

A FIXED INCOME ALTERNATIVE

Given the current low interest rate environment, conservative investors must tread carefully in bond markets. When interest rates rise, bond prices generally go down, which may lead to negative returns.

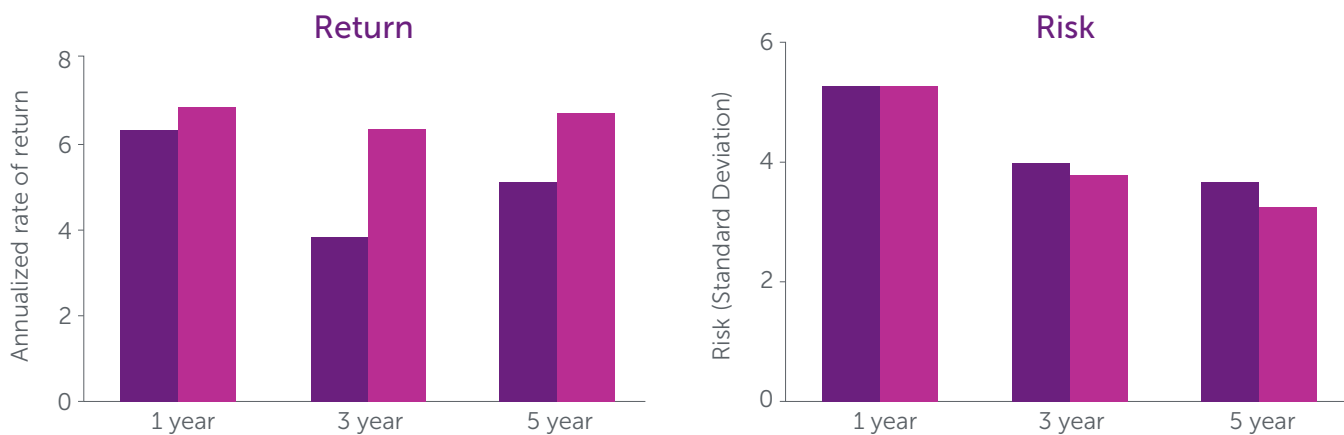
Effect of a 0.5% rise in interest rates on bond returns

	Duration (Years)	Yield	Approx 1Yr Return
Canada 10Yr Bond	8.87	1.68%	-2.76%
FTSE/TMX Universe	7.44	1.96%	-1.76%
Short-Term Index	2.87	1.09%	-0.35%
Mid-Term Index	6.52	2.04%	-1.22%
Long-Term Index	14.56	3.13%	-4.15%
Canada Gov't Index	8.00	1.76%	-2.24%
Corporate Index	6.05	2.46%	-0.57%
High Yield Index	4.32	7.32%	5.16%

Source: FTSE/TMX, Bloomberg, Bank of Canada; As at June 30, 2015

Is there a fixed income alternative for conservative clients?

Yes. An alternative is to diversify by investing part of their portfolio in equities. Holding equities in tandem with fixed income can reduce risk while enhancing potential returns. Over the last 5 years, an 80% fixed income and 20% equity portfolio* has generated higher returns with lower risk than a 100% fixed income portfolio.



*using the following indices as a proxy:

■ FTSE/TMX Canada Universe Bond

■ 80% FTSE/TMX Canada Universe Bond Index, 10% S&P/TSX Composite Index, 10% MSCI World Index

Source: Morningstar July 1, 2010 – June 30, 2015

Emblem Diversified Income Portfolio: A fixed income alternative

With a target investment mix of 80% fixed income and 20% equities, the Empire Life Emblem Diversified Income Portfolio may be appropriate as an alternative to a 100% fixed income portfolio.

Managing risk while generating income

To generate income and help protect investors from potentially rising interest rates, the Portfolio uses a “core plus” fixed income strategy.

Core

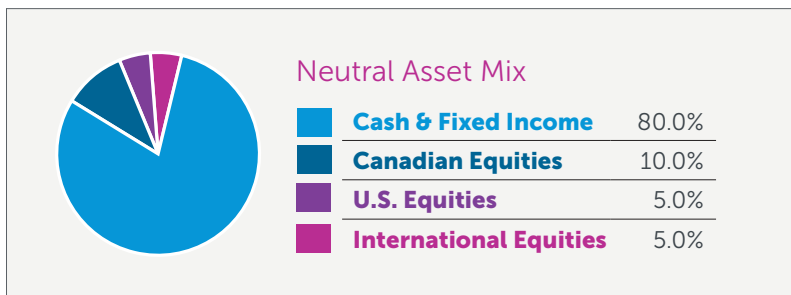
At the core of the fixed income component are high quality, investment grade bonds.

Plus

The added plus is a smaller – up to 20% – allocation to high yield bonds, mortgages and hybrid income producing securities like preferred shares. The plus portion of the fund may also invest in real return bonds, floating rate notes, certificates of deposit, ETFs, futures, options and swaps.

Result

The result of this strategy is a potential boost to yield without taking on a lot of additional risk.



Benefits to your clients

Predictable Income

- 4% annual distribution, paid monthly

Concentrated Portfolio

- Focuses on our highest conviction ideas

Transparent

- Not a fund of funds; Invests directly in securities

Tactical Asset Management

- The Emblem Oversight Team adjusts the asset mix to protect capital or take advantage of shorter-term market opportunities.

For more information, speak to your Empire Life Investments sales team.

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