

Key Takeaways

- Increased U.S. and international equities
- Decreased Canadian small cap equities

Rationale:

The record equity bull market (now well into its 11th year) continues to grind higher despite prevailing headwinds. Given its extended run and a softening of various global economic growth indicators, we believe it prudent to implement some tactical asset allocation adjustments to reflect these shifting fundamentals.

Allocations to large cap U.S. and international equities increased in select portfolios at the expense of small cap Canadian equities. We believe large cap equities are likely to provide enhanced risk management characteristics in the current environment. Additionally, U.S. and international equities provide a wider opportunity set over Canadian equities. Large cap Canadian equities remain a meaningful weight in these portfolios, and we don't see a need to adjust allocations at this time.

Another important consideration directly relates to the characteristics of our U.S. and international equity portfolios. These portfolios primarily consist of high quality companies with strong management teams, generate a healthy level of cash, and/or have a sustainable competitive advantage in the industries in which they operate. They are also positioned to reflect our shorter term cautiously optimistic view on equities in general.

Empire Life Emblem Portfolios: Asset Allocation Update

Diversified Income Portfolio Change in Asset Mix*

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

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	6.0%	71.8%	12.2%	6.2%	3.8%
neutral asset mix	80%		10%	5%	5%

Conservative Portfolio Change in Asset Mix*

Cash					0.3%
Bonds					-0.5%
Canadian Equity					-0.1%
U.S. Equity					0.3%
International Equity					0.0%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	7.2%	57.1%	20.9%	9.6%	5.3%
neutral asset mix	65%		25%	5%	5%

Balanced Portfolio Change in Asset Mix*

Cash					-0.8%
Bonds					-0.1%
Canadian Equity					-1.0%
U.S. Equity					1.1%
International Equity					0.8%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	7.2%	42.3%	28.6%	13.2%	8.8%
neutral asset mix	50%		35%	7.5%	7.5%

Moderate Growth Portfolio Change in Asset Mix*

Cash					0.4%
Bonds					-0.1%
Canadian Equity					-1.8%
U.S. Equity					1.0%
International Equity					0.5%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	6.4%	27.8%	39.9%	16.2%	9.8%
neutral asset mix	35%		45%	10%	10%

Growth Portfolio Change in Asset Mix*

Cash					-0.8%
Bonds					0.0%
Canadian Equity					-2.0%
U.S. Equity					1.7%
International Equity					1.3%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	7.4%	12.3%	50.8%	18.1%	11.3%
neutral asset mix	20%		60%	10%	10%

Aggressive Growth Portfolio Change in Asset Mix*

Cash					-0.1%
Bonds					0.0%
Canadian Equity					-2.8%
U.S. Equity					1.3%
International Equity					1.7%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	7.4%	0%	53.4%	25.9%	13.2%
neutral asset mix	0%		75%	12.5%	12.5%

*change in asset mix from October 23, 2019 to October 25, 2019

Empire Life Emblem Portfolios: Asset Allocation Update

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Empire Life Emblem GIF Portfolios currently invest primarily in units of Empire Life Mutual Funds.

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