

Key Takeaways

- Increased U.S. equities
- Decreased international equities

Rationale:

Equity markets across the globe have experienced very strong moves since their December 2018 lows. At yesterday's close, the S&P/TSX Composite has gained 20%, 21% for the S&P 500, and 13% for the MSCI EAFE index. With such strong moves in a compressed period of time, any improvement in fundamentals has not been able to keep pace.

That being said, the bond market does not offer a meaningful option to deploy assets. Government bond yields have come down significantly over the past few months on increased expectations that the Federal Reserve will no longer raise interest rates over the remainder of 2019. Additionally, corporate bond spreads have meaningfully narrowed alongside the equity market run.

In our view, the U.S. equity market offers an advantage in the current late-cycle environment when seeking a balance between continued growth and defensive characteristics. Layering on top of this is the tendency for the U.S. dollar to be stable in times of global economic uncertainty and equity market volatility.

A larger factor in the tactical decision, however, lies in the stock-by-stock composition of our U.S. equity portfolio, which is comprised of high quality companies with durable competitive advantages, are highly cash generative, or are more defensive in nature.

Empire Life Emblem Portfolios: Asset Allocation Update

Diversified Income Portfolio Change in Asset Mix*

Cash					0.1%
Bonds					-0.4%
Canadian Equity					0.0%
U.S. Equity					0.3%
International Equity					-0.1%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	9.8%	66.3%	12.8%	6.6%	4.5%
neutral asset mix	80%		10%	5%	5%

Conservative Portfolio Change in Asset Mix*

Cash					0.6%
Bonds					0.2%
Canadian Equity					0.1%
U.S. Equity					0.0%
International Equity					-0.9%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	9.4%	54.8%	20.2%	9.2%	6.3%
neutral asset mix	65%		25%	5%	5%

Balanced Portfolio Change in Asset Mix*

Cash					-0.1%
Bonds					0.2%
Canadian Equity					0.1%
U.S. Equity					0.5%
International Equity					-0.7%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	9.4%	40.0%	28.8%	12.6%	9.2%
neutral asset mix	50%		35%	7.5%	7.5%

Moderate Growth Portfolio Change in Asset Mix*

Cash					-0.2%
Bonds					0.1%
Canadian Equity					0.2%
U.S. Equity					1.7%
International Equity					-1.8%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	8.0%	24.9%	41.3%	15.5%	10.3%
neutral asset mix	35%		45%	10.0%	10.0%

Growth Portfolio Change in Asset Mix*

Cash					-0.4%
Bonds					0.0%
Canadian Equity					0.2%
U.S. Equity					1.3%
International Equity					-1.2%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	9.0%	9.6%	52.8%	17.0%	11.6%
neutral asset mix	20%		60%	10.0%	10.0%

Aggressive Growth Portfolio Change in Asset Mix*

Cash					-1.9%
Bonds					0.0%
Canadian Equity					1.4%
U.S. Equity					3.2%
International Equity					-2.7%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	7.5%	0%	55.5%	24.8%	12.2%
neutral asset mix	0%		75%	12.5%	12.5%

*change in asset mix from April 24, 2019 to April 26, 2019

Important Information

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

A description of the key features of the individual variable insurance contract is contained in the Information Folder for the product being considered.

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Empire Life Emblem Global Portfolios: Asset Allocation Update

Tactical Update

April 26, 2019

Key Takeaways

- Increased U.S. equities, proceeds from bonds and/or accumulated cash

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That being said, the bond market does not offer a meaningful option to deploy assets. Government bond yields have come down significantly over the past few months on increased expectations that the Federal Reserve will no longer raise interest rates over the remainder of 2019. Additionally, corporate bond spreads have meaningfully narrowed alongside the equity market run.

In our view, the U.S. equity market offers an advantage in the current late-cycle environment when seeking a balance between continued growth and defensive characteristics. Layering on top of this is the tendency for the U.S. dollar to be stable in times of global economic uncertainty and equity market volatility.

A larger factor in the tactical decision, however, lies in the stock-by-stock composition of our U.S. equity portfolio, which is comprised of high quality companies with durable competitive advantages, are highly cash generative, or are more defensive in nature.

Empire Life Emblem Global Portfolios: Asset Allocation Update

Global Conservative Portfolio

Change in Asset Mix*

Cash					0.1%
Bonds					-1.8%
Canadian Equity					0.3%
U.S. Equity					1.9%
International Equity					-0.4%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	9.0%	63%	2.6%	13.4%	11.9%
neutral asset mix	70%		30%		

Global Balanced Portfolio

Change in Asset Mix*

Cash					-0.7%
Bonds					-0.7%
Canadian Equity					0.4%
U.S. Equity					1.4%
International Equity					-0.5%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	8.5%	44%	4.6%	22.1%	20.5%
neutral asset mix	50%		50%		

Global Moderate Growth Portfolio

Change in Asset Mix*

Cash					-3.1%
Bonds					-0.1%
Canadian Equity					0.6%
U.S. Equity					3.1%
International Equity					-0.3%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	6.0%	26%	6.5%	31.9%	29.5%
neutral asset mix	30%		70%		

Global Aggressive Growth Portfolio

Change in Asset Mix*

Cash					-4.4%
Bonds					0.0%
Canadian Equity					1.1%
U.S. Equity					3.6%
International Equity					-0.2%

	Cash	Bonds	Canadian Equity	U.S. Equity	International Equity
resulting asset mix	2.3%	0%	9.3%	45.1%	43.2%
neutral asset mix	0%		100%		

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