

EMBLEM PORTFOLIOS

How the Emblem Oversight Team manages the portfolios

Empire Life Emblem Portfolios is an investment program that lets you diversify your investments in one decision. Our simple questionnaire guides you to one of six portfolios ranging from conservative to aggressive growth based on your investment time horizon, risk tolerance, and investment goals. Emblem is available as mutual funds in Emblem Portfolios¹, or as segregated funds in Emblem GIF Portfolios², depending on your need.

What are the benefits of Emblem Portfolios?

Emblem offers many benefits to investors. Your investment is instantly diversified across a range of asset classes including fixed income, Canadian and global equities. We manage the portfolios using a disciplined investment style that emphasizes downside protection to help preserve and build wealth. The Emblem Oversight Team tactically manages the asset mix within the portfolios and will adapt the mix as markets shift to capitalize on opportunities and attempt to minimize risk.

How are the portfolios managed?

Each Emblem portfolio is constructed with a long-term strategic asset mix comprised of fixed income, Canadian equities and foreign equities.

On a top-down basis, we continually assess key market drivers such as valuations, the trajectory of earnings growth, economic conditions, and monetary and fiscal policy to develop return expectations for each of the major regions. We also spend a lot of time analyzing the specific risks of each major market.

On a bottom-up basis, we build the portfolios using a conservative, value-oriented investment style. We compare notes on the stock opportunities in their respective regions, to see if there are standout opportunities in a particular market.

What are the benefits from using this approach?

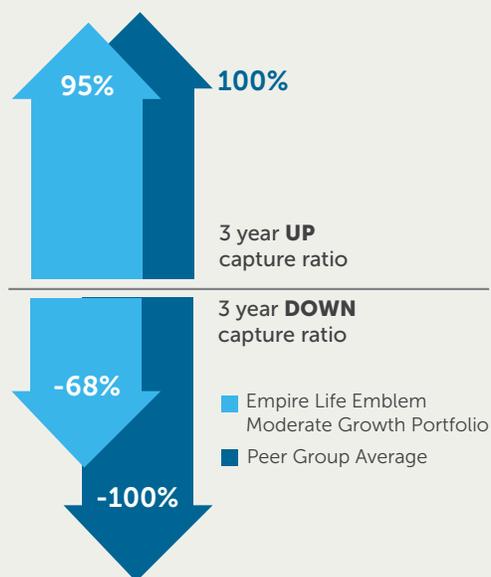
Our investment process has resulted in solid absolute and risk-adjusted returns over time. Take the Emblem Moderate Growth Portfolio for example. Over its three year history, it has returned 8.23% on average per year.³ And all this with less volatility than the benchmark.⁴

And because we focus on stocks we believe are both high quality and attractively valued, the Emblem Moderate Growth Portfolio has demonstrated better downside characteristics when markets were weak. Over the last three years, it has had a downside capture ratio of 68%. This means that during falling markets over that time, it has, on average, only fallen 68% as much as its peer group average. This has resulted in generally less risk and a smoother ride for our investors.

In addition, the Emblem Moderate Growth Portfolio has a three year upside market capture ratio of 95%, meaning that during rising markets over that time, it captured 95% as much as its peer group average.

Emblem Portfolios strive to provide the best of both worlds to investors — strong downside protection and upside performance.

Downside Protection | Upside Participation



Upside and Downside Capture Ratio⁵

Upside/downside capture ratio shows how a fund has performed compared to a benchmark during periods of market strength and weakness:

- An upside capture ratio over 100 indicates a fund has generally outperformed the benchmark during periods of positive returns for the benchmark.
- A downside capture ratio of less than 100 indicates that a fund has lost less than its benchmark in periods when the benchmark has been in the red.

What role does the Emblem Oversight Team play?

The Oversight Team manages the tactical asset allocation decisions for the portfolios. The goal of tactical asset allocation is to improve the risk-adjusted returns of the portfolios by modestly adjusting the asset mixes of the portfolios when conditions change.

How does the Oversight Team work together?

We have representatives from the core asset classes, including expertise in fixed income, Canadian, U.S. and International equities. The team meets on a regular basis to discuss markets and opportunities within each asset class. All of the team members sit on one floor, so it is easy for us to meet regularly face-to-face and exchange ideas.

What is the Oversight Team's outlook?

Recent U.S. equity market performance supports our view that it is the most resilient among the developed world. It has withstood an earnings decline, stagnant overseas economic growth, a plunge in oil prices, negative interest rates in some countries, the threat of interest rate increases from the Federal Reserve and recent geopolitical turbulence. We are overweight equities, in particular non-domestic equities such as the U.S. We believe U.S. equities provide the most attractive downside protection characteristics on a currency-adjusted basis. We post updates to empirelifeinvestments.ca whenever the Team makes an asset allocation change.

This active management helps to protect your investment when the markets are going down and takes advantage of opportunities when markets are going up.

¹ Mutual Funds offered by Empire Life Investments Inc.

² Empire Life Investments Inc. is a wholly-owned subsidiary of The Empire Life Insurance Company. Empire Life Investments Inc. is the Portfolio Manager of the Empire Life segregated funds. Emblem GIF Portfolios currently invest primarily in units of Empire Life Mutual Funds.

³ The returns of the Empire Life Emblem Moderate Growth Portfolio series A for each period, as at August 31, 2016 are: 1-year 5.73%, 3-year 8.23%, since inception 7.40%. All returns are calculated after taking expenses, management and administration fees into account.

⁴ Measured by 3 year standard deviation as of August 31, 2016 – Emblem Moderate Growth Portfolio series A 5.67%, fund benchmark 5.97% (Benchmark: 35% FTSE TMX Canada Universe Bond Index, 20% S&P/TSX Composite Index, 20% S&P/TSX 60 Index, 5% S&P/TSX Small Cap Index, 10% MSCI EAFE Index, 10% S&P 500 Index).

⁵ Morningstar Research Inc., as of August 31, 2016. Capture ratios are a statistical measure of an investment manager's overall performance. The up-market [down-market] capture ratio is used to evaluate how well an investment manager performed relative to a benchmark during periods when that benchmark has risen [dropped]. Up capture ratios for funds are calculated by taking the fund's monthly return during months when the benchmark had a positive return and dividing it by the benchmark return during that same month. Down capture ratios are calculated by taking the fund's monthly return during the periods of negative benchmark performance and dividing it by the benchmark return. Up capture and down capture are more useful over longer periods of time.

Empire Life Investments Inc. is the Manager of the Empire Life Emblem Portfolios (the "Funds"). The units of the Funds are available only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such units. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Segregated Fund contracts are issued by The Empire Life Insurance Company. A description of the key features of the individual variable insurance contract is contained in the Information Folder for the product being considered. Any amount that is allocated to a Segregated Fund is invested at the risk of the contract owner and may increase or decrease in value. Past performance is no guarantee of future results.

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