

## Emblem Portfolio Oversight Team



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Empire Life Investments Inc. is a wholly owned subsidiary of The Empire Life Insurance Company. The company manages and offers mutual funds, in addition to managing more than \$16 billion in assets<sup>1</sup>, and helps Canadians build wealth and protect their financial security.

<sup>1</sup> As at December 2016



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# EMPIRE LIFE EMBLEM PORTFOLIOS® OVERSIGHT PROCESS



## Empire Life Emblem Portfolios

There are six Empire Life Emblem Portfolios; Diversified Income, Conservative, Balanced, Moderate Growth, Growth and Aggressive Growth. Each Portfolio is constructed with a longer term strategic asset mix, diversified across major asset classes, that offers the optimal balance between expected risk and return. Tactical asset allocation allows the Empire Life Investments Team to modestly adjust the Emblem Portfolios to take advantage of shorter term market opportunities. The Portfolios are built on the same conservative, value-oriented investment style used across all other investment mandates managed by the team.

### Our Philosophy

We believe the best way to build wealth is to follow a conservative, value-oriented, disciplined investment style by focusing on high-quality, attractively valued securities. In our view, long-term wealth is built not only by participating in up markets, but also by protecting wealth during periods of increased market uncertainty.

### Oversight Team and Process

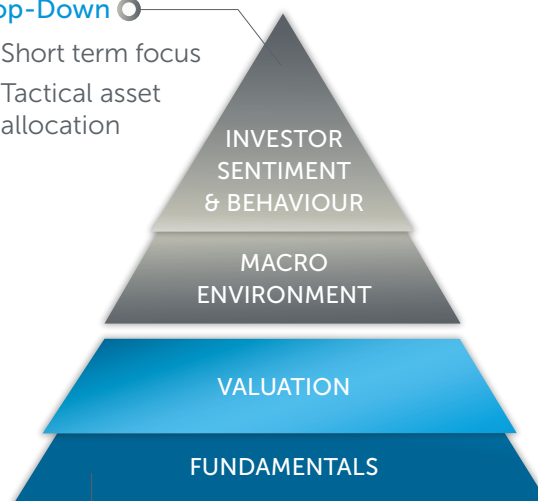
The Emblem Portfolios Oversight Team brings together a wealth of investment management expertise in core asset classes. We have the right experts at the table to not only get the asset allocation decision right, but to ensure proper and timely implementation of the decision.

In addition to asset allocation decisions, the Oversight Team provides on-going monitoring of the product structure, risk management and competitive developments to maintain product integrity.

Four key areas are reviewed:

#### Top-Down

- Short term focus
- Tactical asset allocation



#### Bottom-up

- Long term focus
- Strategic asset allocation

### Bottom-up (Long-term focus)

A thorough analysis of fundamentals and valuation is part of a bottom-up approach that drives not only security selection but also drives our long-term investment focus. These are the biggest factors in the construction of our portfolios, providing the foundation of our money management approach.

#### 1. Fundamentals

We start off, first and foremost, looking for investments with strong management, healthy balance sheets, a demonstrated competitive advantage, a strong track record of earnings growth and free cash flow generation. We seek out companies that we expect to perform well over a 3-5 year business cycle.

#### 2. Valuation

A review of security level valuations across domestic and international markets, including bond spreads and equity price levels, is undertaken to provide guidance on which asset classes are trading at attractive prices.

### Top-down (Short-term tactical focus)

The greatest impact on short-term market movements tend to come from macro and investor sentiment factors, which are more top-down in nature. An assessment of these factors is usually the driver for short-term tactical asset allocation decisions.

#### 3. Macro environment

The macro environment is then evaluated, taking into consideration economic policy and trends, shocks, geopolitical events, the business cycle and interest rate and inflation rates.

#### 4. Investor sentiment and behaviour

The last key area of review is the sentiment and behaviour of investors. Key technical indicators such as "overbought" or "oversold", signal bullish or bearish trends and can play a role in short-term swings in the market. Also examined are the trends in fund flows which can play a factor in equity and fixed income price movements.

Bringing together a conservative, value-oriented investment approach and expertise through the Oversight Team, Empire Life Emblem Portfolios deliver a diversified, managed solution with the flexibility to adapt as markets shift.