

# Canada Life participating account – total account

Excludes former New York Life and Crown Life blocks



## Account details at Sept. 30, 2011

Account size: \$ 3,039.7 million

**Account investment objectives:** The primary objective is to provide stable long-term growth. A secondary objective is to provide returns that are partially responsive to changing economic conditions.

## Investment guidelines

The company's investment division manages the participating account assets. The investment guidelines recognize the business objectives, liability characteristics, liquidity requirements, tax considerations and interest rate risk tolerance of the participating business. The company's asset/liability management group (ALM) monitors the overall asset mix and guides investment activity within the parameters of the investment guidelines. The board of directors must approve any change to the investment guidelines.

A large portion of the participating account assets is invested in fixed-income assets to support long-term stable growth and the core guarantees within participating policies. ALM employs cash-flow-matching techniques so that asset cash flows are sufficient to meet obligations. In addition, a portion of the portfolio is reinvested each year so returns reflect the trend in interest rates.

Our investment strategy is intended to help stabilize the variation in the investment returns used to determine dividends.

## Asset mix at Sept. 30, 2011

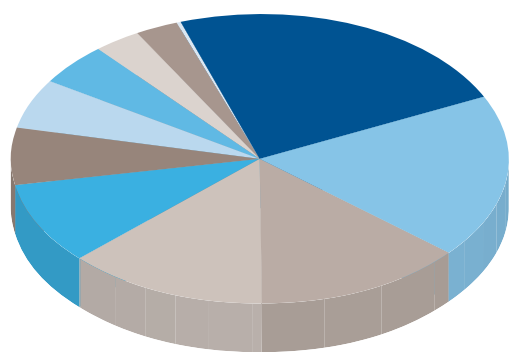
	\$ Millions	Percentage
<b>Short term</b>		
Cash and equivalents	\$ 197.3	6.5%
<b>Total short-term</b>	<b>\$ 197.3</b>	<b>6.5%</b>
<b>Fixed income</b>		
Public bonds*		
Government bonds	\$ 552.1	18.2%
Corporate bonds	\$ 707.1	23.3%
Private placements*	\$ 144.0	4.7%
Mortgages		
Residential	\$ 167.6	5.5%
Commercial	\$ 395.0	13.0%
<b>Total fixed income</b>	<b>\$ 1,965.8</b>	<b>64.7%</b>
<b>Equities</b>		
Real estate	\$ 85.4	2.8%
Common stock	\$ 420.5	13.8%
Preferred stock	\$ 1.8	0.1%
<b>Total equities</b>	<b>\$ 507.7</b>	<b>16.7%</b>
<b>Total invested assets</b>	<b>\$ 2,670.8</b>	<b>87.9%</b>
Policy loans	\$ 275.4	9.1%
Other assets**	\$ 93.5	3.1%
<b>Total participating assets</b>	<b>\$ 3,039.7</b>	<b>100.0%</b>

\* At Dec. 31, 2010, the method used to classify private placements changed to reflect whether the asset is publicly traded. This resulted in certain assets previously categorized as private placements being re-classified as publicly traded corporate bonds.

\*\* Other assets are composed primarily of investment income due and accrued, outstanding premiums (receivables) and future income tax assets.

## Account composition at Sept. 30, 2011

This account composition is for total participating account assets.



Corporate bonds	23.3%
Government bonds	18.2%
Common stock	13.8%
Commercial mortgages	13.0%
Policy loans	9.1%
Cash and equivalents	6.5%
Residential mortgages	5.5%
Private placements	4.7%
Other assets	3.1%
Real estate	2.8%
Preferred stock	0.1%

## Notes

- Asset values shown follow International Financial Reporting Standards (IFRS) effective Jan. 1, 2011. With the adoption of IFRS, real estate investment properties are now carried at fair value.
- Throughout report totals may not add up due to rounding.

### Investment guidelines

The company has guidelines in place to manage the level of invested assets by asset class. These ranges do not include policy loans or other assets. Any change to the guidelines must be approved by the board of directors.

Sept. 30, 2011	\$ Millions	Percentage	Guideline
<b>Short term</b>			
Cash and equivalents	\$ 197.3	7.4%	0% to 5%
<b>Fixed income</b>			
Public and private bonds	\$ 1,403.2	52.6%	40% to 75%
Residential mortgages	\$ 167.6	6.3%	} 10% to 40%
Commercial mortgages	\$ 395.0	14.8%	
<i>Total fixed income</i>	\$ 1,965.8	73.6%	
<b>Equities</b>			
Real estate	\$ 85.4	3.2%	} 0% to 20%
Common stock	\$ 420.5	15.7%	
Preferred stock	\$ 1.8	0.1%	0% to 5%
<i>Total equities</i>	\$ 507.7	19.0%	
<b>Total invested assets</b>	<b>\$ 2,670.8*</b>	<b>100.0%</b>	

\* Does not include policy loans or other assets.

### Comments

- Total participating account assets grew by approximately 1.0 per cent (\$83.9 million) in the third quarter of 2011.
- Cash and equivalents temporarily exceeded the investment guidelines due to timing of asset purchases.
- Total fixed-income holdings increased from 73.0 per cent to 73.6 per cent of total invested assets in the third quarter.
- Currently, about five per cent of the participating account fixed income assets mature each year and are invested at then-current market rates.
- Real estate holdings increased in value to \$85.4 million from \$84.4 million at June 30, 2011. Asset values shown follow International Financial Reporting Standards. As of Jan. 1, 2011 real estate is reported on a fair value basis.
- Total equity holdings decreased from 19.3 per cent to 16.7 per cent of total assets in the third quarter (\$64.1 million). Market value of common stocks declined in the quarter.
- Common stock holdings include major Canadian banks and established resource stocks within the top 10 equity holding at Sept. 30, 2011. At the end of the third quarter, Toronto-Dominion Bank, Royal Bank of Canada and Bank of Nova Scotia were the top three holdings at 15.2 per cent. Established resource stocks such as Barrick Gold Corporation and Suncor Energy Inc. represent the sixth and seventh largest equity holdings.
- Policy loans increased to \$275.4 million (\$1.9 million increase over the second quarter 2011). This represents approximately nine per cent of the participating account assets.
  - These loans are secured by policy cash values and therefore considered low risk.
  - The presence of a policy loan on a policy does not affect the amount of the annual dividend allocated to that policy.
  - The current policy loan rate is 7.5 per cent, which helps provide interest rate stability for the participating account.

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