

Canada Life combined open participating account – total account

Excludes former New York Life, former Crown Life, and Canada Life closed blocks

Account details as of June 30, 2021

Account size: \$47,059.3 million

Canada Life™ combined open participating account investment objectives:

- Primary objective: Provide stable, long-term growth.
- Secondary objective: Provide returns that are partially responsive to changing economic conditions.

Investment guidelines

The company's investment division manages participating account assets. Our asset/liability management group monitors the overall asset mix and manages investment activity within investment guideline parameters. Investment guidelines must be formally approved and consider business objectives, liability characteristics, liquidity requirements, tax considerations and interest rate risk tolerance.

A large portion of the open participating account's assets is invested in fixed income assets to support long-term, stable growth and core guarantees within participating life insurance policies.

Our asset/liability management group uses cash flow matching techniques, so asset cash flows are sufficient to meet obligations. A portion of the portfolio is reinvested each year so returns reflect interest rate trends.

Our investment strategy helps stabilize the variation in the investment returns. We use the returns on the assets backing participating account liabilities to determine the investment portion of participating policyowner dividends.

Assets	Asset values (\$ millions)	Percentage of total assets backing liabilities
Short term		
Cash and equivalents	\$457.4	1.0%
Total short term	\$457.4	1.0%
Fixed income		
Public bonds		
Government	\$3,560.5	8.1%
Corporate	\$10,602.5	24.1%
Private placements	\$3,793.8	8.6%
Mortgages		
Residential	\$1,532.7	3.5%
Commercial	\$8,811.8	20.0%
Total fixed income	\$28,301.4	64.3%
Non-fixed income (real estate and equities)		
Real estate	\$3,816.2	8.7%
Public equities		
Common stock	\$7,868.1	17.9%
Preferred stock	\$5.6	0.0%
Private equities	\$271.1	0.6%
Total non-fixed income	\$11,961.0	27.2%

Assets	Asset values (\$ millions)	Percentage of total assets backing liabilities
Total invested assets backing liabilities	\$40,719.7	92.6%
Policy loans	\$2,621.0	6.0%
Other assets*	\$652.5	1.5%
Total assets backing liabilities	\$43,993.2	100.0%
Total assets backing surplus	\$3,066.1	n/a
Total participating account assets	\$47,059.3	n/a

*Includes assets such as investment income due and accrued, outstanding premiums (receivables), future income tax and reinsurance assets.

We follow these guidelines to manage the allocation of invested assets for the participating account by asset class. The guideline table below shows the investment guidelines applicable to the total participating account including surplus. The assets backing participating account surplus are primarily invested in fixed income investments.

Assets	Percentage of total assets including surplus	Investment guidelines
Cash and equivalents	1.7%	0-5%
Public bonds and private placements	43.7%	40-75%
Residential and commercial mortgages	22.3%	15-40%
Total fixed income	67.7%	n/a
Real estate	8.0%	0-15%
Common stock and private equities	17.4%	5-20%
Preferred stock	0.0%	0-5%
Total non-fixed income	25.4%	n/a
Policy loans and other assets	6.8%	n/a
Total participating account assets backing liabilities	100.0%	n/a

Notes:

- Private equity is included in the investment guidelines for common stock
- The investment guidelines displayed apply to the total of both assets backing participating account liabilities and surplus. These ranges do not include the categories of policy loans or other assets.
- Asset values are based on International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), effective Jan. 1, 2011.
- Totals throughout this report may not add up to 100% due to rounding.
- Assets backing the Canada Life Open liabilities are pooled with the assets backing Canada Life closed liabilities (all Canada Life policies issued prior to demutualization on Nov. 5, 1999). The asset values provided are approximate splits and are provided for informational purposes only.

Participating account one-year return (at Dec. 31, 2020)

Participating account asset class	Dec. 31, 2020
Public bonds and private placements	3.3%
Mortgages	3.2%
Non-fixed income (real estate and equities)	2.7%
Total participating account return (after investment expenses)¹	3.2%

¹ The participating account return is the return on the participating account assets that back the participating account liabilities and surplus, after investment expenses are deducted. Investment expenses may vary yearly due to changes in the total participating account asset mix, economies of scale and other factors. The participating account return is reported for the calendar year Jan. 1, 2020 to Dec. 31, 2020. The participating account return is a short-term indicator of investment performance. It's determined in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), effective Jan. 1, 2011, except for unrealized gains and losses on bonds. These are excluded because bonds in the participating account are generally held until maturity. Common stock and real estate returns are valued on a marked-to-market basis, and realized and unrealized gains and losses are recognized as incurred. Realized gains and losses on bonds are recognized as incurred.

Historical one-year average return	Dec. 31,2020
Canada Life dividend scale interest rate	5.1%
S&P/TSX composite total return index	5.6%
Five-year guaranteed investment certificate (GICs)	1.3%
Government of Canada five- to 10-year bonds	0.7%
Consumer price index	0.7%

Notes:

- The dividend scale interest rate is used to calculate the investment component of participating policyowner dividends. It is based on assets backing the participating account liabilities. It does not include the returns on assets backing the participating account surplus.
- S&P/TSX composite total return index includes the reinvestment of dividends. TSX © Copyright 2021 TSX Inc. All rights reserved.
- Five-year GIC returns are based on nominal yields to maturity. Source: Statistics Canada, CANSIM table 176-0043, series V122526 (Statistics Canada website), Feb. 19, 2021. For each calendar year, the average of the monthly GIC rates was used.
- Government of Canada five- to 10-year bond returns. Source: Statistics Canada, CANSIM table 176-0043, series V122486 (Statistics Canada website), Feb. 19, 2021. For each calendar year, the average of the monthly values was used.
- Consumer price index inflation rates are based on the change from December to December. Source: Statistics Canada, CANSIM table 326-0020, series V41690973 (Statistics Canada website), Feb. 19, 2021.