

Key Takeaways

- Tactically increased international equities and decreased Canadian equities.
- Remain overweight in equities and underweight in fixed income.

Capturing a Relative Value Opportunity

- After starting the year with strength in the first few weeks of 2018, international equities were caught up in a period of global equity market volatility over the following weeks. Unlike the U.S. and Canadian markets, international markets have yet to fully recover from that volatility.
- Over the past four months (to August 24), the MSCI EAFE Index underperformed the S&P/TSX Composite Index by over 5%, before currency effects, and by over 8%, including currency effects.
- One factor behind the region's initial underperformance was the federal election in Italy, where the formation of a populist coalition government ignited market concerns about eurozone stability. These concerns gradually faded, but were replaced by worries regarding increased trade tensions between the U.S. and other international countries.
- We believe the risks related to these factors are mostly reflected in current valuations, and as trade tensions stabilize or diminish, international equities may catch up with the performance of North America equities.
- We remain positive on Canadian equities, but see a more attractive tactical opportunity over the near term in our defensively oriented portfolio of high-quality international equities.

(data source: Morningstar Direct)

Empire Life Emblem Portfolios: Asset Allocation Update

Diversified Income Portfolio Change in Asset Mix*

Cash					-0.1%
Bonds					0.0%
Canadian Equity					-0.5%
U.S. Equity					0.0%
International Equity					0.5%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	3.8%	70.7%	13.9%	6.6%	5.1%
neutral asset mix	80%		10%	5%	5%

Conservative Portfolio Change in Asset Mix*

Cash					-0.2%
Bonds					0.0%
Canadian Equity					-0.5%
U.S. Equity					0.1%
International Equity					0.5%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	3.7%	55.8%	23.2%	9.7%	7.6%
neutral asset mix	65%		25%	5%	5%

Balanced Portfolio Change in Asset Mix*

Cash					-0.1%
Bonds					0.0%
Canadian Equity					-0.8%
U.S. Equity					0.1%
International Equity					0.8%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	4.6%	40.3%	33.7%	11.9%	9.5%
neutral asset mix	50%		35%	7.5%	7.5%

Moderate Growth Portfolio Change in Asset Mix*

Cash					-0.2%
Bonds					0.0%
Canadian Equity					-1.0%
U.S. Equity					0.1%
International Equity					1.0%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	5.2%	25.0%	45.4%	13.2%	11.1%
neutral asset mix	35%		45%	10.0%	10.0%

Growth Portfolio Change in Asset Mix*

Cash					-0.2%
Bonds					0.0%
Canadian Equity					-1.0%
U.S. Equity					0.2%
International Equity					1.0%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	4.3%	9.9%	59.1%	14.3%	12.4%
neutral asset mix	20%		60%	10.0%	10.0%

Aggressive Growth Portfolio Change in Asset Mix*

Cash					0.2%
Bonds					0.0%
Canadian Equity					-4.1%
U.S. Equity					1.9%
International Equity					2.0%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	5.6%	0%	59.5%	21.2%	13.7%
neutral asset mix	0%		75%	12.5%	12.5%

*change in asset mix from August 23, 2018 to August 24, 2018

Empire Life Emblem Portfolios: Asset Allocation Update

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