

Empire Life Emblem Portfolios: Asset Allocation Update

Update from the Asset Allocation Oversight Team

October 6, 2014

Summary of Asset Allocation Decisions

Asset Class	Current Asset Allocation Positioning
Fixed Income	Underweight
Canadian Equity	Underweight
U.S. Equity	Overweight
International Equity	Underweight

Emblem Portfolio	Neutral Allocation*				Target Allocation – October 6, 2014			
	Fixed Income	Canadian Equity	U.S. Equity	International Equity	Fixed Income	Canadian Equity	U.S. Equity	International Equity
Diversified Income	80.0%	10.0%	5.0%	5.0%	76.5%	9.0%	12.0%	2.5%
Conservative	65.0%	25.0%	5.0%	5.0%	61.0%	22.5%	14.0%	2.5%
Balanced	50.0%	35.0%	7.5%	7.5%	47.5%	29.0%	19.5%	4.0%
Moderate Growth	35.0%	45.0%	10.0%	10.0%	32.5%	39.0%	23.5%	5.0%
Growth	20.0%	60.0%	10.0%	10.0%	16.5%	51.0%	27.5%	5.0%
Aggressive Growth	-	75.0%	12.5%	12.5%	-	65.0%	29.0%	6.0%

*Neutral allocation is based on the Fund's respective long-term strategic asset allocation

Rationale

Key takeaway: Increased U.S. equities; decreased Canadian equities, particularly small-cap holdings

The U.S. economy appears to be on a divergent path relative to other major international economies. Slow but steady improvements in retail sales, credit growth and labour market activity are positive indicators, and the U.S. Federal Reserve appears willing to err on the side of caution, leaving interest rates "lower for longer".

We believe the on-going strength of the U.S. dollar is a positive contributor to global growth and supports our overweight allocations to equities relative to fixed income, and our increased allocation to U.S. equities relative to Canadian and international markets.

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