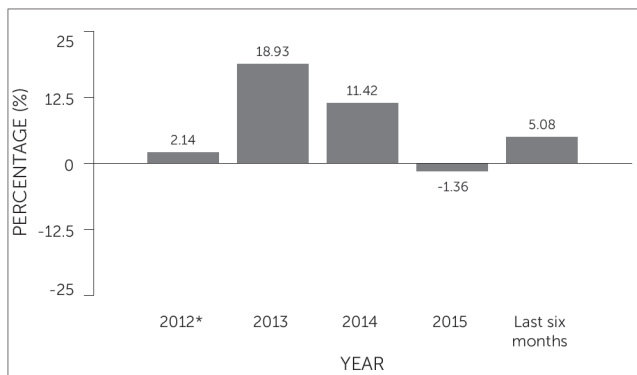
Past performance

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

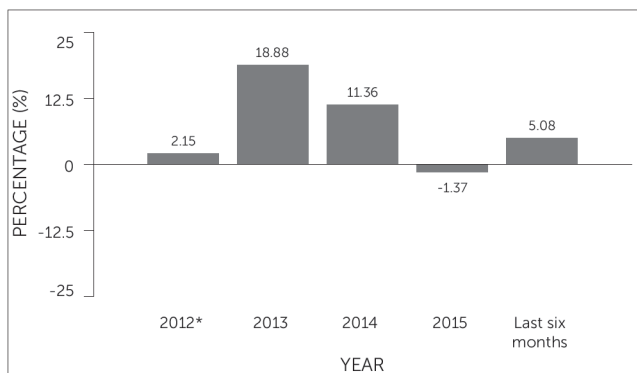
The following bar charts show the annual performance for each series of the Fund and illustrate how that series' performance has varied from year to year. The charts show, in percentage terms, how much an investment made on the first day of each financial year would have increased or decreased by the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



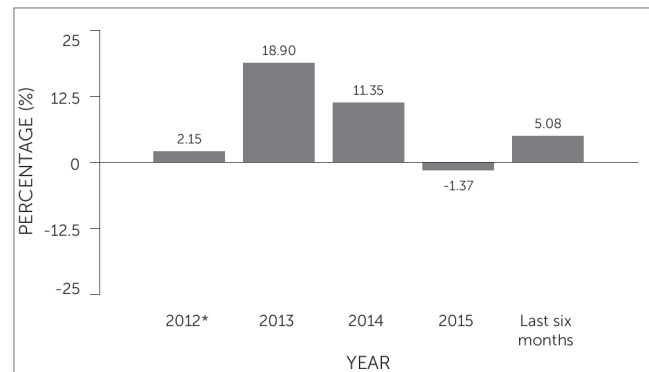
*From January 9, 2012 to December 31, 2012 (not annualized)

Series T6



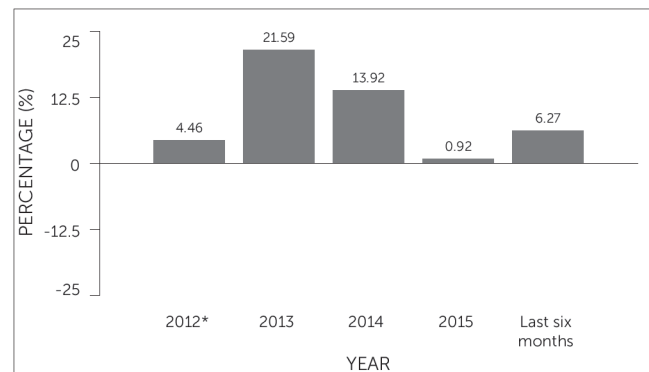
*From January 9, 2012 to December 31, 2012 (not annualized)

Series T8



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

Series I



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

Summary of investment portfolio

The summary of investment portfolio may have changed since June 30, 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.

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Top 25 Holdings	Percentage of Net Asset Value (%)	Country	Percentage of Net Asset Value (%)
Royal Bank of Canada	6.0	Canada	87.8
Toronto-Dominion Bank	5.6	United States	6.9
Canadian National Railway Company	4.3	Cash & Cash Equivalents	3.8
Bank of Nova Scotia	4.0	Switzerland	1.3
Cash & Cash Equivalents	3.8	Other Net Assets (Liabilities)	0.2
Constellation Software Inc.	3.8		100.0
Bank of Montreal	3.6		
CGI Group Inc.	3.4		
Rogers Communications Inc.	3.0		
Brookfield Asset Management Inc.	2.9		
Intact Financial Corporation	2.9		
Suncor Energy Inc.	2.8		
Imperial Oil Limited	2.7		
Altria Group Inc.	2.6		
Canadian Natural Resources Limited	2.6		
TELUS Corporation	2.6		
ATCO Limited	2.4		
Loblaw Companies Limited	2.4		
Metro Inc.	2.4		
Toromont Industries Limited	2.3		
BCE Inc.	2.3		
Dollarama Inc.	2.3		
Alimentation Couche-Tard Inc.	2.2		
Enbridge Inc.	2.1		
Saputo Inc.	2.1		
	77.1		

Portfolio by Category

Asset Type	Percentage of Net Asset Value (%)
Equities	96.0
Cash & Cash Equivalents	3.8
Other Net Assets (Liabilities)	0.2
	100.0

Industry Sector	Percentage of Net Asset Value (%)
Financials	28.2
Energy	16.6
Consumer Staples	14.2
Industrials	11.1
Telecommunication Services	7.9
Information Technology	7.8
Consumer Discretionary	5.0
Cash & Cash Equivalents	3.8
Utilities	2.4
Health Care	1.6
Materials	1.2
Other Net Assets (Liabilities)	0.2
	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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