

Empire Life Emblem Portfolios: Asset Allocation Update

Update from the Asset Allocation Oversight Team

November 16, 2016

Summary of Asset Allocation Decisions

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

Emblem Portfolio	Neutral Allocation*				Current Target Allocation (change from prev.)			
	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%	74.5% (-1.0%)	15.5% (-1.0%)	7.5% (+2.0%)	2.5%
Conservative	65.0%	25.0%	5.0%	5.0%	63.0%	24.0% (-2.0%)	10.5% (+2.0%)	2.5%
Balanced	50.0%	35.0%	7.5%	7.5%	49.0%	34.5% (-2.0%)	13.0% (+2.0%)	3.5%
Moderate Growth	35.0%	45.0%	10.0%	10.0%	32.0%	47.0% (-1.0%)	17.0% (+1.0%)	4.0%
Growth	20.0%	60.0%	10.0%	10.0%	16.5%	59.5% (-2.0%)	20.0% (+2.0%)	4.0%
Aggressive Growth	-	75.0%	12.5%	12.5%	-	68.0% (-1.0%)	26.0% (+1.0%)	6.0%

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

Rationale

Key takeaway: Tactically Increased U.S. Equity; Decreased Cash & Canadian Equity

Tactical View:

In the weeks leading up to the U.S. presidential election, portfolio cash inflows were allowed to accumulate beyond target levels, temporarily enhancing protection against a potential increase in volatility. With the election results now determined and equity markets reacting positively to the results, the excess accumulation of cash has been deployed into equities.

Putting aside the high profile issues that have dogged his campaign, a Trump administration may have positive near term implications for U.S. economic growth through increased infrastructure spending, deregulation, and tax cuts. Even his intent on renegotiating trade agreements may result in increased U.S. inflation, leading to higher interest rates and a stronger U.S. dollar; the latter resulting in a positive exchange rate effect for Canadians investing in U.S. equities. **As a result, we have tactically increased target allocations to U.S. equities.**

That being said, we continue to monitor further announcements south of the border that may affect investment opportunities in our portfolios.

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